



**REPORT**  
**of the General Inspector of Financial Information**  
**on the implementation of the *Act of 1 March 2018***  
***on counteracting money laundering and financing of***  
***terrorism***  
**in 2019**

Warsaw, March 2020

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## Abbreviations and acronyms

<b>ABW</b>	Internal Security Agency
<b>AML/CFT</b>	<i>Anti-money laundering and counter-financing of terrorism</i>
<b>OPS</b>	Office of Payment Services
<b>CAT</b>	ABW Anti-Terrorist Centre
<b>CBA</b>	Central Anti-Corruption Bureau
<b>CBŚP</b>	Central Bureau of Investigation of the Police
<b>COP</b>	<i>Conference of the Parties to the CETS 198</i> , 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, which stipulates the creation of a monitoring mechanism to ensure the application of its provisions)
<b>Dz. U.</b>	Journal of Laws of the Republic of Poland
<b>OJ</b>	Official Journal of the European Union (OJ of the EU)
<b>EAG</b>	<i>Eurasian Group on Combating Money Laundering and Financing of Terrorism</i> (the organisation established in 2004, being a FATF-style regional body and a FATF affiliate member)
<b>EGMLTF</b>	<i>Expert Group on Money Laundering and Terrorist Financing</i> , operating by the European Commission
<b>FATF</b>	<i>Financial Action Task Force</i> , 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 issued, defining the international standards concerning the counteracting of money laundering and financing of terrorism and their proliferation
<b>FTF</b>	<i>Foreign Terrorist Fighters</i>
<b>GIFI</b>	General Inspector of Financial Information
<b>WSE</b>	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)
<b>GUS</b>	Central Statistical Office
<b>IAS</b>	Revenue Administration Regional Office
<b>ISIS</b>	<i>Islamic State of Iraq and Sham</i>
<b>FIU</b>	<i>Financial Intelligence Unit</i> (in accordance with FATF Recommendation No 29, the 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 financing of terrorism, and for the dissemination of the results of the analysis”, which “should be able to obtain additional information from obligated institutions and should have access to timely financial, administrative and criminal information that it requires to perform its functions properly”)

<b>NRA</b>	National Revenue Administration
<b>NCCI</b>	National Centre of Criminal Information
<b>KDPW S.A.</b>	National Depository of Securities (Krajowy Depozyt Papierów Wartościowych S.A.)
<b>EC</b>	European Commission
<b>KGP</b>	Police Headquarters
<b>NPI</b>	National Payment Institution
<b>KNF</b>	Polish Financial Supervision Authority
<b>SPI</b>	Small Payment Institutions
<b>MONEYVAL</b>	also referred to as the MONEYVAL Committee, i.e. <i>the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism</i> (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)
<b>ITTT</b>	Inter-ministerial Team for Terrorist Threats (established by <i>Ordinance No 162 of the Prime Minister of 25 October 2006</i> as an auxiliary body of the Council of Ministers to ensure the interoperability of the governmental administration in detecting, preventing and counteracting terrorism)
<b>NBP</b>	National Bank of Poland (Narodowy Bank Polski)
<b>OSCE</b>	Organization for Security and Co-operation in Europe
<b>PKD</b>	Polish Classification of Activities
<b>RP</b>	Republic of Poland
<b>SAR</b>	Suspicious Activity Report
<b>SG</b>	Border Guard
<b>SKOK</b>	Cooperative Savings and Credit Union
<b>SKW</b>	Military Counter-intelligence Service
<b>SNRA</b>	<i>Supranational Risk Assessment</i> (related to the area of money laundering and terrorist financing)
<b>STR</b>	<i>Suspicious Transaction Report</i>
<b>EU</b>	European Union

## 1. INTRODUCTION



2019 was the first full year of implementation of the *Act of 1 March 2018 on counteracting money laundering and financing of terrorism*. This statute adjusted the Polish provisions to the provisions of Directive 2015/849 and to the amended FATF recommendations, as well as increased the effectiveness of the Polish system of counteracting money laundering and financing of terrorism. This year the GIFI - in cooperation with the Financial Security Committee, cooperating units and obligated institutions - prepared and published the first national assessment of the risk of money laundering and financing of terrorism. The document was meant to identify, assess, explain and mitigate the risk of money laundering and financing of terrorism. Based on the national risk assessment published in July 2019, the GIFI initiated works on a strategy for counteracting money laundering and financing of terrorism. The main part of the document will set out an action plan for minimizing the risk of such crimes.

Performing its statutory tasks, the GIFI intensified its analytical work last year. If compared with 2018, the number of analytical proceedings conducted by the unit increased by 16%. The number of main notifications on the suspicion of the offence of money laundering submitted to the territorially competent prosecutor's offices increased by 74%, while the total value of assets subject to the suspected offences amounted to approx. PLN 11.3 billion. The number of bank accounts blocked by the GIFI doubled (in 2018, there were 302 bank accounts blocked, if compared with 640 blocked bank accounts in 2019). An corresponding trend was recorded in the number of suspended financial transactions (which increased from 15 up to 37). The blocked bank accounts had a total balance of approx. PLN 208 million, while the suspended transactions had a value of PLN 31 million. The GIFI also continued a close cooperation with national entities. The entities authorized to receive information from the GIFI - in particular, the Prosecutor's Office and law enforcement authorities - used the data provided by the analytical unit.

In October last year, the Central Register of Beneficial Owners was established based on the aforementioned Act on counteracting money laundering and financing of terrorism. One of the main tasks of the Register is to strengthen the system of counteracting money laundering and financing of terrorism. The Register collects and processes data of the beneficial owners which are natural persons exercising a direct or indirect control over a company. The Register was made public by ensuring that the data contained therein are publicly accessible free of charge. Thus, it enables the civil society to exercise a greater control over the information and contributes to enhancing the confidence in the financial market and in the participants of the economy.

As the European Commission conducted a proceeding in 2019 to review the correctness of the implementation of *Directive 2015/849* in the Polish legal order based on Article 258 of the *Treaty on the Functioning of the European Union* (infringement No 2017/041), the GIFI was engaged in elaborating the draft *Act on amending the Act on counteracting money laundering and financing of terrorism* for the complete and correct implementation of the Directive into the Polish legal system. The justified opinion of the European Commission was also analysed by the Financial Security Committee operating by the GIFI, which adopted an opinion on the

need to amend the provisions within the scope proposed by the General Inspector by resolution. The legislative work resulted in the Act of 16 October 2019 *on amending the Act on counteracting money laundering and financing of terrorism (Journal of Laws, item 2088)*, which entered into force on 30 November 2019. In 2019, the GIFI was additionally engaged in the legislative process to work out legal and legislative solutions 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 national legal system.

While preparing for the 5<sup>th</sup> round of mutual evaluations in relation to the fight against money laundering and financing of terrorism, conducted by the MONEYVAL Committee, the GIFI organized or co-organized a series of trainings and workshops last year. They were aimed at representatives of competent bodies and associations of obligated institutions, which form the Polish system of counteracting money laundering and financing of terrorism, while their objective was to prepare the national institutions engaged in the evaluation process to present the effectiveness of the Polish system of counteracting money laundering and financing of terrorism during meetings with evaluators. It should also be pointed out that a free e-learning course on counteracting money laundering and financing of terrorism was launched on the Internet website of the GIFI in February 2019. By the end of the year, 17,997 certificates on the completion of the course were issued.

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

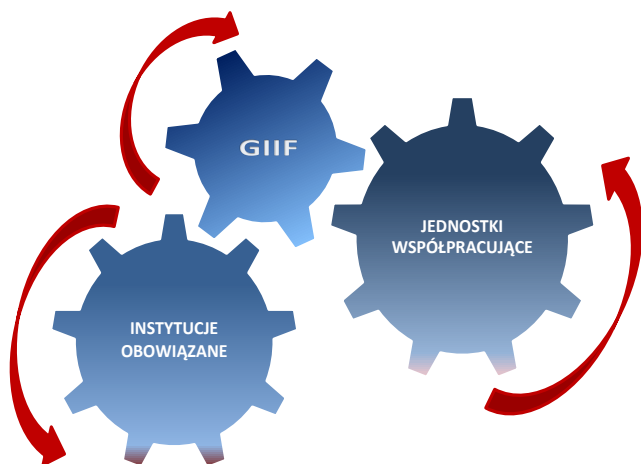
### 2.1. NATIONAL SYSTEM OF COUNTERACTING MONEY LAUNDERING AND FINANCING OF TERRORISM

The structure of the Polish system of counteracting money laundering and financing of terrorism (hereinafter referred to as the “AML/CFT system”) is determined above all by the provisions of both the national law and the law of the European Union (EU). The basic legal act is *the Act of 1 March 2018 on counteracting money laundering and financing of terrorism* (i.e. Journal of Laws of 2019, item 1115, as amended), hereinafter referred to as the “AML/CFT Act”<sup>1</sup>. It specifies the bodies and entities under the system and determines its duties and authorizations.

The Polish system of counteracting money laundering and financing of terrorism is formed by:

- the GIFI;
- obligated institutions;
- cooperating units.

Figure No 1. Structure of the AML/CFT system.



The activities of the entities functioning in the framework of the 3 aforementioned groups are inter-related. The effectiveness of the activities of the obligated institutions is directly dependent on the quality of the activities of the GIFI, which determines in turn the

<sup>1</sup> *Anti-Money Laundering and Counteracting Financing of Terrorism.*



functioning of the cooperating units (in particular the law enforcement or supervisory bodies). On the other hand, the operational effectiveness of the cooperating units impacts the activities of the GIFI, which reflects in turn in the scope of the tasks performed by the obligated institutions. In general, the Polish system of counteracting money laundering and financing of terrorism may be described as a system of inter-connected vessels.

However, the AML/CFT Act designates the bodies of the governmental administration being competent for counteracting money laundering and financing of terrorism, i.e. the minister competent for public finance as the supreme financial information body and the GIFI, whereas the GIFI - as the central element of the system - has the relatively greatest impact on the functioning of the entire system. The GIFI performs its tasks with the support of the Financial Information Department of the Ministry of Finance.

The GIFI is appointed and dismissed by the Prime Minister on request of the minister competent for public finance seeking the opinion of the minister - member of the Council of Ministers competent for the coordination of the activities of special forces (if appointed by the Prime Minister). The GIFI is the Secretary or Undersecretary of State in the office of the minister competent for public finance.

The GIFI is tasked with processing data in the mode specified in the AML/CFT Act and with undertaking activities to counteract money laundering and financing of terrorism, in particular:

- analysing information related to the assets in relation to which the General Inspector has become reasonably suspicious that it is associated with the crime of money laundering or financing of terrorism;
- carrying out of the procedure of transaction suspension or bank account blocking;
- requesting submission of information on transactions and disclosure thereof;
- submission of information and documentation justifying the suspicion concerning the commitment of an offence to authorized bodies;
- exchange of information with the cooperating units;
- preparing the national assessment of the risk of money laundering and financing of terrorism and strategies for counteracting such criminal offences, in cooperation with the cooperating units and obligated institutions;
- exercising control over the compliance with the regulations on counteracting money laundering and financing of terrorism;
- issuing decisions concerning entering into the list of persons and entities towards which specific restrictive measures are applied, or their delisting and keeping this list;
- cooperation with competent authorities of other countries, as well as foreign institutions and international organizations dealing with counteracting money laundering or financing of terrorism;
- imposing administrative penalties referred to in the AML/CFT Act;
- making knowledge and information in the scope of counteracting money laundering and financing of terrorism available in the Public Information Bulletin, on the website of the Ministry of Finance;
- initiating other measures to counteract money laundering and financing of terrorism.

The obligated institutions are listed in Article 2(1) of the AML/CFT Act. They were divided into 25 categories. They include entities of both the financial and non-financial sector.

The obligated institutions have relatively many duties. In particular, they identify and assess the risk of money laundering and financing of terrorism in relation to the business relationships with customers and with their occasional transactions. Depending on the risk and its assessment, the obligated institutions apply customer due diligence measures to gain information on their customers and identify what the customers use their services and products for.

The obligated institutions notify the GIFI about any circumstances which may give rise to the suspicion of the offence of money laundering or financing of terrorism and about any justified suspicions that a transaction or assets may be related to either of the two aforementioned offences.

Additionally, the obligated institutions provide the GIFI with information on the so-called above threshold transactions, i.e. the transactions equivalent to the amount of EUR 15 thousand and being:

- a payment or a completed disbursement of cash (i.e. a cash transaction),
- a transfer of funds (including the transfer from outside the territory of the Republic of Poland for a benefit of a recipient for whom the obligated institution acts as payment service provider), excluding certain exemptions as specified in the AML/CFT Act,
- a transaction of buying or selling foreign currency,
- a notary deed as specified in the AML/CFT Act.

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

To counteract terrorism and financing of terrorism, the 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.

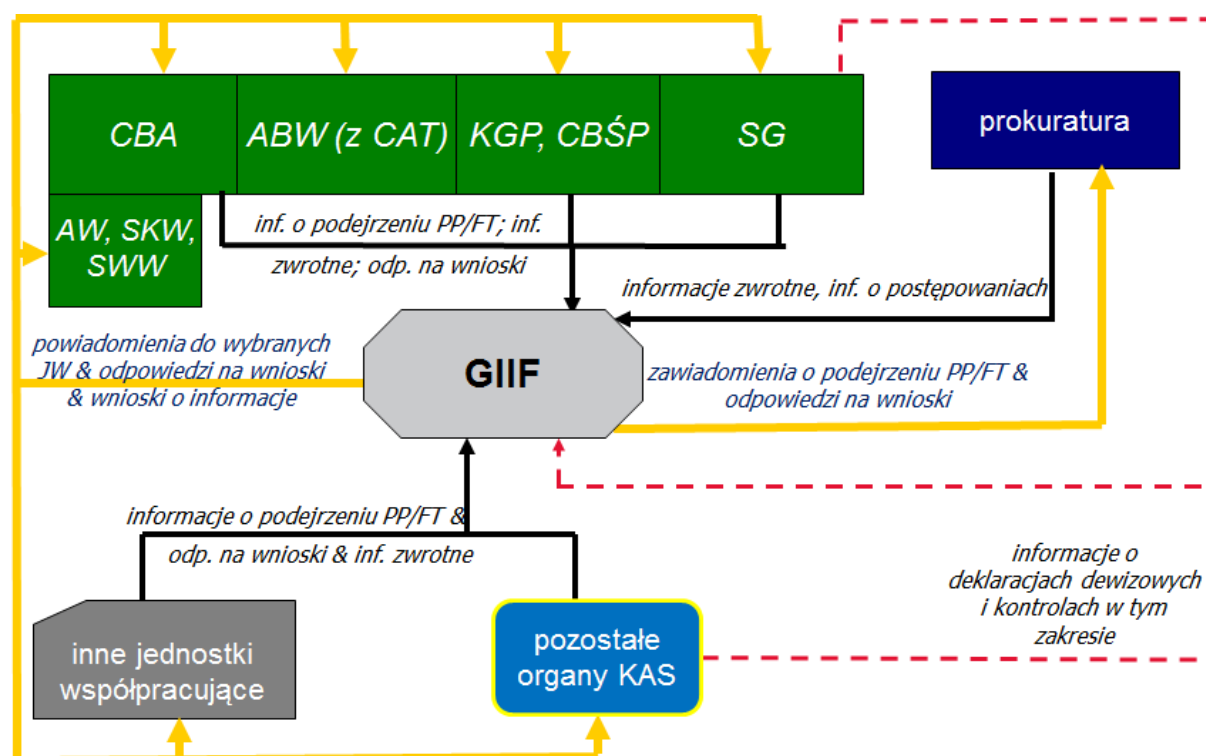
The GIFI is authorized to exercise control over the obligated institutions to verify how they perform their duties in counteracting money laundering and financing of terrorism. Acting within their competences, control over the obligated institutions is exercised by the following entities based on the provisions laid down by separate provisions:

- the President of the National Bank of Poland (over entities running foreign currency exchange offices (bureaux de change)),
- the KNF (over the supervised institutions),
- 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 the obligated institutions),
- voivodes or district governors (over associations),
- competent ministers or district governors (over foundations).

The cooperating units are bodies of the governmental administration, bodies of the self-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 the obligated institutions, they immediately notify the GIFI in case they suspect that an offence of money laundering or financing of terrorism was committed. At the request of the GIFI, they submit or make available their information and documents within their statutory competences. Furthermore, the Border Guard and heads of customs and tax control offices provide the GIFI with data from the declaration on the EU cross-border cash transport.

Figure No 2. Structure of the information flow between the GIFI and the cooperating units.



The GIFI verifies the suspicion of money laundering or financing of terrorism contained in the reports and notifications on the basis of the information received from the obligated institutions, cooperating units and foreign financial intelligence units (FIUs).

For the justified suspicion of money laundering or financing of terrorism, the GIFI notifies the competent prosecutor which initiates in cooperation with the law enforcement bodies an action to detect their perpetrators and to hold them liable under criminal law.

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

- a decision was issued to block a bank account or suspend a transaction;
- a proceeding was suspended;
- a suspended proceeding was reopened;
- a decision was issued on presenting of charges of criminal offence.

Furthermore, the prosecutors are obliged to notify the GIFI about that a decision was issued to block a bank account or suspend a transaction, a proceeding was initiated, on presenting

charges and that an indictment was brought in any other cases related to the offence of money laundering or financing of terrorism.

On the other hand, at the written request the GIFI submits the collected information or documents to courts and prosecutor's offices for criminal proceedings. It also makes available its information at the written and justified request of other cooperating units mentioned in the AML/CFT Act within their statutory tasks.

Should there occur reasons to suspect that an offence or a fiscal offence was committed, excluding the offence of money laundering or financing of terrorism, the GIFI submits to the competent bodies (i.e. the law enforcement bodies, special services or the Head of the NRA) any information which justifies the suspicion, for initiating the activities which result from their statutory tasks. What is more, should the GIFI suspect for justified reasons that the provisions on the functioning of the financial market were violated, it submits the information justifying the suspicion to the KNF.

Due to the international dimension of the offences of money laundering and financing of terrorism, the GIFI exchanges information with foreign financial intelligence units (the so-called foreign FIUs).

At the justified request of a foreign FIU, the GIFI may allow to transfer the information it makes available to other bodies or foreign FIUs or to use the information for any other purposes, excluding the tasks of the financial intelligence units. Similarly, the GIFI may request a foreign FIU to approve the transfer of the information it provides to courts, prosecutor's offices and other cooperating units, other foreign FIUs, and to use the information for the purposes other than realising AML/CFT 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 "which allows to make probable the suspicion of the offence of money laundering and financing of terrorism".

## **2.2. INFORMATION ON CATEGORIES OF FINANCIAL INSTITUTIONS**

The AML/CFT Act distinguishes 25 categories of obligated institutions. They cover the entities operating in the financial market and a numerous group of entities operating outside the market.

### **2.2.1. Entities operating in the financial market**

The below mentioned information was provided by the KNF<sup>2</sup>, the National Cooperative Savings and Credit Union and the NBP based on Article 14(4) of the AML/CFT on the entities they supervise.

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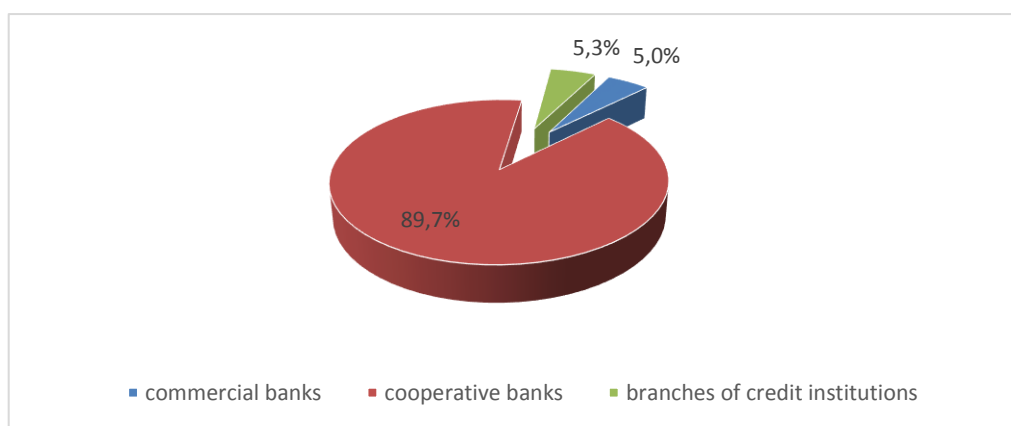
<sup>2</sup> The information presented has been selected from a broader description of the financial market sectors provided by the KNF.

### *Banking sector*

By the end of December 2019, banking activities were carried out by 600 entities (30 commercial banks, 538 cooperative banks and 32 branches of credit institutions). The banking sector had a network of 12,516 outlets and employed 157.5 thousand people at that time<sup>3</sup>.

It should be pointed out that a slight decrease in the number of banking entities was recorded as of 31 December 2019 (600 entities), if compared with the corresponding period of the preceding year (612 entities). The deepest decrease was experienced by the network of cooperative banks in the analysed period, i.e. by 11 branches (as of 31 December 2019, there were 538 branches, if compared with 549 branches as of 31 December 2018).

*Diagram No 1. Structure of entities operating in the banking sector in 2019.*



By the end of 2019, the main entities of the financial system recorded assets with a value of over PLN 2.7 billion, of which 71% should be allocated to the banking sector. By the end of 2019, the share of the assets of the banking sector against GDP amounted to 92.3%, the share of the bank loans incurred by households 34.4%, the share of the bank loans incurred by enterprises 18.3%, the share of the deposits held by households 42.5%, while the share of the deposits held by enterprises 14.9%.

The banking sector recorded a net financial result of PLN 14.7 billion by the end of December 2019, i.e. PLN 1.6 billion (12.5% year to year) more than December 2018. The increased net profit of the banking sector in 2019 was driven, among other factors, increasing interest revenues and dividends and commissions. As of 31 December 2019, 5 commercial banks and 14 cooperative banks generated a total loss of PLN 715 million (which is equivalent to the share of approx. 4.5% of the banking sector).

The net interest income amounted to PLN 49.22 billion in 2019 (recording an increase of 9.8% year to year), while the commission income was as high as PLN 13.33 billion (recording an increase by 8.3%). The results improved mainly thanks to the increased interest and

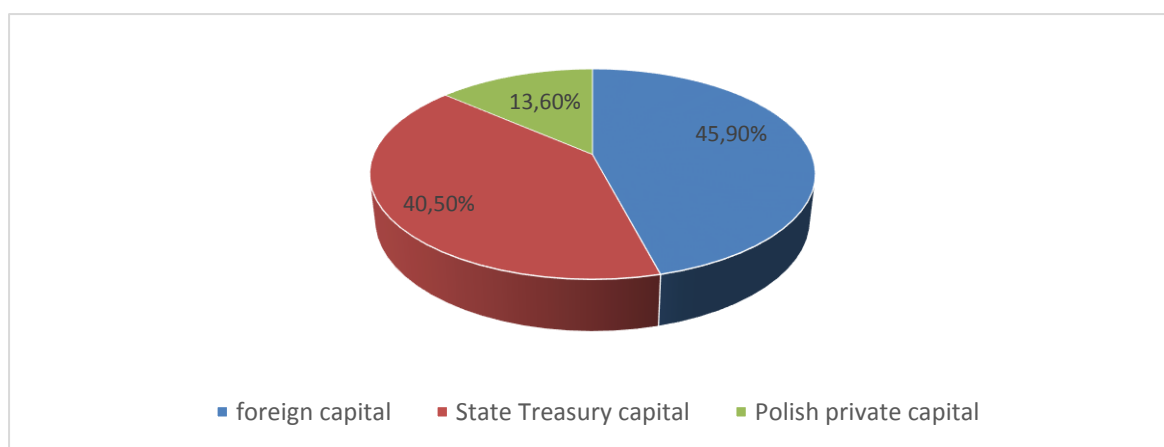
<sup>3</sup> Banks continued their efforts to increase their efficiency by optimising their employment and sales network, as a result of which the number of employees in the banking sector decreased by 3.50% during the period from 31 December 2018 until 31 December 2019.

commission income of the banking sector. The only exception was noted in December 2019 when the interest income grew at a smaller pace (by 2.3%) due to the commissions being returned from the banks' reserves (following the judgment of the CJEU<sup>4</sup>).

