



REPORT
of the General Inspector of Financial Information
on the implementation of the provisions of the *Act*
of 1 March 2018
on Counteracting Money Laundering and Financing
of Terrorism
in 2021

Warsaw, March 2022

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Abbreviations and acronyms:

ABW	Internal Security Agency
AML/CFT	anti-money laundering and counter-terrorism financing
OPS	Office of Payment Services
CAT	ABW Anti-Terrorist Centre
CBA	Central Anti-Corruption Bureau
CBŚP	Central Investigation Bureau of the Police
CIFG	Counter-ISIS Finance Group
COP	Conference of the Parties to the CETS 198, i.e. the Conference of the States Parties to the Warsaw Convention (the body established under Article 48 of the Council of Europe Convention of 16 May 2005 on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, that stipulates the creation of a monitoring mechanism to ensure the application of its provisions)
Dz. U.	Journal of Laws of the Republic of Poland
OJ	Official Journal of the European Union (OJ of the EU)
EAG	Eurasian Group on Combating Money Laundering and Financing of Terrorism (the organisation established in 2004, being a FATF-style regional body and a FATF affiliate member)
EBA	European Banking Authority
EGMLTF	Expert Group on Money Laundering and Terrorist Financing, operating by the European Commission
EIOPA	European Insurance and Occupational Pensions Authority
ESMA	European Securities and Markets Authority
FATF	Financial Action Task Force, established in 1989 during the G-7 Summit in Paris, dealing with the analysis and assessment of threats related to money laundering and financing of terrorism, in particular in the context of 40 recommendations it has issued, defining the international standards concerning the counteracting of money laundering and financing of terrorism and proliferation)
GIFI	General Inspector of Financial Information
GPW S.A.	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
GUS	Statistics Poland
IAS	Revenue Administration Regional Office
ITMCFM	International Training and Methodology Centre for Financial Monitoring
FIU	Financial Intelligence Unit – in accordance with FATF Recommendation 29, a financial intelligence unit means “a national centre for the receipt and analysis of: (a) suspicious transaction reports; and (b) other information relevant to money laundering, associated predicate offences and terrorist

financing, and for the dissemination of the results of that analysis”, that “should have access on a timely basis to the financial, administrative and law enforcement information that it requires to undertake its functions properly”)

KAS	National Revenue Administration
KCIK	National Centre of Criminal Information
KDPW S.A.	National Depository of Securities (Krajowy Depozyt Papierów Wartościowych)
EC	European Commission
KGP	Police Headquarters
NPI	National Payment Institution
KNF	Polish Financial Supervision Authority
UKNF	Office of the Polish Financial Supervision Authority
ML/TF	money laundering/terrorism financing
SPI	Small Payment Institution
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (the body of the Council of Europe established in 1997 for the monitoring and assessment of the compliance of the MONEYVAL member states with basic international AML/CFT rules, as well as of the effectiveness of their implementation, being a FATF-style regional body and a FATF affiliate member)
ITTT	Inter-ministerial Team for Terrorist Threats (established by Ordinance No. 162 of the Prime Minister of 25 October 2006 as an auxiliary body of the Council of Ministers to ensure the interoperability of the governmental administration in detecting, preventing and counteracting terrorism)
NBP	National Bank of Poland
PKD	Polish Classification of Activities
RP	Republic of Poland
SAR	Suspicious Activity Report
SG	Border Guard
SKOK	Cooperative Savings and Credit Union
SKW	Military Counter-intelligence Service
STR	Suspicious Transaction Report
EU	European Union

1. INTRODUCTION



2021 was another year in which sanitary restrictions related to the COVID-19 pandemic were in force. The restrictions affected the manner and scope of implementation of the tasks of the authorities operating within the national system for counteracting money laundering and financing of terrorism, including the General Inspector of Financial Information (GIFI). Despite these difficulties, the GIFI continued to take steps to increase the effectiveness of its activities resulting, among others, in an increase in the number of main notifications to public prosecutor's offices concerning a suspicion of the offence referred to in Article 299 of the *Penal Code* (by approx. 37.3% compared to the previous year) as well as a significant increase in the number of blocked accounts and suspended transactions (by over 111.2% and approx. 56.3%, respectively, compared to the data for 2020).

A significant step towards a further increase in the effectiveness of the national system for counteracting money laundering and financing of terrorism was the adoption by the Council of Ministers of Resolution No. 50 on the adoption of a strategy for counteracting money laundering and financing of terrorism on 19 April 2021. The Annex to this Resolution, constituting the strategy for counteracting money laundering and financing of terrorism, includes a plan of actions to be implemented by the end of 2023, defined in accordance with the priorities described therein.

It is also worth noting the amendments introduced by way of the provisions of the *Act of 30 March 2021 on Counteracting Money Laundering and Financing of Terrorism and Certain Other Acts* (Journal of Laws of 2021, item 815) that were announced on 30 April 2021, and most of them entered into force on 15 May 2021. Their purpose was primarily to implement the provisions of *Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU* into the Polish legal system. The practical application of the provisions of this Act will certainly contribute to a better operation of the national system for counteracting money laundering and financing of terrorism.

One of the most important events that took place last year was the evaluation carried out by the evaluators of the MONEYVAL Committee as part of the 5th round of mutual evaluations of the effectiveness of counteracting money laundering and financing of terrorism in Poland. During a two-week visit to Poland, in May 2021, the evaluators met with representatives of law enforcement agencies, supervisory authorities, the GIFI and obligated institutions. Based on the information gathered during the evaluation, the evaluators developed a draft report that was subsequently subjected to consultations with representatives of the Polish authorities and in-depth discussions during the meeting organised in Strasbourg in October last year. In December 2021, the revised report was discussed during the meeting of the Working Group for Evaluation of the MONEYVAL Committee, and then, following revisions of some assessments, it was adopted during the plenary meeting of this Committee. The comments and observations contained in this report should contribute to further improvement in the Polish system for counteracting money laundering and financing of terrorism.

2. BASIC INFORMATION ON THE NATIONAL SYSTEM FOR COUNTERACTING MONEY LAUNDERING AND FINANCING OF TERRORISM

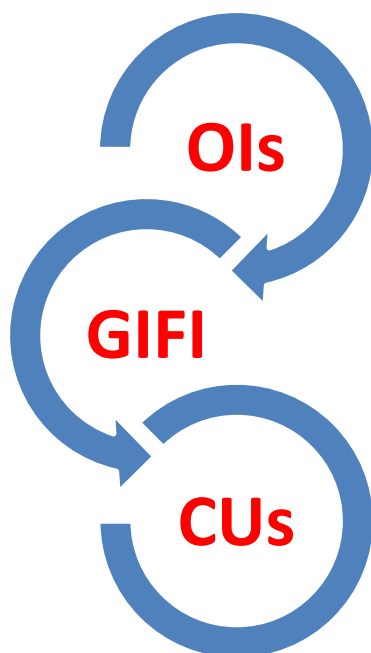
2.1. NATIONAL SYSTEM FOR COUNTERACTING MONEY LAUNDERING AND FINANCING OF TERRORISM

The Polish system for counteracting money laundering and financing of terrorism (hereinafter referred to as “AML/CFT system”) is based on the provisions of both the national law and the law of the European Union (EU). The principles and procedures regulating the operation of this system are governed primarily by the *Act of 1 March 2018 on Counteracting Money Laundering and Financing of Terrorism* (consolidated text: Journal of Laws of 2022, item 593), hereinafter referred to as the *AML/CFT Act* that specifies measures aimed directly at counteracting money laundering and financing of terrorism as well as the powers of cooperating bodies and units, characterizes obligated institutions, and regulates their obligations under the AML/CFT system.

The Polish system for counteracting money laundering and financing of terrorism includes:

- GIFI;
- obligated institutions (OI);
- cooperating units (CU).

Figure 1. Structure of the Polish AML/CFT system



Obligated institutions as well as the GIFI and its cooperating units interact with each other. The effectiveness of the operation of each element of the structure determines that of the others. On the one hand, activities carried out by obligated institutions directly affect the activities initiated by the GIFI that, in turn, affect the operation of the cooperating units (in particular law enforcement agencies or supervisory authorities). On the other hand, the effectiveness of the work of the cooperating units affects activities undertaken by the GIFI, which in turn is reflected in the scope of activities carried out by obligated institutions. Overall, the Polish system for counteracting money laundering and financing of terrorism may be described as a system of inter-connected vessels, in which the quality of the operation of each element is important for the operation of the other elements and the entire system.

Pursuant to the *AML/CFT Act*, the minister competent for public finance (as the supreme financial information authority) and the GIFI are the government administration bodies competent for counteracting money laundering and financing of terrorism.

Given the scope and nature of the tasks implemented by the GIFI, being the central element of the system, it has relatively the greatest impact on the operation of the entire system. It should be noted, however, that the stage of the development of this system, i.e. the legislative process related to the proper implementation of regulations provided for in the relevant directives, also has a significant impact on its operation. The GIFI performs its tasks with the support of the Financial Information Department in the Ministry of Finance. Since 2017, employment in this department has been systematically increasing. Human resources allocated to the implementation of tasks related to counteracting money laundering and financing of terrorism increased from 65 FTEs in 2017 to 89 in 2021.

The GIFI is appointed and dismissed by the Prime Minister at the request of the minister competent for public finance, following consultation with the minister – member of the Council of Ministers competent for the coordination of the operation of secret intelligence services, if appointed by the Prime Minister. The GIFI may be the Secretary or Undersecretary of State in the office supporting the minister competent for public finance. The scope of activities of the Secretary or Undersecretary of State stipulated in Article 37(2) of the *Act of 8 August 1996 on the Council of Ministers* (consolidated text: Journal of Laws of 2021, item 178, as amended) does not cover the tasks of the General Inspector of Financial Information performed pursuant to the provisions on counteracting money laundering and financing of terrorism. The term of office of the GIFI is 6 years.

The GIFI's tasks include taking action to counteract money laundering and financing of terrorism, in particular:

- analysing information related to assets suspected by the GIFI of being associated with money laundering or financing of terrorism;
- suspending transactions or blocking banks accounts;
- requesting submission of information on transactions and disclosure thereof;
- submission of information and documentation justifying the suspicion of committing a crime to competent authorities;
- exchange of information with the cooperating units;

- developing the national assessment of the risk of money laundering and financing of terrorism and strategies for counteracting such crimes in cooperation with the cooperating units and obligated institutions;
- exercising control over compliance with the provisions on counteracting money laundering and financing of terrorism;
- issuing decisions on entry into the list of persons and entities towards whom or which specific restrictive measures, involving freezing assets or refraining from making them available, in particular by not granting loans, consumer loans or mortgage loans, not making donations, not making payments for goods or services, are applied, or their delisting and keeping this list;
- cooperation with competent authorities in other countries, as well as foreign institutions and international organisations dealing with counteracting money laundering or financing of terrorism;
- exchange of information with foreign financial intelligence units, including running a contact point for the purposes of this exchange;
- imposing administrative penalties referred to in the *AML/CFT Act*;
- making knowledge and information relating to the provisions on counteracting money laundering and financing of terrorism available in the Public Information Bulletin, on the website of the office supporting the minister competent for public finance;
- processing information in accordance with the procedures specified in the Act;
- initiating other measures to counteract money laundering and financing of terrorism.

Obligated institutions are listed in Article 2(1) of the *AML/CFT Act*. They have been divided into 28 categories and include entities from both the financial and non-financial sector.

Obligated institutions have a relatively large number of duties that include, in particular, the identification and assessment of the risk of money laundering and financing of terrorism associated with business relationships established with customers or occasional transactions made by customers. Depending on this risk and its assessment, obligated institutions apply adequate customer due diligence measures to gain information on their customers and identify the purpose for which their customers use their services and products.

Obligated institutions notify the GIFI of any circumstances that may give rise to the suspicion of committing the crime of money laundering or financing of terrorism and of any justified suspicions that a given transaction or given assets may be related to money laundering or financing of terrorism.

Obligated institutions also provide the GIFI with information on the so-called above threshold transactions, i.e. ones whose value exceeds the equivalent to EUR 15 thousand and that involve:

- a cash payment into an account or a cash withdrawal from an account with a value of more than EUR 15,000;
- a transfer of funds (including a transfer from outside the territory of the Republic of Poland to a recipient for whom the obligated institution acts as payment service provider) with certain exemptions as specified in the *AML/CFT Act*;

- a transaction of purchase or sale of a foreign currency;
- a notary deed as specified in the *AML/CFT Act*.

At the request of the GIFI, obligated institutions block bank accounts and suspend transactions as well as submit or make available information and documents held. They may also suspend a transaction or block a bank account based on a relevant decision of a prosecutor.

To counteract terrorism and financing of terrorism, obligated institutions also implement specific restrictive measures against the persons and entities entered in the lists published in the Public Information Bulletin, on the website of the minister competent for public finance.

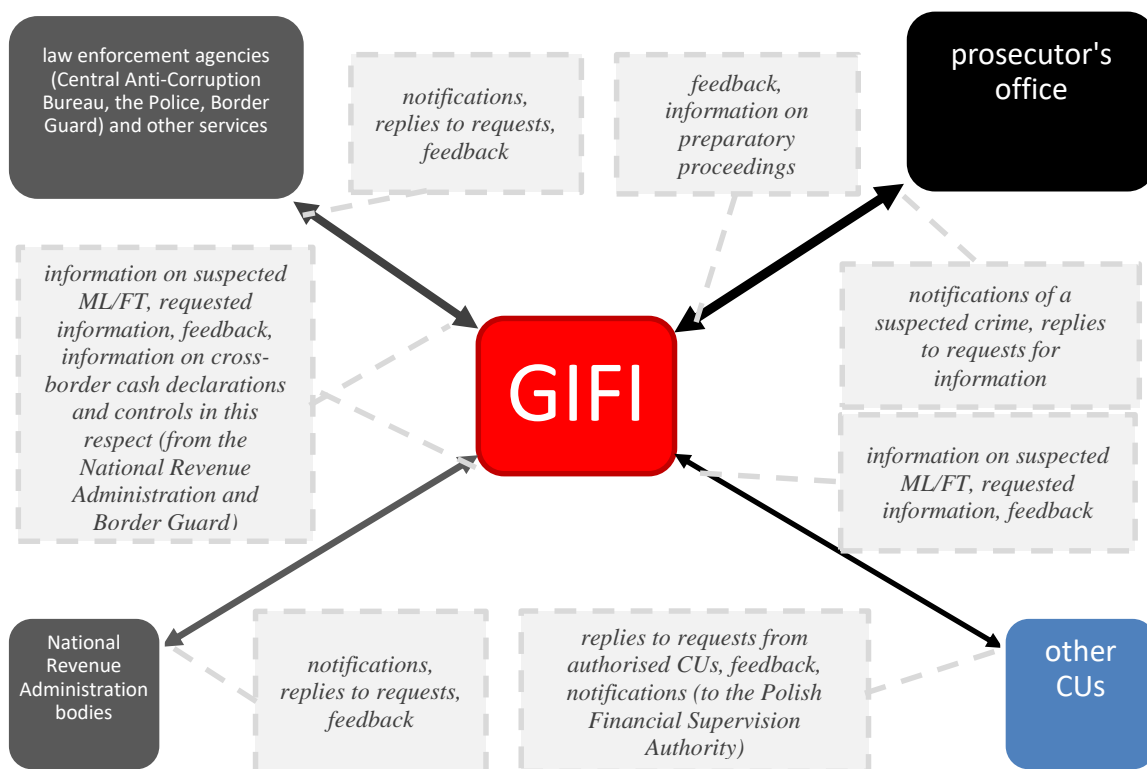
The GIFI is authorised to exercise control over obligated institutions to verify how they perform their duties in the area of counteracting money laundering and financing of terrorism. Control over obligated institutions is exercised also, within their competence, by the following entities in accordance with the rules laid down in other provisions:

- the President of the National Bank of Poland [over entities running currency exchange offices (bureaux de change)];
- the KNF (over institutions under its supervision);
- the National Cooperative Savings and Credit Union (over cooperative savings and credit unions);
- presidents of the courts of appeal (over notaries);
- heads of the customs and tax control offices (over all obligated institutions);
- voivodes or district governors (over associations);
- competent ministers or districts governors (over foundations).

The cooperating units are bodies of the governmental administration, bodies of the local governmental units and other state organisational units, as well as the National Bank of Poland, the Polish Financial Supervision Authority and the Supreme Audit Office.

Like obligated institutions, they immediately notify the GIFI of a suspicion of committing a crime of money laundering or financing of terrorism. At the request of the GIFI, they also submit or make available, within their statutory competence, information and documents held. Furthermore, the Border Guard and the heads of customs and tax control offices provided the GIFI with data from declarations regarding cash carried across EU borders. However, since June 2021, data from declarations is entered directly in the pan-European Customs Information System (CIS) to which the GIFI has been enabled access.

Figure 2. Structure of the information flow between the GIFI and the cooperating units



The GIFI verifies suspicions of money laundering or financing of terrorism contained in the reports and notifications based on the information received from obligated institutions, cooperating units and foreign FIUs. In the case of a justified suspicion of money laundering or financing of terrorism, the GIFI notifies the competent prosecutor that initiates, in cooperation with law enforcement agencies, steps to verify information obtained from the GIFI, collect evidence, and bring an indictment against the suspects.

Following the receipt of such notification, the prosecutor is obliged to notify the GIFI about:

- issuing a decision to block a bank account or suspend a transaction;
- suspension of proceedings;
- reopening of suspended proceedings;
- issuing a decision to present offence charges.

Furthermore, prosecutors are obliged to notify the GIFI of issuing a decision to block a bank account or suspend a transaction, initiation of proceedings, presenting charges, bringing an indictment, and other matters related to a crime of money laundering or financing of terrorism.

On the other hand, on written request, the GIFI submits the collected information or documents to courts and prosecutor's offices for the purposes of criminal proceedings. At the written and justified request of other cooperating units specified in the [AML/CFT Act](#), it also makes available information held in so far as required for the purpose of their statutory tasks.

Should reasons occur to suspect that a crime or a fiscal offence has been committed, excluding a crime of money laundering or financing of terrorism, the GIFI submits to the competent authorities (i.e. law enforcement agencies, special services or the Head of the KAS) any information that justifies the suspicion to enable them to take steps within their statutory tasks. Furthermore, if the GIFI suspects for justified reasons that the provisions on the operation of the financial market have been violated, it submits the information justifying the suspicion to the KNF.

Due to the international nature of crimes of money laundering and financing of terrorism, the GIFI exchanges information with foreign FIUs.

At the justified request of a foreign FIU, the GIFI may allow to transfer information it has made available to other authorities or foreign FIUs or to use this information for any purpose other than the tasks of financial intelligence units. Similarly, the GIFI may also request a foreign FIU to allow the GIFI to share the information provided by this FIU with courts, prosecutors and other cooperating units, other foreign FIUs, or to use this information for purposes other than the performance of its tasks.

Furthermore, the GIFI may request an obligated institution to suspend a transaction or block a bank account at the justified request of a foreign FIU “that allows for lending credence to the suspicion of a crime of money laundering or financing of terrorism”.

Summing up, the assessment of the effectiveness of the function to be fulfilled by the system for counteracting money laundering and financing of terrorism is complex and requires linking with the nature of particular solutions provided for in the Act and their dependence on the regulations contained in the remainder of the legal system. The system for counteracting money laundering and financing of terrorism affects many areas related to running a business and the operation of corporate entities, establishing business relationships and concluding transactions. However, its main purpose is still to prevent the use of the financial system for money laundering or financing of terrorism.

The performance of specific obligations under the *AML/CFT Act* by obligated institutions and persons acting for them or on their behalf, as well as by other persons, is subject to both administrative and criminal sanctions. Administrative regulations are designed to protect legal interest, which is also protected by criminal law regulations. The provisions of the Act mitigate the risk of money laundering (Article 299 of the Penal Code). However, specifying obligations only on an administrative basis would be insufficient to adequately counteract money laundering, therefore the criminalisation of money laundering is justified and its necessity enshrined also in international agreements (e.g. the Vienna Convention, the Palermo Convention). Administrative and criminal law regulations in the field of money laundering remain in a complex relationship to each other.

In the light of the above, attention should be paid to the importance of cooperation between authorities and cooperating units, which determines the effectiveness of the system for counteracting money laundering and financing of terrorism as a whole in both administrative and criminal aspects.

The development of legal solutions applied in the system for counteracting money laundering and financing of terrorism in accordance with a risk-based approach should be emphasised. The foregoing stems from the transposition into the Polish legal system of *Directive (EU) 2015/849*

of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (OJ L 141 of 05.06.2015, p. 73). FATF Recommendation 1 should also be noted, according to which: “Countries should identify, assess, and understand the money laundering and terrorist financing risks for the country, and should take action, including designating an authority or mechanism to coordinate actions to assess risks, and apply resources, aimed at ensuring the risks are mitigated effectively. Based on that assessment, countries should apply a risk-based approach (RBA) to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified. This approach should be an essential foundation to efficient allocation of resources across the anti-money laundering and countering the financing of terrorism (AML/CFT) regime and the implementation of risk-based measures throughout the FATF Recommendations. Where countries identify higher risks, they should ensure that their AML/CFT regime adequately addresses such risks. Where countries identify lower risks, they may decide to allow simplified measures for some of the FATF Recommendations under certain conditions. Countries should require financial institutions and designated non-financial businesses and professions (DNFBPs) to identify, assess and take effective action to mitigate their money laundering, terrorist financing and proliferation financing risks”.

For the system to operate effectively, it is essential to ensure appropriate actions regarding the correct risk assessment and to take effective customer due diligence measures against money laundering and financing of terrorism. The correctness of actions taken in this regard by obligated institutions that, when properly performing their obligations under the Act, clearly contribute to the effectiveness of the entire system, is of particular importance. In order to ensure the accomplishment of the goal for which the system has been created, appropriate cooperation between the authorities and cooperating units that control the activities of obligated institutions is also necessary, which is related to the adequacy of the application of sanctions that will effectively lead to appropriate actions taken by obligated institutions.

Therefore, the entire system acts as a specific organism in which the effectiveness of its particular elements should be maintained to ensure the effectiveness of its operation as a whole, which also requires cooperation and the provision of timely information to ensure the effectiveness and inevitability of actions taken also by supervisory authorities with respect to obligated institutions. The above will, in turn, enable the proper performance of their tasks by those authorities that are to supervise the proper operation of the system by, among others, application of relevant legal measures that determine its effectiveness.

Correct fulfillment of the obligations arising from the Act depends on an appropriate understanding of the regulations. Therefore, an important role in terms of the correctness of actions undertaken by obligated institutions is played by the performance of the task imposed on the GIFI with respect to the ongoing sharing of knowledge in the area of provisions on counteracting money laundering and financing of terrorism. This task is carried out through training and publishing communications in the Public Information Bulletin on the website of the office supporting the minister competent for public finance. Powers and responsibilities relating to sharing knowledge and information are also carried out through the development of a national assessment of the risk of money laundering and financing of terrorism as well as strategies for counteracting these crimes in cooperation with cooperating units and obligated institutions.

Therefore, it is obvious that the appropriate level of knowledge in the area of regulations relating to counteracting money laundering and financing of terrorism translates into a higher quality of fulfillment of their obligations by obligated institutions, which in turn enhances the effectiveness of the entire system.

Effective sharing of knowledge in the area of regulations relating to counteracting money laundering and financing of terrorism is a preventive action that may result in mitigating sanctions against obligated institutions.

The legislative process has a significant impact on the effective operation of the system for counteracting money laundering and financing of terrorism. Its purpose is to introduce such provisions that will ensure the consistent operation of the system as a whole. The correct implementation into the Polish legal system of principles and rules aimed at preventing the use of the financial system and the non-financial system for money laundering and financing of terrorism is important both at the stage of law enactment and at the stage introducing major changes to its operation.

Due to the opportunity to exchange information with foreign financial intelligence units, counteracting money laundering and financing of terrorism takes on an international dimension.

The shape and operation of the national system for counteracting money laundering and financing of terrorism are highly affected by international regulations, which is reflected, for example, in the transposition of relevant EU directives or FATF recommendations to the Polish legal system. The international regulations transposed require effective implementation through supporting activities, e.g. those implemented by the Egmont group associating financial intelligence units and serving as an exchange forum for these units.

2.2. INFORMATION ON CATEGORIES OF OBLIGATED INSTITUTIONS

In accordance with the Act on Counteracting Money Laundering and Financing of Terrorism, there are 28 categories of obligated institutions that include entities operating on the financial market and a numerous group of entities operating outside this market.

2.2.1. ENTITIES OPERATING IN THE FINANCIAL MARKET

The description of the categories of entities operating in the financial market has been drawn up based on information obtained by the GIFI under Article 14(4) of the *AML/CFT Act* from the KNF¹, the National Cooperative Savings and Credit Union and the NBP, concerning the categories of entities they supervise.

Banking sector

By the end of December 2021, banking activity was carried out by 577 entities² (30 commercial banks, 511 cooperative banks and 36 branches of credit institutions). The banking sector had a network of 11,800 outlets (5,211 branches, 2,587 affiliated branches and agencies, and 2,993 representative offices). The banks employed approx. 143 thousand people. The changes in the structure of the banking sector were largely due to the COVID-19 pandemic prevailing since

¹ The information presented has been selected from a broader description of the financial market sectors provided by the Polish Financial Supervision Authority.

² Own data of the Polish Financial Supervision Authority as at 24 March 2022

the beginning of 2020 (2 years), that affected the total number of operating bank branches and the number of employees in the sector – the banks continued efforts to increase operational efficiency by optimising employment and the sales network, as a result of which the number of employees in the banking sector decreased by approx. 6 thousand, i.e. from 149 thousand people (as at the end of December 2020) to approx. 143 thousand people (as at the end of December 2021). Between the end of 2020 and the end of 2021, the number of branches decreased from 5,551 to 5,211, that of affiliated branches from 2,901 to 2,587, while the number of representative offices decreased from 3,305 to 2,993.

The value of the capital base amounted to PLN 218 billion at the end of December 2021, while the total amount of exposure to risk was PLN 1,134 billion. The Tier 1 capital ratio was approx. 17.26% and the total capital ratio was approx. 19.23%. At the end of 2020, these ratios were approx. 18.47% and approx. 20.67%, respectively.

The situation in terms of short-term and long-term liquidity in commercial banks remained good. All commercial banks met both the applicable LCR³ and NSFR⁴ standards in 100%. At the end of 2021, the average LCR of commercial banks (excluding affiliating banks) was 176%, and the NSFR was 146%.

Net financial profit as at the end of December 2021 was approx. PLN 8.9 billion. This was a significant recovery compared to the previous year, when at the end of December 2020, the sector recorded a loss of approx. PLN 0.3 billion. This improvement was mainly due to lower write-offs and provisions (a decrease by approx. PLN 5.4 billion y/y) and higher commission income (approx. PLN 2.3 billion) as well as other operating income (approx. PLN 3.9 billion). Lower interest income (approx. PLN -5.6 billion) was largely offset by lower interest expenses (approx. PLN -5.0 billion).

At the end of December 2021, 25 banks (9 commercial and 16 cooperative ones) reported a total loss of PLN 4.0 billion. These banks had an approx. 16% share in the assets of the commercial and cooperative banking sector. The remaining banks in the sector recorded total profit of PLN 13.5 billion.

As for branches of credit institutions, 11 entities reported a total loss of approx. PLN 1.5 billion. Their assets accounted for 19.1% of the assets of all branches of credit institutions. The total profit of entities that recorded profit at the end of the year was approx. PLN 0.9 billion.

The observed changes had a multidirectional impact on the 2021 performance indicators. Both the cost to income ratio, as well as the provision and write-off to income ratios decreased compared to December 2020 (approx. 58.8%). In the case of C/I⁵, it was a decrease from approx. 63.4% to approx. 58.8%, and in the case of R/I⁶ – from approx. 30.4% to approx. 19.6%. The net interest margin fell from approx. 2.26% to approx. 2.07%. Return on equity (ROE⁷) and return on assets (ROA⁸) were higher than the year before and amounted to approx. 4.35% (increase from -0.08%) and approx. 0.36% (increase from -0.01%), respectively.

³ liquidity coverage ratio

⁴ net stable funding ratio

⁵ cost/income ratio

⁶ write-off/provision ratio

⁷ return on equity

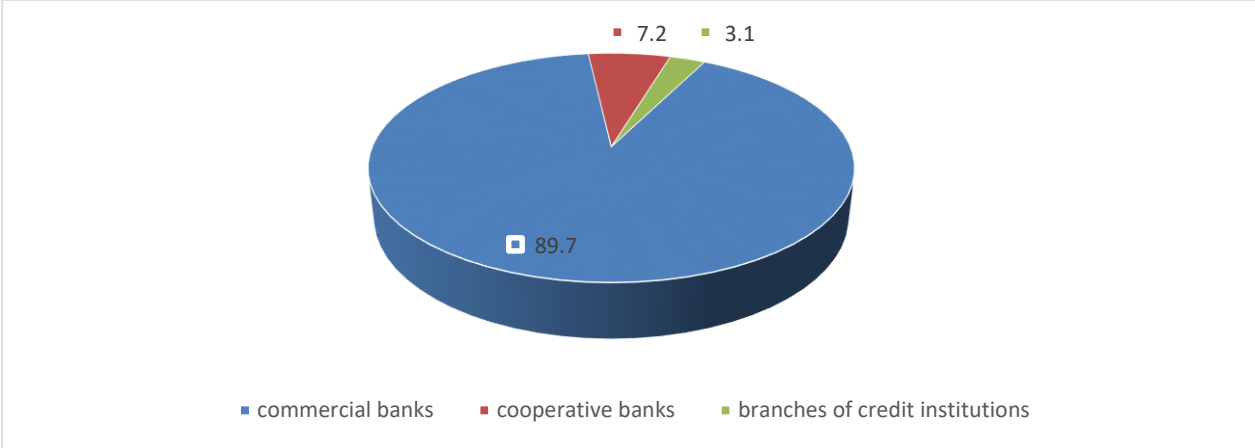
⁸ return on assets

The growth rate of the banking sector balance in the 4th quarter of 2021 was high – the assets increased y/y by approx. 9.5% to PLN 2,572.5 billion. In the structure of the assets, the main items included loans and advances (56%, PLN 1,452.7 billion). Debt instruments accounted for 29% of the assets (PLN 740.6 billion), while other receivables – for 15% (PLN 379.2 billion). As for liabilities, the main items included deposits (73%, PLN 1,870.4 billion), own issues (approx. 8.6%, PLN 220 billion) and equity (approx. 7.9%, PLN 202 billion).

Concentration of the banking sector is moderate, with an upward trend in the last 5 years. At the end of 2021, the assets of the five largest banks accounted for approx. 56.7% of the sector’s assets (compared to only approx. 47.9% at the end of December 2017).