By the end of December 2019, domestic investors were in control of 13 commercial banks (8 banks were controlled by the State Treasury, while 5 banks belonged to private investors) and all cooperative banks. During 2019, continuing the trend of 2018, cooperative banks were subject to mergers - the number of cooperative banks declined by 11, i.e. from 549 at the end of 2018 down to 538 at the end of 2019.

Structure of the banking sector by the origin of capital in 2019:

*Diagram No 2. Structure of the banking sector by the origin of capital in 2019.*



The situation of the banking sector continues stable, which is favoured by a relatively swift growth rate of the economy<sup>5</sup>. The capital basis of the banking sector also remained at a good level. In 2019, the value of equity increased from PLN 203.99 billion at the end of December 2018 up to PLN 210.29 billion at the end of 2019, i.e. by 2.99%.

By the end of 2019, the banking sector recorded a favourable current liquidity ratio, which corresponds to the corresponding period of the preceding year. The required liquidity coverage ratio (LCR)<sup>6</sup> was achieved by all commercial banks.

During 2019, commercial banks generated a net profit of PLN 642 million, i.e. an increase by 0.7%. Their interest income increased by almost 5%, while the commission income declined by 0.7%. Total net revenues increased by 4.3%. One cause for particular concern is that provisions for financial assets increased by 12%, which results from a large share - double the share of commercial banks - of the so-called irregular bank loans in the portfolio.

<sup>4</sup> The judgement of the Court of Justice of the European Union (CJUE) concerning the return of the bank commission for the earlier repayment of the consumer bank loan.

<sup>5</sup> According to the Statistics Poland data, the GDP growth rate was equal to 4.1% by the end of 2019. However, it is forecasted (the GDP and inflation forecast of the NBP of 12 November 2019) that GDP will grow at a slower rate of 3.2% and 3.1% (year to year) in the years 2020-2021.

<sup>6</sup> Liquidity Coverage Ratio (LCR) - a measure of short term liquidity.

Despite the overall positive situation, it should be pointed out to several determinants of the functioning of the banking sector, including the deteriorating structure of the loan portfolio of cooperative banks and the forecasted decline in GDP in the years 2020-2021 (the NBP forecasts that GDP will fall from 3.2% in 2020 down to 3.1% to 2021). The aforementioned factors will require certain banks to take up effective measures to improve their profitability.

### *Cooperative savings and credit unions*

There were 25 active cooperative savings and credit unions (SKOK) at the end of December 2019.

In accordance with Article 3 of *the Act of 5 November 2009 on Cooperative Savings and Credit Unions* (Journal of Laws of 2019, item 2412, as amended), the objective of the SKOK 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. Most cooperative savings and credit unions carry out financial settlements for their members, while only few (i.e. 4 of 25 unions) provide only credit, loan and deposit services and do not keep payment accounts for their members.

The unions carry out financial settlements for their members being providers of payment services in the meaning of Article 4(2)(9) of the Act of 19 August 2011 on the payment services (i.e. Journal of Laws of 2019, item 659, as amended), and render payment services for their members. The deposit, loan and credit services and financial settlements of the SKOKs constitute an alternative to the banking sector.

As of 31 December 2019, the unions recorded a total profit of PLN 42.25 million (by the end of December 2018, 30 of the then operating unions reported a profit of PLN 47.96 million<sup>7</sup>).

The savings and credit unions finance their activities from the deposits of their members. They also have the legal right to seek financial support from the National Union in the form of liquidity loans, however this form of support was not used in 2019 - due to the financing structure, the unions kept a significant surplus liquidity.

If compared with early 2019, the unions reduced their employment by 114 FTEs during the 3<sup>rd</sup> quarter of 2019. The restructuring was a consequence of the decreased number of outlets by 18 and other factors.

From the data concerning active SKOKs<sup>8</sup> operating in late 2019 results that the unions increased their equity by 67.19% (i.e. by PLN 200.84 million) against the end of 2018. By the end of December 2019, its value reached PLN 499.78 million.

Preliminary data as of 31 December 2019 demonstrate that the unions keep total assets of PLN 9,344.3 million. At the same time, the gross loan and credit portfolio increased by 0.77%, i.e. by PLN 51.48 million, while the value of deposits declined by 3.72%, i.e. by PLN 336.43 million.

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<sup>7</sup> Own data of the KNF as of 3 March 2020.

<sup>8</sup> As above.

However, the situation of individual unions is diversified. There are unions whose activities are secured, while other unions struggle with economic and financial difficulties and their activities must be restructured. By the end of December 2019, the KNF continued its proceedings against 7 entities to examine the grounds for appointing a receiver, while 14 unions were obliged to implement a recovery programme by the end of 2019.

The sector of cooperative savings and credit unions is strictly monitored by the KNF which undertakes a number of measures with the aim to restructure the sector and to protect the deposits kept by the cooperative savings and credit unions. Upon the consent of the European Commission, public funds are also spent for restructuring the sector.

### *Sector of Payment Institutions*

The sector is composed of national payment institutions (NPIs), small payment institutions (SPIs) and offices of payment services (OPSs). The entities are authorized to render payment services, but there are significant differences concerning, among other things, the scope of the authorized services, geographical territory, the legal form, license obligations, and capital requirements.

As of 31 December 2019<sup>9</sup>, there were 37 NPIs, 45 SPIs, 2 providers rendering only the access service to bank account data, 1 national electronic money institution and 1,372 OPSs. As of the end of the 4<sup>th</sup> quarter of 2019, the NPIs recorded PLN 581.59 million own funds.

From the reports submitted by the NPIs<sup>10</sup> to the KNF results that during 2019 the NPIs executed 1.93 billion payments transactions in the total amount of PLN 170.5 billion. During 2019, the OPSs operated only 32.1 million payment transfers in the total amount of PLN 5.7 billion. To compare, Poland's National Clearing House executed 1.92 billion payment orders in the amount of PLN 5,634.21 billion in the Elixir system subject to that part of the transactions processed by the NPIs take place in other settlement systems, e.g. Express Elixir and BlueCash. Therefore, the sector of national payment institutions is relatively insignificant in macroeconomic terms.

### *Life insurance sector<sup>11</sup>*

In 2019, the life insurance sector (insurance class I) was composed of 26 licensed insurance institutions of which one institution did not start its activities despite being entered in *the National Court Register* on 22 November 2019.

The insurance institutions operated approx. 12.25 million insurance agreement. Their revenues were dominated by gross premiums written. In the life insurance class, they amounted to PLN 21.27 billion and accounted for 33.32% of the total gross premiums written of the entire insurance sector over the horizon of 4 quarters of 2019.

The insurance institutions class I recorded a net financial result of PLN 2.58 billion, while the corporate income tax of such institutions amounted to PLN 694.56 million.

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<sup>9</sup> As above.

<sup>10</sup> As above.

<sup>11</sup> As above.



By the end of 2019, the life insurance institutions reported total assets of PLN 93.85 billion.

By the end of 2019, the life insurance institutions reported PLN 11.46 billion equity, which accounts for 12.22% of their assets.

By the end of 4 quarters of 2019, the life insurance institutions were securely solvent. All the insurance institutions class I fulfilled the solvency requirements, while 19 insurance institutions class I reported solvency ratios of over 175%.

For insurance class I, the following factors had the greatest impact on the level of the capital solvency requirement: risk of surrenders, mortality risk, life catastrophe risk for life insurances and expenditure risk for life insurance (within the actuarial risk for life insurances) and equity price risk, asset concentration risk, credit spread risk and interest rate risk (within the market risk).

### *Capital sector*

#### **Brokerage houses**

*The Act of 29 July 2005 on the trading in financial instruments* (i.e. Journal of Laws of 2020, item 89, as amended) is the main legal act regulating the functioning of brokerage houses in the territory of Poland.

Brokerage activities consist in, among others, accepting and transferring orders for buying or selling financial instruments, buying or selling securities at own cost, managing portfolios consisting of one or more financial instruments, investment advisory, offering financial instruments and rendering services base on the agreements on investment and services sub-issuances. Brokerage activities may be carried by an investment firm or a bank running a brokerage house. 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. Brokerage activities are subject to obtaining a permit by the Polish Financial Supervision Authority.

As of 31 December 2019, brokerage activities were carried out by:

- 9 banks, including 7 brokerage houses (no change against 2018),
- 38 brokerage houses (40 in 2018),
- 1 commodity brokerage houses (1 in 2018).

From the data concerning the same period results that trust services were offered by 12 banks (12 in 2018).

*Table No 1 below presents the number of entities by category in the years 2016-2019<sup>12</sup>.*

<b>Category</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Brokerage houses	46	44	40	37

<sup>12</sup> Own data of the KNF as of 3 March 2020.

Commodity brokerage houses	1	1	1	1
Banks offering brokerage services	11	11	9	9
Trustee banks	13	13	12	12
<b>TOTAL</b>	<b>71</b>	<b>69</b>	<b>62</b>	<b>59</b>

As of 31 December 2019, brokerage houses kept 563,321 financial instruments accounts on behalf of their customers (while recording a decrease of 21.21% against 2018).

In 2019, the value of total assets kept by the brokerage houses reached PLN 6,640,791 thousand. If compared with 2018, total assets increased slightly by PLN 38,208 thousand. The value of the brokerage houses' own funds decreased by 7.45% from PLN 1,492,919 thousand (as of 31 December 2018) down to PLN 1,359,656 thousand (as of 31 December 2019).

By the end of December 2019, the brokerage houses reported a net profit of PLN 27,862 thousand, which marked a deep decline (by 83.14%) against the analogous period of 2018 (PLN 165,257 thousand). The decreased net profit was determined above all by the deteriorated revenues from the main activity of the brokerage houses (year to year), which fell down by PLN 184,055 thousand, i.e. by 28.58%.

Furthermore, the financial results for 2019 and 2018 were determined by the events related to the activities of GetBack S.A. and of the institutions cooperating with the entity, which undermined the confidence of investors in the capital market, and which reflected in turn in the financial results of the brokerage houses.

#### **Commodity brokerage houses<sup>13</sup>**

By the end of 2019, there was 1 commodity brokerage house authorized by the KNF, which generated a net profit of PLN 1.73 million for 2019, while its equity amounted to PLN 19.94 million as of 31 December 2019. It is also to be pointed out that the aforementioned commodity brokerage house reported a net profit of PLN 2.87 million in the corresponding period of the preceding year, while its equity reached PLN 22.80 million by the end of 2018.

#### **Trustee banks**

As of 31 December 2019, there were 12 trustee banks. By the end of 2019, there were 41.697 financial instruments accounts kept by trustee banks (which recorded a decrease by 9.33% against the status as of 31 December 2018), with the deposited assets of PLN 764,361.11 million (a decrease by 20.37% against the status as of 31 December 2018).

#### **Investment fund management companies (TFI)**

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<sup>13</sup> As above.

The principles for establishing and operating investment fund management companies based in the territory of the Republic of Poland are regulated by *the Act of 27 May 2004 on the investment funds and on the management of alternative investment funds* (i.e. Journal of Law of 2020, item 95, as amended).

The investment fund is a legal person whose exclusive activity consists in investing the cash collected in the mode of the public or private (if allowed to do so *by statute*) offering of investment units or certificates in securities, money market instruments and other property rights which are permitted *by statute*. The investment fund management company is a body which manages an investment fund.

As of 31 December 2019, there were 57 investment fund management companies authorized by the Polish Financial Supervision Authority, while the companies managed assets in the total amount of PLN 375.63 billion. By the end of 2019, the companies managed 813 investment funds, including the funds in liquidation. The total number of investment funds consisted of 48 open-ended investment funds, 66 specialist open-ended investment funds and 699 closed-ended investment funds. As of 31 December 2019, the total value of their assets amounted to PLN 320.40 billion. On the other hand, the portfolios of one or more financial instruments managed by the investment fund management companies had a value of PLN 55.23 billion.

The value of the investment funds' total assets amounted to PLN 2,886,261 thousand by the end of December 2019, 58% of which were cash in the amount of PLN 1,654,624 thousand. However, the investment fund management companies reported own funds in the total amount of PLN 2,167,779 thousand as of the end of 2019.

The total net financial results of the investment fund management companies for 2019 amounted to PLN 954,946 thousand and were higher by PLN 47,814 thousand than the preceding year (marking an increase by 5.01%).

In 2019, the investment fund management companies recorded total revenues of PLN 3,564,848 thousand, which came above all from the management of investment funds in the amount of PLN 3,376,798 thousand. The investment fund management companies incurred costs in the total amount of PLN 2,378,811 thousand, of which variable costs in the amount of PLN 1,181,009 thousand accounted for 49.65%.

### ***Entities running foreign currency exchange offices (bureaux de change)<sup>14</sup>***

Performing the tasks specified by *the Act of 27 July 2002 - the Foreign Exchange Law* (i.e. Journal of Laws of 2019, item 160, as amended) and the AML/CFT Act, the President of the NBP keeps a register of foreign currency exchange offices and exercises control over currency exchange services and supervises that the respective entrepreneurs fulfil the obligations in relation to counteracting money laundering and financing of terrorism. As of 31 December 2019, the register of bureaux de change listed 2,544 operators. As of 31 December

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<sup>14</sup> In parallel to entrepreneurs operating bureaux de change, banks and branches of credit institutions, foreign currency exchange services are also offered by other entities which buy and sell foreign currencies through the Internet. Additionally, there are also service providers which collect and match foreign currency exchange orders between different customers and arrange or facilitate the exchange between them. In accordance with Article 2(1)(11) of the AML/CFT Act, they are obligated institutions.

2019, foreign exchange services were offered by 4,844 bureaux de change, while 314 bureaux suspended their activities.

*Table No 2. Value of the foreign currencies bought and sold by the bureaux de change during the 4<sup>th</sup> quarter of 2018 and the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2019 (in PLN million).*

period	buying foreign currencies	selling foreign currencies	balance of turnover
Quarter 4 2018	26,374	15,391	10,983
Quarter 1 2019	21,291	13,081	8,210
Quarter 2 2019	22,545	15,566	6,979
Quarter 3 2019	29,815	16,790	13,026

### *Other institutions*

In addition to the aforementioned obligated institutions (denoted based on the data of the KNF, the National Cooperative Savings and Credit Union and the NBP), 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 specific financial institutions.

The provisions of Chapter 5aa of *the Act of 12 May 2011 on the consumer bank loan* (Journal of Laws of 2019, item 1083, as amended) specifies which conditions must be fulfilled by the lending institutions to be able to operate. In accordance with Article 59aa(1) of the statute, the lending institution may commence business activity after it is entered in the register of lending institutions. The register of lending institutions has been kept by the KNF since 2017. From the information published on the website of the KNF (access date: 26 February 2020), the register listed 487 lending institutions.

Concerning the definitions of financial institutions, the AML/CFT refers to the provisions of *the Act of 29 August 1997 - the Banking Law* (i.e. Journal of Laws of 2019, item 2357), which defines it in Article 4(1)(7) as “the financial institution mentioned in Article 4(1)(26) of Regulation No 575/2013”. The cited 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 of the EU L No 176 of 27 June 2013, p. 1) states on the other hand that “financial institution” means an undertaking other than an institution<sup>15</sup>, 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 (within the scope of financial leasing) and entities whose core business consists in “consulting services for economic enterprises concerning their capital structure, industrial strategy and the related issues, as well as consulting and services related to mergers and

<sup>15</sup> Defined by Article 4(1)(3) of Regulation No 575/2013 as “a credit institution or investment firm”.

acquisitions of economic enterprises” should be considered as financial institutions not being the obligated institutions mentioned in the AML/CFT Act<sup>16</sup>.

From the data of the Statistics Poland<sup>17</sup> as of 10 January 2020 concerning the national economy entities in the national official register of national economy REGON results that by the end of 2019 there were 688 entities reporting an activity within the scope of the Polish Classification of Activities (PKD) - 64.91.Z. According to the Statistics Poland data, most of the entities were registered in the Mazowieckie Voivodeship - 244 entities.

Financial leasing involves leases for periods being approximately equivalent to the forecasted depreciation period of fixed assets, while the lessee receives any and all benefits from the lease and increase the entire risk related to the ownership right. The ownership right to a fixed asset may ultimately be transferred onto the lessee. This type of lease covers all or nearly all costs, including interest.

From the Statistics Poland data in the quarterly report on national economy entities as of 31 December 2019 results that the national official register of national economy REGON (excluding natural persons running only individual agricultural holdings) listed a total of 9.159 entities reporting an activity within the scope of the Polish Classification of Activities (PKD) - 6499Z, i.e. other financial service activity, not classified elsewhere, excluding insurance and pension funds (this subclass comprises, among others, factoring activity)<sup>18</sup>.

Apart from the aforementioned financial institutions, the National Depository of Securities (Krajowy Depozyt Papierów Wartościowych S.A., KDPW S.A.) and the company employed to carry out the activities mentioned in Article 48(1)(1) of *the Act of 29 July 2005 on the trading in financial instruments* (i.e. Journal of Laws of 2018, item 2286, as amended) are obligated institutions to the extent 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 to entities of the capital market infrastructure. KDPW S.A. is a central depository of 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%.

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<sup>16</sup> 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 of the EU L No 176 of 27 June 2013, p. 338).

<sup>17</sup> <https://stat.gov.pl/obszary-tematyczne/podmioty-gospodarcze-wyniki-finansowe/zmiany-strukturalne-grup-podmiotow/kwartalna-informacja-o-podmiotach-gospodarki-narodowej-w-rejestrze-regon-rok-2019,7,7.html>

<sup>18</sup> <https://stat.gov.pl/obszary-tematyczne/podmioty-gospodarcze-wyniki-finansowe/zmiany-strukturalne-grup-podmiotow/kwartalna-informacja-o-podmiotach-gospodarki-narodowej-w-rejestrze-regon-rok-2019,7,7.html>

## 2.2.2. Other categories of obligated institutions

### *Obligated institutions exercising legal professions*

Legal professions are professions of public trust which are exercised 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 individual corporations. The exercise of a freelance profession is connected with the possession of high skills and knowledge.

In accordance with Article 1 § 1-2 of *the Polish Notary Public Act of 19 February 1991* (Journal of Laws of 2019, item 540, as amended), a notary public acts within the scope of its 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 (according to Article 80 § 2 of *the aforementioned Act*, in the course of its activities the notary public is obliged to take care of due protection of the rights and legitimate interests of parties and other persons for whom the activity may cause legal effects.

According to the data of the National Notary Council, the profession of the notary public was exercised by 3,432 individuals<sup>19</sup>.

Public notaries are obligated institutions within the scope in which they perform their activities in the form of a notarial deed, including:

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

The advocate is a lawyer providing legal assistance based *the Act of 26 May 1982 - the Law of the Advocates' Profession* (Journal of Laws of 2019, item 1513). The advocate is obliged to keep confidential any facts he or she may become aware of in the course of providing legal assistance. The professional confidentiality obligation does not apply to any information

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<sup>19</sup> [https://krm.org.pl/1197/Znajdz\\_notariusza](https://krm.org.pl/1197/Znajdz_notariusza). Data published on the Internet website, folder [European Register of Notaries Public – search engine](#). Data of access to the Internet website: 03.03.2020.

which are made available based on the on counteracting money laundering and financing of terrorism within the scope defined therein.

From the National Register of Advocates and Advocate Trainees kept by the Polish Bar Association results that as of 19 February 2020 there were 19,301 lawyers pursuing their profession<sup>20</sup> and 85 foreign lawyers providing legal assistance<sup>21</sup>.

In turn, the legal adviser is a lawyer providing legal assistance based on *the Act of 6 July 1982 on the Legal Advisers* (Journal of Laws of 2020, item 75). In particular, they provide legal advice and consultation, prepare legal opinions, draft legal acts and act as a representative or defender before authorities and courts (including the Supreme Court, the Constitutional Tribunal, the Supreme Administrative Court, the Court of Justice of the European Union and the European Court of Human Rights).

By means of the search engine of legal advisers, made available by the National Chamber of Legal Advisers, it may be established that there were 47,427 legal advisers as of 19 February 2020<sup>22</sup>.

Like legal advisers and foreign lawyers<sup>23</sup>, attorneys are obligated institutions to the extent they provide customers with legal assistance or tax advisory concerning:

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

### *Tax advisers and statutory auditors*

Tax advisers exercise their profession in accordance with *the Act of 5 July 1996 on Tax Advisory Services* (Journal of Laws of 2020, item 130). In accordance with Article 2(1) of the aforementioned statute, tax advisory services include:

- providing taxpayers, payers 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 the obligations;

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<sup>20</sup> <http://rejestradvokatow.pl/adwokat/ewidencja>

<sup>21</sup> <http://rejestradvokatow.pl/prawnikzagraniczny/ewidencja>

<sup>22</sup> <http://kirp.pl/wyszukiwarka-radcow-prawnych/>

<sup>23</sup> Excluding legal advisers and foreign lawyers pursuing their profession under their employment or service relationship in the offices providing services to the public administration, other governmental and local governmental units and entities not being companies, as 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 taxpayers, payers and collectors, accounting books, tax books and other records for tax purposes and providing them with respective assistance;
- drafting, on behalf and for the benefit of taxpayers, payers and collectors, tax returns and tax statements, or providing them with respective assistance;
- representing taxpayers, payers and collectors in the proceedings before bodies of the public administration and under the 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 statute, i.e. natural persons entered in the list of tax advisers, attorneys and legal advisers and statutory auditors for the activities mentioned in the first sub-paragraph. Additionally, the following entities are also entitled to carry out the activities mentioned in the first and fourth subparagraph (provided that they carry out them exclusively through their employers referred to in the preceding sentence):

- professional organisations with legal personality, cooperatives, associations or chambers of commerce as long as the subject of their statutory activity also includes tax advisory services provided exclusively to their members,
- audit firms authorized to audit financial statements based on separate provisions,
- limited-liability companies or joint stock companies that meet the conditions listed in Article 4(1)(3) of the aforementioned statute.

Professional tax advisory services are protected by statute and they must not be carried out by unauthorized 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 like attorneys, legal advisers, or foreign lawyers. Moreover, they are obligated institutions in relation to other tax advisory services, excluding those mentioned in Article 2(1)(14) of the AML/CFT Act.

As of 19 February 2020, there were 9,031 registered tax advisers<sup>24</sup>.

Statutory auditors pursue their profession based on *the Act of 11 May 2017 on statutory auditors, audit firms and the public oversight* (Journal of Laws of 2019, item 1421, as amended). In accordance with Article 3(1), in the framework of its professional activity the statutory auditor carries out financial audits and provides attestation services, excluding the financial audits, which are not reserved to be performed by statutory auditors, as well as the related services. The statutory auditor may pursue the profession as: a natural person conducting business activity in its own name and on own account, or a partner of an audit firm, or a natural person under the employment relationship with an audit firm, or a natural person (including those conducting business activity in any other scope than specified above), who concluded a civil-law contract with an audit firm. In accordance with the register of

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<sup>24</sup> <https://krdp.pl/doradcy.php>



certified auditors kept by the National Council of Statutory Auditors, as of 19 February 2020 there were 5,589 statutory auditors and 1,418 audit firms<sup>25</sup>.

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

The functioning of the gambling market is regulated by *the Gambling Act of 19 November 2009* (Journal of Laws of 2019, item 847) and the implementing acts thereto. 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 - lotteries and the occurrence of various events, including the 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 - bookmaking.

Games on gaming machines are games of chance that are played with the use of mechanical, electromechanical or electronic devices, including the computer hardware and the games corresponding to the rules of games on gaming machines arranged through 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 Gambling Act of 19 November 2009* states the organisation of gambling requires - depending on the type of games - a licence or a permit by the minister competent for public finance or a licence by the competent director of the Revenue Administration Regional Office (IAS) or, alternatively, a notification to the competent director of the IAS.

As of 2 March 2020<sup>26</sup>, there were 50 licenses issued for operating casinos, which specify the location of each of the casinos. As of the same date<sup>27</sup>, there were a total of 19 legal entities operating in the betting market, which were authorized by the Minister of Finance to organize betting. The permit of the Minister of Finance for organizing betting in permanent outlets were held by 12 entities, while the permit of the Minister of Finance for organizing and

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<sup>25</sup> <https://pana.gov.pl/firmy-audytorskie/>

<sup>26</sup> <https://www.podatki.gov.pl/media/5902/wykaz-obowi%C4%85zuj%C4%85cych-koncesji-na-kasyna-gryw%C5%82ug-stanu-na-02-03-2020.pdf>. Date of access: 4 March 2020.

<sup>27</sup> <https://www.podatki.gov.pl/pozostale-podatki/gry-hazardowe/zaklady-wzajemne-i-gry-hazardowe-przez-internet/>. Date of access: 4 March 2020.

operating Internet betting was used by 18 entities. There was one legal entity authorized to organize and conducting other types of gambling through the Internet. They include games on gaming machines, card games, cylindrical games, dice games ([www.totalcasino.pl](http://www.totalcasino.pl)) and numbers games and cash lotteries ([gry.lotto.pl](http://gry.lotto.pl)).

In the years 2017-2019, the gambling tax was as follows<sup>28</sup> (Table No. 3).

*Table no 3. Gambling tax by types of games in 2017 and 2018 and in the 1<sup>st</sup> and 4<sup>th</sup> quarter 2019 (in PLN thousand)*

Types of games	2017	2018	2019				Total
	Total	Total	I	II	III	IV	
Number games	695 165	713 941	177 925	190 183	193 007	199 237	760 352
Cash lotteries	174 867	202 002	55 691	53 962	56 766	59 456	225 874
Games on gaming machines	-	1 805	2 281	3 433	4 765	6 222	16 701
E-casino	-	2 198	16 232	18 410	21 061	23 989	79 693
Casinos	372 134	383 557	108 082	111 913	113 401	124 174	457 570
Mutual betting	407 367	622 847	193 596	188 590	200 445	241 225	823 856
Audiotele lotteries	7 495	7 772	2 147	2 733	2 562	3 068	10 510
Raffle lotteries	32	12	3	4	1	5	13
<b>Total</b>	<b>1 657 060</b>	<b>1 934 134</b>	<b>555 957</b>	<b>569 228</b>	<b>592 010</b>	<b>657 376</b>	<b>2 374 571</b>

### *Postal operators*

In accordance with Article 3(12) of *the Act of 23 November 2012 - the Postal Law* (Journal of Laws of 2018, item 2188, as amended), the postal operator is an economic operator authorised to perform postal activity on the basis of 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. Until 1 January 2016, the designated operator was Poczta Polska S.A.

According to the information contained in the register of postal operators kept by the President of the Office of Electronic Communications, as of 19 February 2020, there were 286 postal operators<sup>29</sup>.

### *Foundations and associations*

The foundation is a legal form of a non-governmental organisation in which the capital allocated for a specific purpose is an important element. In accordance with Article 1 of *the Act of 6 April 1984 on Foundations* (Journal of Laws of 2018, item 1491, as amended), “the foundation may be established for the implementation of socially or economically useful objectives in accordance with the fundamental interests of the Republic of Poland, in particular such objectives as: health care, development of the economy and science, education and upbringing, culture and art, social care and welfare, environmental protection and care over monuments”. Foundations may pursue several objectives at the same time.

According to the Statistics Poland data of 23 December 2019, there were 14.5 thousand foundations (data as of 31 December 2018)<sup>30</sup>.

<sup>28</sup> <https://www.podatki.gov.pl/media/5831/podatek-od-gier-w-latach-2017-2019.xlsx>. Date of access: 4 March 2020.

<sup>29</sup> <https://bip.uke.gov.pl/rop/rejestr-operatorow-pocztowych>

Foundations are obligated institutions to the extent they accept or make cash payments of the total value 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 inter-related.

The association is a basic organisational and legal form which implements one of the most important constitutional rights guaranteed by the Constitution - the right to freedom of association and joint activities. In accordance with Article 2(1) of *the Act of 7 April 1989 - the Law on Associations* (Journal of Laws of 2019, item 713), it is a “voluntary, self-governing, sustainable and non-profit-making association”.

The 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. The association may employ workers, including its members, for the performance of its activities.

According to the Statistics Poland data as of 23 December 2019, there were 69.1 thousand associations (data as of 31 December 2018)<sup>31</sup>.

Only associations with legal personality are obligated institutions to the extent they accept or make cash payments of the total value 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 inter-related.

From the information obtained from district governors and voivodes in the mode of Article 14(4) of *the AML/CFT Act* results that there were 3 obligated institutions among the supervised associations (as at 31 December 2019)<sup>32</sup>.

### ***Other non-financial obligated institutions***

A considerable group of obligated institutions operating outside the financial market comprises economic operators conducting non-regulated activity, mainly based on the provisions of *the Act of 6 March 2018 - the Entrepreneurial Law* (Journal of Laws of 2019, item 1292) (hereinafter referred to as the “*Entrepreneurial Law*”). They include the obligated institutions specified in Article 2(1)(12), (16)-(18), (23)-(24) of *the AML/CFT Act*.

From the information published on the website <https://gieldykryptowalut.pl/najwieksze-gieldy-i-kantory-kryptowalut/> (date of access: 20 February 2020) results that at least 35 currency exchange offices (bureaux de change) and crypto-currency exchanges rendered their

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<sup>30</sup> <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-2018-r-wyniki-wstepne.3.8.html>

<sup>31</sup> <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-2018-r-wyniki-wstepne.3.8.html>

<sup>32</sup> The information provided by district governors and ministers was based on their knowledge. Some respondents pointed out to the limited possibilities of determining which associations meet the conditions indicated in Article 2(1)(22) of *the AML/CFT Act* (i.e. during the controls carried out with other provisions or in the mode of collecting declarations from the associations).

services online in Polish. The entities may be classified to the obligated institutions mentioned in Article 2(1)(12) of *the AML/CFT Act*.

The distinction between exchanges and crypto-currency bureaux de change is based on the differences in their business models. Crypto-currency bureaux de change provide their services both on the Internet and in stationary service points. 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. On the other hand, crypto-currency exchanges provide a wider range of services. Buy and sell transactions of crypto-currency units can be concluded with the crypto-currency exchange, as well as - on the basis of matching buy and sell offers of its clients - between their different users. In addition, they provide their clients with the management of electronic portfolios on their behalf.

In Poland, it is also possible to buy and sell decentralised virtual currencies in cash, either at stationary points of some exchanges and crypto-currency bureaux de change or through dedicated ATMs (the so-called *Bitcoin ATMs*)<sup>33</sup>.

A real estate intermediary - an entrepreneur conducting business activity in the field of real estate intermediary services - may participate in the real estate trade. The real estate intermediary services consist in the paid performance of activities aimed at concluding agreements by other persons. The scope of the real estate agency services is specified by agency agreement. The agreement must be executed in writing or in electronic form under pain of invalidity. It is not possible to specify the number of real estate agents, as each entrepreneur may perform real estate agency activities provided subject to holding a civil-liability insurance for damages caused in connection with the performance of these activities.

From the Statistics Poland data in the quarterly report on national economy entities as of 31 December 2019 results that the national official register of national economy REGON (excluding natural persons running only individual agricultural holdings) listed a total of 19.719 entities reporting an activity within the scope of the Polish Classification of Activities (PKD) - 6831Z, i.e. the intermediary services in the real estate trading<sup>34</sup>.

In accordance with Article 76a(1) of *the Accounting Act of 29 September 1994* (Journal of Laws of 2019, item 351), bookkeeping services are a business activity in the meaning of the provisions of *the Entrepreneurial law*, consisting in the provision of services of:

- keeping accounting books on the basis of accounting evidence and accounting books which record economic events in the chronological and continuous order,
- determining or verifying, by means of stocktaking, the actual balance of assets and liabilities on a regular basis,
- valuing assets and liabilities and determining the financial result,
- drawing up financial statements,
- collecting and storing accounting evidence and other documentation provided for in the aforementioned *Accounting Act*.

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<sup>33</sup> There are at least 50 Bitcoin ATMs in Poland.

<sup>34</sup> <https://stat.gov.pl/obszary-tematyczne/podmioty-gospodarcze-wyniki-finansowe/zmiany-strukturalne-grup-podmiotow/kwartalna-informacja-o-podmiotach-gospodarki-narodowej-w-rejestrze-regon-2019.7.7.html>

Bookkeeping services may be rendered by any entrepreneur provided that the bookkeeping activities are performed by persons who have full legal capacity and have not been convicted by final court judgement for an offence against the reliability of documents, property, economic turnover, trading in money and securities, for a fiscal offence and for any offences specified in Chapter 9 of the aforementioned *Accounting Act*. An additional condition for conducting such activity requires that the entrepreneur, no later than on the day preceding the starting day of its business activity, concludes a civil-liability insurance agreement for damages caused in connection with the business activity in the field of bookkeeping services.

In accordance with Article 2(1)(16) of the *AML/CFT Act*, obligated institutions also comprise entrepreneurs within the meaning of *the Entrepreneurial Law*, not being other obligated institutions, which provide services of:

- establishing a legal person or an organisational unit without legal personality,
- performing the function of a member of the management board or enabling any other person to perform the function or a similar function in a legal person or an organisational unit without legal personality,
- providing a registered office, an address of establishment or an 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 a trustee established by means of a legal act,
- acting or enabling any other person to act as a person exercising its rights arising from stocks or shares to the benefit of an entity, excluding a companies listed on a regulated market subject to the requirements related to information disclosure in compliance with the EU law or subject to equivalent international standards.

From the Statistics Poland data in the quarterly report on national economy entities as of 31 December 2019 results that the national official register of national economy REGON (excluding natural persons running only individual agricultural holdings) listed a total of 17.544 entities reporting an activity within the scope of the Polish Classification of Activities (PKD) - 8211Z, i.e. the office administrative services<sup>35</sup>. The subclass covers “activities related to the day-to-day office administration such as reception services, financial planning, accounting, bookkeeping, HR services and mail delivery performed at order”.

One of the banking activities specified in Article 5 of *the Act of 29 August 1997 - the Banking Law* consists in providing access to a safe-deposit boxes, provided that such activities are performed by banks. However, providing access to safe deposit boxes may also be subject to business activity in the meaning of *the Entrepreneurial Law*.

A relatively large category of obligated institutions comprising economic operators in various sectors is composed by entrepreneurs which accept or make cash payments for commodities in the amount equal to or exceeding the equivalent of 10,000 EUR, regardless of whether the payment is performed as a single transaction or as a series of transactions which seem to be inter-related. Although Article 19 of *the Entrepreneurial Law* obliges entrepreneurs to make

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<sup>35</sup> <https://stat.gov.pl/obszary-tematyczne/podmioty-gospodarcze-wyniki-finansowe/zmiany-strukturalne-grup-podmiotow/kwartalna-informacja-o-podmiotach-gospodarki-narodowej-w-rejestrze-regon-2019,7,7.html>

and accept payments related to their business 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, whereby it applies only to the business-to-business transactions.

### 3. INFORMATION ON THE DATA SUBMITTED TO THE GIFI

#### 3.1. INFORMATION ON SUSPICIOUS TRANSACTIONS

In 2019, 4,100 descriptive notifications of suspicious activities and transactions, the so-called Suspicious Activity Reports (SARs) were registered in the IT system of the GIFI and they were used for the conducted analytical proceedings. The aforementioned notifications describe a few, several or even several hundred transactions (inter-related through parties to the transactions, circumstances in which a transaction is exercised, similar execution periods and/or the involvement of the same assets) and their accompanying circumstances which the reporting institution/unit believes may be related to money laundering or financing of terrorism. The 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 the transactions, etc.). The greater the spectrum of information provided in the SARs, the greater the possibilities to swiftly verify the received data and to combine them 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 bodies. The descriptive notifications may inform in particular about the suspicion of the reporting entity that an offence was committed, and about the accompanying circumstances. Table No 4 (data for 2019 are presented against the data for the preceding year) lists the categories of entities which submit SARs to the GIFI.

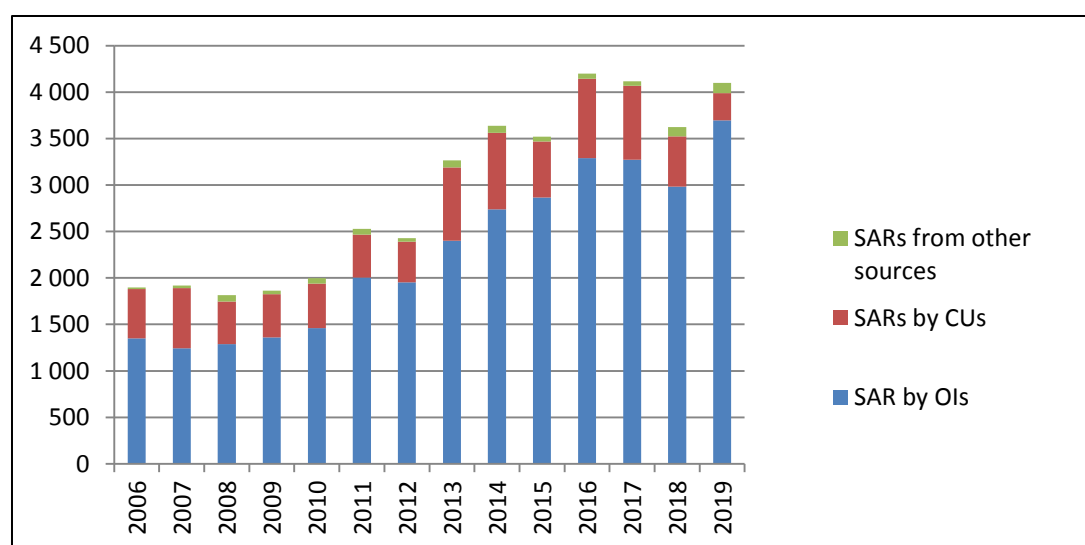
*Table No 4. Number of the Suspicious Activity Reports (SARs) received in the years 2001-2019.*

<b>Period</b>	<b>Obligated institutions</b>	<b>Cooperating units</b>	<b>Other sources</b>	<b>Total</b>
2001 (starting from 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	3,697	293	110	4,100

The number of descriptive notifications has remained on a high level for seven years now (*Figure No 3*). 2019 was the first full year of implementation of the amended provisions on reporting SARs, while the respective amendment was introduced during the second half of 2018 - this means that year-to-year data should be compared with reasonable caution.

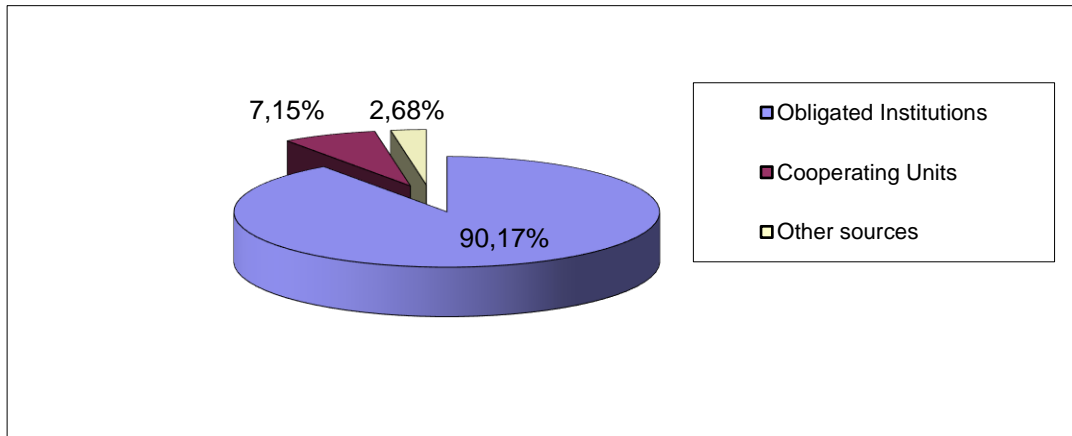
*Diagram No 3. Number of Suspicious Activity Reports (SARs) received in the years 2009-2019.*



*Diagram No 4* illustrates the percentage share of the suspicious activity reports by sources of information.

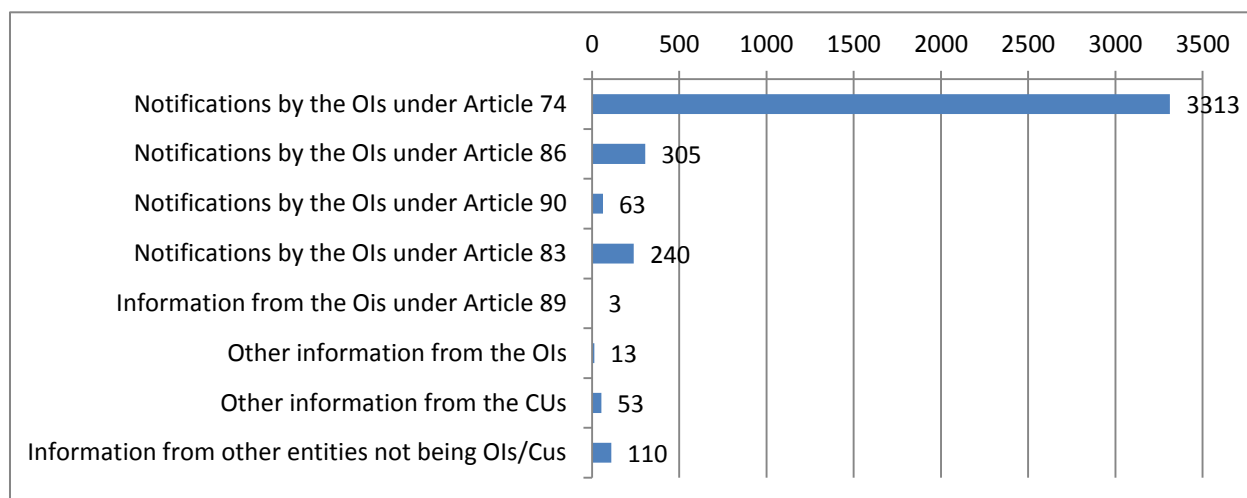


Diagram No 4. Sources of descriptive notifications (SARs) in 2019.



The total number of the SARs registered in 2019 consists of notifications and reports which refer to different circumstances of the events they refer to, and are marked by different premises and different modes of submission to the GIFI. The applicable Act on counteracting money laundering and financing of terrorism lists different premises under which an obligated institution or a cooperating unit may submit a SAR to the GIFI, i.e. *Article 74 (notification by the obligated institution of any circumstances which may indicate the suspicion of committing the crime of money laundering or financing of terrorism), Article 83 (notification by the cooperating unit of a suspicion of committing a crime of money laundering or financing of terrorism), Article 86 (notification by the obligated institution of acquiring justified suspicion that the specific transaction or specific assets may be associated with money laundering or financing of terrorism), Article 89 (report by the obligated institution of notifying the prosecutor of acquiring reasonable suspicion that the assets subject to a transaction or collected on the account originate from a crime other than the crime of money laundering or financing of terrorism or a fiscal crime, or are associated with a crime other than the crime of money laundering or financing of terrorism or a fiscal crime), Article 90 (notification by the obligated institution of performing a transaction which the obligated institution reasonably suspects that it may be associated with a crime of money laundering or financing of terrorism, when the submission of the notification prior to the performance of the transaction was impossible).* Diagram No 5 illustrates the number of different types of SARs, registered by the GIFI in 2019.

Diagram No 5. Types of descriptive notifications (SARs) in 2019.



In 2019, there were 293 registered SARs by the cooperating units, which marks a deep decline both against the preceding year and the average number for the preceding years. The GIFI pointed out to the decline in the number of the SARs by the cooperating units in its report for 2018, which is also confirmed by the data for 2019.

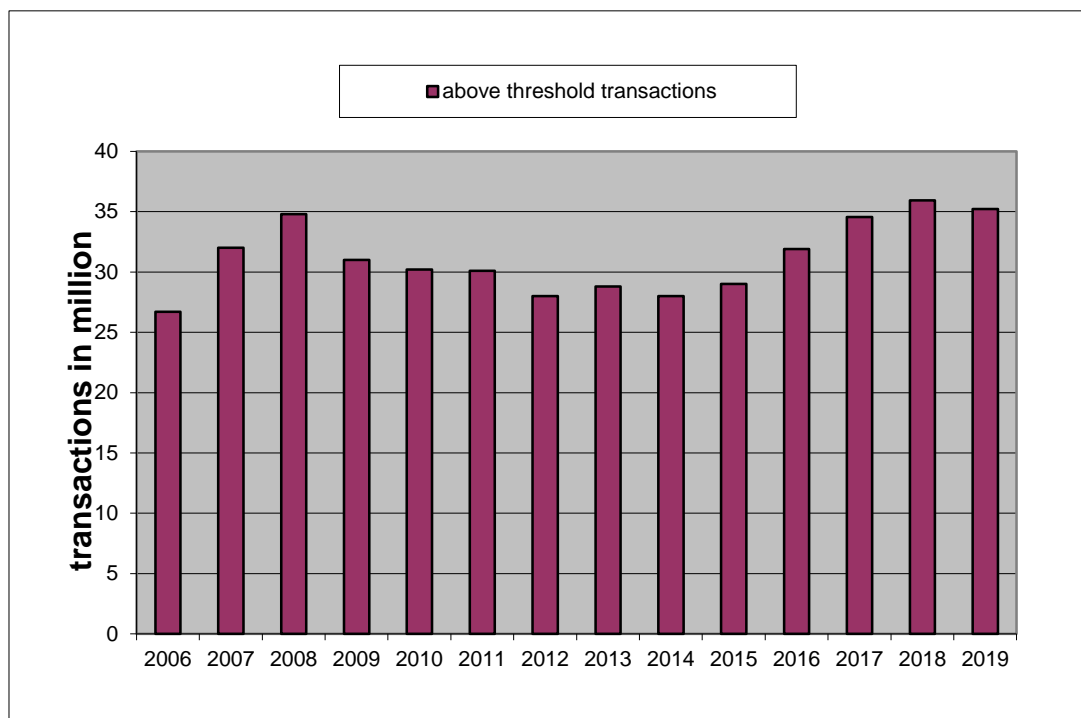
In 2019, the GIFI registered 3,697 SARs submitted by the obligated institutions. Their number is over 20% higher than the average number for the preceding five years. As explained in the comments concerning *Table No 4*, 2019 was the first full year of implementation of the amended provisions on reporting, while the respective amendment was introduced during the second half of 2018. Therefore, when the year-to-year data are compared with appropriate caution, the increase in the number of SARs in 2019 against the last preceding year may be associated with the removal of the so-called Suspicious Transaction Report (STR) from the categories of information which the 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 Suspicious Transaction Reports), whereby the overriding majority referred to the information reported in the SARs. Under the current legal order, the suspicious transactions which could formerly be reported in the form of STRs independently of the submitted SAR drive the increased number of SARs in 2019.