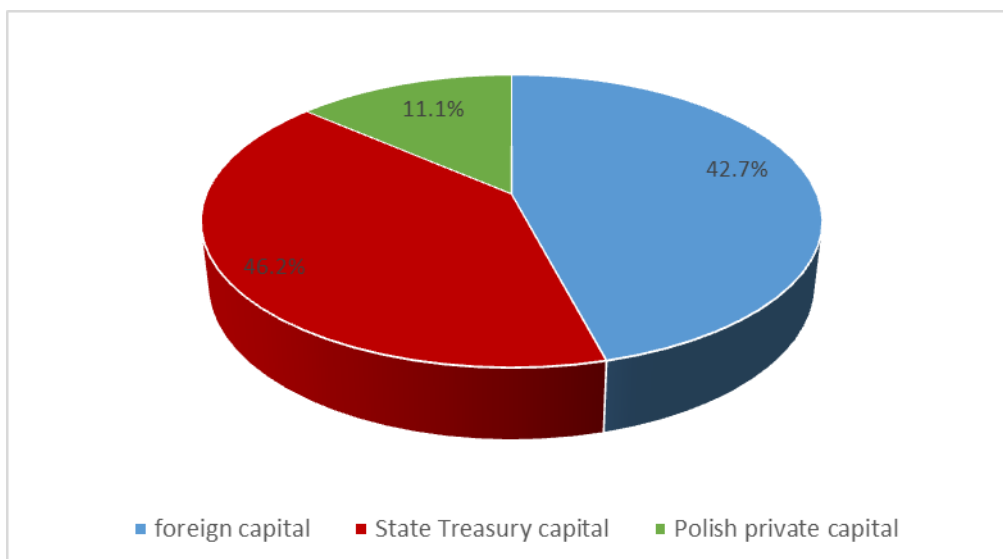
The stability of the banking sector is crucial for the stability of the entire financial system. At the end of December 2021, assets of the banking sector amounted to PLN 2,572.5 billion (an increase y/y by approx. 9.5%), which accounted for approx. 101.2% of GDP in the last 4 quarters. Approximately 89.7% of the sector’s assets are managed by commercial banks, the share of cooperative banks in banking assets is approx. 7.2%, and that of branches of credit institutions is approx. 3.1%.

Chart 1. Banking sector structure in 2021 by share of particular entities in the total value of its assets



In the breakdown by dominant entities, approx. 46.2% of the banking sector assets are controlled by the State Treasury, approx. 42.7% by foreign capital, and only 11.1% of the assets are controlled by Polish private capital.

Chart 2. Structure of the banking sector by the origin of capital in 2021



Current challenges facing the banking sector:

- 1) In 2021, a dynamic growth in the number of lawsuits brought by customers with foreign currency loans and the establishment of further provisions related to these lawsuits was recorded. An increase in the provisions significantly reduces the profitability of this part of the sector that is highly exposed to foreign currency loans.
- 2) Global rise in inflation. A higher price growth rate prompts central banks to tighten monetary policy, which may lead to sell-offs in the markets, appreciation of currencies considered safe, and a higher cost of financing the economy. The so far increases in interest rates in Poland have not had a negative impact on the quality of assets, while increasing the net interest income. However, the growing interest costs of bank customers may lead to problems with timely payment of some liabilities, especially given the significant share of loans with variable interest rates.
- 3) The war in Ukraine⁹, the political and economic situation and sanctions imposed by the EU and other countries on the Russian Federation. Factors related to the foregoing may weaken economic growth and increase the prices of energy commodities and food, which may additionally increase current inflation. This may extend and strengthen the monetary policy tightening cycle, and thus increase the costs of service of corporate and household debt, which may make banks establish additional provisions.
- 4) Unstable economic and social environment related to the ongoing COVID-19 pandemic.

Cooperative banks

Cooperative banks offer a relatively simple range of bank services and products. As at 31 December 2021, there were 511 cooperative banks and 2 affiliating banks. BPS SA and SGB-Bank SA. Cooperative banks operated two systems of institutional protection covering 500 cooperative banks and both affiliating banks, 11 banks operated unassociated and unprotected.

⁹ The development of the situation in Ukraine and the EU actions in this area do not allow for precise determination of further challenges facing the banking sector at the moment.

Compared to the situation as at 31 December 2020, the number of cooperative banks decreased by 19 as a result of mergers. In 2021, the assets of cooperative banks increased by approx. 10.66%, i.e. by PLN 17.8 billion, to PLN 185 billion.

The assets of the affiliating banks decreased by 5.68%, i.e. by PLN 3.08 billion, to PLN 51.06 billion. The main type of risk faced by cooperative banks is credit risk. Cooperative banks are still primarily interested in financing business activities (of enterprises, individual entrepreneurs and farmers). Such a loan structure is undoubtedly affected by the tradition of cooperative banks – they were established primarily to finance the activities of farmers and craftsmen.

In 2021, the share of receivables at risk in receivables from the non-financial sector slightly decreased and amounted to approx. 8.97% (compared to approx. 9.51% as at the end of 2020). The level of provisioning off receivables from the non-financial sector increased from approx. 47.35% to approx. 49.18%. Traditionally, cooperative banks collect deposits mainly from private individuals.

In 2021, the own funds of cooperative banks increased by 1.3%, i.e. to PLN 13.2 billion. The total capital ratio (TCR¹⁰) of cooperative banks amounted to approx. 18.54% (compared to approx. 18.93% as at 31 December 2020), while Tier1¹¹ was 18%, compared to approx. 18.30% at the end of 2020. The decrease in capital ratios was caused by the higher rate of growth of risk exposure relative to the increase in the own funds of cooperative banks. As at 31 December 2021, all cooperative banks met the minimum regulatory requirements for the total capital ratio (set at approx. 10.5%). As at the end of 2021, the own funds of the affiliating banks were lower by approx. 1.11% than at the end of 2020 and amounted to approx. PLN 2.05 billion. Tier1 capital accounted for approx. 76.62% of own funds (approx. 71.9% as at the end of 2020). The capital ratios of both affiliating banks increased.

The cooperative sector, excluding the affiliating banks, has a fairly stable share in the banking market, amounting to approx. 7.2% of total assets. Deposits account for approx. 9.03%.

Cooperative savings and credit unions

In accordance with Article 3 of the *Act of 5 November 2009 on Cooperative Savings and Credit Unions* (consolidated text: Journal of Laws of 2021, item 1844, as amended), the objective of cooperative savings and credit unions (hereinafter referred to as SKOKs) is to collect cash only from its members, grant loans and credits to them, carry out financial settlements on their behalf and act as an intermediary in concluding insurance agreements.

Pursuant to Article 130(2)(1)(c) of the *AML/CFT Act*, read together with Article 63(1) of the *Act of 5 November 2009 on Cooperative Savings and Credit Unions*, the National Association of Cooperative Savings and Credit Unions exercises control over SKOKs.

The financial services provided by SKOKs are, to the extent specified above, analogous to the services provided by banks. By accepting deposits, providing loans and credits as well as offering financial settlements, SKOKs are an alternative to the banking sector system (however, assets of SKOKs account for only approx. 0.38% of the banking sector assets, which is less than in 2020).

¹⁰ Total capital ratio

¹¹ Core equity capital ratio

Along with banks, SKOKs are part of the financial sector that is of key importance for the state's economy. The financial sector, hence also SKOKs, due to the type of services provided, is exposed to risks related to money laundering and financing of terrorism.

As at the end of the 4th quarter of 2020, there were 22 active cooperative savings and credit unions and the National Association of Cooperative Savings and Credit Unions (23 entities in total). In 2021, the KNF authorised the merger of three SKOKs.

As at 31 December 2021, SKOKs recorded a total profit of PLN 17.28 million (as at the end of December 2020, 23 SKOKs operating at that time demonstrated a loss of PLN 4.33 million).

Compared to the end of 2020, own funds of SKOKs decreased by 6.21%, i.e. by PLN 63.19 million, and their amount shown as at the end of December 2021 was PLN 406.5 million. As at the end of December 2021, the solvency ratio of SKOKs was 4.35% and was lower than the 5% threshold required by law. Compared to the balance as at the end of 2020, assets held by SKOKs increased by 5.47%, i.e. by PLN 521.81 million, to PLN 10,054.1 million.

The gross loan and credit portfolio increased by approx. 4.89%, i.e. by PLN 351.14 million to PLN 7,535.6 million, while the value of deposits increased by 6.75%, i.e. by PLN 597.6 million to PLN 9,445.6 million.

The economic and financial situation of SKOKs varies. The operation of some SKOKs is secure, while the economic and financial situation of the others is difficult and requires remedial or restructuring measures. As at the end of December 2021, 10 SKOKs were obliged to implement a rehabilitation programme.

The sector of cooperative savings and credit unions is monitored and supervised by the KNF, whose activities are aimed at mitigating risks occurring in particular entities in the sector to ensure the security of deposits kept by these entities. Restructuring activities may be supported, if approved by the European Commission, with public funds. In 2020, there was no need to mobilise such funds.

Payment institution sector

The sector includes national payment institutions (NPI), small payment institutions (SPI) and offices of payment services (OPS). These entities are authorised to render payment services, but they differ significantly in terms of, among other things, the scope of the authorised services, geographical territory, the legal form, license obligations, and capital requirements. Supervisory activities undertaken by the KNF with respect to NPI include, in particular, verification of standard statutory reporting, analysis of the achieved financial results in terms of their compliance with the financial plans presented at the licensing process stage, and examination of the compliance of the operation of NPI with the applicable national and Community regulations.

The KNF supervises, among others, national payment institutions (hereinafter: NPI), small payment institutions (hereinafter: SPI), providers of account data access services, domestic electronic money institutions, and offices of payment services (hereinafter: OPS). These entities are entitled to provide payment services, however, there are significant differences between them, for example, in terms of the range of services authorised to be provided, territorial range, legal form, requirements necessary to be authorised to conduct such activity, and capital requirements.

Supervisory activities undertaken by the KNF with respect to NPI include, in particular, verification of standard statutory reporting, analysis of the achieved financial results in terms of their compliance with the financial plans presented at the licensing process stage, and examination of the compliance of the operation of NPI with the applicable national and Community regulations.

As at 31 December 2021, relevant registers included 40 domestic payment institutions, 117 small payment institutions, 11 providers rendering only the bank account data access service, 1 domestic electronic money institution, and 1,262 offices of payments services. As of the end of 2021, the own funds of domestic payment institutions amounted to PLN 677 million. Throughout 2021, according to the reports submitted to the KNF by the DPIs, the latter executed 2.72 billion payment transactions for a total of PLN 335.81 billion. In the same period, the SPIs executed 12.61 million transactions totaling PLN 1.74 billion. To compare, Krajowa Izba Rozliczeniowa S.A. (Polish National Clearing House) executed 2.12 billion payment orders in the amount of approx. PLN 6.8 billion, whereby part of the transactions executed by the DPIs were processed in other settlement systems, e.g. Express Elixir, Euro Elixir and BlueCash. It should also be noted that in the case of the number of transactions executed within the domestic payment institutions sector, their total number was greater than the number of transactions in Eliksir – the above applies to the number of low-value transactions.

Life insurance sector

As at the end of 2021, insurance class I (life insurance) was composed of 25 insurance companies authorised to carry out insurance activity. All of them carried out operating activities.

Life insurance companies operated approx. 11.90 million insurance agreements. In the revenue structure of insurance companies, gross premium written prevailed. During the four quarters of 2021, in the life insurance class, its total amount was PLN 22.13 billion and accounted for 31.97% of the total gross premium written of the entire insurance sector.

As at the end of the 4th quarter 2021, the structure of direct insurance in class I was dominated by life insurance (group 1), accounting for 40.98% of the gross premium written. Supplemental accident and sickness insurance (group 5), accounting for 32.05% of the gross premium written, came second, followed by group 3 insurance (life insurance, if related to an insurance capital fund, as well as life insurance where compensation from the insurance company is determined based on specific indices or other base values), accounting for 25.76% the total premium of the class.

The net profit of class I insurance companies was PLN 1.63 billion, while their income tax was PLN 0.41 billion.

As at the end of the 4th quarter of 2021, the total amount of life insurance companies' assets was approx. PLN 91.53 billion.

As at the end of the 4th quarter of 2021, life insurance companies had equity of PLN approx. PLN 10.36 billion, which accounted for 11.32% of the assets.

As at the end of the 4th quarter of 2021, the solvency of insurance companies was at a high, secure level – all the class I insurance companies demonstrated covering the solvency ratios (understood as the minimum from the amount of eligible own funds to the capital solvency requirement and eligible basic own funds to the minimum capital requirement), including 18 class I insurance companies with solvency ratios above 175%. For class I, the following factors had the greatest impact on the extent of the capital solvency requirement: customer churn risk, mortality risk, catastrophic risk in life insurance and the risk of expenses in life insurance (as part of actuarial risk in life insurance) as well as asset concentration risk, stock price risk, interest rate risk, and credit spread risk (within market risk).

Capital sector

Brokerage houses and offices

The *Act of 29 July 2005 on Trading in Financial Instruments* (consolidated text: Journal of Laws of 2021, item 328, as amended) is the primary legal act regulating the operation of brokerage houses and offices in the territory of Poland.

Brokerage activities involve, among others, accepting and transferring orders for buying or selling financial instruments, buying or selling securities on one's account, managing portfolios consisting of one or more financial instruments, investment advisory, offering financial instruments, and rendering services under agreements on investment and services sub-issuances. Brokerage activities may be carried by an investment firm being a brokerage house or a bank carrying out brokerage activities. Brokerage houses may carry out brokerage activities in the form of a joint stock company, a limited joint-stock partnership, a limited-liability company, a limited partnership, a partnership or a general partnership. An entity that intends to carry out brokerage activities must obtain a permit from the Polish Financial Supervision Authority.

As at the end of 2021, permits for carrying out brokerage activities were held by:

- 36 brokerage houses and 9 banks in different respects provided for in Article 69(2) and (4) of the *Act of 29 July 2005 on Trading in Financial Instruments*;
- 11 trustee banks;
- 1 commodity brokerage house (activities provided for in Article 38(2) of the *Act of 26 October 2000 on Commodity Exchanges* (consolidated text: Journal of Laws of 2022, item 170).

Table 1. Numbers of entities, by category, carrying out brokerage activities in 2018 – 2021

Type of entity	2018	2019	2020	2021 ¹²
Brokerage houses	40	37	36	36
Commodity brokerage houses	1	1	1	1
Banks offering brokerage services	9	9	9	9

¹² The numbers of particular types of entities conducting brokerage activities are the same as in the previous year.

Trustee banks	12	12	11	11
TOTAL	62	59	57	57

As part of brokerage activities, investment companies carry out activities involving, in particular:

- accepting and transferring orders for buying or selling financial instruments;
- implementing the orders referred to above on the account of the ordering party;
- buying or selling securities on one's account;
- managing portfolios consisting of one or more financial instruments;
- investment advisory;
- offering financial instruments;
- executing other agreements of a similar nature, as long as they relate to financial instruments.

Investment companies differ in terms of the scope of their brokerage licences. There are companies that perform one type of brokerage activity, as well as companies that offer a wide range of brokerage services.

Brokerage houses

As at 31 December 2021, brokerage activities were carried out by 36 brokerage houses varying in terms of the range of activities performed. Nineteen brokerage houses held financial instruments or cash of customers. These entities, as a rule, also perform a much wider range of activities, and therefore have greater opportunities to diversify the sources of revenue generation.

As at 31 December 2021, brokerage houses kept 789,481 financial instrument accounts on behalf of their customers (an increase by 27.04% compared to 2020), with a total value of financial instruments of PL 178,886,317,859.11 (an increase by 43.34% compared to 2020). The amount of customers' cash deposited on cash accounts was PLN 10,111,219,680.24 (an increase by 61.10% compared to 2020).

In 2021, 10 brokerage houses provided services involving the management of customers' assets. As at 31 December 2021, these entities managed customers' assets worth PLN 6,542,168,538.78 (an increase by 9.34% compared to 2020).

According to the data contained in their December monthly reports, the brokerage houses generated in 2021 net profit of PLN 393,025,114.79 (a decrease by 30.12% compared to 2020). As at 31 December 2021, the equity of the brokerage houses amounted to PLN 2,118,029,797.10 (an increase by 3.27% compared to 2020), and their total assets amounted to PLN 14,278,268,282.05 (an increase by 44.95% compared to 2020).

Commodity brokerage houses

The only commodity brokerage house authorised by the Polish Financial Supervision Authority notified in its December monthly financial statements¹³ that it would close 2021 with a net loss of PLN -1,478,984.14, and its equity as at 31 December 2021 was PLN 6,026,074.00.

Brokerage offices

As at 31 December 2021, brokerage offices kept for their customers 1,565,194 financial instrument accounts (an increase by 10.14% compared to 2020), with a total value of financial instruments of PLN 425,175,559,253.19 (an increase by 25% compared to 2020). The amount of customers' cash deposited on cash accounts used to handle financial instrument accounts was PLN 11,449,098,801.51 (an increase by 2.10% compared to 2020). By managing portfolios consisting of one or more financial instruments, brokerage offices managed customers' assets in the amount of PLN 1,809,390,793.13 (an increase by 55.06% compared to 2020).

Trustee banks

As at 31 December 2021, trustee banks operated 40,257 securities accounts (a decrease by 4.3% compared to 31 December 2020) with assets of PLN 862,934,873,600.00 (an increase by 24.22% compared to 31 December 2020).

Investment fund management companies (TFI)

The principles for establishing and operating investment fund management companies registered in the territory of the Republic of Poland are governed by the *Act of 27 May 2004 on Investment Funds and the Management of Alternative Investment Funds* (consolidated text: Journal of Laws of 2021, item 605, as amended).

An investment fund is a legal person whose sole activity consists in investing cash collected through public, and in the cases specified in the aforementioned act – also private, offering of purchase of investment units or investment certificates in securities, money market instruments, and other property rights specified in this act. An investment fund is managed by an investment fund management company.

As at 31 December 2021, there were 57 investment fund management companies authorised by the Polish Financial Supervision Authority, that managed assets in the total amount of PLN 401.21 billion. As at the end of 2021, the investment fund management companies managed 705 investment funds, including the funds in liquidation. The total number of investment funds comprised 45 open-ended investment funds, 69 specialist open-ended investment funds, and 591 closed-ended investment funds. As at 31 December 2021, the total value of their assets was PLN 345.70 billion. The value of the portfolios consisting of one or more financial instruments managed by the investment fund management companies was approx. PLN 55.51 billion.

¹³ The data included in the monthly financial statements are preliminary and are not subject to verification by a statutory auditor. The last audited annual financial statements of the commodity brokerage house concerned 2020. In 2020, this entity incurred a net loss of PLN -1,350,120.51, its equity was PLN 7,505,058.14, and its total assets amounted to PLN 8,096,143.35.

The value of assets deposited in the investment funds as at the end of December 2021 accounted for approx. 15% of GDP for 2020 and for approx. 26% of the capitalisation of the Stock Exchange as at the end of December 2021. It should also be noted that the total assets of the investment funds as at the end of 2021 were almost twice as high as the value of the net assets of open-ended pension funds as at the end of December 2021.

As at 31 December 2021, the total assets of investment fund management companies was PLN 2,997,498 thousand, of which 44% was cash in the amount of PLN 1,311,388 thousand. The total value of the equity of investment fund management companies as at the end of 2021 was PLN 2,265,679 thousand.

In the period from 1 January 2021 to 31 December 2021, the total net profit of investment fund management companies amounted to PLN 764,546 thousand. In 2021, investment fund management companies generated total revenue of PLN 3,634,684 thousand, which included mainly revenue from investment fund management of PLN 3,417,274 thousand.

The total costs incurred by investment fund management companies in 2021 amounted to PLN 2,636,194 thousand, 23% of which were variable distribution costs of PLN 602,488 thousand.

Entities running currency exchange offices (bureaux de change)¹⁴

Performing the tasks specified in the *Act of 27 July 2002 – Foreign Exchange Law* (consolidated text: Journal of Laws of 2022, item 309) and in the *AML/CFT Act*, the President of the NBP keeps a register of currency exchange offices and exercises control over currency exchange services, as well as supervises the fulfillment by the respective entrepreneurs of the obligations relating to counteracting money laundering and financing of terrorism. As at 31 December 2021, the register of currency exchange office operators included 2,394 entrepreneurs. As at 31 December 2021, currency exchange services were provided in 4,664 currency exchange offices, while in 335 ones the provision of these services was suspended.

Table 2. Value of foreign currencies bought and sold in currency exchange offices in the 4th quarter of 2020 and the 1st, 2nd and 3rd quarters of 2021 (in PLN million)

Period	Foreign currencies bought	Foreign currencies sold	Balance of turnover
4 th quarter of 2020	18.930	13.614	5.316
1 st quarter of 2021	16.679	9.575	7.104
2 nd quarter of 2021	17.295	13.454	3.842

¹⁴ Besides entrepreneurs running cryptocurrency exchange offices, banks and branches of credit institutions, currency exchange is conducted also by other entities that do it via the Internet. There are also entities providing services consisting in collecting and matching currency exchange orders from various customers and organising/enabling such exchange between them. Pursuant to Article 2(1)(11) of the *AML/CFT Act*, these are obligated institutions.

3 rd quarter of 2021	24.285	15.238	9.047
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In 2021, 590 controls were carried out at 523 currency exchange office operators. The controls covered 842 currency exchange offices. In the course of 100 controls in terms of counteracting money laundering and financing of terrorism, irregularities were found in 160 currency exchange offices run by 99 entrepreneurs. In 2021, 29 decisions on the imposition of administrative penalties were issued in connection with ascertaining non-compliance with the obligations arising from the *AML/CFT Act*. The total value of the fines imposed under the decisions issued in 2021 was PLN 223,500.

Other institutions

Besides the aforementioned obligated institutions (described based on information from the Polish Financial Supervision Authority, the National Cooperative Savings and Credit Union and the National Bank of Poland), there are also other obligated institutions operating in the financial market, i.e. lending institutions referred to in Article 2(1)(25) of the *AML/CFT Act*, as well as some financial institutions.

The provisions of Chapter 5a of the *Act of 12 May 2011 on Consumer Bank Loan* (consolidated text: Journal of Laws of 2022, item 246, as amended) set out conditions that must be fulfilled by a lending institutions to be permitted to operate. In accordance with Article 59aa(1) of this act, the lending institution may commence business activity following its entry into the register of lending institutions. The register of lending institutions has been kept by the KNF since 2017. According to information published on the KNF website (verified on 17 February 2021), the register listed 525 lending institutions¹⁵ compared to 509 ones in 2020.

As for the definitions of a financial institution, the *AML/CFT Act* refers to the provisions of the *Act of 29 August 1997 – Banking Law* (consolidated text: Journal of Laws of 2021, item 2439, as amended), which defines it in Article 4(1)(7) as “the financial institution mentioned in Article 4(1)(26) of Regulation No 575/2013”. The invoked provision of *Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012* (OJ L 176 27.6.2013, p. 1) stipulates that “«financial institution» means an undertaking other than an institution¹⁶, the principal activity of which is to acquire holdings or to pursue one or more of the activities listed in points 2 to 12 and point 15 of Annex I to *Directive 2013/36/EU*, including a financial holding company, a mixed financial holding company, a payment institution within the meaning of *Directive 2007/64/EC* of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market, and an asset management company, but excluding insurance holding companies and mixed-activity insurance holding companies”. Thus, factoring and leasing companies (with respect to financial leasing) and entities whose core business involves “consulting services for economic enterprises concerning their capital structure, industrial strategy and the related issues, as well as consulting and services related to

¹⁵ <https://rpkip.knf.gov.pl/index.html?type=RIP>, odczyt rejestru w dniu 26.02.2022r.

¹⁶ Defined in Article 4(1)(3) of Regulation 575/2013 as “a credit institution or an investment firm”.

mergers and acquisitions of economic enterprises” should be considered financial institutions that are not the obligated institutions specified in the *AML/CFT Act*¹⁷.

According to the Statistics Poland information¹⁸ of 14 January 2022 on entities entered in the National Official Business Register REGON, as at the end of 2021, the register listed 633 (compared to 642 in 2020) economic entities reporting economic activity involving financial leasing – Polish Classification of Activities (PKD) 64.91.Z. According to the above-mentioned Statistics Poland data, most companies in this industry were registered in the Mazowieckie Voivodship – 227 (compared to 225 in 2020).

Financial (capital, investment) leasing consists in the transfer by the financing party (lessor) of the right to use certain fixed assets (or the right to use and obtain benefits) to the user (lessee) for a definite period in exchange for appropriate fees (leasing installments). The ownership of the fixed asset may, but does not have to, be ultimately transferred to the lessee. This type of lease covers all or virtually all costs, including interest.

According to the Statistics Poland data contained in the quarterly report on national economy entities as at 31 December 2021, the National Official Business Register REGON (excluding natural persons running only private farms) included a total of 8,876 entities (compared to 9,034 in 2020) reporting the activity defined by the Polish Classification of Activities (PKD) code – 64.99Z, i.e. other financial service activities, except insurance and pension funding not elsewhere classified (this subclass includes, among others, factoring services)¹⁹.

Apart from the aforementioned financial institutions, the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A. – KDPW S.A.) and the company employed to carry out the activities referred to in Article 48(1)(1) of the *Act of 29 July 2005 on Trading in Financial Instruments* are also obligated institutions in so far as they keep securities accounts or omnibus accounts.

KDPW S.A. and KDPW_CCP, along with GPW S.A. and BondSpot S.A., are classified by the KNF as entities of the capital market infrastructure. KDPW S.A. is a central depository for securities and it is tasked, among others, with operating and supervising the securities registration system and the settlement system for transactions in financial instruments, as well as with supervising the compliance of the emission limit value with the number of securities on the market, handling corporate events, performing the obligations of issuers, and operating a mandatory compensation system. On the other hand, KDPW_CCP S.A. is a clearing house, owned by the KDPW in 100%.

¹⁷ Point 9 of Annex I to *Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC* (OJ L 176 27.6.2013, p. 338).

¹⁸<https://stat.gov.pl/obszary-tematyczne/podmioty-gospodarcze-wyniki-finansowe/zmiany-strukturalne-grup-podmiotow/kwartalna-informacja-o-podmiotach-gospodarki-narodowej-w-rejestrze-regon-rok-2021,7,9.html>, access on 2 March 2022

¹⁹<https://stat.gov.pl/obszary-tematyczne/podmioty-gospodarcze-wyniki-finansowe/zmiany-strukturalne-grup-podmiotow/kwartalna-informacja-o-podmiotach-gospodarki-narodowej-w-rejestrze-regon-rok-2021,7,9.html>, access on 2 March 2022

2.2.2. OTHER CATEGORIES OF OBLIGATED INSTITUTIONS

Obligated institutions exercising legal professions

Legal professions are professions of public trust that are pursued in the scope and manner described in specific provisions. They are usually regulated, i.e. they are subject to control by both the State and particular corporations. The exercise of a freelance profession requires high skills and knowledge.

In accordance with Article 1(1)-(2) of the *Polish Notary Public Act of 19 February 1991* (consolidated text: Journal of Laws of 2020, item 1192, as amended), a notary public acts within the scope of their powers as a person of public trust, taking advantage of the protection conferred on public officers, whereas notarial activities performed by the notary public in compliance with the law, take the form of an official document. The notary's tasks are to ensure the security and regularity of legal transactions (in accordance with Article 80(2) of the aforementioned act, in the course of their activities the notary public is obliged to ensure due protection of the rights and legitimate interests of parties and other individuals for whom this activity may cause legal effects). According to the National Notary Council data, as at 2 March 2022, the notary public profession was practiced by 3,644 individuals (compared to 3,689 in 2020)²⁰.

Pursuant to Article 2(1)(13) and (13a) of the *AML/CFT Act*, notaries are obligated institutions in so far as they perform their activities in the form of a notarial deed, including:

- transfer of the ownership of an asset, including sale, exchange or donation of a movable property or real estate;
- conclusion of an agreement on the division of inheritance, dissolution of co-ownership, life annuity, pension in exchange for the transfer of the ownership of real estate and on the distribution of jointly held assets;
- assignment of the cooperative member's ownership right to premises, perpetual usufruct right and the alleged promise of separate ownership of premises;
- in-kind contribution following a company establishment;
- conclusion of an agreement documenting a contribution or an increase in the contributions to a company or a contribution or an increase in the share capital;
- transformation or merger of companies;
- disposal of an enterprise;
- disposal of shares in a company;
- keeping a register of shareholders of simplified joint-stock companies and taking actions related thereto.

An attorney is a lawyer providing legal assistance in accordance with the *Act of 26 May 1982 – Law of the Bar* (consolidated text: Journal of Laws of 2020, item 1651, as amended). An

²⁰ <https://krn.org.pl>

Informacja na stronie z zakładki [Europejski Spis Notariuszy – wyszukiwarka](#), access on 3 March 2022

attorney is obliged to keep confidential any facts they may become aware of in the course of providing legal assistance. The professional confidentiality obligation does not apply to any information that is made available under the provisions on counteracting money laundering and financing of terrorism – to the extent defined therein.

According to information contained in the National Register of Attorneys and Attorney Trainees kept by the Polish Bar Association, as at 2 March 2022, there were 28,637 attorneys (compared to 19,930 in 2020) practicing their profession²¹ and 154 foreign lawyers providing legal assistance²² (compared to 86 ones practicing in 2020).

As for a legal adviser, this is a lawyer providing legal assistance in accordance with the *Act of 6 July 1982 on Legal Advisers* (consolidated text: Journal of Laws of 2020, item 75, as amended). In particular, legal advisers provide legal advice and consultation, prepare legal opinions and draft legal acts, as well as act as representatives or defenders before authorities and courts (including the Supreme Court, the Constitutional Court, the Supreme Administrative Court, the Court of Justice of the European Union and the European Court of Human Rights).

According to information contained in the search engine of legal advisers, made available by the National Chamber of Legal Advisers, as at 2 March 2022, there were 50,220 legal advisers²³ (compared to 48,714 in 2020).

Like legal advisers and foreign lawyers²⁴, attorneys are obligated institutions in so far as they provide customers with legal assistance or tax advisory in the area of:

- purchase or sale of real estate, an enterprise or an organised part of an enterprise;
- management of cash, financial instruments or other assets belonging to the customer;
- conclusion of agreements on keeping a bank account, a securities account or carrying out related activities;
- in-kind contribution to a capital company or increasing the share capital of a capital company;
- establishing, operating or managing capital companies or trusts.

Tax advisers and statutory auditors

Tax advisers practice their profession in accordance with the *Act of 5 July 1996 on Tax Advisory Services* (consolidated text: Journal of Laws of 2021, item 2117). In accordance with Article 2(1) of the aforementioned act, tax advisory services include:

- providing taxable persons, taxpayers and collectors, at their request or on their behalf, with advice, opinions and explanations concerning their tax and customs obligations and the administrative enforcement procedure in relation to these obligations;

²¹ <https://rejestradowokatow.pl/adwokat/wyszukaj>, access on 2 March 2022

²² <http://rejestradowokatow.pl/prawnikzagraniczny/ewidencja>, access on 2 March 2022

²³ [Rejestradowokatow.pl](https://rejestradowokatow.pl), access on 2 March 2022

²⁴ With the exception of legal advisers and foreign lawyers practicing under an employment relationship or serving in offices providing services to public administration bodies, other state or local government organisational units, and in entities other than companies referred to in Article 8(1) of the *Act of 6 July 1982 on Legal Advisers*.

- keeping, on behalf of and for the benefit of taxable persons, taxpayers and collectors, accounting records, tax books and other records for tax purposes, and providing them with respective assistance;
- drafting, on behalf of and for the benefit of taxable persons, taxpayers and collectors, accounting records, tax books and other records for tax purposes, tax returns and tax statements, or providing them with respective assistance;
- representing taxable persons, taxpayers and collectors in proceedings before public administration bodies and with respect to judicial review of decisions, rulings and other administrative acts in cases referred to in the first sub-paragraph.

The activities referred to in the first and last sub-paragraph may be carried out only by the entities indicated in the aforementioned act, i.e. natural persons entered in the list of tax advisers, attorneys and legal advisers, and in the case of the activities referred to in the first sub-paragraph – also statutory auditors. The following entities are also entitled to carry out the activities mentioned in the first and fourth sub-paragraph (provided that they carry out these activities exclusively through their employers referred to in the preceding sentence):

- professional organisations with legal personality, cooperatives, associations or chambers of commerce, as long as their statutory activities include also tax advisory services provided exclusively to their members;
- audit firms authorised to audit financial statements under other provisions;
- limited-liability companies or joint stock companies that meet the conditions listed in Article 4(1)(3) of the aforementioned act.

Professional tax advisory services are subject to statutory protection and they must not be carried out by unauthorised entities which are otherwise subject to a fine. The tax adviser is obliged to conclude a civil-liability insurance agreement for the tax services he or she renders.

Providing legal assistance or tax advisory services to customers, tax advisers are obligated institutions to the same extent as attorneys, legal advisers or foreign lawyers. Moreover, they are obligated institutions in so far as they provide tax advisory services other than those listed in Article 2(1)(14) of the *AML/CFT Act*.

As at 3 March 2022, there were 8,849 registered tax advisers (compared to 8,881 in 2020).²⁵

Statutory auditors practice their profession in accordance with the *Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision* (Journal of Laws of 2020, item 1415, as amended). Pursuant to Article 3(1), in the framework of their professional activity, statutory auditors conduct financial audits and provides attestation services other than financial audits, that are not reserved to be performed by statutory auditors, as well as related services. The statutory auditor may practice their profession as: a natural person conducting economic activity on their own behalf and on their own account or as a partner of an audit firm, or as a natural person under the employment relationship with an audit firm, or as a natural person (including a person conducting economic activity in any other scope than specified above) who has concluded a civil-law contract with an audit firm. In accordance with information from the

²⁵ <https://krdp.pl/doradcy.php>, access on 3 March 2022

register of statutory auditors kept by the National Council of Statutory Auditors – based on verification as at 3 March 2022, there were 5,204 statutory auditors²⁶ (compared to 5,374 in 2020) and 1,353 audit firms²⁷ (compared to 1,399 in 2020).

Entities operating games of chance, betting, card games and games on gaming machines

The operation of the gambling market is regulated by the *Gambling Act of 19 November 2009* (consolidated text: Journal of Laws of 2020, item 2094, as amended) and its implementing regulations. The provisions define “gambling” as games of chance, betting, card games and games on gaming machines.

Games of chance are games, including those arranged online, where the prize is either of a pecuniary or material nature, and whose result is primarily determined by chance. They include: numbers games, lotteries, telebingo, cylindrical games, dice games, cash bingo games, raffle bingo games, raffle lotteries, promotional lotteries, and audiotele lotteries.

Betting involves bets on pecuniary or material prizes, consisting in guessing the results of a sports competition between people or animals, in which participants pay stakes, and the amount of the prize depends on the total amount of the paid stakes –these are sweepstakes. Besides sweepstakes, betting includes also guessing the occurrence of various events, including virtual ones, in which participants pay stakes, and the amount won depends on the ratio of payment to the prize agreed between the host bet and the payer, i.e. bookmaking.

Games on gaming machines are games of chance that are played with the use of mechanical, electromechanical or electronic devices, including computer hardware, and games with rules corresponding to the rules of games on gaming machines arranged via the Internet, where the prizes are of a pecuniary or material nature, and where the game contains an element of chance.

Card games include black jack, poker and baccarat, if played for pecuniary or material prizes.

Operating numbers games, cash lotteries, telebingo games and games on gaming machines outside casinos and the organisation of online gambling (excluding betting and promotional lotteries) is subject to the state monopoly. The state monopoly is exercised by the minister competent for state assets, who establishes for this purpose, in consultation with the minister competent for public finance, single-person companies of the State Treasury.

The *Gambling Act of 19 November 2009* provides that the organisation of gambling requires – depending on the type of the game – a licence or a permit obtained from the minister competent for public finance or a permit obtained from the competent director of the Revenue Administration Regional Office (Izba Administracji Skarbowej – IAS).

As at 3 March 2022, there were 50 licences issued for operating casinos, specifying the location of each of the casinos²⁸. As at the same date, there were a total of 23 legal entities operating in the betting market²⁹ (compared to 20 in 2020) authorised by the Minister of Finance to organise betting. The permit of the Minister of Finance for organising betting in permanent outlets was held by 11 entities, while 23 entities held the permit of the Minister of Finance for organising

²⁶ Rejestr biegłych rewidentów | PIBR, access on 3 March 2022

²⁷ <https://strefa.pana.gov.pl/wyszukiwarka/>, access on 3 March 2022

²⁸ <https://www.podatki.gov.pl/pozostale-podatki/gry-hazardowe/kasyna-gry/>, access on 3 March 2022

²⁹ [Zakłady wzajemne i gry hazardowe przez Internet \(podatki.gov.pl\)](https://zaklady.wzajemne.i.gry.hazardowe.przez.internet.podatki.gov.pl), access on 3 March 2022

and operating online betting. There was one legal entity authorised to organise and conduct other types of gambling in the Internet, such as games on gaming machines, card games, cylindrical games, dice games (www.totalcasino.pl) and numbers games and cash lotteries (gry.lotto.pl).

The table below shows the amount of tax on gambling in 2020 – 2021.³⁰

Table 3. Tax on gambling by game type in 2020 and in 2021 (in PLN thousand)

Game type	2020	2021
Monopoly	1,182,820	1,449,122
<i>Numbers games</i>	765,614	822,035
<i>Cash lotteries</i>	219,420	282,638
<i>Games on gaming machines</i>	34,324	45,324
<i>E-casino</i>	163,462	349,125
Casinos	319,250	311,670
Mutual betting	873,660	1,275,171
Audiotele lotteries	9,549	13,129
Raffle lotteries	4	3
Total	2,375,730	3,049,095

Postal operators

In accordance with Article 3(12) of the *Act of 23 November 2012 – Postal Law* (consolidated text: Journal of Laws of 2020, item 1041, as amended), a postal operator is an economic operator authorised to perform postal activity based on an entry in the register of postal operators. The Postal Law also provides for the existence of a designated operator – a special type of postal operator obliged to provide postal services. In accordance with the decision of the President of the Office of Electronic Communications, from 1 January 2016 to 31 December 2025, Poczta Polska S.A. is the operator designated to provide universal postal services in the Republic of Poland.

According to information contained in the register of postal operators kept by the President of the Office of Electronic Communications, as at 3 March 2022, there were 304 postal operators³¹ (compared to 296 in 2020).

³⁰ <https://www.podatki.gov.pl/pozostale-podatki/gry-hazardowe/sprawozdawczosc/>, access on 3 March 2022

³¹ https://bip.uke.gov.pl/rop/rejestr-operatorow-pocztowych_, access on 3 March 2022

Foundations and associations

A foundation is a legal form of a non-governmental organisation in which capital allocated for a specific purpose plays an important role. In accordance with Article 1 of the *Act of 6 April 1984 on Foundations* (Journal of Laws of 2020, item 2167), “a foundation may be established to implement socially or economically useful objectives in line with the fundamental interests of the Republic of Poland, that include, in particular: health care, development of the economy and science, education and upbringing, culture and arts, social care and welfare, environmental protection and preservation of monuments”. Foundations may pursue several objectives at the same time.

According to the Statistics Poland data of 21 December 2021, there were 16 thousand foundations (data as at 31 December 2020).³²

Foundations are obligated institutions in so far as they accept or make cash payments with a value equal to or greater than the equivalent of EUR 10,000, regardless of whether the transaction is carried out as a single operation or several operations that appear to be related to each other.

An association is a basic organisational and legal form in which one of the most important citizen rights enshrined in the Constitution – i.e. the right to freedom of association and joint activities – is exercised. In accordance with Article 2(1) of the *Act of 7 April 1989 – Law on Associations* (consolidated text: Journal of Laws of 2020, item 2261), it is a “voluntary, self-governing, sustainable non-profit-making association”.

An association independently determines its objectives, action programmes and organisational structures and adopts internal acts concerning its activities, while its operations are based on the social work of its members. An association may employ staff, including its members, for the performance of its activities.

According to the Statistics Poland data of 21 December 2020, there were 66.8 thousand associations (data as at 31 December 2020).³³

Only those associations that have legal personality are obligated institutions in so far as they accept or make cash payments with a value equal to or greater than the equivalent of EUR 10,000, regardless of whether the transaction is carried out as a single operation or several operations that appear to be related to each other.

According to information obtained in accordance with Article 14(4) of the *AML/CFT Act* from district governors, governors of provinces and ministers, a total of 18 obligated institutions were identified (as at 31 December 2021)³⁴. Among the obligated institutions supervised by the

³²<https://stat.gov.pl/obszary-tematyczne/gospodarka-spoeczna-wolontariat/gospodarka-spoeczna-trzeci-sektor/dzialalnosc-stowarzyszen-i-podobnych-organizacji-spoecznych-fundacji-spoecznych-podmiotow-wyznaniowych-oraz-samorzadu-gospodarczego-i-zawodowego-w-2020-r-wyniki-wstepne,3,9.html>, access on 3 March 2022

³³<https://stat.gov.pl/obszary-tematyczne/gospodarka-spoeczna-wolontariat/gospodarka-spoeczna-trzeci-sektor/dzialalnosc-stowarzyszen-i-podobnych-organizacji-spoecznych-fundacji-spoecznych-podmiotow-wyznaniowych-oraz-samorzadu-gospodarczego-i-zawodowego-w-2020-r-wyniki-wstepne,3,9.html>, access on 3 March 2022

³⁴ The information provided by ministers, district governors and province governors was based on their knowledge. Some respondents pointed out to the limited ability to determine which associations met the conditions specified

above-mentioned bodies, 9 of them were associations and 9 were foundations. Based on the information provided, 92% of district governors assessed human and financial resources held as sufficient to carry out tasks in the field of counteracting money laundering and financing of terrorism, while the remaining 8% of them assessed human and financial resources held as insufficient. In the vast majority of district governor's offices, tasks related to the implementation of obligations related to counteracting money laundering and financing of terrorism were carried out by one or two employees, and the costs of these activities included the employee's salary as well as the costs of postage and the consumption of stationery. Depending on the inclusion of the employee's tasks in the work regulations in a particular district governor's office, these costs amounted from several hundred PLN to 10,000 PLN per year. In the vast majority of district governor's offices one or two training courses on counteracting money laundering and financing of terrorism were conducted in 2021.

Other non-financial obligated institutions

A considerable group of obligated institutions operating outside the financial market comprises economic operators conducting non-regulated activity, mainly under the provisions of the *Act of 6 March 2018 – Entrepreneurs' Law* (consolidated text: Journal of Laws of 2021, item 162, as amended) (hereinafter referred to as *Entrepreneurs' Law*). These include obligated institutions specified in Article 2(1)(12), (15a), (16)-(18), (23)-(24), (24a) of the *AML/CFT Act*.

According to information published at <https://gieldykryptowalut.pl/najwieksze-giedy-i-kantory-kryptowalut/> (access on 3 March 2022), at least 27 currency exchange offices and 45 cryptocurrency exchanges rendered their services online in Polish. The entities may be considered as obligated institutions referred to in Article 2(1)(12) of the *AML/CFT Act*.

In accordance with the information posted on the website of the Regional Revenue Administration Office in Katowice, 136 entities were entered in the register of virtual currency service providers as at 1 January 2022, however, as at 14 March 2022, this register included 122 entities.

In accordance with the information posted at <https://wymianakrypto.pl/bitomaty>, at least 105 bitomats are currently in use in Poland³⁵ (compared to 67 in 2020).

The number of bitomats in Poland (but also worldwide) is constantly growing. Every year, the number of bitcoin ATMs is almost doubled. The growth rate of the number of these devices shows that there are more and more people interested in a quick exchange of cryptocurrencies, e.g. for cash (despite high amounts of commission on such transactions). In one bitomat, it is also possible to buy/sell particular types of cryptocurrencies.

The distinction between a cryptocurrency exchanges and a cryptocurrency bureaux de change results from the differences in their business models.

Cryptocurrency bureaux de change provide their services both on the Internet and in land-based outlets. They enable their customers to buy or sell a certain amount of decentralised virtual currency units. They do not offer storage services for these units or private keys to access them.

in Article 2(1)(22) of the *AML/CFT Act* (i.e. during controls carried out in accordance with other provisions or by collecting declarations from the associations).

³⁵ <https://coinatmradar.com/bitcoin-atm-near-me/>, access on 3 March 2022

Cryptocurrency exchanges offer a wider range of services. Buy and sell transactions involving cryptocurrency units can be concluded with a cryptocurrency exchange, as well as – based on matching buy and sell offers of its customers – between their different users. They also offer their customers management of electronic portfolios on their behalf.

An intermediary in real estate trading³⁶ – an entrepreneur conducting economic activity in the field of real estate intermediation services – may participate in real estate trading. Real estate intermediation services consist in the paid performance of activities aimed at concluding agreements by other persons. The scope of real estate intermediation services is specified by a real estate intermediation agreement. The agreement must be executed in writing or in electronic form under pain of nullity. It is not possible to specify the actual number of real estate intermediaries as each entrepreneur may perform real estate intermediation activities provided that they hold civil liability insurance for damage caused in connection with the performance of these activities.

According to the Statistics Poland data contained in the quarterly report on national economy entities, as at 31 December 2021, the National Official Business Register REGON (excluding natural persons running only private farms) included 20,091 entities (compared to 20,608 in 2020) reporting the activity defined by the Polish Classification of Activities (PKD) code – 6831Z, i.e. intermediation services in real estate trading³⁷.

In accordance with Article 76a(1) of the *Accounting Act of 29 September 1994* (Journal of Laws of 2021, item 217, as amended), bookkeeping services are a business activity within the meaning of the provisions of the *Entrepreneurs' Law*, consisting in the provision of services in the area of:

- keeping accounting records based on accounting evidence, in which economic events are recorded in the chronological and continuous order;
- determining or verifying on a regular basis, by means of stocktaking, the actual balance of assets and liabilities;
- measurement of assets and liabilities and determining financial profit/(loss);
- drawing up financial statements;
- collecting and storing accounting evidence and other documents provided for in the aforementioned act.

Bookkeeping services may be rendered by any entrepreneur provided that bookkeeping activities are performed by persons who have full legal capacity and have not been convicted by a final court judgement of an offence against the reliability of documents, property, economic turnover, trading in money and securities, of a fiscal offence and of any offences specified in Chapter 9 of the aforementioned act. An entrepreneur conducting such activity is

³⁶ Pursuant to Article 2(1)(18) of the *AML/CFT Act* (the new wording of Article 2(1)(18) entered into force on 31 July 2021) intermediaries in real estate trading within the meaning of the Act on Real Estate Management are obligated institutions, excluding real estate intermediation aimed at concluding a rental or lease agreement for real estate or a part thereof, with a monthly rent in the amount lower than the equivalent of EUR 10,000.

³⁷<https://stat.gov.pl/obszary-tematyczne/podmioty-gospodarcze-wyniki-finansowe/zmiany-strukturalne-grup-podmiotow/kwartalna-informacja-o-podmiotach-gospodarki-narodowej-w-rejestrze-regon-2021,7,9.html>, access on 3 March 2022

also required to conclude, no later than on the day preceding the first day of performing its business activity, a civil-liability insurance agreement for damage caused in connection with its economic activity in the field of bookkeeping services.

In accordance with Article 2(1)(16) of the *AML/CFT Act*, obligated institutions also include entrepreneurs within the meaning of the *Entrepreneurs' Law*, that are not other obligated institutions providing services in the area of:

- establishing a legal person or an organisational unit without legal personality;
- fulfilling a function of a member of the management board or enabling other person to fulfil this function or a similar function in a legal person or an organisational unit without legal personality;
- providing a registered office, address of establishment or address for correspondence and other related services to a legal person or an organisational unit without legal personality;
- acting or enabling any other person to act as the trustee of a trust established by means of a legal act;
- acting or enabling other person to act as a person exercising rights arising from stocks or shares to the benefit of an entity other than a company listed on the regulated market subject to the requirements related to information disclosure in compliance with the European Union law or subject to equivalent international standards.

Moreover, pursuant to Article 2(1)(15a) of the *AML/CFT Act*, obligated institutions include also entrepreneurs within the meaning of the *Entrepreneurs' Law*, whose core business involves the provision of services consisting in drawing up declarations, keeping tax books, providing advice, opinions or explanations regarding tax or customs legal provisions, that are not other obligated institutions.

According to the Statistics Poland data contained in the quarterly report on national economy entities as at 31 December 2021, the National Official Business Register REGON (excluding natural persons running only private farms) included a total of 21,256 entities (compared to 19,344 in 2020) reporting the activity defined by the Polish Classification of Activities (PKD) code – 8211Z, i.e. office administration services³⁸. This sub-class covers “activities related to the day-to-day office administration such as reception services, financial planning, accounting, bookkeeping, HR services and mail delivery, performed on commission”.

In accordance with the information contained on the website of the Regional Revenue Administration Office in Katowice³⁹, 132 entities were entered in the register of activities provided to companies and trusts as at 1 January 2022, (as at 14 March 2022, this register included 291 entities).

One of the banking activities specified in Article 5 of the *Act of 29 August 1997 – Banking Law* consists in providing access to a safe-deposit box, provided that such activities are performed

³⁸<https://stat.gov.pl/obszary-tematyczne/podmioty-gospodarcze-wyniki-finansowe/zmiany-strukturalne-grup-podmiotow/kwartalna-informacja-o-podmiotach-gospodarki-narodowej-w-rejestrze-regon-rok-2021,7,9.html>, access on 3 March 2022

³⁹<https://www.slaskie.kas.gov.pl/izba-administracji-skarbowej-w-katowicach/zalatwianie-spraw/rejestr-dzialalnosci-na-rzecz-spolek-lub-trustow>

by banks. However, providing access to safe-deposit boxes may also be economic activity within the meaning of the *Entrepreneurs' Law*.

A relatively large category of obligated institutions comprising economic operators from various sectors is composed by entrepreneurs that accept or make cash payments for commodities in the amount equal to or exceeding the equivalent of EUR 10,000, regardless of whether the payment is made as a single transaction or as a series of transactions which seem to be related to each other. Although Article 19 of the *Entrepreneurs' Law* obliges entrepreneurs to make and accept payments related to their economic activity through their payment accounts, whenever the one-off value of a transaction, regardless of the number of resulting payments, exceeds PLN 15,000 or its equivalent, it applies only to business-to-business transactions.

In accordance with Article 2(1)(24a) of the *AML/CFT Act*, obligated institutions also include entrepreneurs within the meaning of the *Entrepreneurs' Law*, conducting business consisting in:

- trade in or intermediation in the trade in works of art, collectibles and antiques within the meaning of Article 120(1)(1)-(3) of the *Act of 11 March 2004 on tax on goods and services* (Journal of Laws of 2021, item 685, as amended), also where such activity is carried out in art galleries or auction houses, or using a *free port*, understood as a zone or room where goods are treated as not located within the customs territories of the Member States or third countries, including the use of a duty-free zone;
- storage of works of art, collectibles and antiques, within the meaning of Article 120(1)(1)-(3) of the *Act of 11 March 2004 on tax on goods and services*, where such activity is carried out using a free port referred to above

- with respect to transactions with a value equal to or greater than the equivalent of EUR 10,000, regardless of whether the transaction is carried out as a single operation or several operations that appear to be related to each other.

The indicated new category of obligated institutions is to reduce the shadow economy in the area of alternative investments that have been developing dynamically recently. This is due to the outbreak of the COVID-19 pandemic and low interest rates on deposits and savings accounts. The group of obligated institutions that apply CDD measures under the *AML/CFT Act* to their customers include in this aspect, among others, organisations trading in works of art or acting as intermediaries therein (also if such trade is carried out through art galleries and auction houses), where the value of the transaction or series of related transactions is at least EUR 10,000.

Intermediaries in trade in works of art or persons storing such goods will also be obliged to perform similar activities. This concerns mainly art dealers, small galleries and entrepreneurs offering the storage of works of art and collector's items. This applies to the so-called *free ports*⁴⁰ – special zones where goods (including those of high value, such as works of art) may be stored for an unlimited period, without the obligation to pay taxes or duties on this account.

⁴⁰ A free port is a kind of duty-free zone where goods, including those of high value, such as works of art, may be stored for an unlimited period, without the obligation to pay taxes or duties on this account. The best known free ports are located in Switzerland. The Financial Action Task Force states in its publications that free ports – due to insufficient security regulations, poor inspections and supervision – may be used for money laundering and financing of terrorist activities.

If the value of such transactions or several related transactions is at least EUR 10,000, designated entities are also treated as obligated institutions.

According to the Statistics Poland data contained in the quarterly report on entities of the national economy, as at 31 December 2021, the National Official Business Register (REGON) includes art galleries with code PKD 4778Z (other retail sale of new goods in specialised stores) and 4779Z (retail sale of second-hand goods in specialised stores). According to the above information from Statistics Poland, there were 307 art galleries in Poland conducting the business referred to above at the end of 2020⁴¹.

⁴¹<https://stat.gov.pl/obszary-tematyczne/kultura-turystyka-sport/kultura/dzialalnosc-galerii-sztuki-w-2020-roku,10,4.html>, access on 4 March 2022

3. INFORMATION ON DATA SUBMITTED TO THE GIFI

3.1. INFORMATION ON SUSPICIOUS TRANSACTIONS

In 2021, 3,805 suspicious activity reports (SAR), i.e. descriptive notifications of suspicious activities and transactions, were registered in the GIFI's IT system and used in ongoing analytical proceedings. The aforementioned notifications describe a few, several or even several hundred transactions (inter-related through parties thereto, circumstances in which a transaction was exercised, similar execution periods and/or involvement of the same assets) and their accompanying circumstances that the reporting institution/unit believes may be related to money laundering or financing of terrorism. These notifications often include additional data and documents justifying the suspicion and are aimed at facilitating the proceedings (e.g. account records, copies of the documents concerning transactions, etc.). The greater the spectrum of information provided in SARs, the greater the ability to swiftly verify received data and combine it with information from other sources, and the shorter the time to complete the activities the GIFI takes up in cooperation with the prosecutor's office and law enforcement agencies. Descriptive notifications may include, in particular, information on the suspicion of the reporting entity that a crime has been committed, and on the accompanying circumstances. Table 4 shows the categories of entities submitting SARs to the GIFI (data for 2021 is presented against the data for the preceding years).

Table 4. Number of SARs received in 2001-2021

Period	Obligated institutions	Cooperating units	Other sources	Total
2001 (since July)	102	115	14	231
2002	358	237	19	614
2003	739	211	15	965
2004	860	521	16	1,397
2005	1,011	500	15	1,526
2006	1,351	530	17	1,898
2007	1,244	648	28	1,920
2008	1,287	460	68	1,815
2009	1,362	464	36	1,862
2010	1,462	476	59	1,997
2011	2,004	461	62	2,527
2012	1,954	436	37	2,427
2013	2,399	789	77	3,265

2014	2,739	823	75	3,637
2015	2,863	604	53	3,520
2016	3,290	853	55	4,198
2017	3,272	796	47	4,115
2018	2,982	543	97	3,622
2019	3,696	294	110	4,100
2020	3,587	179	39	3,805
2021	3,574	251	27	3,852

The number of descriptive notifications has remained high for eight years now (Chart 3). 2021 was the third full year of the application of the amended SAR regulations. The number of SARs is comparable to that recorded last year – despite the change in the conditions caused by the pandemic.

Chart 3. Number of descriptive SARs received in 2006-2021

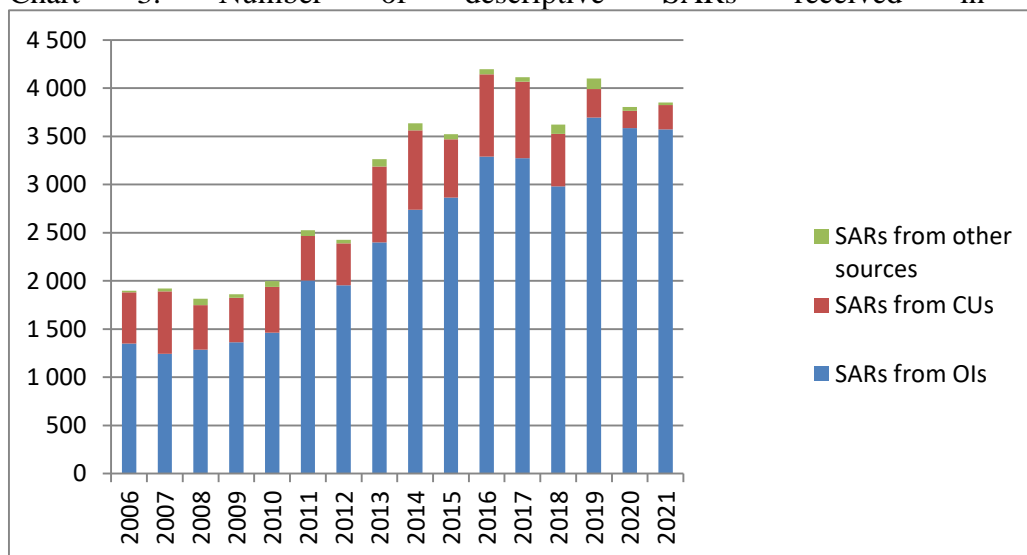
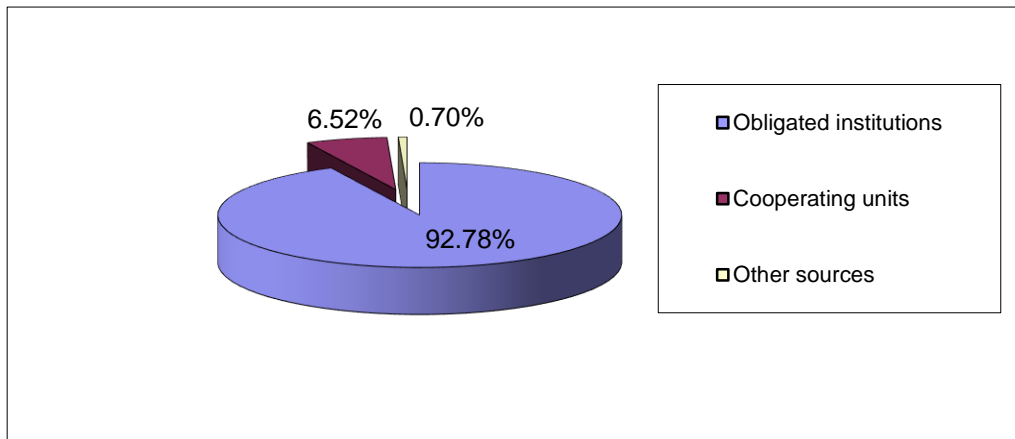


Chart 4 illustrates the percentage share of suspicious activity reports received from the different sources of information.

Chart 4. Sources of descriptive SARs in 2021

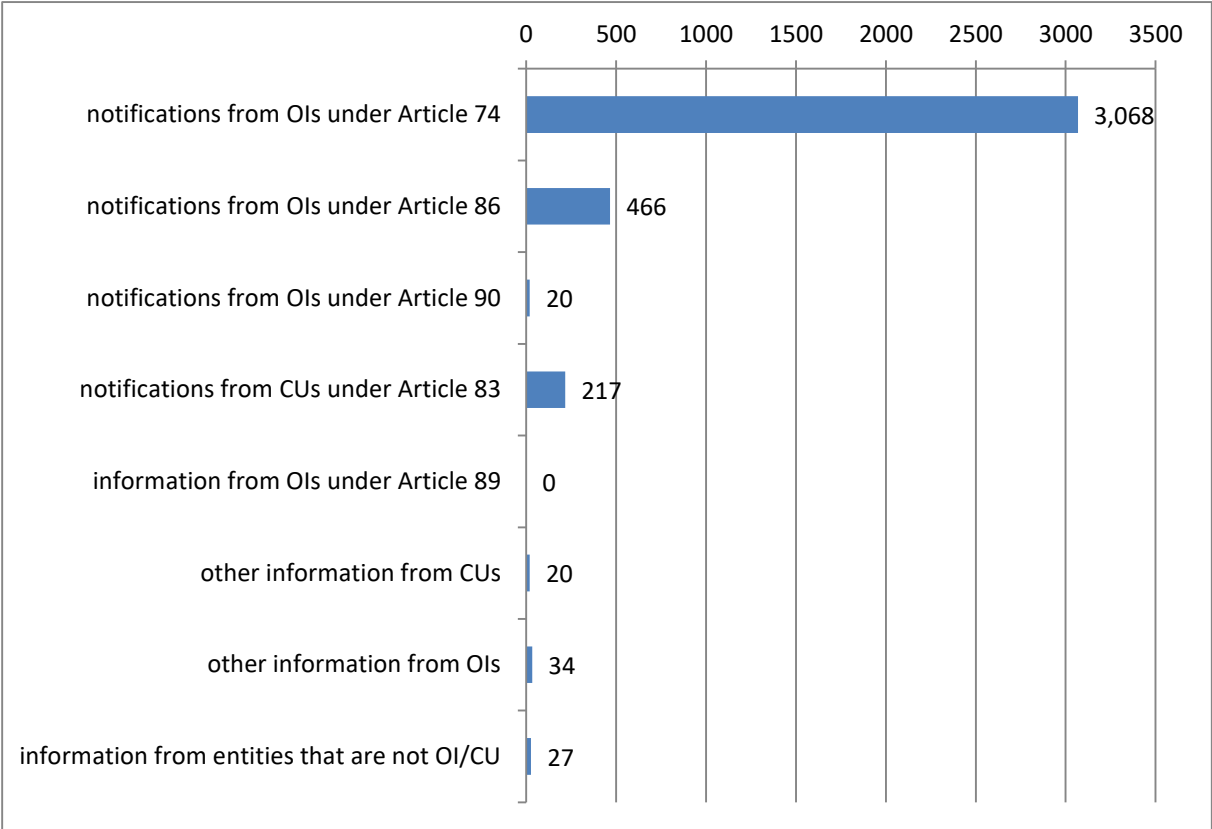


The total number of SARs registered in 2021 includes notifications and reports that refer to different circumstances of the events they refer to, and are marked by different premises and different procedures for their submission to the GIFI. The applicable *AML/CFT Act* specifies in the following articles:

- Article 74 (*notification by the obligated institution of any circumstances that may indicate a suspected crime of money laundering or financing of terrorism*);
- Article 83 (*notification by the cooperating unit of a suspected crime of money laundering or financing of terrorism*);
- Article 86 (*notification by the obligated institution of becoming aware of a justified suspicion that a specific transaction or specific assets may be associated with money laundering or financing of terrorism*);
- Article 89 (*information from by the obligated institution of notifying the prosecutor of having become aware of a reasonable suspicion that the assets subject to a transaction or deposited on the account originate from a crime other than money laundering or financing of terrorism or a fiscal crime, or are associated with a crime other than money laundering or financing of terrorism or a fiscal crime*);
- Article 90 (*notification from the obligated institution of a transaction that the obligated institution reasonably suspects to be associated with money laundering or financing of terrorism, where the submission of the notification prior to the transaction was impossible*)

different premises under which an obligated institution or a cooperating unit may submit a SAR to the GIFI. Chart 5 shows the numbers of different types of SARs registered by the GIFI in 2021.

Chart 5. Types of descriptive SARs in 2021



In 2021, 251 descriptive SARs from cooperating units (CUs) were registered, which represents an increase compared to the previous year, when 179 SARs were registered.