### 3.2. INFORMATION ON TRANSACTIONS ABOVE THE THRESHOLD

In 2019, the GIFI was informed about 35.26 million so-called above threshold transactions (under Article 72 of the applicable AML/CFT Act), the equivalent of which exceeds the statutory threshold. They are collected in the IT system of the GIFI and processed by the Department of Financial Information of the Ministry of Finance - both for analytical proceedings of the GIFI and for the analyses carried out as a result of the execution of requests submitted by competent authorities. The number of such transactions reported to the GIFI on an annual basis remains at a similar level (*Diagram No 6*), while - following the amendment of the provisions in 2018 - 2019 marked the expiry of the transitional periods concerning the manner for reporting above threshold transactions to the GIFI. The amendment

of the provisions also referred to the categories of reported transactions, the catalogue of reporting obligated institutions, and the contents of the transaction reported to the GIFI. The amendment of the provisions and the expiry of the transitional periods concerning the manner for reporting above threshold transactions cause that the statistics for the years 2018-2019 must be compared against the preceding years with appropriate caution, whereby the total number of transactions reported to the GIFI in 2019 did not change significantly. This illustrates that the limited reporting of certain types of information did not have a significant impact on the total number of reports - in accordance with Article 72 of the *AML/CFT Act*, the reporting now covers information on four types of transactions listed in this article: cash payments/disbursements, transfers of funds, buy/sell transactions of foreign currencies and certain notarial activities. The catalogue of the transactions to report was reduced by removing certain categories, e.g. the transactions without a noticeable cash trading, which covered different cases until the second half of 2018, now cover exclusively the listed types of notarial activities (which is an amendment in itself because the former catalogue of the notarial activities to be reported was not exhaustive). On the other hand, the provision on reporting transfers of foreign funds, which was specified more in detail, extended the reporting in this respect. In turn, the introduction of new template of electronic documents, which should be used to report above threshold transactions, and the more detailed division of the reported information by categories makes it possible to examine the nature of the transactions the reports refer to. For example, the transfers of funds - which were formerly accumulated in one category - are now reported by including the data on the transfer category, including the type and manner for ordering the transfer. Similarly, the current reports indicated data on the transactions related to the cash flow in a more detailed way. To prepare the report for 2019, the transaction data reported by “old” and “new” categories (as mentioned, 2019 marked the expiry of the respective transitional periods) were translated into common sets which make it possible to present the collected data in a coherent way, despite the changed manner and scope of reporting, and to compare them with the data for the preceding years. Part of the data which are possible to analyse by means of the new data reporting system of the GIFI were discussed in the further part of this Report, whereby they refer only to selected reports for 2019 (those submitted according to the new rules). The complete implementation of the new rules concerning the description of annual data will become possible for the data for 2020.

Diagram No 6. Volume of data on above threshold transactions received by the GIFI.



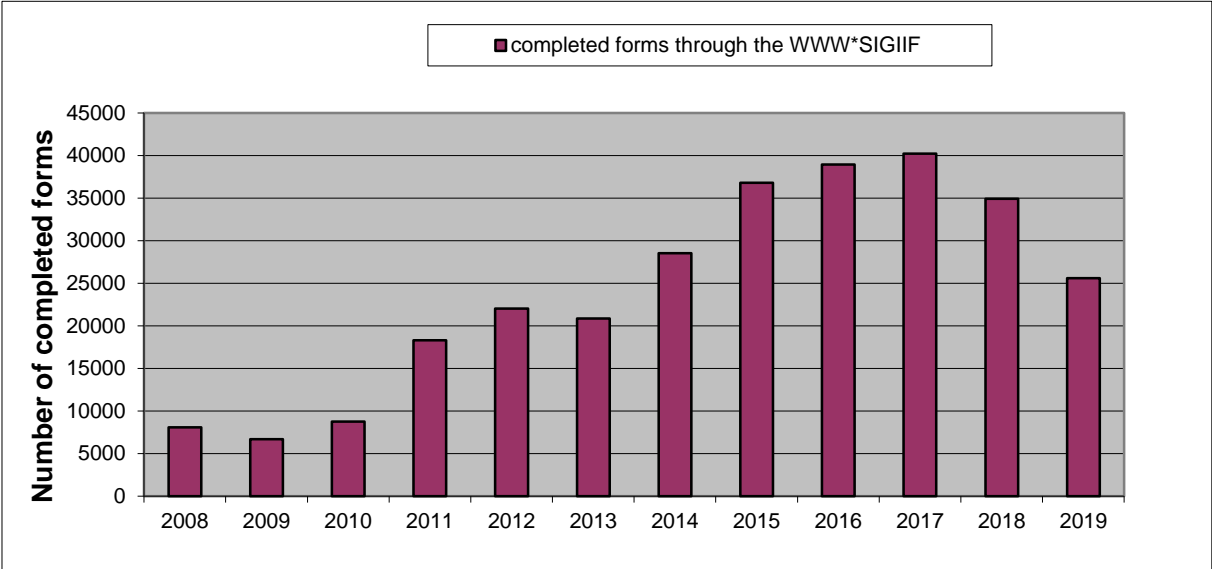
Obligated institutions submit data on the aforementioned transactions in aggregate or separately, in the form of a file, on a continuous basis (contrary to the reporting deadlines valid in the preceding years, i.e. once a month until the 14<sup>th</sup> day after the end of each calendar month in which the transactions were registered). In 2018, the IT system of the GIFI incorporated 120 thousand files with data on the aforementioned transactions, while nearly 300 thousand files were registered in 2019. This is related to the changed manner for accepting the data files from the obligated institutions. All data are now submitted electronically, in parallel to the formerly dominant transfer through the secure Internet website of the GIFI, there is also a communication channel in use, which is based on the network services of the GIFI IT system and allows the obligated institutions to automate their processes. As of mid-July 2019, submitting files by electronic mail was no longer possible.

The data transfer through the secure Internet website makes it possible both to send a data file on multiple transactions, generated in a correct format from the system of the obligated institution (this solution was used mainly by large institutions, which reported many transactions on a monthly basis, but most of these institutions currently use a new channel under the network services of the IT system of the GIFI), 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 which report few transactions on a monthly basis).

The volume of transaction data registered through the completion of the electronic form of the transaction card directly on the Internet website increased starting from a surge in 2011 when 18.3 thousand transactions were reported in that way (while in the years 2008-2010, the number ranged between 6.7 thousand and 8.7 thousand transactions on an annual basis). In 2012 and 2013, the number of transactions reported in this manner exceeded 20 thousand, in

2014 it reached 28.5 thousand, in 2015 36.8 thousand transactions, in 2016 38.9 thousand, in 2017 40.2 thousand, and in 2018 35 thousand transactions. In 2019, 25.6 thousand transactions were registered in this way (*Diagram No 7*). A decreased volume of data reported from the form on the Internet website should be associated above all with the limited categories of the above threshold transactions to be reported to the GIFI, which applied to the obligated institutions using this data transfer channel to a greater extent.

*Diagram No 7. Transactions registered through the completion of the electronic form of the transaction card directly on the Internet website of the IT system of the GIFI.*



Upon the expiry of the transitional periods for reporting above threshold transactions in 2019, paper transaction cards were abandoned. The volume of the transaction data reported in this manner was limited (1.3 thousand transactions in 2017 and 1.0 thousand in 2018). Even such an insignificant volume of data transferred by the obligated institutions to the GIFI in the form of paper transaction cards creates a disproportionately greater workload consisting in collecting and entering data to the databases in comparison to the electronic submission of transaction data. The situation changed upon the expiry of the transitional period - starting from July 2019, all data are reported in the electronic form. To avoid difficulties related to the electronic signature of the data reported in the electronic form, it was still possible to confirm the data submission by using a special paper printout from the IT system of the GIFI which should be signed traditionally. The printout is available upon the completion of the electronic form on the Internet website (electronic data are directly submitted to the IT system of the GIFI).

Of the aforementioned volume of 35.26 million transactions reported to the databases of the GIFI in 2019, 6.08% referred to the transactions the obligated institutions classify as cash deposits or withdrawals (in 2018, the percentage rate was equal to 6.26%, in 2017 6.72%).

Simultaneously, the percentage of 9.74% covered transactions with the participation of the entities for which the obligated institution indicated a place of residence/registered office outside the Republic of Poland or a foreign nationality, while 6.05% of transactions were

classified by the obligated institutions as incoming foreign transactions. In 2018, the incoming foreign transactions the obligated institutions included in their reports accounted for 3.51% (as they did in previous years). The new provisions which entered into force in the second half of 2018 explicitly provided that the incoming foreign transfers of funds are to be reported to the GIFI, which put an end to speculation concerning the interpretation of the former provision. In consequence, the number of reported foreign transfers doubled, which should be seen as a favourable sign that the obligated institutions adjusted to the valid provisions and the gap in the data the GIFI uses for analytical purposes shrank significantly. It should simultaneously be pointed out that the analysis of the reported data indicated that the quality of the reported data concerning foreign transfers must be improved significantly, in particular in terms of the identification of parties and the assignment of correct and appropriately indicated bank account numbers to the transactions.

Changing the manner for reporting above threshold transactions facilitates a more accurate insight into the structure of the data and an improved classification, which makes it possible to assess the risk of individual transactions more accurately, and allows the GIFI to directly examine additional important data on transactions which are particularly at risk of money laundering or financing of terrorism. For example, such data refer to the categorisation of data concerning transfers of funds. For the data reported in the new mode, the GIFI gained insight into the structure of the manner in which a transfer of funds is initiated. Although 89.72% outgoing transfers are initiated by means of the “traditional” order of bank transfer or direct debit, the remaining 10.28% of above threshold transfer result from the execution of a domestic or foreign transfer of funds (4.64%) or from the execution of a transfer initiated by a payment card, an e-money instrument, a mobile phone or any other digital or IT device, or in any other manner (5.64% in total).

Of the data available for analyses in 2019, the aforementioned 4.64% of above threshold transfers resulting from the execution of a transfer of funds correspond to over 567 thousand transfers of funds. On the other hand, the aforementioned 5.64% of above threshold transactions resulting from the execution of an order initiated by a payment card, an e-money instrument, a mobile phone or any other digital or IT device or in any other manner within the same sample correspond to nearly 689 thousand transfers of funds.

A similar situation occurs thanks to the categorisation of data on incoming foreign transfers of funds. For the data reported in the new way, the GIFI gained not only data on the doubled volume of such transfers (which are more at risk of ML/TF), but also insight into the structure of the manner in which a transfer of funds is initiated. So, 89.78% of incoming foreign above threshold transfers result from the execution of transfer orders, 6.78% of them reach the Polish obligated institutions as a result of the execution of money orders, and 3.44% of incoming foreign above threshold transfers were classified by the accepting obligated institutions as transfers from other types of orders. If the data available for analyses in 2019 in the aforementioned manner were to be expressed in absolute numbers, they would correspond to over 925 thousand foreign transfer orders, nearly 70 thousand foreign money orders and over 35.4 thousand other types of foreign transfers.

On the one hand, the aforementioned absolute numbers concerning different types of data demonstrate the scale of the smooth allocation of the collected data or other sources of data;

on the other hand, they illustrate new possibilities to differentiate procedures for data classified into different risk areas. For 2019, this refers only to part of the data on above threshold transactions; for 2020, this will refer to the data on all transactions coming into the IT system of the GIFI.

The received transaction data were made available in the IT system of the GIFI as input data for further analysis. In particular, the data were subject to automated analytical processes. For example, all transaction data were verified in terms of any connections with entities which are suspected of financing terrorism, or with entities from high-risk countries or countries subject to sanctions. There is an automatic check to identify whether transaction data are connected with other types of data in the system (e.g. inquiries of external entities - the prosecutor's office, foreign Financial Intelligence Units, etc.), which are then used for analytical proceedings or submitted to external entities which request the GIFI to deliver financial information. The aforementioned connections were searched for with the use of the analytical models of the IT system of the GIFI, which were used both for the automated generation of reports and for *ad hoc* analyses concerning specific problems.

Data on above threshold transactions are used both to extract data on bank accounts of suspected entities and data on the very transactions, while they are a useful source of data in the conducted analytical proceedings. Transaction data are available for analysis both in a simple form, i.e. by requesting information about a concrete entity or bank account, it is possible to gain access to the collected data, and as a sources for analysing connections - with the use of the search facility in the database of inter-related objects (bank accounts, entities), i.e. those staying in a defined relationship (e.g. the entities or bank accounts inter-related through the chain of transactions). Such analysis of relationships between bank accounts only refers to the bank accounts the data about which were extracted from the data on above threshold data.

### **3.3. INFORMATION ON OTHER CATEGORIES OF DATA**

#### **(INFORMATION FROM CROSS-BORDER CASH TRANSPORTATION DECLARATIONS)**

In accordance with Article 85(1) of the *AML/CFT Act*, the Border Guard and National Revenue Administration bodies provide the GIFI with data from the declarations on the EU cross-border cash transport. In 2019 (following the period 2011-2018), the data were submitted through the electronic communication channel - directly to the IT system of the General Inspector of Financial Information. The GIFI received reports about 14.9 thousand cash transportation notifications (11.8 thousand in 2017, 13.0 thousand in 2018), included in 9.3 thousand transport declarations (7.1 thousand declarations in 2017, 7.8 thousand declarations in 2018). In accordance with the Regulation of the Minister of Finance *on the form and mode in which the Border Guard bodies and the National Revenue Administration bodies submit data to the General Inspector of Financial Information*, the GIFI receives cash import/export notifications separately for each type of the imported/exported funds reported by a particular transportation declaration. Part of 9.3 thousand transportation declarations contain more than one notification - the notifications concerning different types of funds. Of the data submitted in 2019, 12,891 notifications referred to cash import declarations to the

territory of the EU, while 1,236 notifications referred to cash export declarations from the territory of the EU (the GIFI also received 490 notifications from cash transport declarations between the EU Member States and 280 cash transport declarations between non-EU countries). The number of notifications from declarations which were submitted by Border Guard bodies and of the Customs Service in 2019 increased by 15%, if compared with 2018. This is reflected in the aggregate value of the amounts reported in the cash import declarations to the EU: in 2016 PLN 830.9 million, in 2017 PLN 1,154 million, in 2018 PLN 1,231 million, in 2019 PLN 1,421 million (all amounts in PLN within this range were converted according to the weekly average foreign exchange rates). On the other hand, the aggregate amount in PLN of the funds declared as exported from the EU was equal to: PLN 120.2 million in 2016, PLN 155.3 million in 2017, PLN 136.4 million in 2018, and PLN 182 million in 2019.

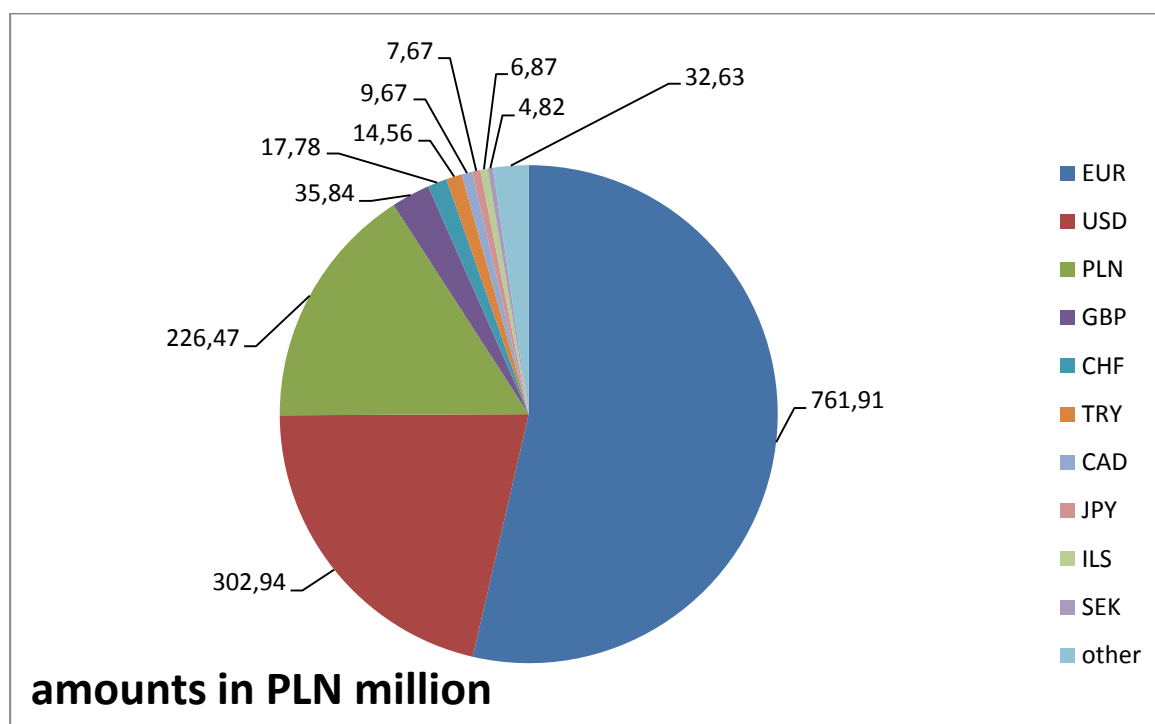
The value of the funds declared for import to the EU amounted to (according to the value in PLN):

- EUR 177.1 million,
- USD 79.0 million,
- PLN 226.5 million,
- GBP 7.27 million,
- CHF 4.63 million,
- TRY 21.5 million,
- CAD 3.33 million.
- JPY 219.0 million.
- ILS 6.41 million.
- SEK 11.8 million.

The total amounts declared in the above mentioned currencies individually exceed the value of PLN 4.5 million. Furthermore, the data on declarations which were submitted to the GIFI also concerned the transport of funds of lower values in 69 other currencies (in 2015, 12 other currencies were reported, in 2016 35 currencies, in 2017 37 currencies, and in 2018 42 currencies). The share of individual currencies in the funds declared as imported to the EU is depicted on *Diagram No 8* (in PLN million).



Diagram No 8. Share of individual currencies in the funds declared as imported to the EU in 2019.

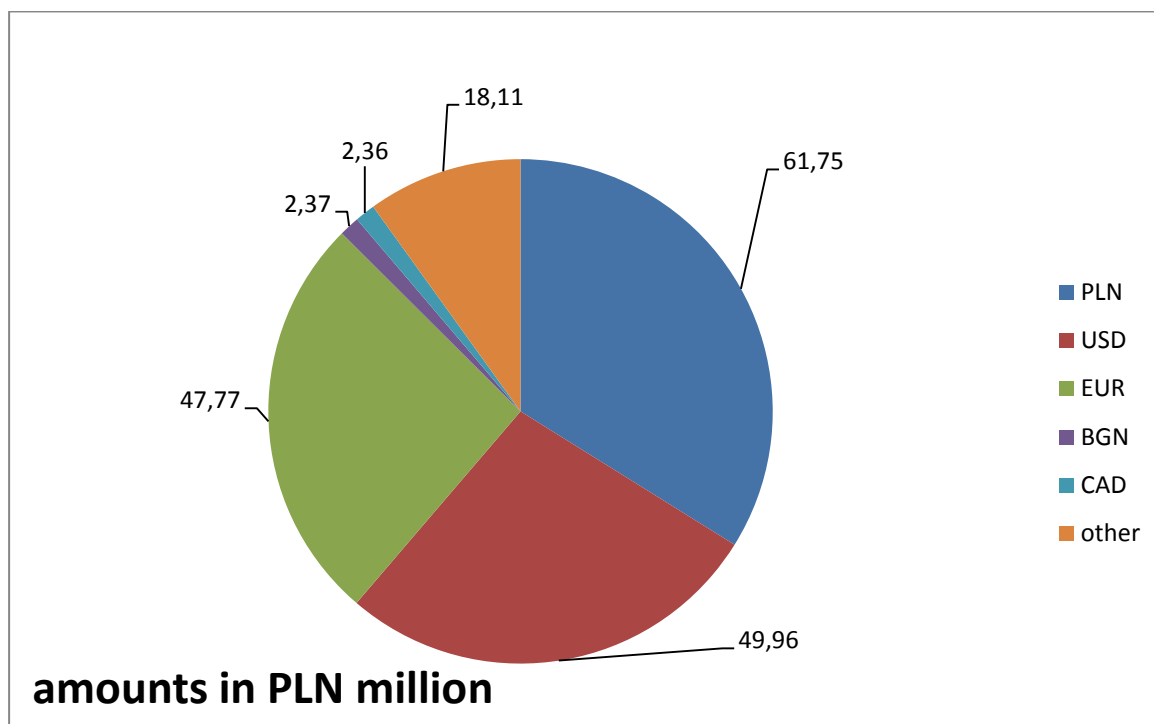


On the other hand, the value of the funds exported from the EU was equal to (according to the value in PLN):

- PLN 61.7 million,
- USD 13.0 million,
- EUR 11.1 million,
- BGN 1.08 million,
- CAD 0.81 million.