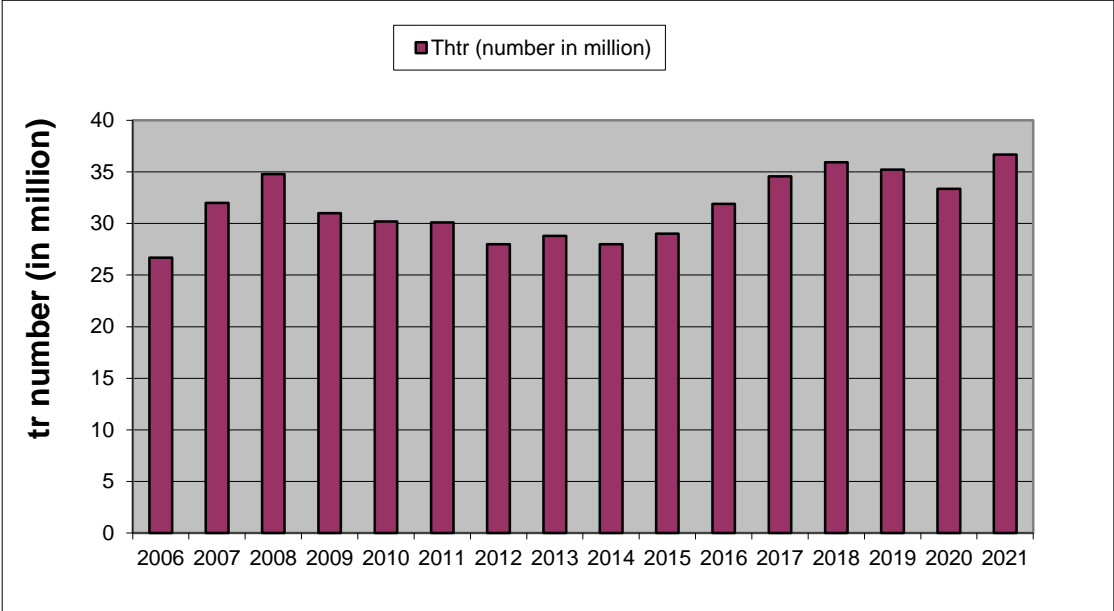
In 2021, the GIFI registered 3,574 SARs from obligated institutions. Their number continues to be high and is approx. 20% greater than their average number in 2014-2018. As already mentioned in reference to Table 4, 2021 was the third full year when the amended reporting regulations were in force and the change in this respect took place in the second half of 2018. Therefore, when the year-to-year data is compared with adequate caution, the increase in the number of SARs in 2019 - 2021 compared to the directly preceding years may be associated with the removal of the suspicious transaction report (STR) from the categories of information that obligated institutions reported to the GIFI in the preceding years. In the past, the GIFI used to receive tens of thousands of such reports a year (in 2018, there were nearly 43 thousand STRs, whereby the overwhelming majority of them referred to information reported in SARs. In the current legal system, suspicious transactions that formerly could be reported as STRs independently of simultaneously submitted SARs were probably the reason for the increased number of SARs in 2019 - 2021.

3.2. INFORMATION ON SUSPICIOUS ABOVE THRESHOLD TRANSACTIONS

In 2021, the GIFI was informed about 36.67 million above threshold transactions (under Article 72 of the *AML/CFT Act* in force), the equivalent of which exceeds the statutory threshold (and

also 2.528 million correcting information). This information is collected in the IT system of the GIFI and processed by the Department of Financial Information in the Ministry of Finance – both for analytical proceedings carried out by the GIFI and for the purposes of analyses carried out to respond to requests submitted by competent authorities. The number of such transactions reported to the GIFI on an annual basis remains at a similar level (Chart 6), whereby – following the amendment to the provisions in 2018 – in 2019, the transitional periods concerning the manner of reporting above threshold transactions to the GIFI expired, and 2021 was the second full year in which reporting took place in accordance with the new rules. The amendment to the provisions also referred to the categories of reported transactions, the catalogue of reporting obligated institutions, and the content of information on transaction reported to the GIFI. The 2018 amendment to the provisions and the expiry of the transitional periods for the manner of reporting above threshold transactions causes that the statistics for 2019-2021 must be directly compared against the preceding years with adequate caution, whereby the total number of transactions reported to the GIFI in 2020 and 2021 changed significantly (an increase by approx. 10%) in proportion to 2018-2019.

Chart 6. Amount of information of above threshold transactions received by the GIFI



The obligated institutions submit data on the above-mentioned transactions in aggregate or separately, in the form of a file, on a continuous basis (as opposed to the reporting deadlines valid in the preceding years, i.e. once a month until the 14th day after the end of each calendar month in which the transactions were registered). Currently, all data is transferred electronically, and besides transfer through the GIFI’s secure Internet website, which was the dominant method until 2018, the communication channel based on the network service of the ICT system of the GIFI, enabling the automation of the process on the part of the obligated institution, is widely used.

Data transfer through the secure Internet website makes it possible both to send a file with data on multiple transactions, generated in a relevant format by the system of the obligated institution (this solution was used in the past mainly by large institutions that reported many transactions on a monthly basis, but these institutions currently use mostly a new channel based

on the network services of the GIFI's ICT system), and to complete a form (being equivalent to the template of electronic document of the electronic transaction card) directly on the Internet website (this solution is used mainly by smaller institutions that report few transactions on a monthly basis).

Out of the aforementioned 36.67 million transactions, information about which was submitted to the GIFI's database in 2021, 4.31% were transactions classified by obligated institutions as cash deposits or withdrawals. This figure represents a decrease compared to the previous years – in 2020, this was 4.93%, in 2019 – 6.08%, in 2018 – 6.26%, and in 2017, such transactions accounted for 6.72%. The decline in the number of cash deposits or withdrawals in the total number of reported transactions is, therefore, systematic.

At the same time, 7.79% of transactions were classified by obligated institutions as transfers from abroad, which was almost 2 percentage points more than in 2019, when 6.05% of transactions were classified as such. In 2018, transactions classified by obligated institutions in their reports as transfers from abroad accounted for 3.51% (as in the previous years). The new regulations, in force since the second half of 2018, clearly increased the number of transfers of funds from abroad reported to the GIFI. As a result, a two-fold increase in the number of reported transfers from abroad was recorded, which should be considered a positive manifestation of the adaptation of the obligated institutions in this respect to the applicable regulations and reduction in a significant gap in the information available for analyses carried out by the GIFI. The change in the structure of reported information, forcing the indication of the country where a given account is kept, also improved the ability to analyse the actual directions of cash flows. Unfortunately, a more detailed analysis of the data provided as part of information on transfers from abroad shows that there are still problems with interpreting which types of transactions should be reported in this way and what information on entities and accounts should be included. Unification of the approach in this area is an important task for the next year.

Changes in the method of reporting information on above threshold transactions generally allow for better insight into the structure of information and its better classification, which affects the ability to better assess the risk associated with particular types of transactions, and also gives insight into relevant information, that used to be unavailable to the GIFI directly, on transactions particularly susceptible to risks related to money laundering or financing of terrorism. This is enabled by, for example, categorisation of information on fund transfers. As for data reported in the new manner since 2021, the GIFI obtained insight into the structure of the types of funds transferred, to find out that while 85.18% of outgoing transfers were initiated as a result of ordering a “traditional” credit transfer or direct debit, the remaining 14.82% of above threshold transfers resulted from the execution of domestic or foreign money orders (7.47%) or from the execution of transfers initiated with the use of a payment card, electronic money instrument, mobile phone or other digital or IT device, or otherwise (7.35% in total).

The aforementioned 7.47% of above threshold transfers resulting from the execution of money orders correspond to over 2,191 thousand money transfers. On the other hand, in the same data sample, the aforementioned 7.35% of above threshold transfers resulting from the execution of an order initiated with the use of a payment card, electronic money instrument, mobile phone, other digital or IT device, or otherwise, correspond to nearly 2,156 million money transfers.

A similar situation occurs thanks to the categorisation of information on fund transfers from abroad. As for the data reported in a new manner, the GIFI obtains not only information on more than twice as many transfers of this type (which constitute a group more susceptible to ML/TF risks than other transfers), but also insight into the manner in which they are initiated. According to available data, 80.43% of above threshold transfers from abroad are the result of the execution of transfer orders, 11.28% of them reach Polish obligated institutions as a result of the execution of money orders, and 8.29% of transfers from abroad were classified by the receiving obligated institutions as resulting from the execution of a different type of order. In absolute numbers, this is information about, respectively, over 2,298 thousand transfers from abroad, over 322 thousand remittances from abroad, and nearly 236 thousand other fund transfers from abroad.

In 2019, this concerned only part of the information on above threshold transactions, while in the case of the information collected in the following years, it was already possible for information on all transactions entering the ICT system of the GIFI.

The received information on transactions was made available in the ICT system of the GIFI as input data for further analyses. In particular, this information was subjected to automatic analytical processes. For example, all information on transactions was verified for possible links with entities suspected of financing of terrorism or entities from high-risk/sanctioned countries. Links between information on transactions and other types of information available in the system (e.g. with enquiries of external entities – a prosecutor’s office, foreign FIUs, etc.) are automatically searched for, to be then used in analytical proceedings or to be transferred to external entities (as a response to a request for information or on the initiative of the GIFI). The above-mentioned links were searched for with the use of the analytical models available in the ICT system of the GIFI, to be used both in the processes of automatic report generation and in *ad hoc* analyses for the purposes of a specific problem.

Information on above threshold transactions is used both for the extraction of data on the accounts of suspicious entities and information on transactions themselves, being a helpful source of data used in analytical proceedings. Information on transactions is available for analysis both in a simple form, where by asking a question about a specific entity or account, it is possible to access the collected data, and the source for the analysis of links – by using the search facility in the database of inter-related objects (bank accounts, entities), i.e. those being in a defined type of relationship (e.g. entities or bank accounts inter-related through the transaction chain).

3.3. INFORMATION ON OTHER DATA CATEGORIES

Information from cash transportation declarations

Due to the entry into force of a regulation at the EU level, since June 2021, the provisions of Article 85(1) of the *AML/CFT Act*, pursuant to which the Border Guard authorities and the KAS authorities provided the GIFI with information from declarations regarding cash transportation across the EU border, have been aimless. Since June 2021, data from declarations has been entered directly in the pan-European CIS system, accessible to the GIFI. Following this change, information on declarations ceased to be reported to the GIFI, and the GIFI has access to it through the above-mentioned European system.

ANALYSES

4.1. COUNTERACTING MONEY LAUNDERING

Obtaining, collecting, processing and analysing information in accordance with the provisions of the *AML/CFT Act* and taking action to counteract money laundering and financing of terrorism is the basic task of the GIFI. Performing this task, the GIFI examines the course of transactions with respect to which it has reasonable suspicion, provides authorised entities with information about transactions, and obtains requested information from obligated institutions, as well as cooperates with foreign institutions and international organisations dealing with counteracting money laundering or financing of terrorism. All the above-mentioned activities are undertaken in order to conduct comprehensive analysis of the collected information in terms of a crime involving money laundering or financing of terrorism that could be committed by suspected entities. The analysis is aimed at substantiating that assets subject to the respective transactions originate from proceeds from a prohibited act.

4.1.1. ANALYTICAL PROCEEDINGS AND THEIR EFFECTS

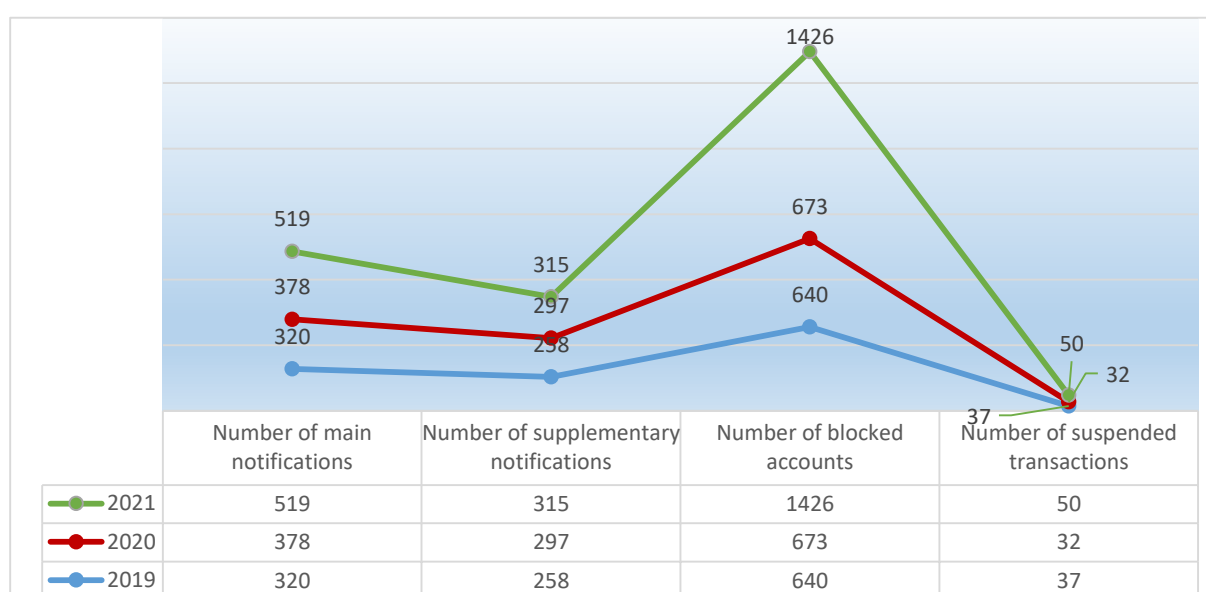
Performing its statutory tasks, the GIFI initiated in 2021 – according to the information obtained – 2,447 analytical proceedings⁴². This number includes proceedings regarding suspected money laundering, proceedings in the area of counteracting financing of terrorism, as well as proceedings initiated based on information provided by obligated institutions, that could not perform their obligations concerning customer due diligence and that did not conduct a transaction, did not sign a contract with a customer or terminated already concluded agreements. In 2021, there was a slight, several percent increase in the number of analytical cases handled by the GIFI compared to the number of cases conducted in 2020. As a result of the conducted analytical proceedings:

- 1) 519 notifications of suspected crimes involving money laundering (the so-called main notifications) were submitted to the locally competent prosecutor's offices. In the analysed year, there was a significant, approx. 37.3% increase in the number of the above-mentioned notifications compared to the previous year. The total amount of assets that were the subject of suspected crimes was approx. PLN 8.5 billion. The notifications were submitted to the prosecutor's offices pursuant to Article 103, Article 86(8) or Article 87(3) of the *AML/CFT Act*, i.e. they were drawn up based on the data held by the GIFI, its processing or analysis. The GIFI also provided the prosecutor's offices with its evidence justifying the suspicion of money laundering. Besides the aforementioned main notifications, the GIFI also submitted 315 notifications to the prosecutor's offices, including evidence that were subjectively or objectively related to money laundering proceedings conducted by the prosecutor's offices, and which resulted in a justified suspicion that this crime had been committed (the so-called supplementary notifications). The evidence was collected in the course of follow-up analytical proceedings conducted by the GIFI. The total amount of assets that were the subject of suspected crimes was approx. PLN 0.3 billion.

⁴² The number of proceedings includes also those referred to in Chapter 4.2.

- 2) The GIFI blocked 1,426 accounts with a total balance of approx. PLN 172.0 million and suspended 50 transactions for a total amount of PLN 7.1 million. These included 603 accounts with a total balance of PLN 89.9 million blocked and 10 transactions for the total amount of PLN 0.5 million suspended on the initiative of the GIFI (i.e. pursuant to Article 87(1) of the *AML/CFT Act*). The aforementioned amounts of funds on blocked accounts are estimated ones and their actual amount may be higher due to the specific characteristics of account blocking – while an account remains blocked by the GIFI, it can still be credited, but it is not possible to withdraw or transfer funds deposited on it to other accounts.
- 3) The GIFI submitted on its initiative to the authorised bodies and units 300 disseminations⁴³.

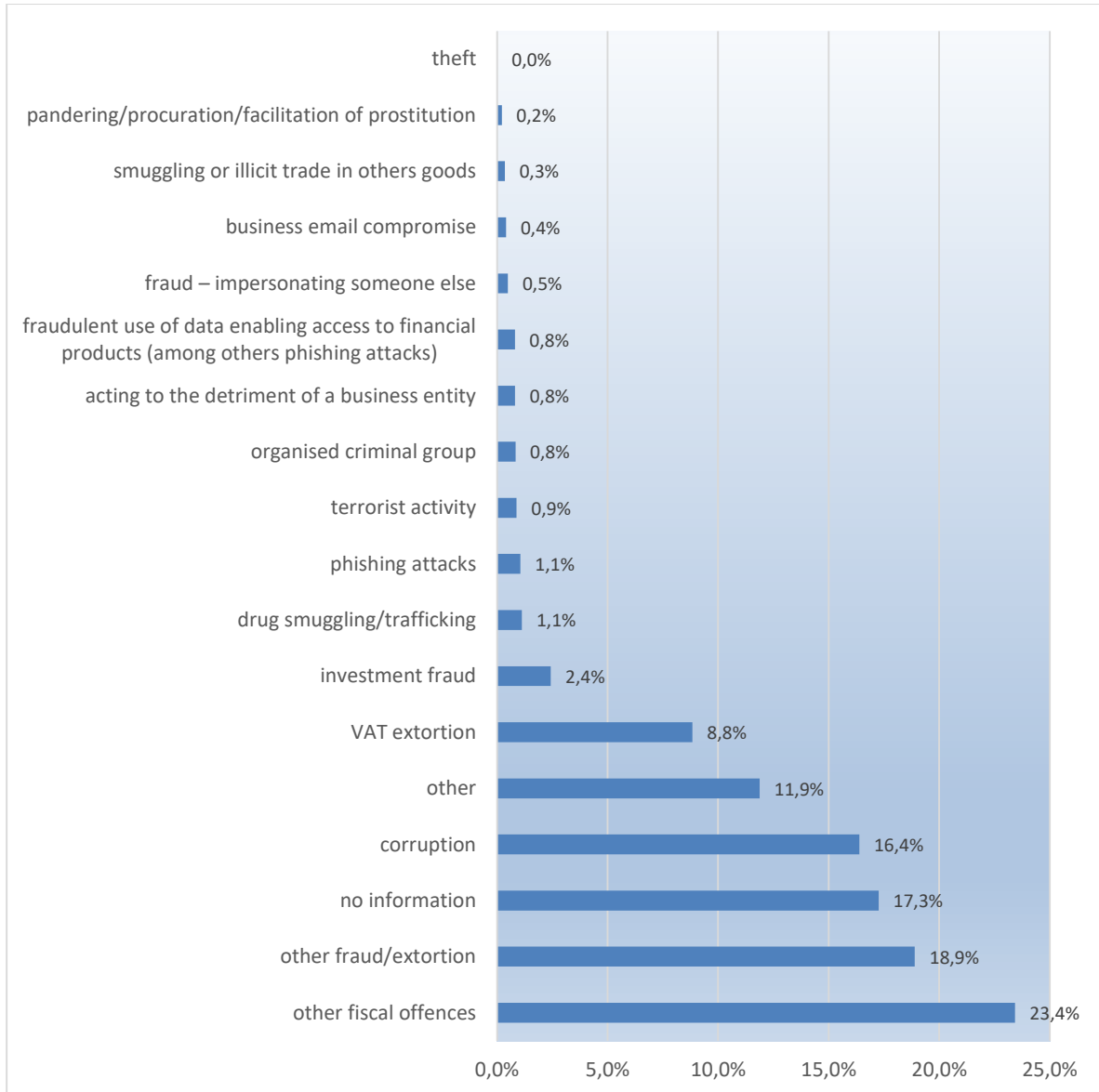
Chart 7. Numbers of notifications submitted to the prosecutor’s office, blocked accounts and suspended transactions in 2018-2021



The chart above presents the quantitative (broken down into annual periods) summary of the main and supplementary notifications submitted by the GIFI to the prosecutor’s office under the *AML/CFT Act*. The amounts of suspended transactions and funds on accounts blocked at the request of the GIFI were compared in the same way. Based on the above-mentioned data for 2018-2021, a clear upward trend in the indices concerned can be observed. It should also be emphasised that a strong upward trend occurs in the statistics regarding the number of main notifications to the prosecutor’s office (in 2021, an increase by approx. 37.3% compared to the previous year) and the number of blocked bank accounts (almost twofold compared to the previous year). In the analysed period, there was also a significant increase in the number of transactions suspended by the GIFI (in 2021, 50 transactions were suspended compared to 32 ones suspended in 2020).

⁴³ The total number of notifications includes also those referred to in Chapter 4.2.

Chart 8. *Percentage of assets deposited on blocked accounts or being the subject of suspended transactions by the typology relating to the predicate crime suspicion in the total amount of assets deposited on blocked accounts or being the subject of suspended transactions in 2021*



Source: internal data of the GIFI

In the analysed 2021 reporting period, the GIFI sent to the authorised bodies and units the following number of notifications:

- 131 to the National Revenue Administration units,
- 108 to the Police (including the Central Bureau of Investigation of the Police),
- 24 to the Internal Security Agency,
- 20 to the Central Anti-Corruption Bureau,

- 8 to the Chief Command of the Border Guard,
- 3 to the Military Counter-intelligence Service,
- 5 to the Polish Financial Supervision Authority,
- 1 to the Chief Command of the Military Police.

In 2021, most of the notifications initiated by the GIFI were addressed to the National Revenue Administration bodies. As in the previous years, an overwhelming majority of these notifications concerned suspected tax fraud related to VAT. These notifications covered problems related to understatement or non-disclosure of turnover due to forging or hiding invoices, extortion of input VAT, “missing trader” fraud, carousel fraud, and intra-Community transactions. Some of the notifications contained information regarding the suspicion of concealing the object of taxation, understatement of revenue, undisclosed income or fraud in the import of goods.

Notifications submitted by the GIFI on its own initiative to the National Revenue Administration bodies served often as the ground for initiating control proceedings by these bodies or were used in ongoing proceedings carried out to verify the correctness of the calculation and payment of taxes accounting for the State budget income from personal income tax, corporate income tax, and value added tax. The results of control proceedings repeatedly indicated that the controlled entities had not conducted the actual declared economic activity, had been issuing “blank” VAT invoices that were then used by buyers to unduly diminish output VAT, which depleted the amounts due to the State Treasury. Furthermore, the aforementioned control proceedings indicated that the controlled entities did not pay VAT amounts to the competent tax office, as demonstrated on sale invoices they issued. The findings of the control proceedings and the collected evidence were used to initiate inquiries concerning fiscal crimes, resulting afterwards in investigations under the supervision of prosecutor’s offices. As a result of the coordination of actions, the GIFI participated in such prosecutors’ investigations, providing evidence consisting of the analyses of financial flows and blocked accounts where it could reasonably suspect that the identified assets originated from proceeds from a prohibited act.

The GIFI also provided a significant number of notifications to the Police, including the Central Bureau of Investigation of the Police. The information contained in the aforementioned notifications was used by the aforementioned bodies to undertake their statutory activities that resulted, among others, in instigation of preparatory proceedings. The information submitted by the GIFI was also used in pending proceedings.

Another large group of notifications contained information provided to the Internal Security Agency. The notifications included data regarding transactions that could be related to a suspicion of a prohibited act, the examination of which falls within the competence of the Agency, including identifying, preventing and detecting crimes against the economic foundations of the State and its security, identifying, preventing and detecting any acts of corrupting public servants, and any offences concerning manufacture or trading in goods, technologies and services that are of strategic significance for the security of the State, illegal production or possession of and trading in weapons, ammunitions and explosives, weapons of mass destruction as well as intoxicants and psychotropic substances in international trade.

Notifications including a comprehensive analysis of suspicious and economically unjustified financial flows submitted by the GIFI on its own initiative, following their verification and completion of their statutory activities by law enforcement agencies, constituted comprehensive evidence providing sufficient grounds for the initiation of an investigation or were incorporated into pending criminal proceedings. The information sent by the GIFI was also repeatedly used by prosecutors to prepare written requests to the GIFI for disclosure of the information collected in accordance with the procedure and within the scope provided for in the Act for the purposes of pending criminal proceedings. Preparatory proceedings carried out in connection with the notifications sent by the GIFI made it possible to present charges of committing a crime to a number of people and to recover assets worth several million. In many cases, the coordination of activities carried out by the GIFI and the competent law enforcement agencies enabled arresting members of criminal groups and blocking bank accounts with assets derived from proceeds from prohibited acts.

It is also worth noting that in the analysed reporting period, the GIFI, under Article 113(2) of the *AML/CFT Act*, provided the cooperating units with information obtained previously from foreign financial intelligence units (FIUs) – 64 disseminations that helped increase the effectiveness of operations of these entities.

4.1.2. DIRECTIONS OF ANALYSES – EXAMPLES

Laundering of proceeds from fiscal crimes

1. The analysis concerned the operation of an international criminal group that, using economic entities it controlled, derived financial benefits by committing fiscal crimes in Poland consisting in lowering the tax base (unrecorded sales). The thus obtained funds were used, among others, to finance criminal activities outside Poland.

In this case, the GIFI requested to block the relevant accounts (with a turnover of approx. PLN 32 million in 2018-2020) and sent a notification to the prosecutor's office. The total balance on the blocked accounts was approximately PLN 3 million. The prosecutor upheld the blockades and initiated an investigation under Article 299 of the Penal Code (money laundering) in connection with Article 165a of the Penal Code (financing of terrorism). The case is currently in the *personam* phase, the suspects have been charged with participation in an organised criminal group, management of an organised criminal group, money laundering and fiscal crimes.

2. In another case in which fiscal crimes and crimes against industrial property were suspected, several dozen shell companies in which shares were purchased by foreigners from Polish citizens were identified. These entities were characterised by being sold together with previously opened bank accounts. A significant number of these accounts were opened in small banks – usually cooperative ones, away from the place of actual business activity. Using these companies, an unjustified, according to the GIFI, chain of a dozen or so (in some cases) intermediaries between alleged importers and retailers was created. The obtained funds were used mainly for the purchase of cryptocurrencies, and the transactions related to their purchase were below the threshold level.

Transfers of funds from VAT accounts

In the present case, the GIFI identified a scheme in which accounts kept for entities were used to carry out transactions aimed at deliberate use of irregularities in split payment settlements, e.g. in the system of a domestic payment institution. The payments were not linked to actual purchase transactions and were, therefore, treated by the system of this domestic payment institution as erroneous. Due to the defective algorithm in the split payment mechanism, the funds were then returned to the settlement account. In this way, the funds intended in accordance with law for securing VAT payment were released, which was to the detriment of the State Treasury. Subsequently, the thus obtained funds, originating, among others, from the VAT account, were transferred to another entity for further disposal. The second thread in the case concerned the transfer of funds deposited in the VAT account for the purpose of purchasing gold, also using the split payment mechanism, in such a way that gold was ordered in three transactions, each time for amounts not exceeding EUR 15,000. Then, the transactions made with the use of the split payment mechanism were posted, indicating 100% VAT, even though the traded goods were VAT exempt. The GIFI demanded that the account was blocked and sent a notification of a suspected crime to the prosecutor's office.

Money laundering through the purchase of real estate

1. The analysis concerned real estate transactions in the amount of EUR 130 million, in which subsidiaries with minimum share capital had accumulated funds from abroad on their accounts. According to the information received by the GIFI, the transaction chain included a company associated with persons appearing in the proceedings carried out by a foreign financial intelligence unit, in connection with cases related to frauds and corrupting public officials.

According to the GIFI, the transactions carried out on the accounts of the subsidiaries were aimed at concealing the actual origin of funds by means of transfers of funds from countries with a high risk of money laundering. The likely purpose of transfers to Poland was to conceal the criminal origin of funds to be later legalised through the purchase of attractive real estate intended for a very large investment. Continued operation by the subsidiaries may generate money laundering risk in the future (through the lease of existing commercial space and through planned development projects). The method of assessing the transactions by the bank in terms of money laundering risk and risk of financing of terrorism and reporting the transactions to the GIFI was also questioned. After the GIFI's notification, the prosecutor initiated an investigation (currently in the in rem phase).

2. The case concerned transactions on an account to which a resident of a sanctioned country (formerly a PEP) was authorised. The bank's client declared that the funds were to be used for the purchase of two real estate located in Warsaw. According to the GIFI, these transactions were to be carried out using an unusual scheme (by purchasing shares in a dedicated special purpose vehicle). The information received by the GIFI from foreign FIUs gave rise to doubts as to the legality of the origin of the funds.

In the analysed case, the GIFI demanded that the bank accounts with a total balance of PLN 28 million were blocked. The above-mentioned amount is the highest single amount required by the GIFI to be blocked in 2021. The prosecutor upheld the blockade and initiated an investigation (currently in the in rem phase).

Laundering of money from extortion

1. The analysis was initiated by the GIFI on its own initiative. The case concerned extortion of aid funds from labour offices in connection with the COVID-19 pandemic. The analysis concerned transactions made on bank accounts maintained for a natural person. The aforementioned natural person ran a business. This person's accounts were credited with funds from labour offices as part of transactions related to the COVID-19 pandemic. Labour offices indicated as the recipients of the transfers companies established in Poland, but owned by foreign nationals. The natural person concerned is believed to help establish the above-mentioned companies. The analysis of the bank accounts showed that the incoming funds were used for current payments related to the business run by that natural person. The remaining funds were saved as deposits. Following the transactions, the accounts with funds from labour offices were closed. The total amount from labour offices deposited onto the accounts concerned was approx. PLN 230 thousand. The companies that received the transfers from labour offices were entered neither in the VAT register nor in the Central Register of Beneficial Owners. The GIFI requested to block the accounts with the funds in question and sent a notification to the prosecutor's office.
2. The case was initiated by the GIFI on its own initiative. According to the National Court Register, the natural person concerned was associated with over 80 companies. The analysis showed that this person would establish companies and then sold them to foreign nationals. Bank accounts were opened for these companies to be used mainly for fraudulent transactions to the detriment of citizens from other countries. These accounts were blocked by the GIFI, banks and public prosecutor's offices. The analysis of information obtained from the banks showed that most of the accounts maintained in one of the banks were opened in one branch by one employee. Moreover, the signatures under contracts for the sale of the companies were authenticated mainly in one notary's office. The GIFI sent a notification to the prosecutor's office in connection with suspected laundering of money derived from frauds and in connection with suspected complicity in this crime.
3. The case was initiated by the GIFI on its own initiative. The GIFI's suspicion was aroused by the fact that one of foreign nationals received numerous transfers for small amounts from various companies, with succinct transfer titles. Then the received funds were transferred to various natural persons (mostly foreign nationals), also with succinct transfer titles. In the course of an analysis carried out by the GIFI it was found that the companies that credited the foreign national's accounts had already been covered by the GIFI's analyses in connection with the suspicion of using the accounts of these companies to receive funds from financial frauds. The activities of these companies, represented mostly by foreign nationals, were described in the notifications sent by the GIFI to the prosecutor's offices. On the other hand, based on the analysis of the accounts maintained for the recipients of the funds transferred by the aforementioned foreign national, it was found that they had been credited with numerous cash payments and transfers from various foreign natural persons, that were then partially withdrawn in cash or transferred to other foreign natural persons, with succinct transfer titles. Moreover, the GIFI established that some of the recipients of the funds transferred by the foreign national represented various companies whose accounts were credited by foreign entities, and the funds were then withdrawn in cash, transferred abroad or to Polish bank accounts for various foreign natural persons to be withdrawn by them in cash. Funds withdrawn by some persons could be

subsequently paid back in cash by other persons, probably to extend their path and to make it difficult to detect this illegal practice and determine the source of these assets. Moreover, some of the transactions carried out on the accounts of the analysed entities may indicate that they provide taxi services as part of shadow economy. The GIFI was also suspicious of the fact that the funds held by the analysed companies and foreign natural persons were not reflected in the tax documents submitted by them. What is more, no transactions related to the settlement of current liabilities of the enterprises were entered in the accounts kept for the companies concerned. It was also found that banks received numerous SWIFT messages from foreign banks with information that the funds booked on the accounts of the analysed companies and foreign natural persons were related to fraud payments. In the case in question, the GIFI submitted a notification of money laundering with the use of accounts kept for companies and foreign natural persons involved in the described illegal practice, and forwarded a notification of suspected money laundering to the competent prosecutor's office. The notification covered 30 people and 10 companies.