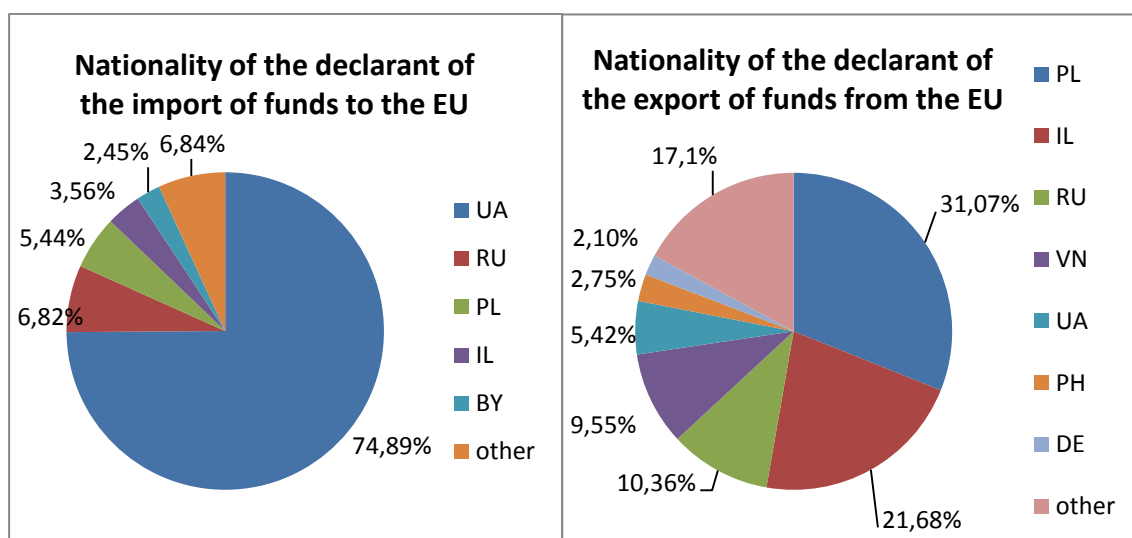
The total amounts declared in the aforementioned currencies individually exceed the value of PLN 2.0 million. The amount in PLN of the funds declared as exported from the EU remained high: PLN 37.6 million in 2016, PLN 79.8 million in 2017, PLN 66.6 million in 2018, and PLN 61.7 million in 2019. This causes that the declarations in PLN were placed first in this ranking. Furthermore, the data on declarations which were submitted to the GIFI also concerned the transportation of funds of lower values in 43 other currencies. The share of individual currencies in the funds declared as exported from the EU is depicted on *Diagram No 9* (in PLN million).

Diagram No 9. Share of individual currencies in the funds declared as exported from the EU in 2019.



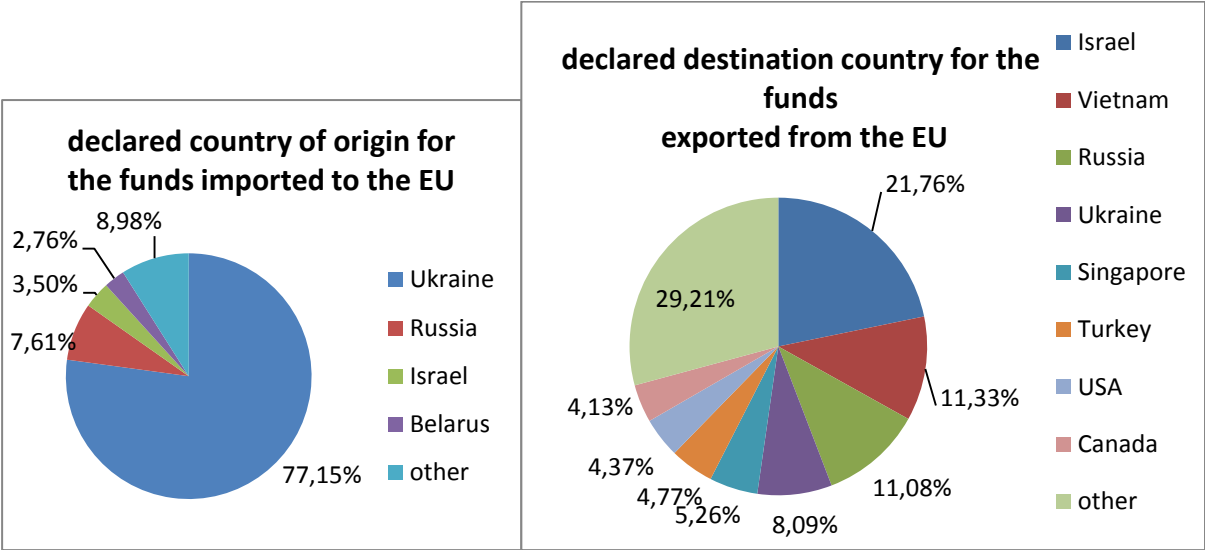
The imports were mostly (continuing the trend of the preceding year) declared by Ukrainian citizens (74.89% of declarations), Russian citizens (6.82%), Polish citizens (5.44%), Israeli citizens (3.56%) and Belarusian citizens (2.45%), as well as citizens of 71 other countries. The exports were mostly declared by Polish citizens (31.07% of declarations), Israeli citizens (21.68%), Russian citizens (10.36%), Vietnamese citizens (9.55%), Ukrainian citizens (5.42%), Philippine citizens (2.75%), German citizens (2.10%), as well as citizens of 47 other countries. The percentage share of import/export declarations of funds by nationality of the declarants is depicted on Diagram No 10.

Diagram No 10. Import/export of funds by nationality of the declarants in 2019.



The analysis of directions from which funds were imported to the EU territory indicates that 77.15% of import declarations were related to the import of funds from Ukraine (continuing the trend of 2018), 7.61% from Russia, 3.50% from Israel, 2.76% from Belarus (while the remaining declarations concerned the imports from 61 other jurisdictions). Concerning the exports of funds from the EU, the main destination declared was Israel (21.76% of declarations), followed by Vietnam (11.33%), Russia (11.08%), Ukraine (8.09%), Singapore (5.26%), Turkey (4.77%), the United States of America (4.37%), Canada (4.13%) (the remaining declarations concerned exports to 56 other jurisdictions). The percentage share of import/export declarations of funds by declared import/export destinations is depicted on *Diagram No 11*.

*Diagram No 11. Import/export of funds by declared destinations in 2019.*



## 4. ANALYSES

### 4.1. COUNTERACTING MONEY LAUNDERING

The overriding task of the GIFI is to gain, gather, process and analyse data in the mode specified in the AML/CFT Act and to undertake activities to counteract money laundering and financing of terrorism. By performing the task, the GIFI examines the transactions which the GIFI may reasonably suspect are related to money laundering or financing of terrorism, makes transaction data available to competent authorities, and collects requested data from the obligated institutions, as well as cooperates with foreign institutions and international organisations involved in counteracting money laundering or financing of terrorism. All the aforementioned activities are taken up to perform a comprehensive analysis of the collected data to verify whether the suspected entities committed the offence of money laundering or financing of terrorism. 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

While performing its statutory tasks, the GIFI initiated 2,501 analytical proceedings based on the received data in 2019. The proceedings concerned the suspicion of money laundering, were related to counteracting financing of terrorism, or were initiated based on the data submitted by the obligated institutions which could not perform their obligations concerning customer due diligence, and which did not conduct a transaction, sign a contract with a customer, or terminated the existing contracts. In 2019, the GIFI conducted more analytical proceedings than in 2018. The increase was 16%. The analytical proceedings were completed by:

- 1) **Submitting 320 notifications on the suspicion of the offence of money laundering to the territorially competent prosecutor's offices** (the so-called main notifications). The analysed year was marked by a significant increase in the number of the aforementioned notifications in comparison to the preceding year (i.e. by 74%). **The total amount of assets which were subject to the suspected offences amounted to approx. PLN 11.3 billion.** The notifications were submitted to the prosecutor's office under Article 103, Article 86(8) or Article 87(3) of the AML/CFT Act, i.e. they were prepared based on the data of the General Inspector, their processing or analysis, while the GIFI provided the prosecutor's office with its evidence justifying the suspicion of money laundering. Irrespective of the aforementioned main notifications, **the GIFI also submitted 258 supplementary notifications to the prosecutor's offices, including the evidence concerning the parties or subject of their proceedings regarding money laundering**, which justified the suspicion that this offence was committed. The evidence was collected in the course of follow-up analytical proceedings conducted by the GIFI. **According to the evidence, the total amount of assets which were subject to the suspected offences amounted to approx. PLN 0.3 billion.**
- 2) The GIFI blocked **640 accounts which had a total balance of approx. PLN 208 million, and suspended 37 transactions in the amount of PLN 31 million. On the**

initiative of the GIFI, 392 accounts with a balance of PLN 106 million were blocked, and 4 transactions in the total amount of PLN 3.7 million were suspended. In 2019, the GIFI additionally requested to block three foreign accounts with a total balance of PLN 13 million. The aforementioned values of funds on blocked accounts are preliminary, while the actual value may be higher due to the specifics of the account blocking - while an account remains blocked by the GIFI, it is still possible to pay in funds, but it is no longer possible to withdraw or transfer them to other accounts.

3) **The GIFI provided 523 pieces of information** to authorized bodies and units.

Diagram No 12. Number of notifications to the prosecutor's office, account blockings and transaction suspensions in the years 2017-2019.

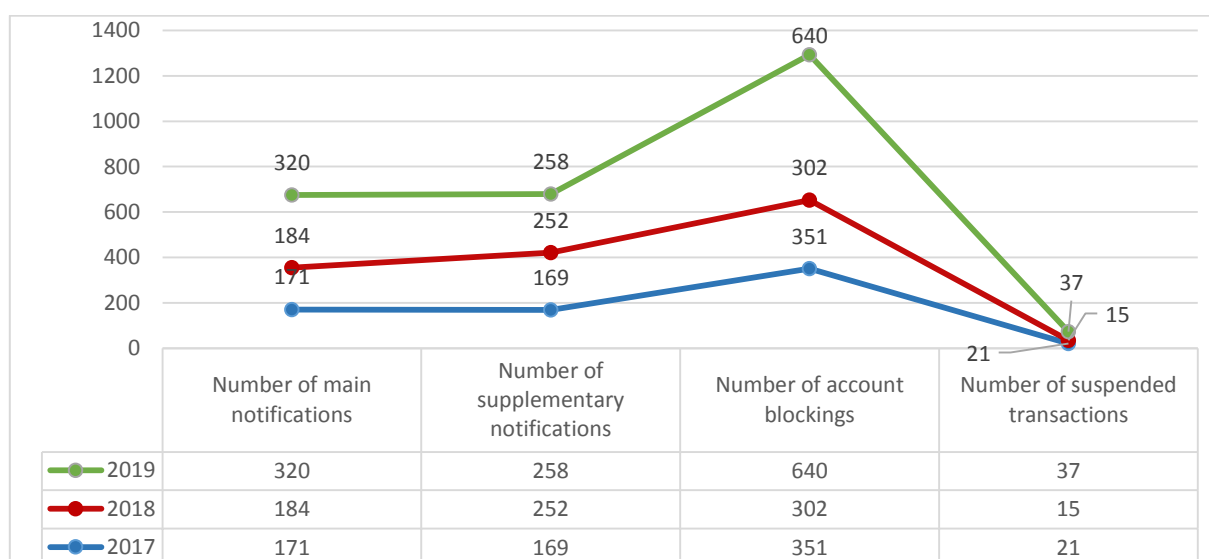
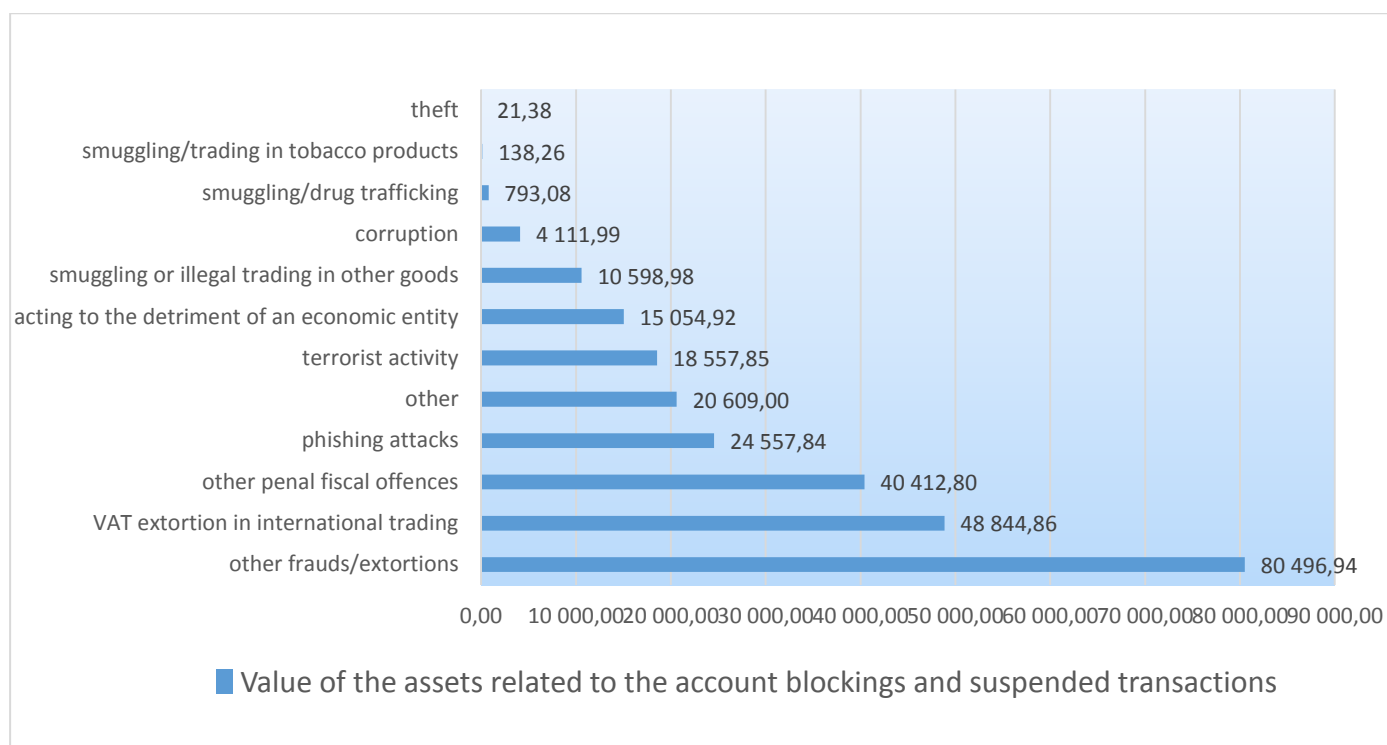


Diagram No 12 above depicts the total number of main and supplementary notifications to the prosecutor's office under the AML/CFT Act. Data on account blockings and transaction suspensions at the request of the GIFI were presented according to the same principle. Considering the aforementioned data for 2018-2019, it should be pointed out that the number of main notifications to the prosecutor's office increased significantly (almost doubled), and the number of account blockings more than doubled. An corresponding trend was recorded in the number of suspended financial transactions (which increased from 15 up to 37 suspensions by the end of 2019).

Diagram No 13. Division of assets deposited in blocked accounts or being subject to suspended transactions according to the typology concerning the suspension of the underlying offence (in PLN thousand).



During the analysed reporting period of 2019, the GIFI submitted the following number of notifications to authorized bodies and units:

- **226** notifications to bodies of the National Revenue Administration (NRA),
- **136** notifications to the Police (including the Central Bureau of Investigation of the Police),
- **67** notifications to the Internal Security Agency (including the Anti-Terrorist Centre),
- **54** notifications to the Central Anti-Corruption Bureau,
- **18** notifications to the Chief Command of the Border Guard,
- **17** notifications to the Military Counter-intelligence Service,
- **6** notifications to the Polish Financial Supervision Authority.

In 2019, most of the notifications initiated by the GIFI were directed to the entities of the National Revenue Administration. As in previous years, a significant number of them indicated the suspicion of tax fraud related to the value added tax. The notifications reported circumstances related to the understatement or non-disclosure of turnover due to forging or hiding invoices, extortion of input VAT; the “missing trader” fraud; the carousel fraud; and intra-Community transactions. Part of the notifications contained the suspicion of concealing the object of taxation, understatement of revenue, undisclosed income, or fraud in the import of goods.

The notifications the GIFI submitted to the bodies of the National Revenue Administration were often used by these bodies to control proceedings concerning the correct calculation and payment of taxes accounting for the income of the State budget, including the personal income tax, the corporate income tax and the value added tax.

On multiple occasions the control proceedings demonstrated that the entities subject to control had not conducted the actual declared business activity, had been issuing “empty” VAT invoices which had then been used by the purchasers to diminish unduly the output tax, which resulted in the decrease in the amounts due to the State Treasury. Furthermore, the aforementioned control proceedings indicated that the entities subject to control did not pay VAT amounts to the competent tax office, as demonstrated on the sale invoices they issued. The findings of the control proceedings and the collected evidence were used to initiate inquiries concerning fiscal offences, resulting afterwards in investigations under the supervision of the prosecutor’s offices. As a result of the coordination of actions, the GIFI participated in such prosecutor's offices investigations, providing evidence consisting of the analyses of financial flows. The GIFI undertook account blockings if it could reasonably suspect that the identified assets originated from proceeds from a prohibited act.

Furthermore, the GIFI submitted a significant number of notifications to the Police (including the Central Bureau of Investigation of the Police). The aforementioned cooperating unit used the submitted data to undertake its statutory activities which resulted, among others, in instigation of preparatory proceedings. The information submitted by the GIFI was also used in the pending proceedings.

The next large group of notifications were directed to the Internal Security Agency. The notifications referred to transactions which could be related to the suspicion of a prohibited act which the Agency is competent to investigate (the Agency’s tasks include: identifying, preventing and detecting offences against the economic foundations of the state and its security, identifying, preventing and detecting any acts of corrupting public servants, and any offences concerning the production or trading in goods, technologies and services which are of strategic significance for the security of the state, the illegal production, possession and trading in weapons, ammunitions and explosives, weapons of mass destruction and narcotic and psychotropic substances in the international trading). After the verification and completion of their statutory obligations, law enforcement authorities used the notifications initiated by the GIFI, including the analyses of suspicious and unjustified financial flows, as comprehensive evidence to initiate an investigation or to join an ongoing criminal proceeding. As in the preceding year, the transaction data provided by the GIFI were mostly used in the proceedings concerning the activities of organised criminal groups involved in the illegal trade in diesel fuel, rapeseed oil, electronic equipment, or in the investigations concerning criminal groups buying tobacco products not bearing Polish excise stamps and smuggling them to Western Europe, and in the investigations concerning criminal groups involved in the illegal trade in steroids and illegal pharmacological substances. The data delivered by the GIFI were often used by the prosecutors to prepare written requests to the GIFI to make available the data collected in the manner and within the scope provided for in the AML/CFT Act for the purpose of the pending criminal proceedings. The preliminary proceedings conducted based on the notifications the GIFI made it possible to present criminal charges against suspects or to recover assets worth millions. In multiple cases the coordination of

actions by the GIFI and the competent law enforcement authorities led to the arrest of the members of criminal groups, and to the blockade of bank accounts with asset values originating from the proceeds associated with committing a prohibited act.

#### **4.1.2. SAMPLE DIRECTIONS OF ANALYSES**

Multiple analyses of the GIFI focused on suspicious transactions executed by Polish companies with foreign business partners. The entities have the following characteristics:

- the legal form - limited-liability companies,
- the share capital - the lowest admissible amount of PLN 5 thousand,
- the registered offices - most often a virtual office,
- the representation - usually foreigners, mainly citizens of Eastern European countries.

Although the companies did not have any assets or technical capacities and did not employ personnel, they acted as agents in the transfer of funds in the amounts ranging from several to several hundred millions PLN per year. Their business partners were almost entirely entities from foreign countries, while the transaction currency was usually the American dollar and the euro. The transactions were ordered electronically, often with the use of devices based outside Poland.

Some companies were not registered for tax purposes at all or were removed by heads of tax offices from the registers of VAT payers. Part of them submitted tax declarations and standard audit files for tax (JPK), whereas their thorough analyses often revealed numerous errors and inaccuracies between the declarations and the actual transfers.

Upon request from the obligated institutions applying customer due diligence measures, representatives of such companies often delivered documents with numerous errors, while some of them were falsified or prepared exclusively with the aim to substantiate the executed transactions. After entering into contact with a customer, the obligated institutions could not continue it any longer, obtain any information about the objective and intended nature of the business relationships, or their representatives delivered trite and incredible explanations. Although it was not possible to apply appropriate customer due diligence measures, certain obligated institutions however neglected their duties by allowing a transaction to be continued and by not terminating their business relationships with such customers as a result.

By analysing individual cases, it is possible to differentiate between two main types of activities of the entities executing the transactions according to the aforementioned scheme:

1. Companies acted as agents in making payments for factual commercial transactions which did not refer to Poland, i.e. goods did not cross the territory of Poland. The collected documents indicate that Polish companies act as agents in the buying of goods from the EU to be delivered to Russia, including through Belarusian entities. It may be assumed that this practice made it possible to evade the sanctions imposed by Russia on goods from the European Union. Cases of goods being shipped to the territory of Ukraine outside the control of the Kiev authorities were also identified. Certain transactions could also be related to the



imports or exports of goods to and from non-EU countries by violating the customs and tax law.

2. Companies were established to transport funds from Russian and other Eastern European countries under fictitious reasons. The transactions do not result in actual trading in goods, while the funds are usually transferred through bank accounts in multiple countries, which significantly hinders the attempts to establish their potential criminal origin. The transfers were often directed to entities in offshore jurisdictions.

#### *Money laundering originating from fiscal offences by the payment institution*

The General Inspector of Financial Information recognizes a high risk of money laundering with the participation of service providers in the sector of payment institutions. Its analytical activities and controls proved that such institutions were involved in money laundering. One of the proceedings conducted in 2019 referred to a domestic payment institution which had been managed by Polish citizens for several years. The institution kept bank accounts in nine Polish banks and it used them to execute cash transfers from Polish companies operated mainly by Vietnamese citizens to bank accounts of economic entities based in China, Vietnam, Taiwan and Hong Kong. The companies operated either from virtual offices or were based in one of the distribution centres related to the “business of Asian groups”. Over a number of years, the domestic payment institutions accepted several billions PLN in cash from these customers, the origin of which they could not explain. The documents which were alleged to confirm an immaterial part of the transactions, if produced, were deemed incredible and insufficient. On the other hand, the analyses performed by the General Inspector of Financial Information proved that the money could be related to fiscal offences. In consequence, the GIFI notified the prosecutor’s office about the suspicion of money laundering.

Furthermore, the General Inspector of Financial Information emphasizes that it pays particular attention to the application of customer due diligence by the obligated institutions, while it was established in the course of its analyses and controls that the aforementioned domestic payment institutions maintained only an appearance of having applied the customer due diligence.

#### *Money laundering originating from drug trafficking through foreign currency exchange offices*

The Central Bureau of Investigation of the Police provided the GIFI with data concerning the activities of an international organised criminal group which dealt, among other things, with large-scale money laundering from drug trafficking (cocaine and hashish).

According to CBŚP’s information, Polish, Spanish, Lithuanian, Estonian and English authorities worked on the case, and their activities were coordinated and supported by EUROPOL and EUROJUST. Members of the international military criminal groups put large volumes of psychotropic substances on the market, committed tobacco-related crimes and laundered money of criminal origin. The group was composed mainly by Lithuanian citizens, but there were also Polish citizens involved in the money laundering.

The practice of money laundering consisted in transporting high-value banknotes in GBP and transferring them to cooperating bureaux de change which converted them into euro, mainly with the use of EUR 500 banknotes. The bureaux de change converted the currencies through banks which procured banknotes of EUR 500 ordered by the respective bureaux de change.

The GIFI undertook above all the following activities: it requested the banks to deliver documents concerning the bank accounts kept for the bureaux de change and analysed the respective bank statements. The analysis made it possible to reveal a detailed course of the practice.

In 2019, a coordinated action was simultaneously performed in Poland, Lithuania, Great Britain and Spain. Approximately 40 buildings were searched and 22 individuals were arrested, i.e. the citizens of Poland, Lithuania and Estonia, including the suspected leader of the group. Cash, gold bars, jewellery and diamonds worth approximately EUR 8 million were seized.

The GIFI ordered the blocking of the bank accounts kept for the 4 bureaux de change involved in the practice and notified the prosecutor's office.

#### *Money laundering from fictitious activities carried out by companies owned by a foreign national*

The proceeding was initiated with a notification pursuant to Article 86 of the AML/CFT Act concerning the activities of an economic entity managed by a foreign national.

The limited-liability company of the foreign national allegedly operated in the accounting/bookkeeping and tax advisory sector. According to its declaration, it rendered services for Eastern European companies which it supposedly assisted in the procedure for obtaining the license of an e-money institution in Poland. The Polish company opened a new current account, to which proceeds from POS terminals were paid in soon afterwards<sup>36</sup>. The devices were used to collect payments from several payment cards issued by foreign banking institutions. It was established based on a deeper analysis that the funds were afterwards transferred to companies in Western Europe through a payment institution. The names of the companies indicated that they operated in the pharmaceutical and electronic sector and received payments for cosmetics and electronic devices. The scheme for executing transactions indicated the laundering of money from the theft of cards or skimming. The GIFI ordered the blocking of the company's bank account.

Over the next few days, additional obligated institutions acting based on Article 74 and Article 86 of the AML/CFT Act notified the GIFI about the activities of two remaining companies managed by the same individual. The obligated institutions were attracted by a sudden increase in turnover following a period of the POS's inactivity. Its activities increased after the blocking of the first bank account. The analytical proceeding confirmed a steady transaction scheme - payments incoming to the POS from several foreign payment cards, transferring transactions to the bank accounts, and the transfer to a foreign state through a

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<sup>36</sup> POS Terminal (Point of Sale) - a device installed in a points of sale. It is used to contact a bank through an authorizing centre (acquirer) every time a customer pays for goods or services with a payment card or, for example, with the use of BLIK to settle the transaction.

payment institution. The GIFI ordered the blocking of all the bank accounts kept for the aforementioned entities. A total of PLN 876 thousand were blocked.

### *Money laundering from frauds*

The proceedings were initiated by a notification under Article 86 of the AML/CFT Act submitted by a bank. The bank was alarmed by 5 incoming foreign payment SWIFT orders (from Mexico) to a bank account of a Polish company which indicated a foreign company (also from Mexico), instead of the holder of the bank account, as recipient of the bank transfers. The bank attempted to clarify the inconsistencies with the president of the company who confirmed all the bank transfers, knew their details, and said that the payments were for goods of its company, and delivered invoices with a list of household appliances with photographs, numbers of individual device model, but without indicating their brands. He also said that each of the transactions comes from one customer, refers to orders for electronic kitchen equipment, while the bank transfers indicate a different name of the recipient than the business name of the company he represents because he acts as an agent between the buyer and the recipient in the process of purchasing the equipment.

The GIFI established, based on its analysis, that the invoices did not correspond to the bank transfers made into the bank account of the company and were created exclusively to substantiate the legality of the transaction. It was also suspicious that there was no economic justification for the settlements between a Mexican company operating in the petrochemical sector and a consulting firm specializing in energy advisory through the Polish company. It was furthermore established that the Polish company also kept a bank account in a different bank and the bank account was terminated due to the incoming funds being proceeds from crime (the bank was notified that the company impersonated another company and received a SWIFT communication that one of the foreign payments to the bank account of the company originated from a fraud).

The GIFI ordered the blocking of the bank accounts of the company and submitted to the competent prosecutor's office a notification on money laundering from the fraud. The bank accounts were blocked by the prosecutor's decision for a period of 3 months.

After the 3-month period, the company started using its bank accounts again, while the funds from the formerly blocked accounts were transferred to China.

The bank submitted to the GIFI a renewed notification under Article 86 of the AML/CFT Act by informing it about its further suspicions concerning a transaction incoming from Kuwait to the bank account of the same company. After the submission of the notification to the GIFI, the bank received a SWIFT communication from a foreign bank along with a request to cancel the transfer due to fact that the payment was a fraud. Furthermore, the GIFI received important information from a foreign Financial Intelligence Unit, due to which it ordered the suspension of the transaction and notified the prosecutor's office about the suspicion of the commission of the offence of money laundering from the proceedings originating from a fraud. As a result of the activities of the GIFI, the prosecutor issued a decision on suspending the transaction and a decision on material evidence.

The GIFI points out that the bank was continuing risky relationship with the customer in this case, irrespective of submitting the notification under Article 86 of the AML/CFT Act, due to which another offence was committed.

The aforementioned case is one of many proceedings conducted by the GIFI in the field of the laundering of money originating from frauds. The frauds were mostly committed to the detriment of foreign nationals (mainly from France and other Western European countries).

These cases are characterised by the involvement of Polish limited-liability companies with a share capital in the minimum admissible amount, established usually by enterprises specializing in the incorporation and sale of companies. The companies are mostly taken over by Latvian, Russian and Ukrainian citizens or Polish citizens, the reputation and high management qualifications of whom may raise significant doubts. Sometimes the aforementioned companies are established directly by the individuals. The companies' registered offices are usually virtual. Some of them operate as limited-liability companies in organisation and have no tax identification number (NIP) and no business identification number (REGON). Some operate for a long time without being entered in the National Court Register. There have even been cases of bank accounts being opened for companies using the business identification number (REGON) of another company.

The GIFI also observed the operation of certain payment institutions which kept bank accounts in Polish banks and could act as agents in fraud-related transactions.

#### *Money laundering from the so-called reverse distribution chain of medicinal products*

The practice consisted in removing from the market the so-called vital medicine deemed to be in short supply, with an aim to resell it to foreign entities. An analysis of transactions and relationships between participants of the practice established that the preparations acquired by pharmacies and wholesale companies in an illegal distribution chain reached an export network rather than Polish patients. Through a chain of related companies impersonating pharmaceutical wholesale companies, funds of foreign entities were directed to the engaged pharmacies. The executed transactions pointed out to the existence of a complex chain of flow, which was designed to make the practice more difficult to detect.

During the investigation, the prosecutor's office seized large volumes of medicinal products which were stored in uncontrolled conditions, in places not authorized by the Chief Pharmaceutical Inspector.

In cooperation with the prosecutor's office, the GIFI ordered the blocking of the bank accounts of the engaged entities, inter alia, the bank accounts of the individuals who were among those organizing the practice.

Furthermore, by using the data provided by the GIFI, a foreign Financial Intelligence Unit blocked the bank account in which one of the individuals involved in the practice deposited funds.

An approximate amount of PLN 14 million was blocked in all the accounts.

### *Money laundering through the platform for independent fundraising*

One of the platforms on which unconnected individuals may raise funds for a specific objective defined by the fundraiser's organizer reported that it could be used for the money laundering obtained from the unauthorized access to stolen cards. The procedure was as follows: a bank account was opened for a straw man and fundraising was launched. In the analysed case, a Georgian citizen acted as straw man, while funds were raised for animal welfare. There were several card payments made to the bank account used for the fundraising. The collected funds were transferred to a bank account of the straw man afterwards. The platform was contacted by a victim whose card was used to transfer funds without authorization. All the payments are likely to have originated from stolen cards. A thorough analysis of the fundraising content and description revealed that it was highly unlikely that foreigners would contribute to the fundraiser, the description of which contained multiple errors. Some funds were blocked thanks to the cooperation of the platform with the supplier of the payment system and the GIFI. This was the first recorded instance of a crowdfunding system being used for money laundering in Poland.

### *Money laundering from corruption practices*

A foreign FIU asked the GIFI to deliver data on bank accounts kept for individual A and individual B. Individual A was a politically exposed person (PEP) due to holding the post of a minister in country X. The individual was charged with and convicted for corruption in country X. Furthermore, information was provided that individual A bought a property in Poland through individual B - wife - paying with funds originating from a bribe. Therefore, country X requested the GIFI to block the funds deposited in the bank accounts of individual B and of the related companies.

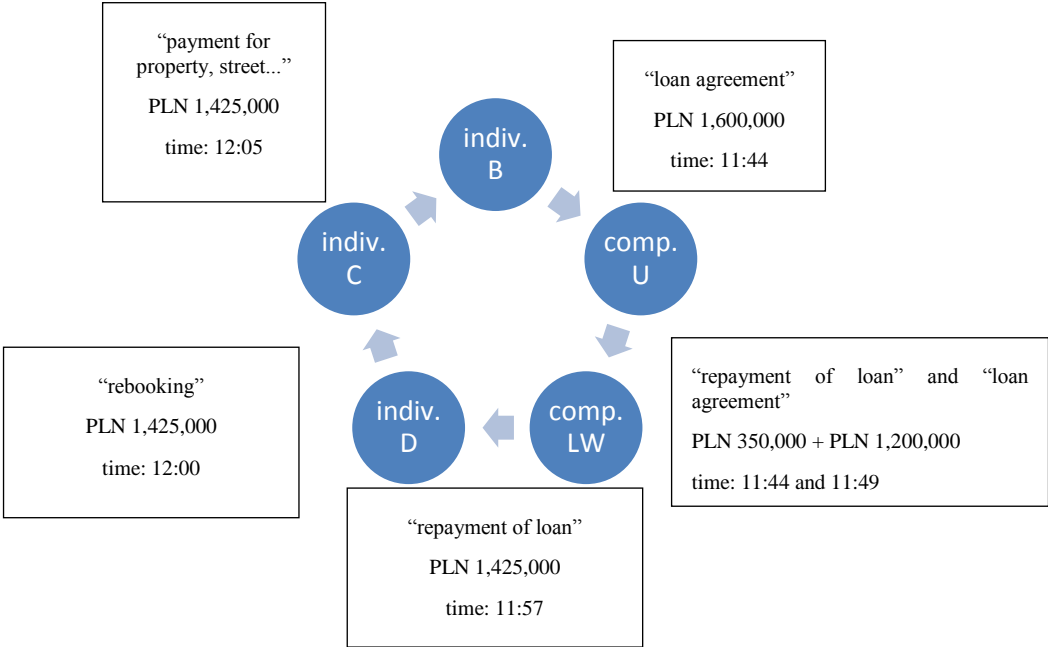
Furthermore, the GIFI was notified that under mutual legal assistance country X requested that the Polish authorities seize the assets related to individual B, which were supposed to be purchased using funds originating from a bribe - the authorities of country X claimed that the assets consisted of 4 properties and shares of two companies (U sp. z o.o. and R sp. z o.o.) - the Polish authorities received the request in late October 2018. Due to the fact that individual B was not in possession of the properties any longer, the authorities were unable to comply with the request.

The analysis performed by the GIFI proved that individual B disposed of the properties listed in the request during the period from August until early October 2018, i.e. before Poland received a formal request - however, individuals A and B must have known that country X submitted such a request. The properties were sold to individual C who was a long-term partner of individual B in several companies operating in the territory of Poland.

The analysis of the sale transaction of one of the properties revealed a very interesting pattern. The funds individual C paid to individual B for the properties were transferred from the bank account of individual B to U Sp. z o.o. as a loan 20 minutes earlier. Afterwards, the funds were transferred through the bank account of LW Sp. z o.o. and individual D and reached individual C as a "bank transfer". All the bank transfers were executed from one IP address in just 20 minutes. This created a suspicion that the properties were sold to the long-term business partner to hinder their securing by the Polish prosecutor's office, while the buyer

could be aware of the objective of the transaction. Therefore, a notification was submitted to the prosecutor’s office about a suspected offence. The aforementioned foreign FIU was also informed about the findings of the GIFI.

Figure No 3. Scheme of the executed money transactions.



**4.2. COUNTERACTING FINANCING OF TERRORISM**

In the field of counteracting financing of terrorism, the overriding objective of the GIFI is to cut terrorist organisations off from their funding sources. The GIFI’s statutory tasks are to gain, collect, process and analyse data in pursuant to legislation and to transfer them to competent state bodies. Due to the diversity of sources used to finance terrorism, the analysis is applied both to transactions reported to the GIFI as suspicious, and lawful transactions of entities executed in circumstances which may raise doubts in relation to financing of terrorism. Analyses are initiated based on the data provided by cooperating units and by the banking sector.

Performing its statutory tasks in the field of countering financing of terrorism in 2019, the GIFI initiated **19 analytical proceedings** concerning transactions which could potentially be related to financing of terrorism. The proceedings were conducted based on requests of the Internal Security Agency, data provided by the obligated institutions, and data or requests of foreign FIUs.

The proceedings initiated based on the data provided by the obligated institutions usually referred to transactions of natural persons from high-risk terrorist countries, i.e. the countries in which terrorist organisation are active and the countries which are subject to military operations. The GIFI then examined flows on personal bank accounts and money transfers with the involvement of the respective individuals. In cooperation with the ABW Anti-



Terrorist Centre<sup>37</sup>, the GIFI analysed relationships with individuals or entities from high-risk terrorist countries and identified their relationships with terrorist organisations.

### Cooperation with foreign FIUs

Requests for information and incoming information provided spontaneously in relation to financing of terrorism from foreign FIUs, based on which analytical procedures were initiated, usually referred to natural persons which are suspected to have any relationships with the so-called Islamic State of Iraq and the Levant<sup>38</sup>. Most requests and information came from Central Asian countries and the EU Member States where many foreign terrorists fighters (FTFs) returned. The GIFI usually received information on transactions which these people executed with Polish residents and verified it by eventually adding further information and submitting it further to the Internal Security Agency.

### Cooperation with the Internal Security Agency

In 2019, the GIFI received **11 requests of the ABW to provide information on persons and entities which were suspected of financing terrorism**. The GIFI addressed all the requests by providing the ABW with the information it had received from the obligated institutions and, in some cases, the information received from foreign FIUs.

#### *Potential financing of separatist activities in Ukraine - case study*

In 2019, the GIFI took action initiated by the information received from an obligated institution concerning financial transactions of a foreign company holding an account in a Polish bank. According to public information, the president of the company's management board could be involved in financing separatists activities in Ukraine, which falls under the financing of terrorism under international law and sanctions.

The GIFI found it suspicious that profits from the sale of goods offered by the aforementioned company could potentially be used to finance separatist activities posing a threat to the security of Ukraine, which may satisfy the premises of the crime stipulated in Article 165a of the *Penal Code*.

The GIFI submitted a notification to the prosecutor's office.

#### *Additional information*

Based on the analyses performed in relation to the suspected financing of terrorism, under Article 106 of the *AML/CFT Act* the GIFI submitted **25 notification to the Internal Security Agency**.

The GIFI is a member of the Inter-ministerial Team for Terrorist Threats (ITTT) which is an ancillary body of the Council of Ministers and whose task it is to ensure the cooperation of the governmental administration in the identification, prevention and combating of terrorist threats. The basic tasks of the Team involve, among other things: monitoring terrorist threats, presenting opinions and conclusions to the Council of Ministers, developing draft standards

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<sup>37</sup> The ABW Anti-Terrorist Centre is a coordinating and analytical unit in counteracting and combating terrorism, inter alia, in gaining information on money laundering or transferring funds which may indicate the financing of terrorist activities.

<sup>38</sup> *Islamic State of Iraq and Sham*. Other possible acronyms of the organisation: IS, ISIL, *Daesh*.

and procedures on combating terrorism, initiating and coordinating activities undertaken by the competent bodies of the governmental administration, organising the cooperation with other countries in relation to combating terrorism.

The sessions of the ITTT<sup>39</sup> were devoted to analysing the status of terrorist threat to the Republic of Poland and its citizens in 2018, and was used to present a forecast for 2019, etc. To facilitate the counter-terrorism system of the Republic of Poland, counter-terrorism activities at sea were discussed. Projects of the Computer Security Incident Response Team (CSIRT GOV) were also presented. The ITTT also analysed the functioning of the passenger name record (PNR) processing system in Poland. The assessment covered solutions to counteract threats resulting from the use of explosives precursors and cooperation mechanisms under the post-explosion investigation. To facilitate the counter-terrorism system, the Team discussed the organization of counter-terrorism services after the amendment of the *Act of 6 April 1990 on the Police* which paved the way to establishing a counter-terrorism service within the Police. Counteracting the practice of using a false identity with the so-called collector's ID documents was also discussed. A report on the preparations for the 5<sup>th</sup> evaluation round of the Polish system of counteracting money laundering and financing of terrorism, which is conducted by MONEYVAL, was submitted to the Team. The Team also discussed how to counteract and address notifications about placing a bomb, which are submitted by individual hiding their identity on the Internet. Furthermore, the Team reviewed the counter-terrorism information and education policy. In 2019, the GIFI held a meeting with the Counter Terrorism Executive Directorate (CTED), operating on behalf of the United Nations Security Council Counter-Terrorism Committee which carried out the first complex assessment visit to the Republic of Poland on 9-13 December 2019. The visit focused on assessing how Poland implemented Resolution of the Security Council No 1373 (2001), No 1624 (2005), and 2178 (2014), and the measures introduced to implement later Resolutions of the Security Council, including Resolution No 2396 (2017), No 2462 (2019), and 2482 (2019).

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<sup>39</sup> In 2019, the Team held 6 regular meetings.



## 5. CONTROLS

### 5.1. CONTROLS CONDUCTED BY THE GIFFI

In accordance with the *AML/CFT Act* in the repealed and valid version, the GIFFI conducted **20 controls** by the following obligated institutions in 2019:

- advocates - 2,
- banks - 2,
- bureaus of payment services - 1,
- tax advisers - 2,
- payment institutions - 1,
- notaries public - 3,
- entities carrying out economic activity related to rendering services of exchanging virtual currencies - 1,
- real estate agents - 5,
- legal advisers - 2,
- investment fund management companies - 1.

Furthermore, in 2019 the GIFFI carried out remote control activities, the so-called off-site controls in: one bank, two entities rendering bookkeeping services and two payment institutions (5 controls in total).

The completed controls revealed irregularities in the manner in which the obligated institutions performed their obligations specified in the *AML/CFT Act*. The identified irregularities resulted from the following factors, including:

#### 1) formal irregularities:

- the failure to implement or to adjust the risk assessment of money laundering and financing of terrorism to the respective Act, as mentioned in Article 27 of the *AML/CFT Act*,
- the failure to implement or to adjust the internal AML/CFT procedures to the respective Act, as mentioned in Article 50 and Article 53 of the *AML/CFT Act*,

#### 2) substantive irregularities:

- the failure to perform the obligations listed in Article 6, 7 and 8 of the *AML/CFT Act* concerning the identification of persons responsible for performing the obligations specified in the *AML/CFT Act*,
- the appointment of the same person to perform the tasks mentioned in Articles 6, 7 and 8 of the *AML/CFT Act*,
- the failure to perform or the incorrect performance of the risk analysis and assessment in relation to business relationships or an occasional transaction, as mentioned in Article 33(1) of the *AML/CFT Act*,

- the establishment of business relationships with entities registered in the so-called “*tax havens*” against the provisions of the internal procedure of the obligated institution,
- the incorrect identification of beneficial owners, as mentioned in Article 34(1)(2) of the AML/CFT Act,
- the failure to apply customer due diligence measures, as mentioned in Article 34(1) of the AML/CFT Act and in Article 8b(3)(4) of the repealed AML/CFT Act,
- the failure to apply enhanced customer due diligence measures in accordance with the internal procedure of the obligated institution,
- the failure to perform the obligation to analyse transactions on an ongoing basis, as mentioned in Article 43(3) of the AML/CFT Act,
- the failure to perform the obligation specified in Article 46 of the AML/CFT Act to identify whether a customer or a beneficial owner is a politically exposed person, as mentioned in Article 2(2)(3), (11) and (12) of the AML/CFT Act,
- the failure to perform the obligation to ensure the participation of those performing the obligations in relation to counteracting money laundering and financing of terrorism in training programmes, as mentioned in Article 52 of the AML/CFT Act,
- the failure to perform the obligation to submit data to the GIFI, as mentioned in Article 72 of the AML/CFT Act,
- the failure to perform the obligation to notify the GIFI about any circumstances which may give rise to the suspicion of the offence of money laundering or financing of terrorism, as mentioned in Article 74 of the AML/CFT Act,
- the failure to perform the obligation to apply specific restrictive measures, as mentioned in Article 117 of the AML/CFT Act, in relation to the failure to verify where individuals and entities are entered in the sanction lists mentioned in Article 118 of the AML/CFT Act,
- the execution of transactions which may be related to the crime mentioned in Article 299 of the Penal Code.

Concerning the identified irregularities, the GIFI issued post-control recommendations to the obligated institutions so that they perform the obligations specified in the AML/CFT Act. They were recommended, inter alia:

- to appoint persons responsible for performing the obligations specified in the AML/CFT Act under Articles 6, 7 and 8 of the AML/CFT Act,
- to appoint, pursuant to the Act, persons to perform the tasks listed in Articles 6, 7 and 8 of the AML/CFT Act so that the supervisory activities are independent from the operational activity and it is possible to exercise control over the performance of the obligations specified in the AML/CFT Act,
- to prepare a risk analysis assessment of the obligated institution, as mentioned in Article 27 of the AML/CFT Act,
- to perform the obligation to identify the risk of money laundering and financing of terrorism in relation to a business relationship and to assess the risk level under Article 33 of the AML/CFT Act,
- to guarantee that customer due diligence measures are applied to the full extent, as required by the AML/CFT Act,

- to analyse transactions executed under business relationships in accordance with Article 34(1)(4)(a) of the AML/CFT Act, with the aim to ensure that the transactions are consistent with the knowledge of the obligated institution about a customer, subject and scope of its activities, and correspond to the risk of money laundering or financing of terrorism,
- to take up measures to accurately and fully examine the origin of assets of a customer, if justified by the respective circumstances, in accordance with Article 34(1)(4)(b) of the AML/CFT Act, inter alia with regard to the customers which were assessed as very risky in terms of money laundering or financing of terrorism,
- to document the applied customer due diligence measures in accordance with Article 34(3) of the AML/CFT Act,
- to fully identify representatives of a customer being a legal person or an organisational unit without legal personality in accordance with Article 36(1)(2)(e) of the AML/CFT Act,
- to analyse all transactions on an ongoing basis under Article 43(3) of the AML/CFT Act, for the customers the obligation refer to,
- to identify whether a customer or a beneficial owner is a politically exposed person, as mentioned in Article 2(2)(3), (11) and (12) of the AML/CFT Act,
- to take up action to guarantee that any and all activities in relation to the performance of statutory obligations are documented,
- to adjust/introduce procedures in accordance with Articles 50 and 53 of the AML/CFT Act,
- to ensure the participation of those performing the obligations in relation to counteracting money laundering and financing of terrorism in training programmes, with the aim to enforce the application of statutory requirements, as mentioned in Article 52 of the AML/CFT Act, and the requirements specified in the internal procedures of the obligated institutions,
- to notify the GIFI about any circumstances which may give rise to the suspicion of the offence of money laundering or financing of terrorism, as mentioned in Article 74 of the AML/CFT Act.

In accordance with Article 144 of the AML/CFT Act, information on the results of the controls conducted by the GIFI's controllers were submitted to the supervisory institutions for further action.

In 2019 in relation to the conducted control, the GIFI submitted 1 notification to the prosecutor's office about a committed offence fulfilling the premises mentioned in Article 156 of the AML/CFT Act.