4. The case was initiated based on notifications received from obligated institutions. The information held by the GIFI shows that two local government units made transfers to an account kept for a limited liability company, indicating in the transaction titles that the transfers related to term deposits concluded in accordance with an agreement. The persons making transfers on behalf of local government units were convinced that the payment was made to an account held by the local government unit (payment to one's own account) in order to make a term deposit. Both local government units were contacted by a person claiming to be an employee of one of the banks, offering them to conclude a deposit agreement. This person also indicated the account to which the funds were to be transferred. The information held by the GIFI shows that in the case of at least one local government unit, the person claiming to be an employee of the bank simulated activities related to opening a deposit in such a way as not to arouse suspicions of the unit's employee. This was done, among others, by informing in an e-mail about the ongoing negotiations as to the interest rate on the deposit, providing an agreement for the alleged opening of the deposit or requesting the local government unit for documents related, e.g. to its representation. In fact, the account was kept not for the local government unit, but for a limited liability company. The funds credited to the account kept for the limited liability company (originating from the local government units) were then partially transferred to foreign bank accounts and to a natural person's account maintained at a Polish bank. The funds from the account kept for the natural person were partially paid out in cash, but a significant part of them was transferred to another limited liability company and a foreign company having a bank account in Poland. Subsequently, the above-mentioned companies made transfers to another natural person, who transferred the funds through an entity providing payment services to a cryptocurrency exchange. According to the GIFI, the quick transfer of the funds from the local government units through numerous bank accounts kept for various entities and natural persons with various banks was most likely to extend the transaction chain in order to conceal the actual source of the funds.

In the case in question, the GIFI notified the competent prosecutor's office of suspected money laundering with the use of accounts kept for companies and natural persons involved in the described illegal practice.

Money laundering by a currency exchange office

The case was initiated based on a notification from an obligated institution regarding transactions carried out on bank accounts kept for a sole trader dealing with currency exchange (the company was entered in the register of currency exchange offices). In the course of the case, it was established that the sole trader had bank accounts maintained by several banks, and in each of them this entity had accounts denominated in at least several currencies. The GIFI analysed the bank accounts denominated in GBP from January 2019.

Based on the information held by the GIFI it was established that a large group of clients of a natural person providing currency exchange services were companies registered in Poland, represented mainly by foreigners. The above-mentioned companies made transactions through the currency exchange office mainly in GBP. During the analysis, it was found that most of these companies are involved in cases conducted by the GIFI, in which the GIFI sent notifications to the competent prosecutor's offices concerning directly these companies, or these companies were contractors of the companies to which the GIFI's notifications were related. According to the GIFI the transactions made by the companies through the currency exchange office could be used to transfer/exchange funds from crimes (including fraud, people smuggling), while extending the circulation of funds in order to hinder the detection of this illegal practice by the competent state authorities or make it difficult to determine the origin of the transferred funds. The findings made by the GIFI show that the natural person running the currency exchange office transferred to a large extent funds crediting their accounts in GBP to other entities involved in currency exchange, which even further extended the circulation of the funds. In the course of the analysis carried out by the GIFI it was shown that the natural person running the currency exchange office could fail to fully comply with the obligation imposed by the *AML/CFT Act* to apply CDD measures with respect to their customers. This may be evidenced, among others, by circumstances such as the fact that notifications concerning the companies that exchanged currencies through the natural person conducting currency exchange operations were submitted by banks, and not by this natural person. According to the GIFI, the nature of the transactions, i.e. the execution of numerous GBP exchange transactions by Polish companies represented mainly by foreigners, should raise vigilance in the natural person concerned and be a justified circumstance for a thorough examination of the source of the funds. Moreover, it was indicated that the currency exchange operations conducted by that natural person could facilitate money laundering for companies registered in Poland, represented mainly by foreign nationals. In the case in question, the GIFI submitted to the competent prosecutor's office a notification of suspected money laundering with the use of accounts kept for a natural person conducting currency exchange operations.

Laundering of money from drug trafficking

1. The account of a limited liability company was credited with two transfers for the total amount of approx. PLN 180 thousand from a foreign account kept in one of the North African countries. The transfers were ordered by a foreign national being the sole shareholder and president of the management board of this company. This person is a citizen of one of the European Union countries, coming from a state in North Africa, from which the funds were transferred to the account of the limited liability company in question. The bank sent to the GIFI a notification of suspicious transactions pursuant to Article 86(1) of the *AML/CFT Act* concerning these transactions, as it had found information in foreign

media that this person was accused (in the country of their citizenship) of participation in an organised criminal group that marketed very large amounts of drugs. The GIFI immediately sent an inquiry to the relevant foreign financial intelligence unit regarding this person. Within 24 hours, the foreign financial intelligence unit confirmed that this person was indeed accused of dealing in drugs on a large scale. At the same time, the foreign FIU informed that the organised criminal group also murdered a policeman in another EU country, and during the trial the group leader (a brother of the Polish company's owner) fled to the African country of origin. The foreign financial intelligence unit warned that the person in question may be armed and dangerous. Therefore, the GIFI immediately forwarded this information to the Central Investigation Bureau of the Police. Due to the well-founded suspicion that the funds transferred to Poland could originally come from drug trafficking, the GIFI demanded that the company's account be blocked and sent a notification about a suspected crime to the prosecutor's office.

2. The case was initiated based on notifications from law enforcement agencies, concerning two persons detained in one of the European countries, who are citizens of an Asian state (having their address of residence in Poland), in whose luggage approx. EUR 2-3 million in cash was revealed. The aforementioned persons are suspected of participation in an organised criminal group whose activity involved drug trafficking and laundering money derived from this illegal practice. It was suspected that the above-mentioned persons could use bank accounts to receive proceeds from the above-mentioned crimes to be later legalised or transferred. According to available information one of the above-mentioned persons acquired as personal property real estate located in Warsaw. In accordance with the notarial deed, the buyer confirmed that the entire sale price of the property (approx. PLN 1 million) was paid to the seller (developer) to a specific bank account kept for it in PLN, and the seller confirmed the payment of the full selling price of the property by the buyer to a bank account denominated in PLN. An analysis of the bank accounts kept for the seller showed that the bank account kept in PLN and indicated in the notarial deed as the one on which the funds from the sale of the property were booked, was credited with cash payments in the total amount of approx. PLN 0.1 million made by the buyer (as well as the buyer's wife). The developer's account was also credited by entities from Asia from a bank account denominated in USD. The transfer titles (referring to the sales contract and the real estate number) could indicate payments related to the purchase of the real estate in question. Given the above, it was suspected that both the seller and the buyer, by signing the notarial deed, certified the untruth as to the circumstances of the payment of the entire amount of the real estate price by the buyer to the developer's bank account denominated in PLN, which is not confirmed in the collected materials. As the amount of approx. PLN 420,000.00 was not found on the bank accounts kept for the seller, a suspicion arose that the above-mentioned amount was paid to the seller in cash (in Polish currency or its equivalent in a foreign currency). Thus, in accordance with the *AML/CFT Act*, the seller became an obligated institution. The GIFI submitted a notification to the prosecutor's office about a suspicion of money laundering by purchasing real estate for cash (partly in the form of cash) that could have come from proceeds from drug trafficking.

Money laundering by non-residents using special purpose vehicles

Acting pursuant to Article 86(1) of the *AML/CFT Act*, the bank identified a suspicious flow of funds from one entity (company X) from a country in Northern Europe to the accounts of two

Polish companies (A and B) registered only some 1-2 months earlier. The funds crediting the accounts of the Polish entities were transferred to the personal accounts of several people from one of the Baltic States, and then withdrawn at ATMs in Scandinavia and the Baltic States. Withdrawals from different personal accounts were made on the same days, which suggests that they could be made by the same person who held payment cards. Moreover, the persons withdrawing the funds opened bank accounts in the same branch of the bank within the same two business days. The contractors of both Polish entities (i.e. companies A and B) included other Polish companies, previously reported by the bank pursuant to Article 74 of the *AML/CFT Act*, whose some accounts were, among others, blocked by prosecutors pursuant to Article 106 of the *Banking Law*. In the period immediately preceding the notification, the bank discovered that there were changes in the management board of company X, namely it was joined by a Polish citizen and a foreign national – a citizen of a non-EU country. According to information posted on one of foreign websites, the latter person was prosecuted and accused in several criminal cases conducted by foreign law enforcement agencies. It was also found that the Polish citizen who joined the management board of company X had recently become related with another northern European entity (Y), that a few weeks earlier credited the account of another Polish company (C), blocked by the GIFFI pursuant to Article 86(5) of the *AML/CFT Act*. It could be presumed that as a result of the abovementioned blockade by the GIFFI, it was necessary to launch a new entity (i.e. B) in order to continue the illegal practice. It was also important that the owners of both Polish entities (i.e. companies B and C) probably knew each other, because they came from the same small town. Moreover, they declared relatively low income for the last years preceding the establishment of their companies. The bank obtained additional information that the foreign principal (company X) was allegedly a construction company that subcontracted work carried out in Scandinavia to two Polish entities (i.e. A and B), that were to hire workers for this purpose. Moreover, the bank obtained cooperation agreements concluded by the foreign principal with those Polish subcontractors that, according to the GIFFI, were probably forged. In the course of further analyses, over 20 more foreign entities were identified, that earlier, in the period of more or less the previous year, directly credited the accounts of a few more foreign nationals and Polish companies, from where the funds were subsequently transferred to the personal accounts of over twenty other foreign nationals who withdrew them at ATMs in Scandinavia. It is worth emphasising that the natural persons opened bank accounts mostly in the same branches of the bank. The GIFFI decided to block the accounts and submitted a notification to the prosecutor's office. As part of international cooperation, spontaneous dissemination reports were also sent to foreign financial intelligence units in order to inform foreign partners about the suspicious illegal practice and to prevent further transfers of funds from Northern Europe via Poland and back.

4.2. COUNTERACTING FINANCING OF TERRORISM

The main goal of the GIFFI in the area of counteracting financing of terrorism is to cut terrorist organisations off their financing sources. The statutory tasks of the GIFFI provide for obtaining, collecting, processing and analysing information in accordance with the statutory provisions and transferring it to the competent state authorities. Due to the variety of sources used to finance terrorism, the analysis covers both transactions reported to the GIFFI as suspicious, as well as legal transactions carried out by entities in circumstances that give rise to suspecting

them of being related to financing of terrorism. Information used to initiate analyses comes mainly from the cooperating units and the banking sector.

Performing its statutory tasks in the area of counteracting financing of terrorism in 2021, the GIFI initiated 5 analytical proceedings regarding transactions that could be related to financing of terrorism. The proceedings were conducted based on information received from the cooperating units and the obligated institutions, as well as information or requests received from foreign financial intelligence units (hereinafter referred to as FIU).

The proceedings initiated based on information from obligated institutions concerned usually transactions carried out by natural persons from the countries with higher terrorist risk, i.e. ones where terrorist groups are active and from countries where military operations are carried out. The GIFI examined the flows on personal bank accounts and money transfers involving these individuals. In cooperation with the Anti-Terrorist Centre of the Internal Security Agency⁴⁴, the GIFI analysed the links with individuals or entities from countries with higher terrorist risk and identified their links with terrorist organisations. Verification of suspicions of financing of terrorism led in some cases to their confirmation or detection of illegal commercial activities unrelated to financing of terrorism, or on the contrary – to confirmation that certain transactions were carried out as legal financial activities connected, for example, with family or business ties with entities established in countries with higher terrorist risk.

Cooperation with foreign FIUs

Requests for information and spontaneous information related to financing of terrorism received from foreign FIUs, based on which analytical proceedings were initiated, usually related to transactions carried out by individuals residing in the territory of the Republic of Poland, who received funds from natural persons suspected of having links with terrorist groups or transferred funds to such natural persons. The GIFI verified such information, possibly extending its verification to include additional information, and then – having obtained consent from foreign FIUs – provided it to the Internal Security Agency.

Cooperation with the Internal Security Agency

In 2021, the GIFI received 40 requests from the Internal Security Agency for information on individuals and entities suspected of financing terrorism. The GIFI replied to all requests, forwarding the information received from obligated institutions to the Internal Security Agency. In some cases, the information provided by the GIFI was supplemented with information received from foreign FIUs.

Additional information

As a result of analyses related to the aforementioned issues, the GIFI sent, pursuant to Article 106 of the *AML/CFT Act*, a total of 8 notifications to the Internal Security Agency, and disclosed, under Article 113 of the *AML/CFT Act*, 4 disseminations obtained from foreign FIUs.

The GIFI is a member of the Inter-ministerial Team for Terrorist Threats (ITTT) which is an ancillary body of the Council of Ministers that is to ensure cooperation of the governmental administration in the identification, prevention and counteracting terrorist threats. The basic

⁴⁴ The Anti-Terrorist Centre of the Internal Security Agency is a coordination and analytical unit dedicated to counteracting and combating terrorism, among others, with respect to obtaining information on money laundering or fund transfers that may be evidence of financing of terrorism.

tasks of the Team include: monitoring terrorist threats, presenting opinions and conclusions to the Council of Ministers, developing draft standards and procedures regarding counteracting terrorism, initiating and coordinating activities undertaken by the competent bodies of the governmental administration, as well as organising cooperation with other states in the area of counteracting terrorism, etc.

4. CONTROLS

5.1. INFORMATION FROM WHISTLEBLOWERS

Pursuant to Article 80 of the *AML/CFT Act*, the GIFI receives reports of actual or potential violations of the provisions on counteracting money laundering and financing of terrorism from employees and former employees of obligated institutions or other individuals who perform or performed activities for obligated institutions on a basis other than an employment relationship. Therefore, in order to fulfil this obligation, the GIFI makes it possible to submit the above-mentioned reports in an electronic form to the e-mail address: signalisci.GIIF@mf.gov.pl, or send them in a paper form to the correspondence address indicated by GIFI.

Based on the information received by the GIFI in 2021, 54 cases were entered in the whistleblowing register (based on over 80 reports, received mostly in electronic version). Identified irregularities related, among others, to suspected fiscal offences, failure to perform obligations under the *AML/CFT Act* by obligated institutions, suspicious transactions or illegal economic activity, in electronic version). Identified irregularities in the transmitted social signals regarding, inter alia, suspected fiscal offences, non-performance of obligations under the *AML/CFT Act* by obligated institutions, suspicious transactions or illegal economic activity. Some of the reports received by the GIFI were forwarded to the competent authorities so that they could perform their statutory tasks (to tax offices and revenue administration regional offices), while others were used by the GIFI to perform its own statutory tasks. The remaining part of the reports that contained information that did not refer to actual or potential violations of the provisions on counteracting money laundering and financing of terrorism, as well as information that could not be used by other authorities, was left unexamined.

5.2. CONTROLS PERFORMED BY THE GIFI

Pursuant to the provisions of the *AML/CFT Act*, in 2021, the GIFI carried out **9 controls** in the following obligated institutions:

- banks – 3;
- obligated institutions referred to in Article 2(1)(12) of the *AML/CFT Act* – 5;
- currency exchange office – 1.

The controls revealed irregularities in the fulfillment of the obligations under the *AML/CFT Act* by the obligated institutions. As a result of the controls carried out, 94 irregularities related to

formal and substantive shortcomings were found. The identified irregularities include, among others:

1. Formal shortcomings:

- failure to implement the assessment of the risk of money laundering and financing of terrorism referred to in Article 27 of the *AML/CFT Act* or to adapt it to the provisions thereof;
- failure to implement internal procedures regarding AML/CFT provisions referred to in Article 50 and Article 53 of the *AML/CFT Act* or to adapt them to the provisions thereof.

2. Substantive irregularities:

- failure to meet the obligation to appoint a responsible person, referred to in Article 8 of the *AML/CFT Act*;
- failure to perform or improper performance of an analysis and assessment of risks related to a business relationship or an occasional transaction, as referred to in Article 33(2)-(3) of the *AML/CFT Act*;
- failure to apply the customer due diligence measures referred to in Article 34(1)-(4) of the *AML/CFT Act*;
- failure to apply the customer due diligence measures pursuant to Article 35 of the *AML/CFT Act*;
- failure to meet the obligations referred to in Article 41(1) of the *AML/CFT Act*;
- failure to apply the enhanced customer due diligence measures referred to in Article 43 of the *AML/CFT Act*;
- failure to meet the obligations referred to in Article 43(4) of the *AML/CFT Act*;
- failure to meet the obligation under Article 46(1) of the *AML/CFT Act*, i.e. to determine whether a customer or a beneficial owner is a politically exposed person, in accordance with Article 2(2)(3), Article 2(2)(11) and Article 2(2)(12) of the *AML/CFT Act*;
- failure to meet the obligation under Article 46(2) of the *AML/CFT Act*, regarding business relationships with politically exposed persons referred to in Article 2(2)(3), Article 2(2)(11) and Article 2(2)(12) of the *AML/CFT Act*;
- failure to meet the obligation to ensure the participation of employees fulfilling the obligations associated with counteracting money laundering and financing of terrorism in training programmes referred to in Article 52 of the *AML/CFT Act*;
- failure to meet the obligation to provide the GIFI with information, referred to in Article 72 of the *AML/CFT Act*;
- failure to meet the obligation to notify the GIFI, in accordance with Article 74 of the *AML/CFT Act*, of any circumstances that may indicate the suspicion of a crime involving money laundering or financing of terrorism;
- failure to ensure that the obligations to submit notifications to the GIFI will be properly performed – obligated institutions did not have the appropriate tools and there were no processes in place that would enable the correct implementation of the above-mentioned obligations;
- failure to meet the obligation to provide the GIFI with information, referred to in Article 76 of the *AML/CFT Act*;
- failure to meet the obligation to provide the GIFI with information pursuant to Article 89(8) of the *AML/CFT Act*;

- failure to meet the obligation to apply the specific restrictive measures, referred to in Article 117 of the *AML/CFT Act*, due to the failure to verify the presence of persons and entities on the sanction lists referred to in Article 118 of the *AML/CFT Act*;
- conducting transactions that may be related to the crime referred to in Article 299 of the *Penal Code*.

As for the identified violations, the GIFI issued post-control recommendations to the obligated institutions to enable them to fulfil their obligations under the *AML/CFT Act*. It was recommended, among others, to:

- appoint a responsible person pursuant to Article 8 of the *AML/CFT Act*;
- identify and assess the risk of money laundering and financing of terrorism, relating to their activities, taking into account risk factors relating to customers, countries or geographic areas, products, services, transactions or their delivery channels, as well as prepare the above-mentioned risk assessment, i.e. to fulfil the obligation referred to in Article 27(1)(3) of the *AML/CFT Act*;
- fulfil the obligation to identify the risk of money laundering and financing of terrorism associated with a business relationship or an occasional transaction, and to assess the risk level in accordance with Article 33(2)-(3) of the *AML/CFT Act*;
- apply the customer due diligence measures referred to in Article 34(1)(1)-(4) of the Act and, where required, the enhanced customer due diligence measures referred to in Article 43 or the Act;
- document the applied customer due diligence measures in accordance with Article 34(3) of the *AML/CFT Act*;
- apply the customer due diligence measures pursuant to Article 35 of the *AML/CFT Act*;
- fulfil the obligation provided for in Article 41(1) of the *AML/CFT Act*;
- mandatorily determine whether a customer or a beneficial owner is a politically exposed person, in accordance with Article 2(2)(3), Article 2(2)(11) and Article 2(2)(12) of the *AML/CFT Act*;
- fulfil the obligation under Article 46(2) of the *AML/CFT Act*, regarding business relationships with politically exposed persons referred to in Article 2(2)(3), Article 2(2)(11) and Article 2(2)(12) of the *AML/CFT Act*;
- adapt/implement the procedures in accordance with Article 50 and Article 53 of the *AML/CFT Act*;
- ensure the participation of employees fulfilling the obligations associated with counteracting money laundering and financing of terrorism in training programmes, to enforce the fulfilment of the statutory obligations, in accordance with Article 52 of the *AML/CFT Act*, as well as the requirements provided for in the internal procedures of the obligated institutions;
- fulfil the obligation to provide the GIFI with information, referred to in Article 72 of the *AML/CFT Act*;
- notify the GIFI, in accordance with Article 74 of the *AML/CFT Act*, of any circumstances that may indicate a suspicion of money laundering or financing of terrorism;
- fulfil the obligation to provide the GIFI with information, referred to in Article 76 of the *AML/CFT Act*;

- fulfil the obligation to provide the GIFI with information pursuant to Article 89(8) of the *AML/CFT Act*;
- verify customers in terms of their presence on the sanction lists referred to in Article 118 of the *AML/CFT Act*.

Pursuant to Article 144 of the *AML/CFT Act*, information on the findings of controls carried out by the GIFI controllers was transferred to the supervisory authorities for its further official use.

Moreover, in 2021, in connection with a control carried out, the GIFI sent to the prosecutor's office **one notifications of a suspected crime having the features of the act specified in Article 156(1)** of the *AML/CFT Act*.

5.3. CONTROLS CARRIED OUT BY THE SUPERVISORY AUTHORITIES

Pursuant to the provisions of Article 131(5)(3) of the *AML/CFT Act*, the supervisory authorities provide the GIFI with information on control findings. According to the data held by the GIFI as at 9 February 2022, in 2021:

- the National Bank of Poland carried out **556 controls in currency exchange offices**;
- the Polish Financial Supervision Authority carried out **12 controls**⁴⁵;
- the Presidents of Courts of Appeal carried out **62 on-site visits in notary offices**⁴⁶;
- the National Association of Cooperative Savings and Credit Union carried out 8 controls in **Cooperative Savings and Credit Unions**;
- ministers, governors of provinces or governors of districts carried out **24 controls of associations and foundations**;
- Customs and Tax Control Offices carried out **27 controls**.

5.4. ADMINISTRATIVE PROCEEDINGS REGARDING IMPOSITION OF ADMINISTRATIVE PENALTIES

Pursuant to the provisions of the *AML/CFT Act*, proceedings concerning imposition of administrative sanctions on obligated institutions for irregularities in the performance of the obligations referred to in Article 147, Article 148 and Article 149 of the *AML/CFT Act*, are conducted in accordance with the provisions of the Code of Administrative Procedure. Imposition of administrative sanctions is part of the GIFI competence. When determining the type and amount of an administrative sanction, the GIFI takes into account the circumstances listed in Article 150(4) of the *AML/CFT Act*, including the gravity of the infringement and its duration, as well as the scope of the obligated institution's responsibility and its financial capacities. The GIFI conducts administrative proceedings following its own controls and controls carried out by Heads of Customs and Tax Control Offices, Presidents of Courts of Appeal, the National Cooperative Savings and Credit Union, ministers, governors of provinces,

⁴⁵ Apart from the above-mentioned controls, the Polish Financial Supervision Authority also performed analytical supervision activities in the area of AML/CFT. In 2021, the findings of 9 such analyses were submitted.

⁴⁶ Apart from the above-mentioned controls, the GIFI has knowledge of the control activities carried out by the Councils of Notary Chambers.

and governors of districts. The number of administrative proceedings conducted by the GIFI is also closely related to the number of controls carried out by it.

In 2021, the **GIFI initiated 23 administrative proceedings**. Ten of them were initiated in connection with irregularities identified as a result of controls carried out by the GIFI, while the remaining 13 proceedings were initiated as a result of controls carried out by other authorities. In 2021, **the GIFI completed 16 proceedings, by issuing administrative decisions** imposing on obligated institutions administrative sanctions in the **form of financial penalties**.

In 2021, the **Minister of Finance, Funds and Regional Policy (now Minister of Finance) conducted 10 appeal proceedings** against the GIFI's decisions. As a result of the appeal proceedings, the **Minister of Finance, Funds and Regional Policy (now Minister of Finance) issued 9 administrative decisions**, including 9 decisions to uphold issued decisions or to impose on obligated institutions administrative sanctions in the form of financial penalties.

In 2021, **4 complaints against the decision of the Minister of Finance, Funds and Regional Policy were filed with a Provincial Administrative Court**. In 2021, the Provincial Administrative Court dismissed two complaints from obligated institutions, overruled the decision of the Minister of Finance, Funds and Regional Policy in one case, revoked the decision of the Minister of Finance, Funds and Regional Policy in one case, as well as the decision of the GIFI.

The Minister of Finance, Funds and Regional Policy submitted **one cassation appeal to the Supreme Administrative Court**.

5. NATIONAL COOPERATION

6.1. EXCHANGE OF INFORMATION WITH DOMESTIC ENTITIES

In 2021, the GIFI continued cooperation with domestic entities.

Competent authorities – primarily the prosecutor’s office and other law enforcement agencies – used the data held by the GIFI. Information collected in the manner and to the extent specified in the *AML/CFT Act* was made available by the GIFI at the request of courts and prosecutors for the purpose of criminal proceedings in accordance with Article 104 of the *AML/CFT Act*. Information on transactions was also transferred by the GIFI on request to the services subordinated to and supervised by the minister competent for the interior: the Police and the Border Guard, as well as the Heads of the Internal Security Agency, the Military Counter-Intelligence Service, the Central Anti-Corruption Bureau (hereinafter referred to as CBA) under Article 105(1) of the *AML/CFT Act*. Other bodies authorised to obtain information on transactions included the Head of the National Revenue Administration, Directors of the Revenue Administration Regional Offices, heads of customs and tax control offices, and other bodies in accordance with Article 105(3) of the *AML/CFT Act*.

Since 13 July 2018, the organisational units of prosecutor’s offices have been obliged to provide information on issued decisions to block a bank account or suspend a transaction, initiation of proceedings, presenting charges and bringing an indictment, and other matters related to a crime involving money laundering or financing of terrorism under Article 81 of the *AML/CFT Act*. The other law enforcement agencies authorised to conduct criminal proceedings (like other cooperating units) submit notifications about a suspected crime involving money laundering or financing of terrorism under Article 83(1) and (2) of the *AML/CFT Act*.

The quantitative data analysis concerning the exchange of information with domestic entities shows stabilised cooperation with the GIFI. However, there was an exceptional decrease in the number of requests sent to the GIFI by organisational units of the prosecutor’s office. At the same time, there was an increase in the information provided by organisational units of the prosecutor’s office under Article 81 of the *Act*. In terms of the number of requests, cooperation with the Police and the Border Guard, as well as the Central Anti-Corruption Bureau and Military Counter-Intelligence Service was slightly less intense.

6.1.1. COOPERATION WITH ORGANISATIONAL UNITS OF THE PROSECUTOR’S OFFICE AND COURTS

Pursuant to Article 104 of the *AML/CFT Act*, in 2021, the GIFI received from organisational units of the prosecutor’s office 769 requests for information concerning at least 4,598 entities, which represents a relatively small decrease compared to the previous year. It should also be emphasised that the 2021 requests concerned at least 1,937 bank accounts.

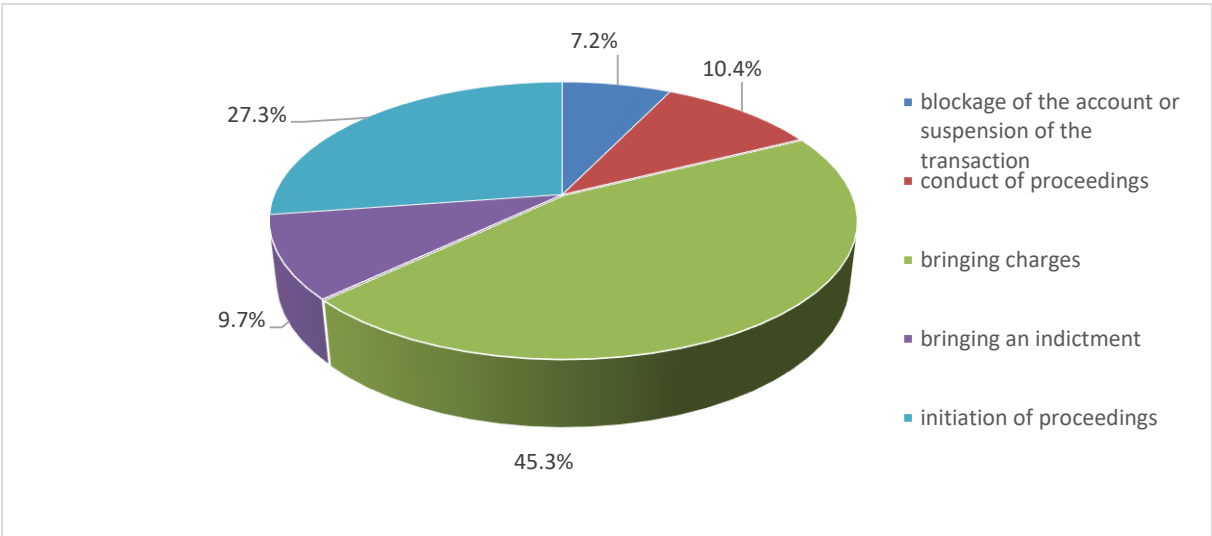
Over the last years, the cooperation with the prosecutor’s office has been more effective, as confirmed by the still large number of requests for information submitted to the GIFI by organisational units of the prosecutor’s office. Since 2014, organisational units of the

prosecutor’s office submitted over 500 requests for information each year, which represents a significant increase compared to the preceding years (in 2013, 400 requests were recorded), while in 2017-2019, the number of these requests submitted per annum was over 700. Continuing the trend of 2020, 2021 marked an increase in the number of the requests that referred to and were mainly aimed at establishing assets, as well as in that of mutual legal assistance requests. Furthermore, with the use of request for information and the information thus obtained, the organisational units of the prosecutor’s office were able to present charges to suspects to a greater extent, in particular under Article 299 of the Penal Code.

In 2021, the GIFI also received 12 requests for information from courts concerning 20 entities. For comparison, in 2020, the GIFI received 7 requests for information concerning 7 entities.

In 2021, the GIFI received from organisational units of the prosecutor’s office a total of 278 disseminations in cases related to a crime involving money laundering or financing of terrorism (including under Article 81 of the *AML/CFT Act*, where the prosecutor notifies the GIFI of having issued a decision to block a bank account or suspend a transaction, initiation of proceedings, presenting charges and bringing an indictment), which represents a significant increase compared to 2020, when this figure was 236.

*Chart 9. Percentage share of information received in 2021 from organisational units of the prosecutor’s office (including under Article 81 of the *AML/CFT Act*)*



In 2021, most of the transferred information concerned initiation of proceedings regarding a suspicion of the crime referred to in Article 299 of the *Penal Code* (76 disseminations) or presenting charges under this provision (126 disseminations). In several dozens of such cases, the organisational units of the prosecutor’s office requested the GIFI also to consider undertaking its statutory activities to block bank accounts or suspend transactions.

Based on the information submitted by the competent authorities under Article 81 of the *AML/CFT Act*, the GIFI undertook its statutory activities to cut criminals off assets, thus preventing them from legalising proceeds from prohibited acts. As a result of such cooperation, the GIFI sent to the competent organisational units of the prosecutor’s office – based on the

information received – notifications of the suspected crime referred to in Article 299 of the *Penal Code*.