### **5.1.1. INFORMATION FROM THE SO-CALLED WHISTLE-BLOWERS**

In accordance with Article 80(1) and (2) of the AML/CFT Act, the GIFI accepts notifications about actual or potential violations of the provisions on counteracting money laundering and financing of terrorism by employees, former employees of the obligated institutions and other individuals who work or used to work for the obligated institution on any basis, excluding the employment relationship. Therefore, to perform the obligation, the GIFI makes it possible to

submit such notifications in the electronic form to the following e-mail address: [sygnaliści.GIFI@mf.gov.pl](mailto:sygnaliści.GIFI@mf.gov.pl), or in the paper form to the address for correspondence specified by the GIFI.

In 2019, the GIFI received **17 notifications about factual or potential violations of the provisions on counteracting money laundering and financing of terrorism** (both in electronic and paper form). The GIFI transferred part of the notification to competent authorities (including tax offices, Revenue Administration Regional Offices) so that they could perform their statutory tasks, while other notifications were used by the GIFI to perform its statutory tasks. On the other hand, the remaining notifications containing information which did not refer to actual or potential violations of the provisions on counteracting money laundering and financing of terrorism and information useless for other bodies were not examined.

## **5.2. CONTROLS CONDUCTED BY SUPERVISORY INSTITUTIONS**

In accordance with Article 131(5)(3) of the AML/CFT Act, the supervisory institutions inform the GIFI about the results of the conducted controls. Data available to the GIFI as of 19 February 2020 shows that in 2019:

- the National Bank of Poland **controlled 797 bureaux de changes**,
- the Polish Financial Supervision Authority conducted **30 controls**,
- presidents of courts of appeal **visited 126 offices of notaries public**,
- the National Cooperative Savings and Credit Union controlled **6 cooperative savings and credit unions**,
- voivodes or district governors controlled **16 associations and foundations**,
- customs and tax control offices conducted **27 controls**.

## **5.3. ADMINISTRATIVE PROCEEDINGS FOR THE IMPOSITION OF FINANCIAL PENALTIES**

In accordance with the AML/CFT Act, proceedings for the imposition of financial penalties on the obligated institutions for irregularities in the performance of the obligations listed in Articles 147, 148 and 149 of the AML/CFT Act are carried out pursuant the *Code of Administrative Procedure*. Imposing financial penalties is one of the competences of the GIFI. To establish the amount of the financial penalty, the GIFI considers the circumstances mentioned in Article 150(4) and (5) of the AML/CFT Act, including the significance of the violation and its duration, the scope of responsibility of the obligated institution and its financial capacities.

The subject of the administrative proceedings conducted by the GIFI is closely related to the number of controls it conducts. During the 2<sup>nd</sup> half of 2018, the GIFI did not conduct any controls due to the entering into force of the new AML/CFT Act on 13 July 2018. The action was aimed at ensuring that the obligated institutions have sufficient time to implement the newly approved AML/CFT provisions correctly. Considering the aforementioned

circumstances, in 2019 the GIFI's activities were limited in terms of the administrative proceedings.

In accordance with the *AML/CFT Act*, the GIFI initiated administrative proceedings, but did not issue administrative decisions in 2019. In 2019, the Minister of Finance issued **1 decision** concerning the appeals against the decisions of the GIFI. In 2019, **1 decision** of the Minister of Finance **was appealed against** to the Voivodeship Administrative Court. In 2019, **1 cassation appeal** was filed with the Supreme Administrative Court. In 2019, the Supreme Administrative Court dismissed 1 cassation appeal in its entirety.

## 6. NATIONAL COOPERATION

### 6.1. EXCHANGE OF INFORMATION WITH NATIONAL ENTITIES

The GIFI continued its cooperation with national entities in 2019.

Authorized entities, primarily the prosecutor's office and law enforcement bodies, made use of the GIFI's data. The data collected in the manner and to the extent specified in the AML/CFT Act were made available by the GIFI at the request of courts and prosecutors for the purpose of criminal proceedings based on Article 104 of the AML/CFT Act. The transaction data were also transferred by the GIFI to the services subordinated and supervised by the minister competent for the interior: the Police and the Border Guard, and the Heads of the Internal Security Agency, the Military Counter-intelligence Service, the Central Anti-Corruption Bureau under Article 105(1) of the AML/CFT Act. There were also other bodies authorized to obtain transaction data, including the Head of the National Revenue Administration, Directors of the Revenue Administration Regional Offices and heads of customs and tax control offices and other bodies, under Article 105(3) of the AML/CFT Act.

Starting from 13 July 2018, organisational units of the prosecutor's offices are obliged to notify the GIFI of a decision issued to block a bank account or suspend a transaction, an initiated proceeding, presenting charges to an individual or individuals and bringing an indictment in any cases related to the offence of money laundering or financing of terrorism pursuant to Article 81 of the AML/CFT Act. However, the remaining law enforcement authorities which are authorized to conduct criminal proceedings (like other cooperating units) submit notifications about the suspected offence of 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 national entities indicates that the GIFI stabilized its cooperation mainly with organisational units of the prosecutor's office. The cooperation with the CBA, the Police, the ABW, the SKW and the Border Guard intensified, while the exchange of information with the National Revenue Administration was limited. The GIFI started exchanging information with the Military Police.

*Table No 5. Summary data on the cooperation with selected domestic units under Articles 104-105 of the AML/CFT Act in the years 2016-2019.*

Institution	Year	Number of requests under <sup>40</sup> Articles 104-105 of the AML/CFT Act	Number of information in the mode <sup>41</sup> of Article 81 of the AML/CFT Act
Organisational units of the	2016	597	51
	2017	747	77

<sup>40</sup> For the years 2016-2017 and for the period until 13 July 2018, the number of requests under Articles 32-33 of the Act of 16 November 2000 on counteracting money laundering and financing of terrorism

<sup>41</sup> For the years 2016-2017 and for the period until 13 July 2018, the number of requests under Article 14 of the Act of 16 November 2000 on counteracting money laundering and financing of terrorism

prosecutor's office	2018	737	90
	2019	732	191
courts <sup>42</sup>	2016	1	<i>Not applicable</i>
	2017	6	<i>Not applicable</i>
	2018	8	<i>Not applicable</i>
	2019	9	<i>Not applicable</i>
bodies of the NRA	2016	1,405	<i>Not applicable</i>
	2017	834	<i>Not applicable</i>
	2018	575	<i>Not applicable</i>
	2019	428	<i>Not applicable</i>
ABW	2016	54	4
	2017	40	1
	2018	72	7
	2019	81	2
CBA	2016	26	0
	2017	31	2
	2018	27	2
	2019	104	3
Police	2016	145	55
	2017	109	40
	2018	108	54
	2019	126	94
Border Guard	2016	27	2
	2017	29	2
	2018	16	1
	2019	21	0
SKW	2016	0	0
	2017	4	0
	2018	49	0
	2019	53	0
Military Police	2019	5	0
<b>Total</b>	<b>2016</b>	<b>2,255</b>	<b>112</b>
	<b>2017</b>	<b>1,796</b>	<b>122</b>
	<b>2018</b>	<b>1,543</b>	<b>154</b>
	<b>2019</b>	<b>1,559</b>	<b>290</b>

It should additionally be emphasized that the number of bodies which were classified as law enforcement authorities being authorized to submit information requests to the GIFI increased starting from 13 July 2018. 2019 was the first full year when the bodies could make use of the data possessed by the General Inspector of Financial Information. The bodies are now:

- the Police Commander in Chief (formerly based on the authorization of the minister competent for the interior),
- the Commander of the Central Bureau of Investigation of the Police (formerly based on the authorization of the minister competent for the interior),

<sup>42</sup> Courts submitting information requests in relation to the conducted criminal proceedings.

- the Commander in Chief of the Border Guard (formerly based on the authorization of the minister competent for the interior),
- the Commander in Chief of the Military Police,
- the Internal Supervision Inspector,
- the Commander of the Bureau of Internal Affairs of the Police (formerly based on the authorization of the minister competent for the interior),
- the Commander of the Bureau of Internal Affairs of the Border Guard (formerly based on the authorization of the minister competent for the interior).

Furthermore, starting from 13 July 2018 information requests may also be submitted by the following bodies based on Article 105(3) of the AML/CFT:

- the minister competent for public finance - in relation to the request mentioned in Article 11(2) of *the Gambling Act of 19 November 2009*,
- the minister competent for foreign affairs - within its statutory competences in relation to the application of specific restrictive measures.

### **6.1.1. COOPERATION WITH ORGANISATIONAL UNITS OF THE PROSECUTOR'S OFFICE AND COURTS**

Pursuant to Article 104 of the AML/CFT Act, in 2019 the GIFI received from organisational units of the prosecutor's office **732 information requests concerning 5,350 entities**, which marks a relatively slight decrease in the number of the submitted requests (in 2018, there were 737 information requests concerning 4,913 entities submitted to the GIFI), but the questions referred to a greater number of entities.

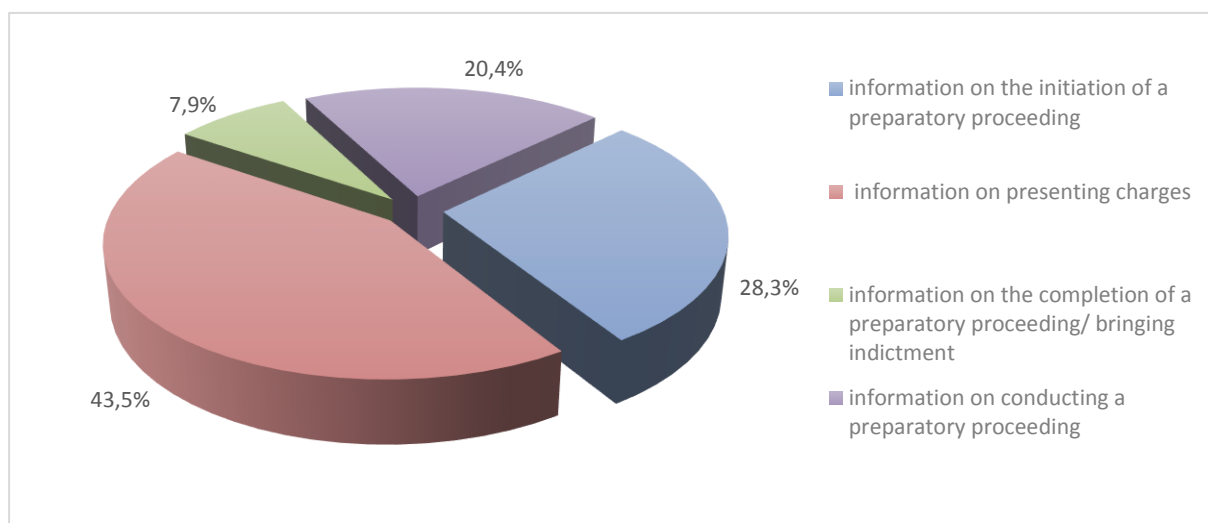
Over the last several years, the cooperation with the prosecutor's office is increasingly effective, which is confirmed by the large number of information requests of the organisational units of the prosecutor's office to the GIFI. Starting from 2014, the organisational units submitted over 500 information requests each year, which marks a significant increase against the preceding years (there were 400 requests in 2013), while there were over 700 requests annually in the years 2017-2019. Continuing the trend of 2018, 2019 marked an increase in the requests which referred and were mostly aimed at establishing assets and in the requests under mutual legal assistance. With the use of information request and the information collected in this way, the organisational units of the prosecutor's office could additionally charge the suspects accordingly, in particular under Article 299 of the Penal Code.

In 2019, the GIFI also received 9 information requests by courts concerning 7 entities. For comparison, in 2018 the GIFI received 8 information requests concerning 20 entities.

In 2019, the GIFI received 191 information from the organisational units of the prosecutor's office under Article 81 of the AML/CFT Act, which confirms a substantial increase against 2018 when 90 requests were recorded.



Diagram No 14. Information received from organisational units of the prosecutor's office under Article 81 of the AML/CFT Act in 2019.



In 2019, most of the transferred information concerned proceedings initiated concerning a suspected crime mentioned in Article 299 of the *Penal Code* (**54 pieces of information**) or charges raised based on this provision (**83 pieces of information**). In several dozens of such cases, the organisational units of the prosecutor's office additionally requested that the GIFI consider carrying out statutory activities to block the respective accounts or to suspend the related transactions.

Based on the information submitted by competent bodies under Article 81 of the AML/CFT Act, the GIFI undertook statutory activities to “cut off” the criminals from their assets, with an aim to deprive them of any possibility to legalize proceeds from the so-called prohibited acts. The GIFI used the cooperation to submit notifications to competent units of the prosecutor's office based on the received information, with an aim to point out to the suspicion of the crime mentioned in Article 299 of the *Penal Code*.

As in previous years, also in 2019 the organisational units of the prosecutor's office submitted in one letter information based on Article 81 of the AML/CFT Act, while simultaneously requesting the information mentioned in Article 104(1) of the AML/CFT Act, which facilitated a more effective and smooth exchange of information.

It should be emphasized that acting based on Article 81(4) of the AML/CFT Act, the GIFI immediately notifies the prosecutor that it possesses information related to the information submitted under Article 81(1) of the AML/CFT Act. On many occasions in 2019 the information submitted by the organisational units of the prosecutor's office was related to the information possessed by the GIFI. In such situations, having received a positive answer from the GIFI, the prosecutor's office requested the information every time, which often impacted further procedural actions of the organisational units of the prosecutor's office, e.g. in the form of an extended catalogue of charges to be presented against the suspected.

In 2019, the cooperation with the organisational units of the prosecutor's office was based on secure electronic channels for exchanging information, which were also useful in the cooperation with the obligated institutions, and from which transaction data subject to the

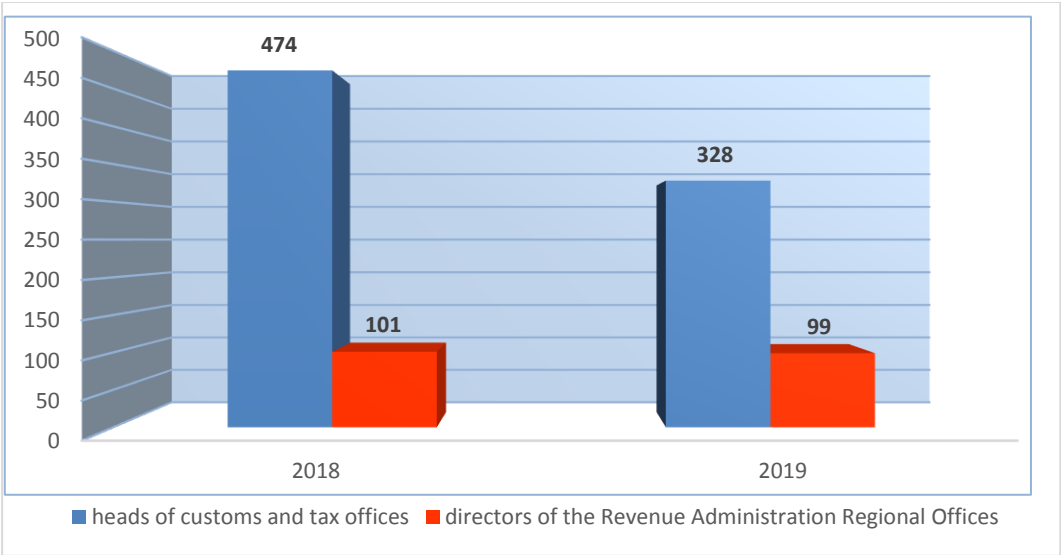
AML/CFT Act were obtained for such cooperation. To a large extent, this resulted from the content of the requests which referred to a large number of entities or bank accounts. Submitting the data in electronic and simultaneously editable form sped up the processing of requests dramatically. Furthermore, this referred to the accelerated process of the GIFI’s providing answers, in relation to urgent procedural activities of the organisational units of the prosecutor’s office.

In 2019, the cooperation with the organisational units of the prosecutor’s office continued in that representatives of the GIFI participated in initiatives to exchange experiences in counteracting money laundering and financing of terrorism. They made it possible to provide a substantial support to participants of trainings and to disseminate good practices aimed at ensuring a more effective cooperation of the GIFI with representatives of the organisational units of the prosecutor’s office.

**6.1.2. COOPERATION WITH THE NATIONAL REVENUE ADMINISTRATION AUTHORITIES**

In 2019, the GIFI received **328 requests from heads of customs and tax control offices concerning 1,473 entities**. This marks a decrease in the number of submitted requests against 2018, when the GIFI received 474 requests concerning 1,570 entities.

*Diagram No. 15. Cooperation with bodies of the National Revenue Administration under Article 105 of the AML/CFT Act in the years 2018/2019.*



Despite the decreased volume of information requests, an increase in the effectiveness of cooperation has been noticeable in recent years. The “request-related” correspondence resulted in further cooperation between authorities based on Article 83 of the AML/CFT Act in 2019. In consequence of this cooperation, the GIFI submitted notifications - based on the information received from bodies of the National Revenue Administration - to competent units of the prosecutor’s office, with an aim to point out to the suspicion of the crime

mentioned in Article 299 of the *Penal Code*. The statutory activities of the GIFI were also aimed at “cutting off” the criminals from their assets, and at depriving them of any possibility to legalize proceeds from the so-called prohibited acts, in particular those originating from fiscal offences.

In 2019, the GIFI also received **99 information requests from directors of the Revenue Administration Regional Offices concerning 255 entities**, compared to 101 requests concerning 130 entities in 2018.

In 2019, the GIFI continues its permanent cooperation by co-organizing trainings aimed at enhancing the knowledge about counteracting money laundering and financing of terrorism with the participation of representatives of the authorities of the National Revenue Administration and its cooperating bodies and law enforcement services. Furthermore, representatives of the management of the Department of Financial Information participated in quarterly consultations with the management of the National Revenue Administration.

### **6.1.3. COOPERATION WITH BODIES SUBORDINATED BY THE MINISTER OF THE INTERIOR**

Pursuant to Article 105(1) of the AML/CFT Act, the GIFI received **126 information requests concerning 973 entities** from organisational units of the Police in 2019, the majority of which were submitted by authorized representatives of:

- the Criminal Bureau of the Police Headquarters,
- the Central Bureau of Investigation of the Police.

As in previous years, the cooperation related to the processing of requests for representatives of the Police proceeded smoothly and effectively.

However, it should be emphasized that the number of requests increased in 2019 in comparison to 2018 when the GIFI received 108 requests concerning 859 entities of organisational units of the Police.

Furthermore, in 2019 the GIFI answered **21 requests concerning 297 entities, which were submitted by the authorized representatives of the Headquarters of the Border Guard**, which marks an increase in the number of requests in comparison to 2018, when the GIFI received 16 requests concerning 180 entities.

The units supervised by or subordinated to the minister competent for the interior also performed the obligations mentioned in Article 83(1) of the AML/CFT Act, which significantly expanded the cooperation on counteracting the crime mentioned in Article 299 of the *Penal Code*. In 2019, the GIFI received **94 pieces of information from the organisational units of the Police concerning 603 entities**.

Using the information received, the GIFI was able to perform its statutory obligations more effectively, including the blocking of bank accounts. The activities undertaken within the framework of the GIFI’s analyses facilitated the cooperation already at the stage of operational and reconnaissance actions of the services subordinated to and supervised by the minister competent for the interior, in particular the identification of assets already at the

preliminary stage of the operational and reconnaissance actions, but also later during the investigation and prosecution.

Within the framework of the cooperation with the units supervised by and subordinated to the minister competent for the interior, in 2019 representatives of the GIFI participated in conferences, seminars, workshops which were organized or co-organized with the participation of representatives of the Police, which strengthened the cooperation in counteracting money laundering.

#### **6.1.4. COOPERATION WITH THE STATE PROTECTION SERVICES**

In the framework of the cooperation based on Article 105(1) of the AML/CFT Act, the GIFI received **81 information requests concerning 899 entities from the Head of the Internal Security Agency** in 2019, if compared with 72 information requests concerning 532 entities in 2018. Additionally, the GIFI received 2 notifications concerning 6 entities, which were submitted under Article 83(1) of the AML/CFT Act.

It should be emphasized that the cooperation with the Internal Security Agency intensified in 2019.

In 2019, the GIFI also received **53 information requests from the Military Counter-intelligence Service**. The requests concerned **162 entities**. Over the years, the cooperation dramatically intensified, if compared with its former scope. To compare, the GIFI received 49 requests concerning 262 entities 2018, while the Military Counter-intelligence Service submitted only 4 requests in 2017.

#### **6.1.5. COOPERATION WITH THE CENTRAL ANTI-CORRUPTION BUREAU**

Pursuant to Article 105(1) of the AML/CFT Act, the GIFI received **104 information requests concerning 646 entities and 3 notifications concerning 34 entities** from the Central Anti-Corruption Bureau in 2019, which were submitted under Article 83(1) of the AML/CFT Act.

In 2019, the cooperation with the Central Anti-Corruption Bureau was significantly extended, in comparison to 27 requests concerning 358 entities in 2018.

It should additionally be pointed out that in 2019 representatives of the GIFI participated in the events organized with the participation of the Central Anti-Corruption Bureau.

#### **6.1.6. COOPERATION WITH OTHER AUTHORITIES**

In 2019, the GIFI received **33 requests** from the minister for public finance **to establish** whether there are any threats of money laundering or financing of terrorism towards the aforementioned entities, which were submitted under Article 11(2) of the *Gambling Act of 19 November 2009*. These requests concerned **164 entities**, a dramatic increase in comparison to 2018 (12 requests concerning 89 entities).

In 2019, the Polish Financial Supervision Authority submitted to the GIFI **18 requests concerning 52 entities**. The vast majority of the requests referred to the proceedings concerning permits issued by the Polish Financial Supervision Authority.

### **6.1.7. COOPERATION WITH THE NATIONAL CENTRE OF CRIMINAL INFORMATION**

In 2019, the GIFI cooperated with the Head of the National Centre of Criminal Information (NCCI). The GIFI transferred criminal information ex officio (**1317 registrations**), but it did not submit any inquiries to the NCCI system in 2019.

Furthermore, the General Inspector received inquiries by the NCCI. In 2019, they referred to 2834 entities. After checking the data bases, the General Inspector answered 966 times that the subject indicated in the inquiry was identified in the analytical proceedings of the GIFI. The NCCI submits its inquiries to the GIFI electronically, in an agreed format, which enables to partially automate the generation and dissemination of reports. In 2019, the aforementioned inquiries concerning 2834 entities were submitted in 97 electronic files, directly to the IT system of the GIFI.

## **6.2 FEEDBACK INFORMATION**

### *Authorities of the National Revenue Administration*

The National Revenue Administration usually used the information provided by the GIFI for 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. Under the Polish legal order, violations of prohibitions or injunctions under financial order, within the competences of the Minister of Finance, i.e. the tax, customs, foreign exchange and gambling law, are penalized by the *Act of 10 September 1999 - the Fiscal Penal Code* (i.e. Journal of Laws of 2020, item 19) and by the *Act of 6 June 1997 - the Penal Code* (i.e. Journal of Laws of 2019, item 1950, as amended). The information the National Revenue Administration requested the GIFI to deliver was, among other things, to confirm or exclude the detected mechanisms of fiscal frauds and to indicate other entities being suspected of involvement in fiscal offences and crimes. The information received was used during the process of determining whether a customs and tax control and a tax control and a preliminary proceedings should be initiated based on a suspected fiscal crime as well as during the controls and proceedings.