In 2021, just like in previous years, the organisational units of the prosecutor's office happened to submit in one letter information under Article 81 of the *AML/CFT Act*, requesting at the same time information under Article 104(1) of the *AML/CFT Act*, which facilitated more effective and more efficient exchange of information.

It should be emphasised that acting in accordance with Article 81(4) of the *AML/CFT Act*, the GIFI immediately notifies the prosecutor of possessing information related to the information submitted under Article 81(1) of the *AML/CFT Act*. In 2021, information provided by organisational units of the prosecutor's office was frequently combined with information held by the GIFI. In such situations, whenever a positive response from the GIFI was obtained, the information held by the GIFI was requested, which in many cases had an impact on further procedural activities carried out by organisational units of the prosecutor's office, e.g. in the form of extending the catalogue of charges presented to suspects.

In 2021, secure electronic information exchange channels were used to cooperate with organisational units of the prosecutor's office. The said secure electronic information exchange channels were also used by the GIFI to obtain information from the obligated institutions, from which information was received on transactions covered by the provisions of the *AML/CFT Act* for the purposes of cooperation between the GIFI and organisational units of the prosecutor's office. It was largely due to the subject of the requests that concerned a large number of entities or a large number of accounts. Providing this data in an electronic version, and even more in an editable form, greatly accelerated the process of handling the requests. Furthermore, such cases also related to accelerating the response by the GIFI, due to urgent procedural activities carried out by organisational units of the prosecutor's office.

In 2021, cooperation with the organisational units of the prosecutor's office was continued through participation of representatives of the Department of Financial Information in initiatives aimed at exchanging experiences in the field of counteracting money laundering and financing of terrorism. These initiatives made it possible to disseminate good practices to ensure more effective cooperation between the GIFI and representatives of organisational units of the prosecutor's office.

6.1.2. COOPERATION WITH THE NATIONAL REVENUE ADMINISTRATION BODIES

In 2021, the GIFI received 203 requests from the heads of customs and tax control offices, regarding 583 entities. This is a several percent growth in the number of submitted requests compared to 2020.

The information flow between the GIFI and KAS resulted in a further increase in the effectiveness of cooperation between these authorities. The exchange of request-related correspondence in 2021 led in many cases to the commencement of further cooperation between the authorities concerned under Article 83 of the *AML/CFT Act*. As a result of this cooperation, the GIFI sent to the competent organisational units of the prosecutor's office – based on the

information received from the KAS bodies – notifications of a suspected crime referred to in Article 299 of the *Penal Code*. The statutory activities undertaken by the GIFI were also intended to cut criminals off assets, and thus prevent them from legalising funds derived from proceeds from prohibited acts, in this case particularly from fiscal crimes.

In 2021, the GIFI also received 98 requests for information from directors of revenue administration regional offices regarding 241 entities.

In 2021, due to the prevailing pandemic, it was not possible to continue permanent cooperation consisting in co-organising training sessions to broaden knowledge in the area of counteracting money laundering and financing of terrorism with the participation of representatives of the KAS bodies. However, representatives of the management of the Department of Financial Information took part in quarterly meetings with the management of the KAS, during which they had the opportunity to share information on good practices aimed at ensuring more effective cooperation between the GIFI and the KAS organisational units.

6.1.3. COOPERATION WITH BODIES SUBORDINATED TO THE MINISTER OF THE INTERIOR

Pursuant to Article 105(1) of the *AML/CFT Act*, in 2021, the GIFI received 131 requests for information from Police organisational units that concerned 811 entities, whose significant part was submitted by authorised individuals representing the Criminal Bureau of the Police Headquarters and the Central Investigation Bureau of the Police. As in previous years, cooperation related to the processing of requests for representatives of the Police bodies was smooth and effective.

However, it should be emphasised that the number of requests decreased in 2021 by approx. 20% compared to 2020, when the GIFI received 159 requests from organisational units of the Police.

Furthermore, in 2021, the GIFI replied to 23 requests concerning 278 entities, submitted by authorised representatives of the Headquarters of the Border Guard.

Units supervised by and subordinate to the minister competent for the interior also fulfilled the obligations specified in Article 83(1) of the *AML/CFT Act*, which significantly extended cooperation in counteracting the crime referred to in Article 299 of the *Penal Code*. In 2021, the GIFI received 177 such disseminations from the Police organisational units, concerning 938 entities. It also received 8 such disseminations from the Border Guard, regarding 103 entities.

Based on the information received, the GIFI was able to more effectively fulfil its statutory obligations, also by blocking accounts. The activities undertaken in the area of analyses conducted by the GIFI enabled more effective cooperation already at the stage of operational and reconnaissance work of services subordinate to and supervised by the minister competent for interior, including, in particular, in identifying assets at the initial stage of operational and reconnaissance activities, as well as later, during investigation.

6.1.4. COOPERATION WITH STATE SECURITY SERVICES

In 2021, as part of cooperation under Article 105(1) of the *AML/CFT Act*, the GIFI received from the Head of the Internal Security Agency 77 requests for information on at least 264 entities.

In 2021, the GIFI received 20 requests for the information held by the GIFI from the Military Counter-Intelligence Service. The requests concerned 49 entities.

6.1.5. COOPERATION WITH THE CENTRAL ANTI-CORRUPTION BUREAU

Under Article 105(1) of the *AML/CFT Act*, the GIFI received from the Central Anti-Corruption Bureau 43 requests for information regarding at least 208 entities, as well as 3 notifications provided pursuant to Article 83(1) of the *AML/CFT Act*, concerning 31 entities.

Compared to 84 requests in 2020, exchange of information with the Central Anti-Corruption Bureau was significantly reduced.

6.1.6. COOPERATION WITH OTHER AUTHORITIES

In 2021, the GIFI received 19 requests from the minister competent for public finance to establish whether there were any threats related to money laundering or financing of terrorism as regards designated entities, submitted under Article 11(2) of the *Gambling Act of 19 November 2009*. These requests concerned 122 entities.

In 2021, the GIFI received 25 requests from the Chair of the Polish Financial Supervision Authority, concerning 108 entities. The requests concerned mainly ongoing proceedings related to granting or amending a permit for the provision of payment services as a domestic payment institution.

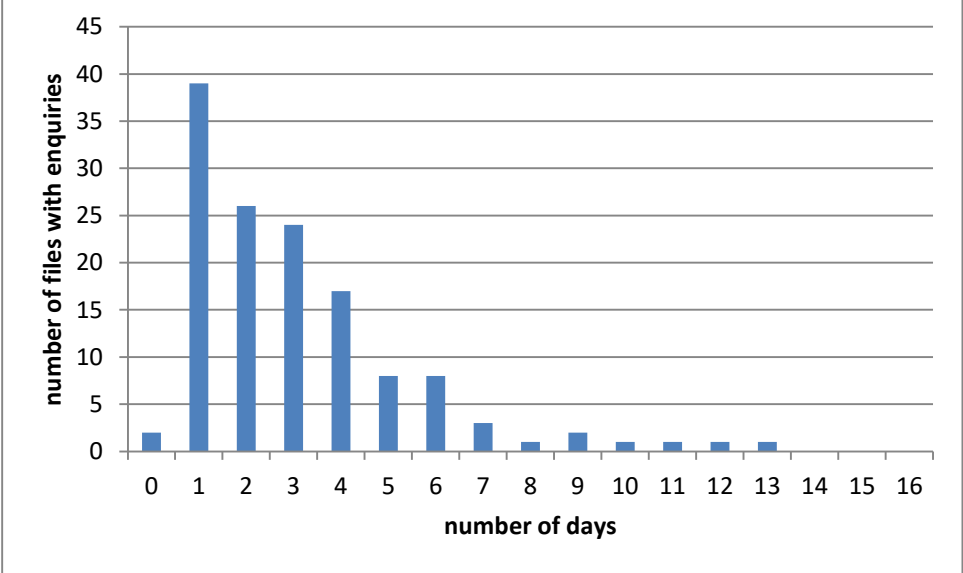
In 2021, the GIFI also received 15 requests for information from the Military Police that concerned 27 entities. In 2020, the number of such requests was the same, but the number of the entities they covered was 89.

6.1.7. COOPERATION WITH THE NATIONAL CENTRE FOR CRIMINAL INFORMATION

In 2021, the National Centre for Criminal Information sent inquiries to the GIFI. These concerned 2,214 entities. Having checked the databases, the GIFI answered 622 times that the subject indicated in the inquiry was identified in the analytical proceedings carried out by the GIFI. Inquiries from the National Centre for Criminal Information are sent to the GIFI electronically, in an agreed format, which enables to partially automate the generation and dissemination of reports. In 2021, the aforementioned inquiries concerning 2,214 entities were submitted in the form of 135 electronic files, directly to the GIFI's IT system. Verification of data from inquiries of the National Centre for Criminal Information is to a large extent automated – generation and provision of responses (to be directly downloaded from the secure website of the GIFI's ICT system) takes up to a few days. The median of the distribution of the number of days for providing responses is 3 days. The distribution of the number of days

elapsed from the submission of the enquiry to the provision of the response is shown in Chart 10.

Chart 10. Number of days elapsed from the submission of the enquiry to the provision of the response in 2021



6.2 FEEDBACK

National Revenue Administration bodies

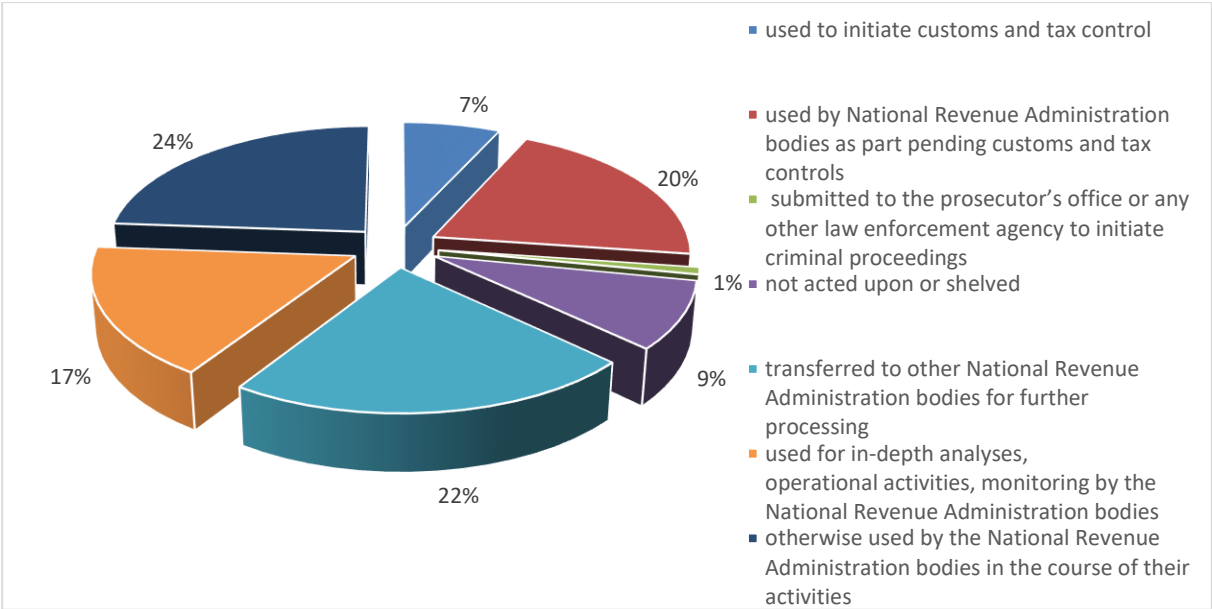
The National Revenue Administration is a specialist government administration that performs tasks in the field of income from taxes, customs duties, fees and non-tax budget receivables, protection of the interests of the State Treasury and protection of the customs territory of the European Union. It also provides services and support to taxable persons and taxpayers in the proper performance of their tax obligations and to entrepreneurs in the proper performance of their customs obligations. The KAS includes the Customs and Tax Service – a uniform and uniformed formation made up of officers. The authorised bodies of the KAS receive information from the GIFI that is relevant to their statutory tasks. The KAS usually used the information provided by the GIFI in its analyses and checks to identify threats in the areas subject to its supervision, in particular in terms of the performance of the obligations related to public levies. In the Polish legal system, violations of prohibitions or injunctions under financial law that falls within the competence of the Minister of Finance, i.e. the tax, customs, foreign exchange and gambling law, are penalised under the *Act of 10 September 1999 – Fiscal Penal Code* (consolidated texts: Journal of Laws of 2021, item 408, as amended) and under the *Act of 6 June 1997 – Penal Code* (consolidated text: Journal of Laws of 2021, item 2345, as amended). The information requested by the KAS bodies from the GIFI was, among other things, to confirm or exclude identified mechanisms of fiscal frauds and to indicate other entities suspected of involvement in fiscal offences and crimes. The information received was used in determining whether a customs and tax control or a tax control and preliminary proceedings should be initiated in cases of a suspected fiscal crime as well as in the course of such controls and proceedings. The purpose of these activities is the correct enforcement of taxes and securing the State Treasury levies.

On the other hand, the information submitted to the KAS bodies by the GIFI on its own initiative (under Article 106(1) of the *AML/CFT Act*) was analysed for its possible relation with suspected fiscal crimes.

Under Article 14(5) of the *AML/CFT Act*, the GIFI received information from particular KAS bodies that indicated that in 2021, based on the information provided by the GIFI (both under Article 105(4) and Article 106(1) of the *AML/CFT Act*):

- the KAS bodies used 39 or more disseminations to initiate customs and tax controls;
- the KAS bodies used 115 or more disseminations in the course of ongoing customs and tax controls;
- 5 or more disseminations were forwarded to the prosecutor’s office or other law enforcement agencies to initiate criminal proceeding;
- 50 or more dissemination were not acted upon and were eventually shelved, following the analysis of the KAS bodies;
- 126 or more disseminations were forwarded to other KAS bodies for further processing;
- 96 or more disseminations are currently subject to in-depth analyses, operational activities, and monitoring by the KAS bodies;
- 135 or more disseminations were used by the KAS bodies otherwise as part of their activities.

Chart 11. Breakdown of information received by the KAS bodies from the GIFI by the method of its use



The Police

According to the information received from the Commander-in-Chief of the Police, the Criminal Bureau of the Police Headquarters received 119 disseminations from the GIFI under Article 106(1) of the *AML/CFT Act* in 2021. Each dissemination received by the Criminal

Bureau of the General Police Headquarters was transferred to locally and materially competent organisational units of the Police for official activities to be taken, including:

- data obtained based on 50 disseminations was forwarded to the competent prosecutor's offices to initiate preparatory proceedings;
- data obtained based on one dissemination was transferred to evidence collected as part of ongoing preparatory proceedings;
- data provided in two disseminations is being verified as part of checks, pursuant to Article 307 of the Code of Criminal Procedure;
- as for 59 disseminations obtained from the GIFI, verification is underway as part of the operational and reconnaissance activities, including in 7 cases where the performed activities did not confirm the information received.

Pursuant to Article 105(1)(1) of the *AML/CFT Act* (at the request of the Commander-in-Chief of the Police), the GIFI provided in 2021 information in 43 cases in connection with pending operational cases. The information provided by the GIFI is still being analysed and supplemented with self-made findings and it is used in ongoing operational and reconnaissance activities carried out by the Police organisational units.

According to the information provided by the Central Bureau of Investigation of the Police under Article 14(5) the *AML/CFT Act*, in 2021, this body submitted 55 requests for information to the GIFI⁴⁷. Following its analysis, the feedback was used in operational activities, including:

- in 11 cases, the information was forwarded to ongoing preparatory proceedings;
- in 6 cases, the information was used as part of the Police international cooperation;
- in one case, the obtained information was verified negatively – no preparatory proceedings were initiated under based on provided evidence;
- in 7 cases, the response from the GIFI indicated the lack of information on the transactions of the individuals or economic entities covered by the requests or on their bank accounts;
- in 29 cases, the obtained information is still being verified by the Central Bureau of Investigation of the Police as part of its statutory activities. These activities include, among others, criminal analysis and drawing up documentation to be transferred to an organisational unit of the prosecutor's office to initiate preparatory proceedings/to be added to ongoing preparatory proceedings;
- in one case, the information obtained was transferred to the National Revenue Administration.

In 2021, the Central Bureau of Investigation of the Police informed also that it initiated 20 preparatory proceedings under Article 299 of the *Penal Code* and completed 27 proceedings carried out in this respect. The Central Bureau of Investigation of the Police did not initiate or complete any preparatory proceedings under Article 165a of the *Penal Code*. According to the aforementioned information, 794 suspects were presented – in the proceedings conducted by

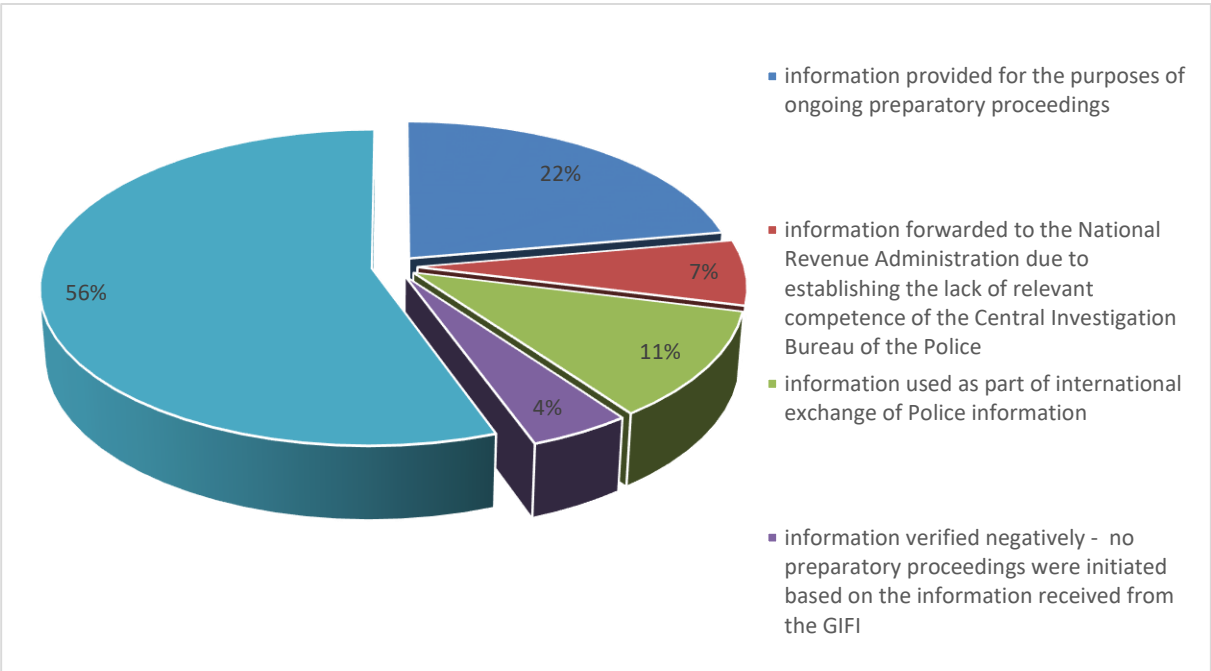
⁴⁷ These included requests for the provision of information on 279 natural persons, 114 entities and 44 bank accounts.

the Central Bureau of Investigation of the Police –a total of 1,016 charges of committing a prohibited act under Article 299 of the Penal Code.

In 2021, the Central Bureau of Investigation of the Police received from the GIFI a total of 45 disseminations under Article 106(1) of the *AML/CFT Act*, that were used as follows:

- 10 disseminations were forwarded to preparatory proceedings;
- 3 disseminations, having been found not to fall within the competence of the Central Bureau of Investigation of the Police, were transferred to the National Revenue Administration;
- 5 disseminations were used as part of the international exchange of Police information;
- 2 disseminations were verified negatively – no preparatory proceedings were initiated based on information provided by the GIFI;
- 25 disseminations are being used in official activities aimed at their verification.

Chart 12. Breakdown of notifications received by the Central Bureau of Investigation of the Police from the GIFI by the method of their use



Other authorities

According to the data received from the Internal Security Agency pursuant to Article 14(5) of the *AML/CFT Act*, in 2021, the Agency received 108 letters from the GIFI, 100 were of which were replies to requests for information submitted by the Agency, provided under Article 105 of this Act. Moreover, in 2021, the Internal Security Agency received 8 letters being notifications/information, sent by the GIFI on its own initiative. Based on the information provided by the GIFI, operational activities were undertaken or the provided information was used as part of detailed operational procedures implemented pursuant to Article 5(1)(2) of the *Act on the Internal Security Agency and the Foreign Intelligence Agency* (identification,

prevention and detection of crimes: espionage, terrorism, crimes affecting the economic foundations of the State, corruption, crimes involving production of and trade in goods, technologies and services of strategic importance for the State security, illegal production and possession of as well as trade in weapons, ammunition and explosives, weapons of mass destruction as well as narcotics and psychotropic substances, crimes in international trade and crimes against the judiciary). The knowledge derived from the information provided by the GIFI was used in the ongoing work of the relevant departments of the Agency.

In turn the Central Anti-Corruption Bureau indicated that in 2021, it received from the GIFI 46 disseminations, 45 of which were used as part of the official activities of this agency. As a result of activities carried out based on the information received from the GIFI, the Central Anti-Corruption Bureau sent one notification of a suspected crime to the competent units of the prosecutor's office. This agency also informs that in 2021, its organisational units requested the GIFI in writing for information, which ones received, was used in ongoing cases.

The Border Guard Headquarters informed that in the period from 1 January 2021 to 31 December 2021, it received from the GIFI a total of 47 disseminations. The information was provided by the GIFI either at the written and justified request of the Border Guard or in connection with suspecting by the GIFI a crime other than money laundering or financing of terrorism, so that the Border Guard could undertake activities provided for in its statutory tasks. At the same time, the Border Guard Headquarters informed about 9 cases of providing the GIFI with information regarding a suspicion of a crime involving money laundering or financing of terrorism.

The Bureau of Internal Affairs of the Border Guard informed that in 2021, it submitted to the GIFI one written request for disclosure of information under Article 105 of the *AML/CFT Act*. However, the submitted information was not acted upon by the Bureau, nor was it transferred to another authority or unit of the public administration to initiate preliminary proceeding, present charges, block a bank account or suspend a transaction, or issue a decision on seizure of assets.

The data obtained from the Military Police Headquarters for 2021 indicate that in 2021, the Military Police obtained from the GIFI, in response to 14 submitted requests, 25 disseminations regarding 25 entities. The information obtained was used in 13 forms of operational work.

Based on the information provided by the Military Counter-Intelligence Service it is known that in 2021, this Service sent to the GIFI five requests for information. No activities other than internal analytical activities were undertaken by the Military Counter-Intelligence Service in 2021 based on information received from the GIFI. The Military Counter-Intelligence Service did not transfer the information obtained from the GIFI to other authorities or public administration units, nor did it undertake based on it other "further activities" within the meaning of Article 14(2)(11) of the *AML/CFT Act*.

The Office of the Polish Financial Supervision Authority notified that in 2021, it received from the GIFI under Article 106(1) of the *AML/CFT Act*, five disseminations regarding a reasonable suspicion of a violation of regulations related to the operation of the financial market. Based on all aforementioned disseminations, the Office of the Polish Financial Supervision Authority undertook analytical activities provided for in the *AML/CFT Act*, as well as in acts regulating particular sectors of the financial market. The UKNF also informed that in 2021, it did not submit to the prosecutor's office any notifications of a suspected crime, resulting from an

analysis of the information provided by the GIFI. As regards human resources involved in the implementation of tasks relating to counteracting money laundering and financing of terrorism, the UKNF informs that it ensures the proper and secure operation of the financial market. The obligations arising from the *AML/CFT Act* correspond to and intertwine with other supervisory activities. The KNF, as a cooperating unit, performs through the UKNF a number of duties related to AML/CFT, implying the need to allocate appropriate resources. As at the date of submitting the information to the GIFI, the human resources of the KNF Office allocated to the implementation of tasks in the field of counteracting money laundering and financing of terrorism are assessed as insufficient for the implementation of all these tasks but they will be enhanced. Taking into account the planned filling of vacancies, the above assessment is likely to change. Moreover, should circumstances requiring strengthening of human resources, such as, for example, changes to the existing regulations regarding the assignment of new obligations to the KNF in the AML/CFT area, materialise, the KNF Office will reassess the existing state of affairs and make appropriate adjustments. As for the financial resources of the KNF Office allocated for the implementation of tasks in the area of counteracting money laundering and financing of terrorism, these do not raise any objections – they are adequate both to their scope and quantity.

The President of the Supreme Audit Office announced that in 2021, it did not request the GIFI to provide information in accordance to the provisions of the *AML/CFT Act*.

Moreover, the National Centre for Emissions Management (KOBIZE) notified the GIFI that it did not send any enquiries/requests for information to the GIFI in accordance with the *AML/CFT Act* in 2021.

6.3 DATA CONCERNING CRIMINAL PROCEEDINGS

In accordance with Article 14(3) of the *AML/CFT Act*, the Minister of Justice is obliged to provide the GIFI with aggregate data on:

- the number of criminal proceedings initiated and completed in cases related to money laundering and on the number of criminal proceedings initiated and completed in cases related to financing of terrorism;
- the number of individuals that were presented with charges of money laundering and on the number of individuals that were presented with charges of financing of terrorism;
- the number of individuals convicted by a final court judgement for money laundering and the number of individuals convicted by a final court judgement for financing of terrorism;
- the types of predicate offences referred to in Article 1(e) of the *Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, done in Warsaw on 16 May 2005* (Journal of Laws of 2008, item 1028), hereinafter referred to as the “Warsaw Convention”, to which the information indicated in the preceding subparagraphs refer;
- assets that were frozen or with respect to which transactions were suspended or accounts were blocked, or for which property searching, seizure or forfeiture was adjudicated.

According to the data provided by the Ministry of Justice, in 2021, regional and district courts initiated 300 court criminal proceedings against 997 individuals, concerning the crime referred to in Article 299 of the *Penal Code*. In the same period, the courts completed 226 criminal proceedings concerning the aforementioned crime. According to the data cited by the Ministry of Justice, in 2021, 295 individuals were finally⁴⁸ sentenced for money laundering under Article 299 of the *Penal Code*, and 426 individuals were sentenced in the first instance. In the course of these proceedings, property worth in total PLN 10,380,390 and assets worth PLN 1,554,377 were seized, and forfeiture was adjudicated for property with a total value of PLN 170,720,814.

Information provided by the Ministry of Justice also shows that in 2021, common courts did not initiate even one criminal procedure in relation to the crime under Article 165a of the *Penal Code*, nor did they complete even one criminal procedure under this article. Therefore, in 2021, no person was convicted in the first instance for the crime under Article 165a of the *Penal Code*, and there were no final convictions for financing of terrorism.

Court criminal proceedings conducted in Poland in 2021 under Article 299 of the *Penal Code* referred to the following predicate offences referred to in Article 1(e) of the Warsaw Convention:

- under the following articles of the *Penal Code*: Article 230 (paid protection), Article 255a (dissemination of content that facilitates the commission of a terrorist offence); Article 258 (organised group and criminal association), Article 270 (substantive deceit), Article 271 (intellectual deceit), Article 272 (procuring an attestation of an untruth); Article 279 (burglary), Article 282 (extortion racket), Article 286 (fraud), Article 291 (receiving of stolen property); Article 294 (qualified types of the crimes mentioned in Article 278(1), (2) or (5), Article 278a(1), Article 284(1) or (2), Article 285(1), Article 286(1) or (2), Article 287(1), Article 288(1) or (3), Article 290(1) or in Article 291(1), against valuable assets);
- under the following articles of the *Fiscal Penal Code*: Article 54 (evasion of tax obligation); Article 56 (untrue tax data);
- the crimes mentioned in the *Act of 29 July 2005 on Counteracting Drug Addiction*;
- other crimes (under the Penal Code and specific acts);
- other crimes not defined.

6.4. TRAINING ACTIVITY

Despite the ongoing pandemic and still significant contact restrictions, also in 2021, representatives of the GIFI actively participated as speakers or participants in numerous training courses and workshops as well as conferences during which issues related to money laundering and financing of terrorism were raised. Due to the pandemic, skill improvement took place mainly online, yet several training sessions were conducted in person. Training conducted in a traditional form enables better live interaction with the trainer, however, online training enables not only contact with the trainer, but it also makes it possible to return to the already provided

⁴⁸ According to the information obtained from the Ministry of Justice, the data in this section is provided by Divisions of Regional Courts (1st instance) and District Courts. What matters is whether the ruling is final or not, it does not matter in which instance it became final.

content, as recordings from sessions or additional materials are posted on platforms. It is also possible to test acquired knowledge.

In 2021, as part of the preparation for the 5th round of Poland's evaluation by MONEYVAL, the GIFI conducted wide-ranging outreach activities in the form of training courses dedicated to obligated institutions (for various sectors of the financial and non-financial market) and cooperating units, regarding a number of aspects of systemic counteracting of money laundering and financing of terrorism. These concerned, among others, the rules for applying specific restrictive measures, combating the financing of terrorism, typological issues, and the operation of the system for counteracting money laundering and financing of terrorism.

As for the banking sector, the aforementioned training courses were prepared and conducted in May 2021, while in the autumn, training covered currency exchange office operators and members of the Accountants Association in Poland.

Apart from the aforementioned training courses related to the 5th round of Poland's evaluation by MONEYVAL, representatives of the GIFI conducted in 2021 two training sessions for representatives of the Military Police, held at the Military Gendarmerie Training Centre in Mińsk Mazowiecki.

In connection with the collection and processing of information on beneficial owners in the Central Register of Beneficial Owners (CRBR), in December 2021, at a meeting of the Forum for Counteracting Money Laundering and Financing of Terrorism at the Bank Security Council of the Polish Bank Association (AML Forum), a representative of the GIFI conducted training entitled "Identifying and Reporting Discrepancies Between the Information Collected in the CRBR and the Information on the Customer's Beneficial Owner Established by Obligated Institutions."

7. INTERNATIONAL COOPERATION

7.1. COOPERATION WITH THE EUROPEAN COMMISSION

7.1.1. EXPERT GROUP ON MONEY LAUNDERING AND TERRORIST FINANCING

The Expert Group on Money Laundering and Terrorist Financing (EGMLTF), bringing together representatives of the EU Member States, is to support the European Commission in defining policy directions in the area of counteracting money laundering and financing of terrorism, developing legal acts, as well as providing advice at the stage of preparing proposals on implementing measures and coordination of cooperation between EU Member States.

In 2021, six meetings of the EGMLTF attended by representatives of the GIFI were held. The meetings were mainly dedicated to the new anti-money laundering and countering terrorist financing package (AML/CTF package) as part of the implementation of the EC *Action Plan for a comprehensive Union policy on preventing money laundering and terrorism financing* of 7 May 2020. The EC discussed with the Member States the various components of this package and consulted the solutions proposed therein. The AML/CTF package published by the European Commission on 20 July 2021⁴⁹ includes:

1. *Proposal for a Regulation of the European Parliament and of the Council establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism and amending Regulations (EU) No 1093/2010, (EU) 1094/2010, (EU) 1095/2010;*
2. *Proposal for a Regulation of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing;*
3. *Proposal for a Directive of the European Parliament and of the Council on the mechanisms to be put in place by the Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and repealing Directive (EU) 2015/849;*
4. *Proposal for a Regulation of the European Parliament and of the Council on information accompanying transfers of funds and certain crypto-assets (recast).*

As part of the publication of the AML/CTF package, a proposal for a *Directive of the European Parliament and of the Council amending Directive (EU) 2019/1153 of the European Parliament and of the Council, as regards access of competent authorities to centralised bank account registries through the single access point*, was also published.

The GIFI coordinated public consultations and the preparation of the positions of the Government of the Republic of Poland on all the above-mentioned EC projects and was responsible for presenting the position of the Government to the Sejm and Senate of the Republic of Poland. The Government of the Republic of Poland came out in favour of the direction of the changes in the EU system for counteracting money laundering and financing of terrorism proposed by the EC, including the development of a uniform set of regulations

⁴⁹ https://ec.europa.eu/info/publications/210720-anti-money-laundering-countering-financing-terrorism_en

regarding counteracting money laundering and financing of terrorism and the establishment of an EU authority responsible for supervision over selected financial institutions and coordination of financial intelligence units. All positions were approved of by both houses of the Parliament.

During the EGMLTF meetings, the states were also informed about the current situation as regards the study of the Council of Europe aimed at preparing a report on the evaluation of the specific implementation and effective application of Directive 2015/849 in the EU Member States. To this end, the Council of Europe, commissioned by the European Commission, continued in 2021 a series of evaluation meetings with the Member States. The evaluation of the implementation and effectiveness of application of Directive 2015/849 by Poland has been scheduled for 18-21 January 2022. Instead of focusing on particular Member States, the final evaluation will focus on the overall effectiveness and efficiency of Directive 2015/849.

During the EGMLTF meetings, discussions on high-risk third countries continued, with a focus on the procedures for dealing therewith. They also aimed to coordinate the EU approach to listing high-risk third countries with the process carried out within the FATF. The Group discussed the new policy towards third countries presented in the *proposal for a Regulation of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing* as part of the AML/CTF package of 20 July 2021. In 2021, the European Commission consulted the members of the EGMLTF in writing on the next draft delegated regulation.

The EGMLTF meetings were also a convenient platform for discussing issues related to the evaluation of the national systems for counteracting money laundering and financing of terrorism by the FATF and MONEYVAL, as well as ongoing and future projects implemented by working groups operating within these forums.

It should be noted that in December 2021, on the initiative of the European Commission, an informal meeting of the members of the EGMLTF took place, during which the Polish and Croatian delegations presented their conclusions and the planned strategy for discussing the reports on the evaluation of national systems for combating money laundering and financing of terrorism, in connection with the scheduled meeting of the MONEYVAL Committee.

Moreover, during the EGMLTF meetings and as part of working contacts with its members, the European Commission consulted with representatives of the Member States, including Poland, EU initiatives concerning, among others:

- survey carried out pursuant to Article 65 of Directive 2015/849, regarding recent market developments and regulatory changes in the identification of users of virtual assets and the preparation of a report on whether it is appropriate, in relation to virtual currencies, to establish and maintain a central database recording user identities and virtual currency account addresses, accessible to financial intelligence units;
- statistical data under Article 44 of Directive 2015/849;
- Commission initiatives on money laundering and financing of terrorism in relation to trafficking in cultural goods;
- organisation of a symposium on the practical aspects of the operation of beneficial owner registers in the Member States and the procedure entitled: “*Preparatory action — Capacity Building, Programmatic Development and Communication in the Context of the Fight Against Money Laundering and Financial Crimes*” – 2020/S 253-638196;

- merging beneficial owner registers;
- works to meet the requirement specified in Article 20a of Directive 2015/849 (listing all prominent public functions at the Member State and EU level);
- preparatory works, including carrying out public consultation to issue guidelines and share good practice on PPPs in the area of money laundering and financing of terrorism;
- preparation of a report on the harmonisation of information contained in real estate registers and the integration of these registers, as referred to in Article 32b(2) of Directive 2015/849;
- preparation of the third supranational risk assessment;
- Special Report 13/2021 of the European Court of Auditors entitled “*EU efforts to fight money laundering in the banking sector are fragmented and implementation is insufficient*”;
- EU Member States’ support in the interpretation of the provisions of *Directive (EU) 2019/1153 of the European Parliament and of the Council of 20 June 2019 laying down rules facilitating the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences, and repealing Council Decision 2000/642/JHA*.

7.1.2. EU-FIU PLATFORM

Representatives of the GIFI actively participated for another year in the work of the EU-FIU Platform (hereinafter “Platform”). The Platform advises the EC on the ongoing cooperation between the FIUs of the EU Member States. The Platform sessions are devoted to discussing, among others, new EU initiatives to counteract money laundering and financing of terrorism, proposals how to improve the exchange of information between the Financial Intelligence Units, issues relating to joint analysis of cases with a cross-border component, information exchange through FIU.net, supra-national risk assessment, and reporting suspicious cross-border transactions.

In 2021, four regular meetings of the Platform and an additional strategic session dedicated to the Platform’s action plan for 2022-2023 were held. Due to the ongoing COVID-19 pandemic, all meetings were held in the form of videoconferences.

The subject of the subsequent meetings was the transfer of the network for information exchange between FIUs (FIU.net) to be managed by the European Commission. Due to the decision of the European Data Protection Supervisor of 19 December 2019, the existing administrator of the network – EUROPOL, lost its capacity to further administer the system, as it lacked relevant legal grounds for data processing. The agreement on using the FIU.net network between the GIFI and the EC was signed in September 2021. In the same month, the data was also transferred to servers located in the EC and the system was restarted.

The discussion concerned was also the AML/CTF package published by the EC in July 2021. The package aims to strengthen the EU framework for counteracting money laundering and financing of terrorism, among others, through the development of a uniform set of EU regulations and the creation of an EU agency responsible for AML/CTF supervision of selected financial institutions, as well as a coordination and support mechanism for financial intelligence

units (CSM). In order to work out a common position of the financial intelligence units as regards the CSM, a special working group was established within the Platform, whose members also included a representative of Poland. The proposals formulated by the group were presented to the European Commission in the course of the work on the AML/CTF package, and after its publication, also on the forum of the EU Council working group, within which negotiations on the wording of particular acts took place (to be continued in 2022).

7.1.3. ASSESSMENT OF THE EFFECTIVENESS OF THE APPLICATION OF DIRECTIVE 2015/849

The European Commission is required to submit to the European Parliament and the Council a report on the implementation by the Member States of *Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing*. To this end, at the request of the European Commission, interim evaluations of the Member States and the main report are prepared by experts from the Council of Europe. Poland, as a member of the European Union, was also included in the process of assessing the implementation and effectiveness of the provisions of the 4th AML Directive. Until December 2021, Poland was required to provide answers to a special questionnaire provided by the Council of Europe, as well as to provide the necessary additional information and statistics.

The evaluation itself was planned in a remote form, on 18-21 January 2022, with the participation of evaluators of the Council of Europe and representatives of competent public administration bodies and designated obligated institutions. The representatives of the GIFI were responsible for the coordination of works on the preparation of responses to the questionnaire, provision of the necessary information for the purposes of the assessment, and the organisation of meetings.

7.2. COOPERATION WITH THE COUNCIL OF THE EUROPEAN UNION

In 2021, the Council of the European Union, chaired by the Slovenian Presidency, conducted negotiations on the AML/CTF package presented by the European Commission in July 2021. Representatives of the GIFI actively participated in consultations and coordinated the preparation of comments on the presented elements of the package at the national level.

7.3. MONEYVAL COMMITTEE

Due to the restrictions related to COVID-19, the MONEYVAL Committee continued its work in the hybrid mode. In 2021, two meetings of the Committee were held (on 26-30 April and 13-18 December).

Over the last year, the Committee conducted four evaluation missions in a hybrid format – in Bulgaria, Croatia, Liechtenstein and Poland, and adopted 4 reports as part of the 5th round of mutual evaluations of the effectiveness of the systems for counteracting money laundering in Croatia, Poland, San Marino (mission carried out in 2020) and the Holy See (mission carried out in 2020).

The Committee also periodically reviewed the progress of Albania, Andorra, Cyprus, the Czech Republic, Gibraltar, Lithuania, Malta, Serbia, Slovenia and Hungary, based on the reports submitted by these countries as well as analyses prepared by the MONEYVAL Secretariat.

MONEYVAL continued in 2021 its horizontal review of the implementation of the FATF Recommendations by the Member States taking into account the latest mutual evaluations. This analysis made it possible to identify trends in the area of compliance with FATF standards, while demonstrating that the majority of Committee members still show moderate effectiveness in counteracting money laundering and financing of terrorism. In March 2021, MONEYVAL organised for its members the first meeting dedicated to the horizontal review of the mutual evaluations, during which, among others, trends stemming from the reports were presented, as well as typical shortcomings of the states in implementing the recommendations and with respect to the effectiveness of counteracting money laundering and financing of terrorism were indicated. A more extensive MONEYVAL report was presented to the members of the Committee in the fourth quarter of 2021.

MONEYVAL resumed its typological work, as a result of which a typological meeting for its members was held on 28 September 2021, during which the threats to and vulnerabilities of the AML/CFT system at the time of the pandemic were discussed. The project team chaired by a representative of the GIFI (which also included experts from Armenia, Estonia, Guernsey, Latvia, Slovenia, the Russian Federation, the FATF Secretariat and the EAG Secretariat) presented preliminary conclusions from the conducted research on the review of measures taken by supervisory authorities to continue the monitoring of obligated institutions despite limitations caused by the pandemic.

In December 2021, MONEYVAL adopted a report entitled: *AML/CFT Supervision in Times of Crisis and Difficult External Conditions*. It was developed as part of a typological project submitted by Poland, aimed to identify good practices implemented by AML/CFT supervision institutions during the COVID-19 pandemic. The report analyses the impact of the pandemic on the organisation of work and operations performed by supervisory institutions, including, in particular, the effects of limiting opportunities to hold direct meetings or sudden staff shortages. Based on the experience with the COVID-19 pandemic, the authors try to answer the question of how regulators can increase their resilience to similar crises in the future to ensure the continuity and efficiency of operation.

It was also during the aforementioned December meeting that the MONEYVAL Secretariat presented an interim report on the implementation of the Committee's strategy for 2020-2022. The accomplished results included, in particular, a reference to the continuation of the statutory activities of the Committee, i.e. mutual evaluations of the Member States, resumption of typological work, conducting a horizontal review, strengthening cooperation with the FATF and other regional bodies of the FATF nature, as well as raising the position of MONEYVAL in the structures of the Council of Europe by mediation in organizing cooperation with the FATF.

During the elections to the Committee's authorities during the December plenary session, the mandate of the current Chairperson, Ms Elżbieta Franków-Jaśkiewicz, a representative of the GIFI, was extended for another two years. The representatives of Armenia and Guernsey – Ms Astghik Karamanukyan and Mr Richard Walker were elected Vice-Chairpersons, Mr Ladislav

Majernik (Slovakia) and Mr Matis Mäeker (Estonia) preserved their positions as ordinary members of the MONEYVAL Bureau.

The MONEYVAL Plenary Assembly adopted in December 2021 information that the UK and Germany had been appointed by the FATF Chairperson as the two rotating FATF members in MONEYVAL for 2022-23. In 2020-2021, these were Italy and Germany.

It should also be noted that the Chairperson of MONEYVAL, a representative of the GIFI, Ms Elżbieta Franków-Jaśkiewicz, participated in the exchange of views with the Committee of Ministers of the Council of Europe in June 2021, presenting the MONEYVAL annual report for 2020 and information on current threats and trends related to money laundering and financing of terrorism.

The last year was particularly important in terms of Poland's cooperation with MONEYVAL, due to the planned evaluation of Poland in terms of effectiveness and technical compliance in the area of counteracting money laundering and financing of terrorism. Due to postponing by MONEYVAL its evaluation visit to Poland from October 2020 to May 2021, the GIFI continued a series of meetings and workshops with cooperating units and obligated institutions, preparing them for the planned evaluation of the Polish system for counteracting money laundering and financing of terrorism. It also collaborated with other authorities to develop additional materials for the technical compliance and effectiveness assessment questionnaires.

Poland was consulted by the MONEYVAL Secretariat during the work on the technical compliance report and submitted its comments to this document indicating the main areas of interest to the evaluators (Scoping Note). Moreover, the representatives of the GIFI cooperated with the Secretariat and agreed with it the details of the evaluators' visit to Poland. Subsequently they were also responsible for the preparation and coordination of on-site meetings. Due to the pandemic, the mission was carried out in a hybrid form. The two-week visit of the evaluators to Poland during which they met with representatives of law enforcement agencies, supervisory authorities, the GIFI, and obligated institutions took place on 10-21 May 2021. The draft report prepared by them was consulted with representatives of competent authorities and was the subject of in-depth discussions during a face to face meeting in Strasbourg in October. The report on Poland's evaluation was submitted to the Working Group for Evaluation for discussion that took place on 14 December 2021. As part of the discussion it was resolved to increase the rating under Intermediate Outcome 2 (international cooperation) from relative efficiency to satisfactory efficiency as well as the rating in terms of 40 FATF Recommendations to enhanced compliance. The report was presented during the plenary meeting of the MONEYVAL Committee on 16 December 2021. It is worth emphasising that, according to the report, most of the legal requirements and practical actions undertaken by Poland ensure a satisfactory level of transparency of persons and legal agreements, as well as their beneficial owners. Positive conclusions were also drawn as regards Poland's ability to cooperate internationally. The report notes that the private sector showed significant levels of effectiveness in applying anti-money laundering and anti-terrorist financing measures, including customer due diligence and internal controls. However, the evaluators identified a number of legislative, organisational, training and analytical areas where it is necessary to urgently take corrective measures by the competent authorities responsible for counteracting money laundering and financing of terrorism, as well as combating predicate crimes and supervision over obligated institutions.

As a result of the obtained ratings, Poland was included in the increased reporting process and was obliged to present its progress report by December 2023, taking into account actions taken by the State in the area of technical compliance and improvement in the obtained results.

Following its adoption by MONEYVAL, the report on the evaluation of the Polish system for combating money laundering and financing of terrorism, underwent the FATF process, consisting in the quality and compliance with other reports, and its official publication on the website of the Council of Europe took place on 1 February 2022.⁵⁰

7.4. CONFERENCE OF THE STATES PARTIES TO THE WARSAW CONVENTION

In relation to the implementation of the provisions of the Warsaw Convention and Poland's participation in the Conference of the Parties to the Warsaw Convention (COP), the GIFI continued the actions related to activities taken at this forum.

On 12 May 2021, an extraordinary COP meeting was held, which referred to the unfinished discussion on the draft horizontal report on the implementation of Article 3(4) of the Convention (reversed burden of proof) in the framework of the previous, 12th COP meeting in 2020, during which rapporteurs had views different from those of some States Parties as to the meaning of the term "serious offence" provided for in Article 3(4). Generally, the discussion concerned the relationship between the mandatory confiscation regime regulated in Article 3(2) and the reversed burden of proof referred to in Article 3(4) with respect to the "serious offence" concept. Therefore, at the 12th plenary session, it was decided to postpone the adoption of the above-mentioned draft project. Subsequently, the COP Chairperson decided to request a scientific expert to review the interpretative note relating to Article 3(4) and focus on the serious offence concept. During the extraordinary meeting, the discussion on the draft horizontal report on the implementation of Article 3(4) of the Convention, having regard to the interpretative note, was completed. The report was adopted and published on the website of the Council of Europe⁵¹.

On 17-18 November 2021, the 13th remote meeting of the COP was held, during which the review of the level of the implementation of the provisions of the Warsaw Convention by the States Parties to the Convention was continued.

During this meeting, a discussion on the draft report on the implementation of Article 10(1) and (2) of the Warsaw Convention (liability of collective entities) was held. The horizontal discussion at the COP forum regarding the implementation of the aforementioned article of the Convention confirmed that the Polish authorities should implement the recommendations contained in the 2013 COP evaluation report regarding the need to review the corporate liability system in terms of potential obstacles to its effective implementation and the possible elimination of the requirement to establish the liability of a natural person before a legal person is brought to justice. In line with the COP Rules of Procedure, a country subject to a horizontal review that persistently fails to take action in the implementation of COP recommendations and

⁵⁰ https://www.coe.int/en/web/moneyval/home/newsroom/-/asset_publisher/zTE3FjHi4YJ7/content/poland-publication-of-the-5th-round-mutual-evaluation-report

⁵¹ Link: <https://www.coe.int/en/web/cop198/implementation/reports>

fails to adapt its system within 3 years from the adoption of the horizontal report, may be subject to compliance enforcement measures.

The agreed draft horizontal report on the implementation of Article 10(1) and (2) has been adopted by the COP General Assembly and will be published on the website of the Council of Europe.

Moreover, during the 13th COP meeting:

- the findings of the analysis of information collected in the questionnaire relating to virtual assets were discussed; it was decided to develop an interpretative note to Article 10 of the Convention and add practical examples to the interpretative note to Article 3(4);
- State Parties' reservations and declarations were reviewed, States Parties were encouraged to review domestic reservations and declarations to align them to the national legislation in force;
- elections of the COP Chairperson, COP Deputy Chairperson and three members of the COP Bureau were held.

During the above-mentioned meeting, it was also agreed that the next horizontal review of the implementation of selected provisions of the Convention would take place during the regular 14th COP meeting in 2022. It will cover the implementation of Article 6 of the Convention – management of frozen or seized property.

7.5. EGMONT GROUP

In 2021, the Polish Financial Intelligence Unit continued its involvement in the activities of the Egmont Group, associating 167 financial intelligence units from around the world, by participating in works, initiatives and meetings at the working and plenary levels. The GIFI is involved in the works of the Working Group for Information Exchange and the Working Group for Technical and Training Assistance as well as cooperation with the Egmont Group Secretariat.

Last year, due to the pandemic, a plenary session of the Egmont Group was abandoned again, and only working group meetings as well as workshops and seminars in a virtual form were organised. These were attended by representatives of the GIFI who participated in activities and projects being implemented and discussions held.

The Heads of the Financial Intelligence Units of the Egmont Group participated in virtual seminars, sharing their experience in topics related to the risk-based approach in the operation of financial intelligence units, processes carried out by these units, and the protection of personal data, as well as issues related to information exchange management by financial intelligence units based on Egmont Secure Web.

Participating in the works of the Egmont Group, representatives of the GIFI were involved in the implementation of training and typological projects. They also participated in the assessment of examples of analytical cases submitted by financial intelligence units to the annual competition for the Best Egmont Case Award (BECA). It is worth noting that the analytical case submitted by the GIFI in 2020 to the aforementioned competition was distinguished by its selection for publication, prepared by the Egmont Group, containing

interesting analytical cases – The Best Egmont Case Award Publication 2014-2020. This document was approved by the heads of analytical units and was published on the Egmont Group website in 2021.⁵²

Irrespective of the limitations caused by the pandemic, the Egmont Group continued work on numerous typological projects (also in the area of asset recovery and cooperation between financial intelligence units and asset recovery offices; cooperation of financial intelligence units with customs services, cooperation in the area of FinTech and the use of advanced solutions in the area of finance, strengthening information exchange between the units with the use of IT systems, financing extreme right-wing terrorism or laundering of money from major corruption cases). As noted by the FATF and the Egmont Group, new technologies have an enormous impact on increasing the efficiency of analytical processes in the area of counteracting money laundering and financing of terrorism as well as the effectiveness of actions taken in this respect.

In recent years, financial intelligence units, regardless of their development and size, have decided to use various digital tools to support their operational and analytical activities, especially with regard to strategic analysis. These tools range from automation to the use of big data and advanced analytics such as Artificial Intelligence (AI). Therefore, noticing the need for action in this area, in terms of the application of new technological solutions, the FATF and the Egmont Group adopted in October 2021, a report on the digital transformation of AML/CFT for operational agencies, dedicated in particular to financial intelligence units⁵³.

A number of projects of the working groups have been transformed into training programmes that are available to FIUs and law enforcement agencies on the ECOFEL training platform. Activities carried out by the Egmont Group show that it puts emphasis on strengthening cooperation with law enforcement agencies (including in the area of asset recovery or counteracting corruption) and cooperation of FIUs with customs services, as well as with the private sector, by promoting public-private partnerships, while striving to strengthen cooperation between its members.

Meetings of the working groups, as well as participation in virtual seminars, enabled the GIFI to strengthen cooperation with partner FIUs and exchange experiences in the area of counteracting money laundering and financing of terrorism.

Europe 1

The GIFI – together with other units from the EU Member States that are part of Europe I Region – participated in virtual meetings of its regional group that in the inter-session period, are held along the EU-FIU Platform meetings. During discussions held at this forum, European FIUs discussed progress in the work on new EU initiatives aimed at strengthening the AML/CFT framework, among others, as regards the establishment of a coordination and support mechanism for FIUs.

This forum served also for discussing issues related to the operation of the FIU.Net information exchange network and the improvement of its functionality, as well as Egmont Secure Web – a secure network of the Egmont Group.

⁵² <https://egmontgroup.org/>

⁵³ [https://www.fatf-gafi.org/publications/digitaltransformation/digital-transformation-aml-cft.html?hf=10&b=0&s=desc\(fatf_releasedate\)](https://www.fatf-gafi.org/publications/digitaltransformation/digital-transformation-aml-cft.html?hf=10&b=0&s=desc(fatf_releasedate))

Within the region, joint training initiatives as well as problems in cooperation and information exchange with FIUs from other regions were also discussed.

7.6. FINANCIAL ACTION TASK FORCE (FATF)

The GIFI cooperated with the FATF through the participation of its representatives in the meetings of this body as part of the MONEYVAL Committee delegation and by presenting its opinions on the implementation of the FATF Recommendations during EGMLTF meetings.

The FATF, under the German presidency, continued work on the strategic review of the effectiveness of evaluation processes, carried out in cooperation with FATF-style regional bodies (FSRB). This review aims to develop processes for the next round of mutual evaluations, periodic follow-up, and the compliance enforcement procedure as part of work carried out by the International Cooperation Review Group (ICRG). Task forces appointed as part of this process made a thorough analysis of the FATF processes and presented proposals for their changes, taking into account, among others, the ICRG assessment methodology and criteria. This process is planned to be completed in 2022, and the changes will be implemented by both the FATF and regional bodies, respectively, from 2023. As the Chairperson of the MONEYVAL Committee, the GIFI's representative, Ms Elżbieta Franków-Jaśkiewicz, actively participated in the works of the *Ad Hoc* Group for Strategic Review appointed by the FATF. Her involvement included, among others, participation in the exchange of views of the FATF-style regional bodies with the FATF President on joint activities and strengthening their influence on the operation of this key international organisation in the area of counteracting money laundering and financing of terrorism.

It is worth noting that the FATF continued work on modifying the guidelines for the risk-based approach to virtual assets and virtual asset service providers (VASP).

Following public consultations in March-April 2021, announced also by the GIFI, the FATF finalised its guidelines on the risk-based approach to virtual assets and VASPs, that explain, among others, issues related to licencing and registration of entities, called the travel rule, and contain rules for the exchange of information and cooperation between authorities supervising entities providing virtual asset services. The updated guidelines are designed to assist states and the private sector in implementing the current FATF Standards.⁵⁴

Last year, in consultation with the Basel Committee on Banking Supervision (BCBS), the FATF conducted a survey to identify areas where divergent AML/CFT rules or their implementation cause problems in cross-border payments. The FATF demonstrated that the survey findings indicated, among others, that the lack of a risk-based approach and inconsistent implementation of AML/CFT requirements increase the costs, reduce the speed and limit the accessibility of transactions, while making them less transparent. The survey showed that inconsistent national approaches also create obstacles to identifying and verifying customers and beneficial owners, effective checking in terms of targeted financial sanctions, sharing customer and transaction information when needed, and establishing and maintaining relationships with correspondent banks.⁵⁵

⁵⁴ <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/guidance-rba-virtual-assets-2021.html>

⁵⁵ <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/cross-border-payments.html>

Following the publication of Pandora Papers, the FATF decided to conduct public consultations on potential amendments to Recommendation 24 with regard to transparency of beneficial owners being legal persons. The results of the consultations were taken into account by the FATF in its work on modifying the assumptions of this standard, in particular as regards the multifaceted approach to collecting information on beneficial owners, preventive measures, the abuse of bearer shares, the risk-based approach, and competent authorities' access to accurate and up-to-date information on beneficial owners.

Last year, the FATF drew attention to one more important issue, namely, it undertook to examine and mitigate unintended consequences of incorrect implementation/misunderstanding of the FATF standards by the Member States. As part of this examination, a report relating, among others, to financial exclusion, an inappropriate approach to non-profit organisation, and restrictions on human rights (with particular emphasis on due process and procedural rights) was published.

It is worth emphasising the FATF's activities aimed at increasing the Member States' and regional bodies' awareness of combating financing of proliferation. Following the publication of the Guidance on Proliferation Financing Risk Assessment and Mitigation, the FATF organised a webinar on global and national problems related to financing proliferation of weapons of mass destruction. During the meeting, the trends related to the risk of financing proliferation and techniques adopted by designated persons and entities to avoid targeted financial sanctions related to financing proliferation were presented. By participating in the webinar, the representatives of Poland gained valuable information in the area requiring particular strengthening in Poland.

In 2021, the FATF also continued its efforts to inform the international community about threats to the security of the international financial system from countries that had insufficiently adapted their national AML/CFT systems to international standards. To this end, the FATF published the list entitled *High-Risk Jurisdictions subject to a Call for Action* (FATF "black list") and the list entitled *Jurisdictions under Increased Monitoring* (FATF "grey list"). The publication of the above lists was the result of activities carried out by the FATF International Cooperation Review Group. The ICRG monitors not only the national AML/CFT systems of its members, but also those of members of the FATF-style regional bodies. In 2021, Malta, another member of MONEYVAL, was entered on the FATF grey list (in 2020, Albania was entered on this list).

In order to promote activities undertaken by the FATF, the GIFI published on its website on an ongoing basis information on public FATF lists (including translations of statements into Polish), as well as selected information materials regarding FATF publications and public consultations carried out by this organisation.

As members of the MONEYVAL delegation, the GIFI's representatives participated in meetings of the working groups, as well as plenary sessions of the FATF, that were held last year remotely. This allowed for direct participation of representatives of the Polish FIU in the work on the evaluation reports of the FATF member states, the activities of the FATF Working Groups, and the consultations on working documents drawn up to increase various entities' awareness in the area of counteracting money laundering and financing of terrorism. Access to reports, materials and documents prepared by this body helped increase the knowledge of employees, both of the Polish FIU, as well as the cooperating units and obligated institutions.

The experience gained was used in the preparation to the evaluation of the Polish AML/CFT system as part of the 5th round of MONEYVAL mutual evaluations.

7.7. EURASIAN GROUP ON COMBATING MONEY LAUNDERING AND FINANCING OF TERRORISM (EAG)

Poland continued its works as an observer in the Eurasian Group on combating money laundering and financing of terrorism (EAG). The permanent Polish delegation (representatives of the GIFI and the Polish Financial Supervision Authority) participated in the plenary sessions of the EAG and in the meetings of the working groups that took place in 2021 on a remote basis.

Due to the pandemic, the EAG also changed its schedule for the 2nd evaluation round of its member states accordingly, as well as modified the schedule of meetings in 2022-2026 to align it with the dates related to the evaluation process.

7.8. TASK FORCE TO COUNTER MECHANISMS OF FINANCING THE SO-CALLED ISLAMIC STATE

In 2021, the GIFI continued its work within the Counter ISIS Finance Group (CIFG), operating as one of the working groups of the Global Coalition to Counter the Islamic State (Daesh).

In 2021, two remote CIFG meetings were held. During the meetings, up-to-date information on the actions of the Global Coalition against Daesh and the current trends in the methods of raising funds by Daesh was presented, pointing, among others, to the threats of using crowdfunding and the NPO sector to raise funds.

As every year, the Group, co-chaired by Saudi Arabia, Italy and the United States monitored the activities taken by its member states under the adopted Action Plan. A number of states participating in the meetings shared their successes in breaking up structures raising funds for Daesh.

7.9. BILLATERAL COOPERATION

7.9.1 MEMORANDA OF UNDERSTANDING ON COOPERATION

Memoranda of understanding on the exchange of information in the area of combating money laundering and financing of terrorism, and cooperation undertaken thereunder, are compliant with the provisions of *Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, of 16 May 2005*, i.e. the Warsaw Convention (CETS 198), as well as standards developed in this area by the Egmont Group. The scope of the information received and made available, particularly additional information, depends each time on the scope of the enquiry and compliance with the basic provisions of the national law.

In the current legal situation, the GIFI cooperation in the exchange of financial information related to counteracting money laundering and financing of terrorism with EU countries is regulated under Article 111(1) of the *AML/CFT Act*. Pursuant to Article 111(2) of the *AML/CFT Act*, the GIFI makes its financial information available to FIUs from non-EU countries on a

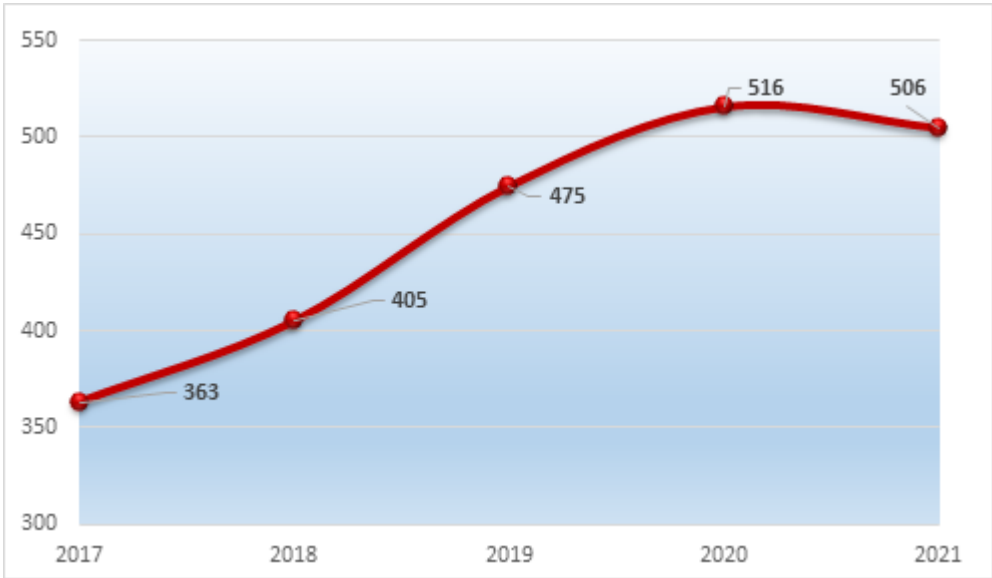
reciprocal basis and the exchange of information under the Warsaw Convention is regulated under Article 111(3) of the *AML/CFT Act*. Thus, in 2021, the GIFI did not sign any further memoranda of understanding on the exchange of information on counteracting money laundering and financing of terrorism.

7.9.2 EXCHANGE OF INFORMATION WITH FOREIGN FIUS

Requests and information received by the GIFI from its foreign partners

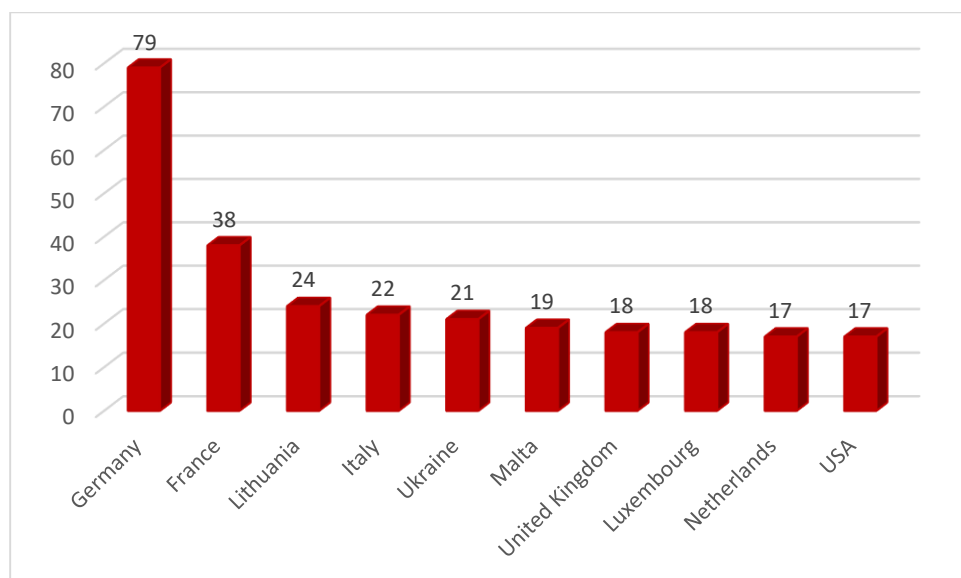
In 2021, the GIFI received 506 requests from foreign FIUs that concerned a total of 1,988 entities. This represents a decrease in the number of enquiries by approx. 2% compared to 2020. The GIFI responded to all requests.

Chart 13. Enquiries from foreign financial intelligence units in 2017-2021



Over 73% of the enquiries came from the FIUs of the EU Member States. The GIFI received the greatest number of enquiries from the FIUs in Germany, France and Lithuania. As for FIUs of non-EU countries, the largest numbers of requests for information were submitted to the GIFI by the United Kingdom and Ukraine.

Chart 14. Top 10 countries from which foreign FIUs sent the most enquiries in 2021



In 2021, the GIFI also received 4 enquiries from Europol, concerning a total of 29 entities. Information exchange with Europol is conducted under Article 115 of the *AML/CFT Act*.

Enquiries received by the GIFI concern mainly suspected laundering of money likely to come from financial frauds, fiscal crimes and drug smuggling. There are also single requests concerning entities suspected of, among others, financing of terrorism, smuggling, human trafficking and corruption. Due to the effective exchange of information between the GIFI and foreign financial intelligence units, the GIFI often facilitates the establishment of cooperation between domestic and foreign law enforcement agencies. Requests regarding supervision over compliance with AML/CFT provisions by obligated institutions were also received.

Besides requests, foreign units provide the GIFI also with foreign information on Polish entities or assets transferred to or from the territory of Poland. This information concerned unusual transactions or possible predicate offences, or was derived from analyses showing a possible connection of the described transactions with money laundering or financing of terrorism. In 2021, the GIFI received a total of almost 16,973 such disseminations, compared to 19,354 ones received in the previous year, which represents a decrease in the total number of foreign disseminations by over 12%. These disseminations can be categorised as follows:

- spontaneous information provided to the GIFI following an analysis by another financial intelligence unit – 473;
- cross-border reports on notifications of suspicious transactions submitted in other Member States and forwarded to the GIFI in accordance with Article 53(1)(3) of Directive 2015/849 – 16,493;

- other information provided by foreign financial intelligence units or institutions and international organisations dealing with counteracting money laundering or financing of terrorism – 7.

Chart 15. Information provided by foreign financial intelligence units in 2019-2021

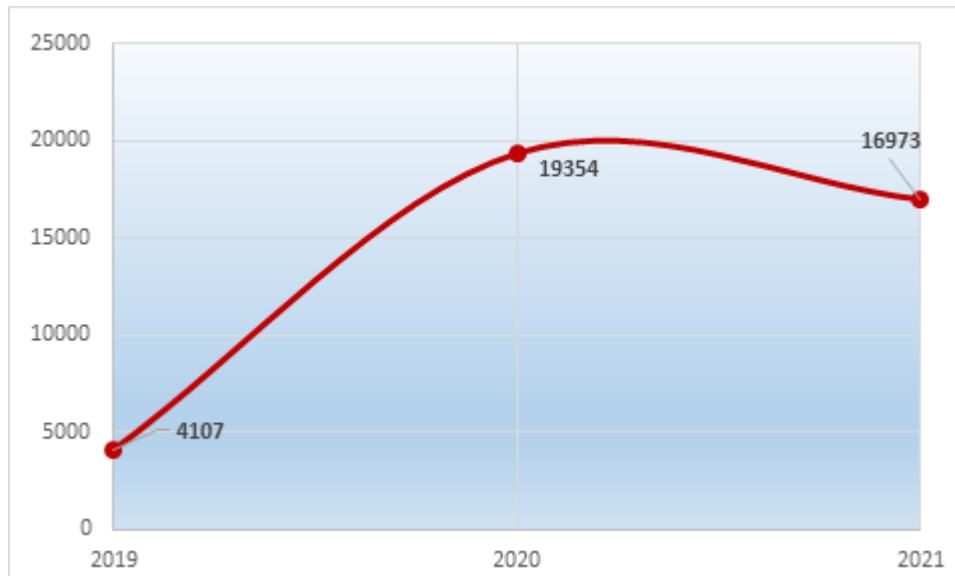


Table 5. Top ten countries from which foreign FIUs sent the most information in 2021

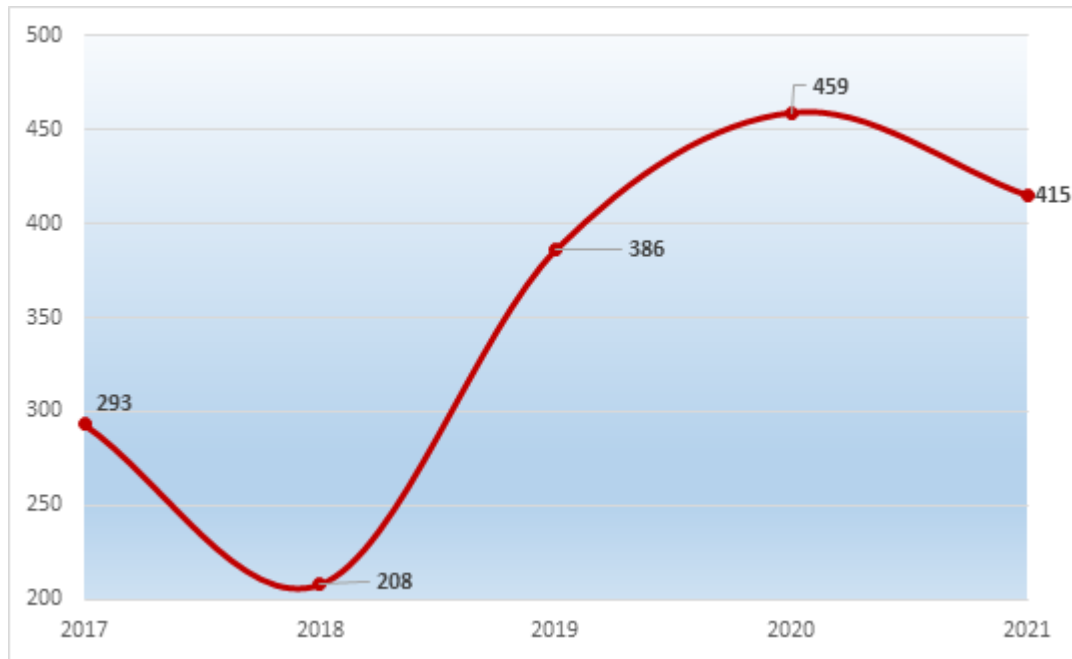
Country	Number of disseminations
NETHERLANDS	13,778
GERMANY	752
ITALY	626
LUXEMBOURG	546
BELGIUM	433
LITHUANIA	324
MALTA	113
IRELAND	111
SPAIN	60
LIECHTENSTEIN	56

Cross-border reports from the Netherlands, accounting for almost 80% of all foreign information, relate to unusual transaction reports that are possibly related to Poland. The information provided usually covers single transactions, which results in a large number of reports received.

Requests and information provided by the GIFI to its foreign partners

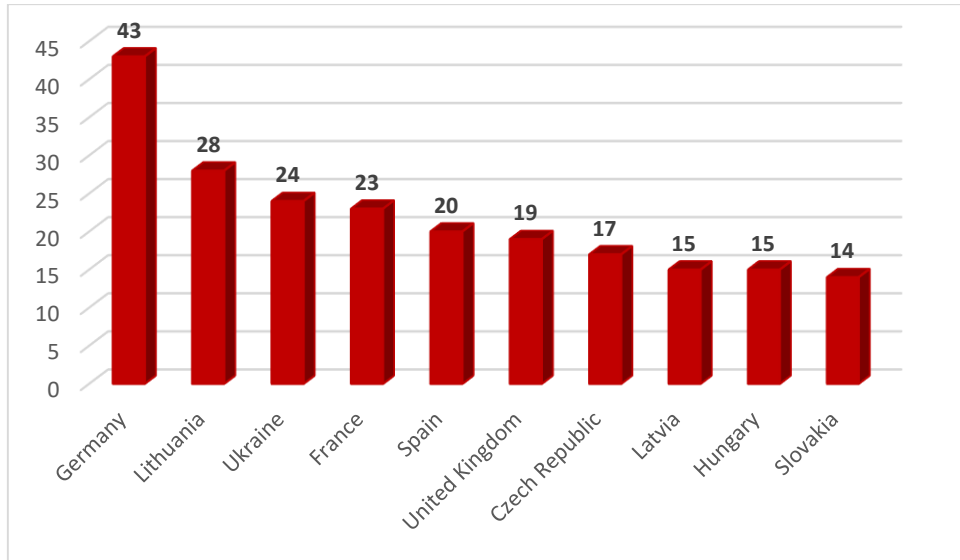
In 2021, the GIFI sent a total of 415 requests for information on 915 entities, 293 (71%) of which were addressed to the EU Member States. The number of the requests was lower by approx. 10% compared to the previous year.

Chart 16. Enquiries sent by the GIFI to foreign financial intelligence units in 2017-2021



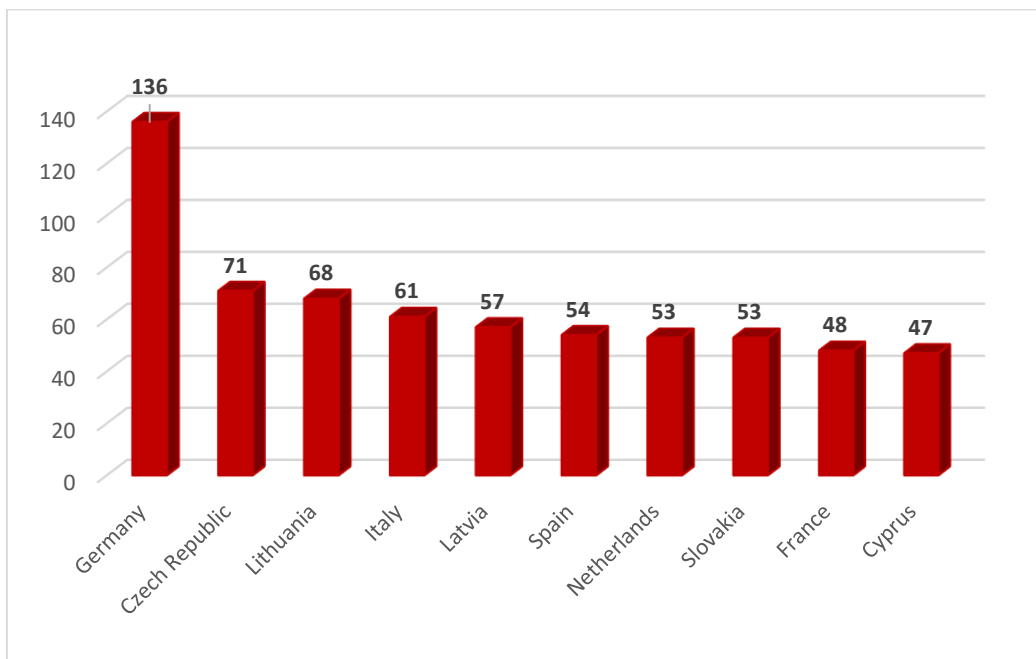
Carrying out analytical cases, the GIFI cooperated most often with the FIUs from Germany, Lithuania, Ukraine, France and Spain. Information obtained from abroad is used primarily to verify whether entities involved in transactions that obligated institutions and cooperating units find suspicious, are known to the foreign unit in connection with suspected money laundering, financing of terrorism or involvement in other criminal activities. The GIFI also receives data and information on financial flows, which makes it possible to determine the source of funds transferred to Poland or the further path of cash flows.

Chart 17. Top 10 countries – foreign FIUs to which the GIFI sent the most enquiries in 2021



In 2021, the GIFI, acting under the provisions of Article 112(3) of the *AML/CFT Act*, drew up for foreign EU financial intelligence units a total of 946 reports on notifications concerning other Member States. Their number is almost two times higher than that recorded in 2020. The reports included information on at least a total of 3,877 entities.

Chart 18. Top 10 foreign FIUs for which the GIFI drew up the most notifications under Article 112(3) of the AML/CFT in 2021



Besides cross-border reports, two spontaneous disseminations with the findings of analytical proceedings carried out by the GIFI were provided to foreign partners.

7.10. OTHER INTERNATIONAL INITIATIVES

7.10.1 TWINNING PROJECT FOR MOLDOVA

In 2021, representatives of the GIFI continued their efforts in the implementation of the EU twinning project for the Republic of Moldova entitled “Strengthening the System for Counteracting Money Laundering and Financing of Terrorism in the Republic of Moldova”, initiated as part of a Lithuanian-Polish-German consortium in December 2018.

Experts from Poland, in cooperation with specialists from Lithuania and Germany, carried out project activities for Moldovan authorities and services: the Financial Intelligence Unit, the Public Prosecutor’s Office, the General Police Inspectorate, the Tax and Customs Service, and the National Bank.

Last year, due to the pandemic, expert missions continued to be carried out remotely. During the project activities in which representatives of the GIFI were involved, a total of 20 expert missions were carried out as part of 4 project components, dedicated to strengthening Moldova’s national law system in the area of counteracting money laundering and financing of terrorism, strengthening control over obligated institutions, improving analytical processes and the ability to cooperate and exchange information between competent services in counteracting financing of terrorism.

Due to COVID-19, it was decided to postpone the implementation of the planned study visits to Poland for representatives of the project beneficiary – the competent authorities of Moldova – for 2022.

Due to the pandemic-related difficulties in the implementation of project activities, the European Commission has decided to extend the project until the end of the second quarter of 2022.

7.10.2. REGIONAL WORKSHOPS FOR FIUs FROM CENTRAL AND EASTERN EUROPE

On 15 June 2021, Regional Workshops for partner financial intelligence units (FIUs) were held in the form of a videoconference. The Polish FIU was the organiser of this year’s edition of this event, attended by representatives of FIUs from Austria, the Czech Republic, Slovakia, Hungary and Slovenia. During the workshops, current challenges in the area of FIU activities were discussed, such as:

- cooperation and information exchange between FIUs within the CSM, new FIU.net;
- cross-border information exchange and the issue of prior authorisation for the use of information shared, risks of money laundering and financing of terrorism related to payment services and virtual assets;
- the use of transit accounts for money laundering.

The workshops are cyclical and are held once a year at the invitation of one of the above-mentioned financial intelligence units. Their aim is to exchange experiences and strengthen operational cooperation between the financial intelligence units of Poland, Austria, the Czech Republic, Slovakia, Slovenia and Hungary.

7.11 INTERNATIONAL COOPERATION IN THE AREA OF AML/CFT SUPERVISION AND CONTROL

7.11.1 COOPERATION WITH THE EUROPEAN BANKING AUTHORITY (EBA)

Standing Committee on anti-money laundering and countering terrorist financing (AMLSC)

In 2020, pursuant to Article 9a(7) of *Regulation (EU) No 1093/2010 of the European Parliament and of the Council establishing a European Supervisory Authority (European Banking Supervision Authority – hereinafter referred to as “EBA”), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC* (OJ L 331 of 15.12.2010, p. 12, as amended), hereinafter referred to as Regulation 1093/2010, the EBA established a Standing Committee on anti-money laundering and countering terrorist financing (“AMLSC”) to coordinate activities aimed at preventing the use of the financial system for money laundering or financing of terrorism and counteracting such use, as well as to prepare, in accordance with Directive 2015/849 and *Regulation (EU) 2015/847 of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006* (hereinafter referred to as Regulation 2015/847, OJ L 141, 5.06.2010, pp. 1-18), all projects and decisions adopted by the EBA.

In accordance with Regulation 1093/2010 the AMLSC is composed of high-level representatives of authorities and bodies from all Member States, competent for ensuring compliance by financial sector entities with Regulation 2015/847 and Directive 2015/849, having expertise and decision-making powers in the area of preventing the use of the financial system for money laundering and financing of terrorism, as well as high-level representatives with expertise in different business models and the specific characteristics of this sector, representatives of the EBA, the European Insurance and Occupational Pensions Authority, and the European Securities and Markets Authority. Moreover, the Commission, the European Systemic Risk Board, and the Supervisory Board of the European Central Bank each appoint one high-level representative to attend meetings of the Committee as observers. In 2021, the function of the AMLSC chairperson was held by Mr Jo Swyngedouw.

In 2021, representatives of the GIFi actively continued their participation in the meetings of the AMLSC and together with representatives of the Office of the Polish Financial Supervision Authority (UKNF) represented Poland in the Committee. Both authorities constantly cooperate with each other as part of the analysis of materials prepared for the meetings. In 2021, there were six main meetings of the AMLSC plus one *ad hoc* meeting. During the meetings, topics related to, among others, work carried out by the Committee, including the preparation of draft EBA guidelines, were discussed. The results of the work of the competent national authorities in the area of AML/CFT, within the AMLSC, include publications of EBA guidelines regarding AML/CFT, addressed to obligated institutions and competent authorities. Discussions on current AML/CFT events (e.g. issues related to de-risking or cryptocurrencies) were also undertaken at the meetings. Moreover, at the Committee’s meetings, the reports and opinions of the EBA prepared by the working groups (which may include representatives of the European Supervisory Authorities – “ESAS”, as well as experts from national competent authorities) were put to the vote. In 2021, the EBA also had constant contact with representatives of the EU Member States in order to exchange information and collect additional information from

competent national authorities, among others, by sending to representatives of the above-mentioned bodies questionnaires (regarding, for example, the regulation of AML/CFT issues in national law – such data and information is to help in the implementation of tasks imposed on the EBA).

In 2022, the AMLSC will continue its activity, focusing, among others, on maintaining and updating the newly established central database⁵⁶ referred to in Article 9a(2) of Regulation 1093/2010, and will also develop the works related to the implementation of new topics related to AML/CFT launched in 2021. GIFI representatives will continue to actively participate in the works and meetings of the AMLSC.

AML/CFT colleges

In 2021, Poland continued its cooperation with other competent domestic authorities in the area of AML/CFT, as part of the EBA *JC/GL/2019/81 of 16 December 2019 Joint guidelines on cooperation and information exchange for the purpose of Directive (EU) 2015/849 between competent authorities supervising credit and financial institutions (AML/CFT Colleges Guidelines)*⁵⁷. In 2021, representatives of the GIFI participated in several meetings of AML/CFT colleges, in which the substantive participation of the GIFI was fully justified. During the meetings, topics related to the AML/CFT supervision activities taken with respect to entities to which the colleges relate were discussed and information was exchanged between the competent authorities being members of the AML/CFT college.

EBA Working Group for developing “Guidance on the role of AML/CFT Compliance Officer”

In 2021, the work of the EBA Working Group for the development of guidance on the role of AML/CFT Compliance Officer, launched on 6 June 2020, continued. The Working Group consists of an EBA representative as the main coordinator managing the Group’s work and representatives of the competent authorities of Poland, Italy, Romania, Malta, Luxembourg, Cyprus, Belgium and France – one from each country, as well as one representative of the European Central Bank – 10 representatives in total. Poland is represented in the EBA Working Group by a representative of the GIFI (“FIU”).

In 2021, the European Banking Authority held public consultation on new guidelines regarding the role, tasks and responsibilities of staff responsible for ensuring compliance with the relevant AML/CFT provisions, i.e. compliance officers.

Once adopted, the guidelines will apply to all financial sector entities falling within the scope of the Directive on the prevention of the use of the financial system for the purposes of money laundering or financing of terrorism. Comments on the draft guidelines could be submitted on the website of the European Banking Authority until 2 November 2021. Members of the Working Group present their position and indicate the relevant provisions of national and international law. According to the current work schedule, the draft guidelines – following their

⁵⁶ <https://www.eba.europa.eu/eba-launches-today-eureca-eus-central-database-anti-money-laundering-and-counter-terrorism-financing>

⁵⁷ <https://www.eba.europa.eu/regulation-and-policy/anti-money-laundering-and-e-money/jc-guidelines-on-cooperation-and-information-exchange-for-aml/cft-supervision-purposes>

approval by the internal EBA Standing Committee (“AMLSC”) and by the Board of Supervisors (“BoS”) – will be published in the second half of 2022.

Provision of information on administrative sanctions by the GIFI to the EBA

Pursuant to Article 60 of Directive (EU) 2015/849, the Member States “shall ensure that a decision imposing an administrative sanction or measure for breach of the national provisions transposing this Directive against which there is no appeal shall be published by the competent authorities on their official website immediately after the person sanctioned is informed of that decision”. Pursuant to Article 62(1) of Directive (EU) 2015/849, the Member States shall ensure that their competent authorities inform the European Supervisory Authorities (i.e. EBA, ESMA, EIOPA) of all administrative sanctions and measures imposed in accordance with Article 58 and Article 59 of the Directive on credit or financial institutions, including any appeal in relation thereto and the outcome thereof. Pursuant to Article 152(7) of the *AML/CFT Act*, information on imposing an administrative sanction on obligated institutions shall be submitted to the European Supervision Authorities.

In accordance with the above-mentioned legal regulations, the GIFI shall provide, on an ongoing basis, information on administrative sanctions via eGATE operated by the EBA. In 2021, the GIFI provided through eGATE information on 36 administrative sanctions imposed by the GIFI, the Minister of Finance, the President of the NBP and the KNF.

7.11.2 COOPERATION WITH COMPETENT SUPERVISORY AUTHORITIES IN PARTICULAR COUNTRIES

In 2021, pursuant to Article 50a Directive (EU) 2018/843, a foreign supervisory authority of an EU Member States, competent for supervision in terms of counteracting money laundering and financing of terrorism, requested the GIFI for information in the area of AML/CFT. Acting pursuant to Article 116 of the *AML/CFT Act*, the GIFI provided a response as part of cooperation with the competent supervisory authority of the EU Member State concerned.

Moreover, in 2021, at the requests of a foreign FIU submitted pursuant to Article 50a of Directive 2018/843, the GIFI provided this unit with information on the control and analysis of risk of money laundering and financing of terrorism with respect to four obligated institutions. In 2021, acting pursuant to Article 116 of the *AML/CFT Act*, the GIFI made available (as part of cooperation with competent authorities of other countries, foreign institutions and international organisations dealing with counteracting money laundering or financing of terrorism and European supervisory authorities) a total of five disseminations referred to in this article.

8. APPLICATION OF SPECIFIC RESTRICTIVE MEASURES

Pursuant to the *Act of 1 March 2018 on Counteracting Money Laundering and Financing of Terrorism*, obligated institutions are required to apply specific financial restrictive measures (in terms of counteracting money laundering and financing of terrorism) with respect individuals and entities listed on the sanction lists published on the GIFI website.

In 2021, the GIFI informed obligated institutions and cooperating units about the rules of applying specific restrictive measures. In particular, the GIFI carried out in January 2021, training dedicated to these issues as well as issues related to counteracting financing of terrorism, attended by representatives of the National Bank of Poland and obligated institutions (entities providing accounting services). Subsequent meetings dedicated to these issues were carried out in May for the banking sector with regard to Poland's evaluation by MONEYVAL, as well as in the autumn – for currency exchange office operators and members of the Accountants Association in Poland.

The GIFI responded on an ongoing basis to the inquiries of the obligated institutions regarding the implementation of obligations resulting from the application of specific financial restrictive measures related to counteracting financing of terrorism, sent to a dedicated e-mail box: srodkiograniczajace@mf.gov.pl. The obligated institutions that subscribed to the GIFI newsletter also received information on current changes on the above-mentioned sanction lists.

Moreover, the GIFI participated in the analysis and evaluation of materials examined during the meetings of the Working Party of Foreign Relations Counsellors (RELEX).

In 2021, the GIFI received two notification of freezing or not making available assets submitted by obligated institutions.

9. FINANCIAL SECURITY COMMITTEE

In 2021, three meetings of the Financial Security Committee (hereinafter referred to as the Committee) were held.

Having completed the work on the draft Strategy for Counteracting Money Laundering and Financing of Terrorism (hereinafter referred to as Strategy) in 2020, the Committee proceeded to issuing its opinion on this document. The Committee is obliged to issue an opinion on this strategy and monitor the progress in its implementation pursuant to Article 19(2)(3) of the *AML/CFT Act*. In February 2021, the Committee adopted a resolution approving the submitted draft Strategy, emphasising in the rationale that its implementation would ensure the optimal use of resources allocated to counteracting money laundering and financing of terrorism and would contribute to the improvement of cooperation between competent authorities. It was also noted in the opinion that the Strategy was a starting point for the development of detailed programmes and projects.

At the same time, the issue of updating the National Risk Assessment (hereinafter referred to as NRA) published in 2019 was discussed. This document was developed under the leadership of the GIFI by all institutions whose representatives sit on the Committee. Hence, the Committee is the main forum for coordinating the work on the NRA.

The Committee also monitored the progress of legislative work on the amendment to the act on counteracting money laundering and financing of terrorism and certain other acts, implementing the provisions of *Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and amending Directives 2009/138/EC and 2013/36/EU* (OJ L 156 of 19.06.2018, p. 43) and certain provisions of *Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC*. The act was signed by the President of the Republic of Poland on 30 March 2021.

The Committee coordinated preparations for Poland's evaluation by the MONEYVAL Committee of the Council of Europe as part of the 5th round of mutual evaluations based on FATF standards. The evaluation was to cover the whole Polish system for counteracting money laundering and financing of terrorism, therefore all authorities competent for counteracting money laundering and financing of terrorism were involved in the evaluation. The two-week evaluation mission was postponed several times due to the COVID-19 pandemic to finally take place in May 2021. At the next meeting of the Committee following the visit of MONEYVAL experts, the preliminary conclusions and observations of the evaluators, submitted on the last day of the mission, were discussed.

10. ADOPTION OF DRAFT STRATEGY FOR COUNTERACTING MONEY LAUNDERING AND FINANCING OF TERRORISM

On 19 April 2021, the Council of Ministers adopted Resolution No. 50 on the adoption of a strategy for counteracting money laundering and financing of terrorism. The Resolution was published on 11 May 2021 in Monitor Polski under No. 435. The Resolution has an appendix entitled “Strategy for Counteracting Money Laundering and Financing of Terrorism” (hereinafter referred to as the Strategy). The Strategy was developed directly on the grounds of Article 31(1) of the *AML/CFT Act*. This provision obliges the GIFI to develop a strategy document – based on the National Assessment of the Risk of Money Laundering and Terrorism Financing (hereinafter referred to as the National Risk Assessment). In the adopted Strategy, the National Risk Assessment is a diagnosis of the situation and a forecast of development trends as regards the national system for counteracting money laundering and financing of terrorism (hereinafter referred to as NSCMLFT). Based on the analysis of both the threats and vulnerabilities mentioned in the National Risk Assessment, the key conclusions that should serve as the foundation for further work aimed at increasing the effectiveness of the NSCMLFT operation were indicated. The conclusions related to the following four areas: supplementation of legal regulations, development of training (both for employees of the Financial Intelligence Unit as well as the cooperating units and obligated institutions), information exchange (in particular with the use of ICT systems), as well as generating statistical data enabling objective evaluation of the effectiveness of the NSCMLFT. These conclusions were the basis for further actions taken by the GIFI in cooperation with the Financial Security Committee, resulting in the Action Plan contained in the adopted Strategy, showing the directions of necessary changes in the NSCMLFT. The implementation of the actions listed in the adopted Action Plan is aimed at reducing the systemic risk related to money laundering and financing of terrorism. The conceptual assumptions of the Strategy Action Plan are based on six priorities that include 27 actions aimed at their implementation. These priorities include:

- I. Increasing the effectiveness of the operation of the FIU and the cooperating units in the area of information analysis by using a risk-based approach;
- II. Adapting the catalogue of obligated institutions and their duties to emerging threats and information needs;
- III. Harmonisation of and improvement in the principles of supervision and control over obligated institutions;
- IV. Optimisation of the procedure for information exchange and the scope and quality of information exchanges as well as access to information;
- V. Organisation of an effective training and knowledge and experience exchange system;
- VI. Definition of uniform rules for generating information, in particular statistical data needed to evaluate the effectiveness of the NSCMLFT and its particular components.

The solutions proposed in the Strategy are to improve the operation of institutions and authorities that are components of the national system for counteracting money laundering and

financing of terrorism. The implementation of the objectives contained in the Strategy should ensure the optimal use of their resources by these institutions and authorities and enable the accomplishment of synergy in counteracting money laundering and financing of terrorism. The Strategy indicates the time frames for the implementation of specific actions as well as public administration authorities and units responsible for these actions. For each priority action, the authorities and units supporting its implementation are indicated as well. Moreover, the Strategy provides for the need to ensure adequate human, technical and financial resources for both the GIFI and the cooperating units, so that these units can properly perform their duties in the area of counteracting money laundering and financing of terrorism. The development of the Strategy was aimed also at working out effective mechanisms enabling the cooperation and coordination – at the national level – of actions taken by the authorities and institutions making up the NSCMLFT.

The Strategy assumes that the responsibility for monitoring its implementation rests on the GIFI. In fulfilling its obligation to monitor the implementation of the Strategy, the GIFI is supported by the Financial Security Committee that reviews the progress in the Strategy implementation.

11. LEGISLATIVE ACTIVITY

In 2021, the legislative activity of the GIFI concerned, in particular, communication with obligated institutions and cooperating units, and consisted in ongoing sharing of knowledge in the area of counteracting money laundering and financing of terrorism in the Public Information Bulletin on the website of the office serving the minister competent for public finance in the form of GIFI communications.

In 2021, the Department of Financial Information completed the work launched in 2019 as part of the government legislative process relating to the draft *act amending the Act on Counteracting Money Laundering and Financing of Terrorism and Certain Other Acts* (UC24), aimed at implementing into the national legal system the provisions of *Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU. The Act of 30 March 2021 Amending the Act on Counteracting Money Laundering and Financing of Terrorism and Certain Other Acts* was published on 30 April 2021 in the Journal of Laws under item 815 and entered into force on 15 May 2021.

In 2021, the Department of Financial Information also continued work launched in 2020 as part of the government legislative process on the draft *Act on the Financial Information System* (UC66), aimed at implementing Article 1(19) of Directive 2018/843, as well as Chapter II of *Directive (EU) 2019/1153 of the European Parliament and of the Council of 20 June 2019 laying down rules facilitating the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences, and repealing Council Decision 2000/642/JHA* (OJ L 186, 11.07.2019, p. 122). The work on the draft of this act included repeated arrangements, public consultations and issuing opinions. The draft act was also assessed positively by the Joint Committee of the Government and Local Governments and was acknowledged by the Committee for European Affairs.

In 2021, representatives of the Department of Financial Information participated also in the work of the EU AML/CFT regulatory package as part of a working group of the EU Council.

The tasks of the GIFI also included ongoing evaluation of draft normative acts falling within its competence.

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General Inspector of Financial Information