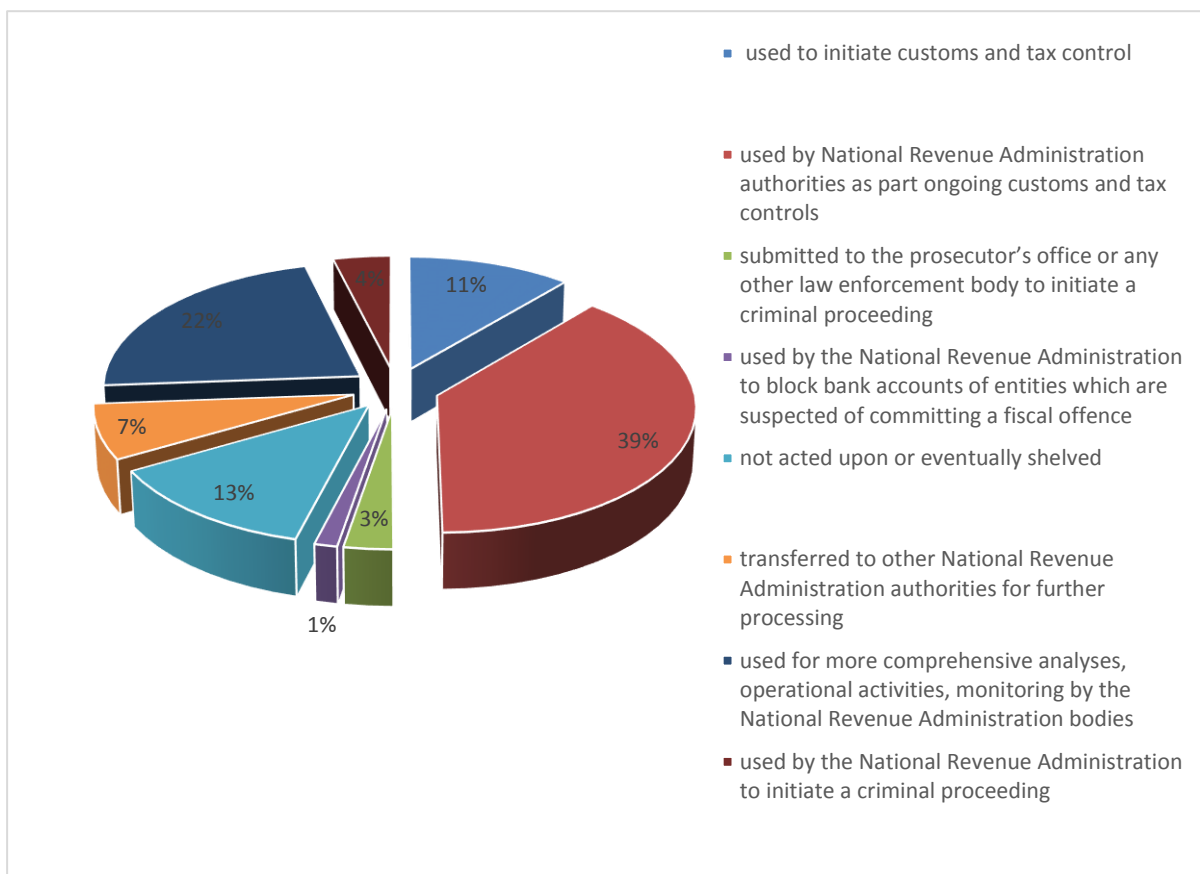
On the other hand, the information submitted by the GIFI to the National Revenue Administration on its own initiative (under Article 106(1) of the *AML/CFT Act*) was analysed for any potential relations with the suspicion of fiscal crimes.

Based on Article 14(5) of the *AML/CFT Act*, the GIFI received information from individual National Revenue Administration authorities which indicated that in 2019, based on the information provided by the GIFI (both under Article 105(4) and Article 106(1) of the *AML/CFT Act*):

- the National Revenue Administration used 60 or more reports to initiate a customs and tax control,

- the National Revenue Administration used 207 or more reports during ongoing customs and tax controls,
- 15 or more reports were forwarded to the prosecutor’s office or other law enforcement authority to initiate a criminal proceeding,
- 7 or more reports were used by the National Revenue Administration to block bank accounts kept by entities suspected of committing a fiscal crime,
- 68 or more reports were not acted upon and were eventually shelved, following the analysis of the National Revenue Administration,
- 38 or more reports were forwarded to other National Revenue Administration authorities for further processing,
- 119 or more reports are currently subject to thorough analyses, operational activities and monitoring by the National Revenue Administration,
- 21 or more reports were used by the National Revenue Administration to initiate a criminal proceeding.

*Diagram No 16. Structure of information the National Revenue Administration received from the GIFI by manner of use.*



## *Police*

Information received from the Police Headquarters indicates that the Criminal Bureau of the Police Headquarters received **41 notifications of the GIFI** under Article 106(1) of the AML/CFT Act in 2019. The Criminal Bureau continued forwarding the evidence received from the GIFI to territorially and substantively competent organisational units of the Police to discharge their duties. Those units were obliged under Article 108(1) of the AML/CFT Act to directly notify the General Inspector of Financial Information about the manner in which the information was used. In 2019, acting based on Article 105(1)(1) of the Act (at the request of the Chief Commander of the Police), the General Inspector of Financial Information provided information in **58 cases** in relation to the ongoing operational proceedings. The data received based on two requests along with the collected evidence were forwarded to the prosecutor's office for the purpose of initiating preliminary proceedings, whereas the data received based on ten other requests were deemed to constitute useful evidence and entered into the files of the ongoing preparatory proceedings. The information provided by the GIFI in the remaining cases is still being analysed and used in ongoing operational and reconnaissance actions.

According to the information provided by the CBŚP, it submitted **46 information requests**<sup>43</sup> to the GIFI based on Article 14(5) of the AML/CFT Act in 2019. Following analysis, the feedback information was used in operational activities, including:

- in two cases - the information was forwarded to a customs and tax control office;
- in nine cases - the information was handed over for further use in the ongoing preparatory proceedings;
- in one case - after the analysis, the information was entered into the file; however, bank account data were used for a criminal analysis which was handed over for the ongoing preparatory proceeding;
- in the remaining cases, the information received was used for two forms of operational actions.

The CBŚP additionally said that it initiated 19 preparatory proceedings in 2019 based on Article 299 of the *Penal Code* and completed 30 proceedings related to it. Furthermore, the CBŚP did not record any preparatory proceeding initiated and completed based on Article 165a of the *Penal Code*. According to the aforementioned information, the CBŚP presented charges to 658 suspected individuals for committing 907 prohibited acts mentioned in Article 299 of the *Penal Code*.

In 2019, the CBŚP also received 30 notifications of the GIFI (under Article 106(1) of the AML/CFT Act) and they were used in one of the following ways:

- 7 reports were handed over for preparatory proceedings;
- 1 report was forwarded to the Kuyavian and Pomeranian Customs and Tax Control Office;

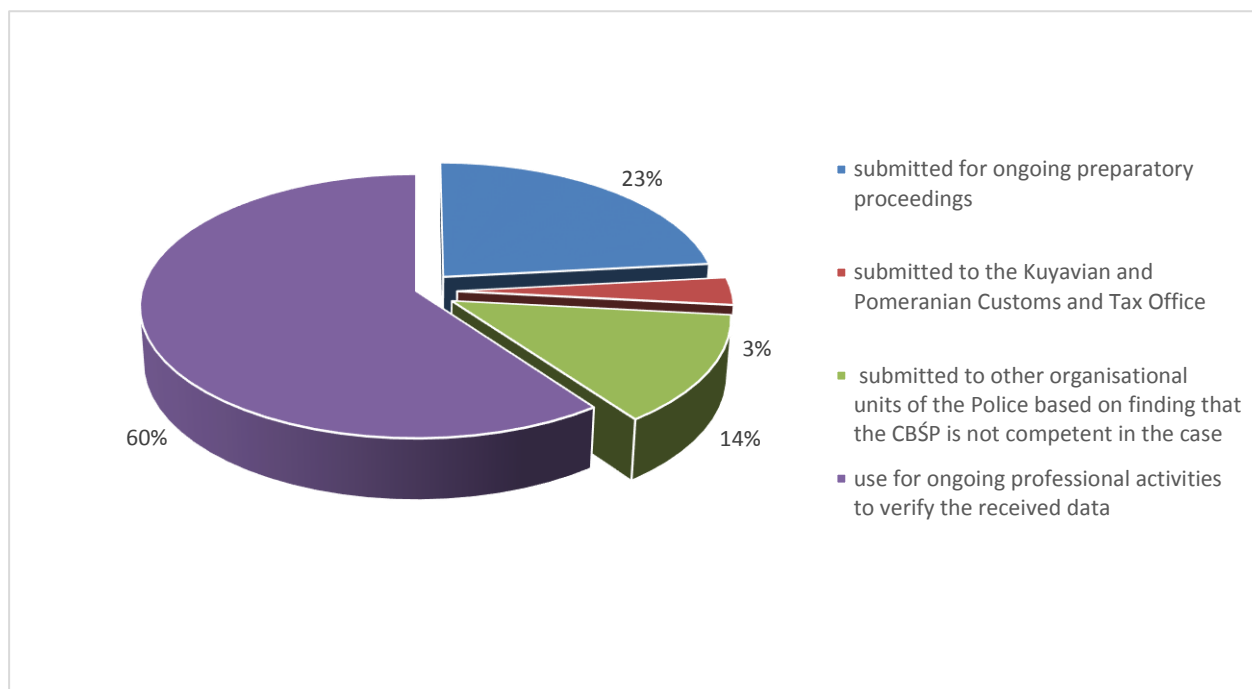
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<sup>43</sup> The requests were to provide information on 213 natural persons, 149 economic entities and 4 bank accounts.



- 4 reports were forwarded to other organisational units of the Police due to the fact that the CBŚP was not competent for the respective proceedings;
- 18 reports are used in the ongoing discharge of duties aimed at reviewing the received information.

*Diagram No 17. Structure of information the CBŚP received from the GIFI by manner of use.*



### **OTHER AUTHORITIES**

According to the information provided by the Internal Security Agency based on Article 14(5) of the AML/CFT Act, in 2019 the Agency (excluding the ABW Anti-Terrorist Centre) received 104 letters from the GIFI, of which 84 letters constituted feedback to the information requests of the Agency. Furthermore, in 2019 the ABW received 66 notification/information letters sent by the GIFI. The information provided by the GIFI was used in the framework of detailed operational procedures conducted under Article 5(1)(2) of the Act on the Internal Security Agency and on the Intelligence Agency (researching, preventing and detecting offences: espionage, terrorism, offences undermining the economic foundations of the state, corruption, offences concerning the production or trading in goods, technologies and services which are of strategic significance for the security of the state, the illegal production, possession and trading in weapons, ammunitions and explosives, weapons of mass destruction and narcotic and psychotropic substances in the international trading, against the judiciary), as well as within the framework of operational control. In parallel, the ABW Anti-Terrorist Centre received tens of reports from the GIFI, which were used to research, prevent and counteract threats undermining the internal security of the state and of its citizens.

On the other hand, the CBA received 129 reports from the GIFI in 2019. All the transferred information was used by the CBA for discharging their duties, whereas 70 reports were used



for procedural activities the organisational units of the CBA conducted under the supervision of the prosecutor's office.

The Chief Command of the Border Guard said that it received a total of 26 reports from the GIFI in the period from 1 January 2019 until 31 December 2019. The information was made available by the GIFI at the written and justified request of the Border Guard, and in case the GIFI could suspect that another type of offence, excluding the offence of money laundering or financing of terrorism, had been committed, with the aim to undertake statutory tasks of the Border Guard.

The Bureau of Internal Affairs of the Border Guard said that it submitted three written information requests to the GIFI under Article 105 of the AML/CFT Act in 2019. However, the information submitted was not acted upon by the Bureau, nor was it transferred to another authority or unit of the public administration to initiate a preliminary proceeding, press charges, block a bank account or suspend a transaction, or issue a decision about seizure of assets.

Based on the information of the Chief Command of the Border Guard, in 2019 the Guard received from the GIFI 5 reports concerning 27 entities in response to its requests submitted. The information received was used in 4 forms of operational activities based on which 1 investigation was initiated under Article 228 § 1 of the Penal Code by the end of 2019.

Information provided by the Military Counter-Intelligence Service indicates that the Service reported 49 information requests to the GIFI and 14 reports which were used by the Service to discharge its duties. The Military Counter-Intelligence Service used the information provided by the GIFI in operational procedures to perform its statutory tasks related to, inter alia: researching, preventing and detecting the offences mentioned in Article 5(1)(1)(d) and (f) of the *Act on the Military Counter-Intelligence Service and on the Military Intelligence Service* (i.e. Journal of Laws of 2019, item 687, as amended), i.e. the offences mentioned in Articles 228-230 of the Penal Code if they may pose a threat to the security or combat readiness of the Armed Forces of the Republic of Poland or of other organisational units of the Ministry of National Defence or the offences mentioned in Article 33(1), (2) and (3) of the Act of 29 November 2000 on the foreign trading in goods, technologies being of strategic significance for the security of the state and for maintaining peace and security internationally. The information provided by the GIFI was also used to reveal which assets may be forfeited in relation to the offences. Furthermore, after the processing and verification some information was used for the procedural valorisation of the revealed prohibited acts.

The Polish Financial Supervision Authority stated that it received 6 reports from the General Inspector of Financial Information under Article 106(1) of the AML/CFT Act in 2019. Concerning all the aforementioned reports, the Polish Financial Supervision Authority started analytical procedures, as required by the AML/CFT Act and by the statutes regulating different sectors of the financial market. The Authority did not forward the aforementioned information to the prosecutor's office or other authorities and units of the public administration.

The President of the Supreme Audit Office announced that to the extent necessary to conduct control procedure P/18/112 "Activities of state bodies and institutions and of organizers of the

financial market towards GetBack S.A., entities offering its securities and its audit firm”, it had been informed about the activities of the General Inspector of Financial Information in the case of GetBack S.A. The aforementioned information was used according to the objective set out by the Supreme Audit Office to assess the activities of the General Inspector of Financial Information specified in the statement of 23 April 2019 to the Minister of Finance under the aforementioned control and in the report on the results of the control to the most important bodies of the state.

### 6.3 DATA CONCERNING CRIMINAL PROCEEDINGS

In accordance with Article 14(5) 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 charges of money laundering and on the number of individuals that were presented charges of financing of terrorism;
- the number of individual convicted by final court judgement for money laundering and the number of individuals convicted by final court judgement for financing of terrorism;
- the types of predicate offences, as mentioned in Article 1 letter 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;
- the assets which were frozen, transactions were suspended or blocked, or for which property searching, seizure or forfeiture had been adjudicated.

Data provided by the Ministry of Justice shows that in 2019 Polish district courts **initiated 182 court criminal proceedings against 538 individuals concerning the crime mentioned in Article 299 of the Penal Code. During the same period, they completed 157 criminal proceedings** concerning the aforementioned crime. According to the data cited by the Ministry of Justice, **224 individuals were convicted by final court judgment** for committing the aforementioned crime of money laundering based on Article 299 of the Penal Code in 2019. **During these proceedings, assets valued at PLN 738,579 in total were seized, and forfeiture was adjudicated for assets with valued at PLN 593,271,387 in total.**

Information provided by the Ministry of Justice also shows that in 2019 common courts did not initiate or complete any criminal proceedings in relation to the crime mentioned in Article 165a of the Penal Code, which implies that no one was convicted by final court judgment for financing of terrorism in 2019.

The criminal proceedings which conducted in Poland under Article 299 of the Criminal referred to the following predicate offences mentioned in Article 1 letter e) of the Warsaw Convention<sup>44</sup>:

- based on the following articles of the Penal Code: Article 258 (organized group and criminal association), Article 270 (substantive deceit), Article 271 (intellectual deceit), Article 279 (burglary), Article 286 (fraud), Article 291 (receipt of stolen goods), Article 294 (qualified types of the crimes mentioned in Article 278 § 1 or 2, Article 284 § 1 or 2, Article 285 § 1, Article 286 § 1, Article 287 § 1, Article 288 § 1 or 3, or Article 291 § 1 against valuable assets);
- based on the following articles of the Penal Code: Article 54 (evasion of tax obligation), Article 56 (untrue tax data), Article 63 (trading in goods not bearing excise stamps);
- 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 ACTIVITIES

Training activities and a far-reaching exchange of information are indispensable to ensure that the services and institutions engaged in the fight against money laundering and financing of terrorism operate more effectively and efficiently.

In 2019, representatives of the GIFI actively joined numerous trainings and workshops as speakers and participants (including those mentioned in the preceding chapters of the Report), as well as several conferences on counteracting money laundering and financing of terrorism, inter alia:

- a training organised by the Military Police in Czarny Piec on 19-23 March 2019 for representatives of the Military Police, while holding the speech entitled “The principles and possibilities for using the data bases of the General Inspector of Financial Information”,
- the 7<sup>th</sup> edition of the conference co-organized with the Signal Association in the Police Academy in Piła on 10-11 April 2019, for representatives of the member entities of the Signal Association and representatives of the Police, while holding the speech entitled “Counteracting the violations of intellectual property based on the *Act on counteracting money laundering and financing of terrorism*”,
- a meeting organized by the Polish Bank Association in Serock in May 2019, with the participation of employees of the banks’ AML units, at which practical aspects of customer due diligence measures and new trends in money laundering and other matters were discussed,

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<sup>44</sup> The data concerning the predicate offences, which were provided by the Ministry of Justice, cover only the second half of 2019 because this is the first statistical period for which the respective tables were included in the statistical reports.

- workshops organized by the Bureau for the Fight against Cyber-crimes of the Police Headquarters in May 2019, for representatives of the Police and representatives of firms trading in crypto-currencies, under the following title: “The cooperation of the GIFI with cooperating units in light of applicable legal provisions”,
- the scientific conference entitled “ICT Crimes XXI.2” in the Polish Naval Academy in Gdynia on 18 June 2019, under the following title: “Changes for the better? Challenges faced by the GIFI in cooperation with law enforcement authorities”,
- workshops on cyber-crimes organized by the Polish Bank Association and the Voivodeship Police Command in Białystok in October 2019. A representative of the GIFI held a speech on laundering money originating from cyber-crimes at international level,
- a course organized by the Police Academy in Szczytno on 5 November 2019, for representatives of the Police concerning money laundering,
- a training organised by the Military Police in Czarny Piec on 6-7 November 2019 for representatives of the Military Police, while holding the following speeches: “The General Inspector of Financial Information as a body competent for counteracting money laundering” and “Practical aspects of the exchange of information between the Military Police and the General Inspector of Financial Information”,
- a session of the Electronic Transaction Security Forum, the Card Transaction Security Forum, the Threat Intelligence Forum of the Polish Bank Association on 17 December 2019 under the following title: „The exchange of information with obligated institutions in the light of the *Act on counteracting money laundering and financing of terrorism and the fight against financial crimes in its broader meaning*”.

On 25 February 2019, the GIFI started another cycle of meetings in the Ministry of Finance under the heading “Mondays with the General Inspector of Financial Information” on counteracting money laundering and financing of terrorism. Last year, the leading topics of the meetings related to the effectiveness of the system of counteracting money laundering and financing of terrorism, the application of specific restrictive measures against individuals and entities which are suspected of financing terrorism, and the preparation of Polish institutions for the evaluation process based on the international FATF standards. Due to the large number of cooperative banks in Poland, their representatives were invited to join three Monday meetings<sup>45</sup>. In general, the aforementioned meetings were joined by approximately 130 representatives of banks.

In May 2019, the GIFI also conducted trainings for presidents of courts of appeal on the guidelines for conducting controls by notaries public, while considering the matter of applying the AML/CFT Act to specific restrictive measures.

Furthermore, to increase the knowledge about the application of new technologies in the sector of payment services and virtual currencies and block-chain technologies, the GIFI organized two trainings (in May 2019) for cooperating units and employees of the Polish FIU. The meetings were attended by a total of approximately 100 people.

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<sup>45</sup> In February, March and May 2019.

In September 2019, there was a training on counteracting money laundering and financing of terrorism, including the application of specific restrictive measures, for statutory auditors, accountants, notaries public, legal advisers, real estate agents and tax advisers. The meeting was attended by approximately 30 representatives of the aforementioned obligated institutions.

In 2019, the obligated institutions and cooperating units regularly participated in the consultations to prepare for the 5<sup>th</sup> round of mutual evaluations in relation to the fight against money laundering and financing terrorism, conducted by the MONEYVAL Committee.

On 16 September 2019, the Ministry of Finance hosted a conference on counteracting financing of terrorism. The conference was attended by representatives of institutions of the Polish counter-terrorism system, law enforcement authorities and of the prosecutor's office. The conference was devoted to, among others, the *National Assessment of the risk of money laundering and financing of terrorism* and the threats related to financing of terrorism in Poland. Concerning the functioning of the current organisational and legal solutions related to counteracting and the fight against financing of terrorism, comments de lege lata and demands de lege ferenda were presented at the conference.

In 2019, the GIFI performed the project entitled "The standardization of the operational principles for entities operating games of chance, betting, card games and games on gaming machines in terms of counteracting money laundering and financing of terrorism". The project involved the elaboration of guidelines for entities operating in the aforementioned sectors, among other things. In cooperation with the National Revenue Administration, the standardization process also covered the principles which the bodies must follow by conducting controls of the performance of the obligations specified in the AML/CFT Act by entities operating games of chance, and a training was conducted for controllers who control the correct implementation of the AML/CFT Act in the sector on behalf of the Ministry of Finance. Additionally, the GIFI conducted a training for employees of the entities operating games of chance in the performance of the obligations specified in the AML/CFT Act. The agenda of the training also comprised the matters the entities of the gambling sector had reported to the e-mail address of the GIFI. The training was attended by representatives of 13 entities of the gambling sector - by 26 people in total. In 2019, the GIFI also conducted an information campaign for the entities operating games of chance. The Ministry of Finance published a communication of the General Inspector of Financial Information on its Internet website, which covered the most important obligations of the entities operating games of chance.

In February 2019, an e-learning course on counteracting money laundering and financing of terrorism was launched on the Internet website of the GIFI. The course is a form of training for employees of the obligated institutions and cooperating units. The employees of the aforementioned entities can participate in the course free of charge. The completion of the course fulfils the obligation specified in Article 52 of the AML/CFT Act. The course is to bring closer the matter of counteracting money laundering and financing of terrorism under the valid law. **According to the available information, 18,196 access rights were granted to the course and 17,997 certificates of completion were issued in the period from 21 February 2019 until 31 December 2019.**

## 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)**, which brings together representatives of the EU Member States, is to support the European Commission (EC) in defining policy directions in the field of counteracting money laundering and financing of terrorism, preparing legal acts, as well as advising at the stage of preparing proposals on the implementing measures and the coordination of the cooperation between EU Member States.

In 2019, the EGMLTF held four sessions and two extraordinary sessions, devoted to the EU policy against high-risk third parties which report strategic deficiencies in the field of counteracting money laundering and financing of terrorism.

The meetings attended by representatives of the GIFI were devoted, among other things, to the advancement of the implementation 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*<sup>46</sup> (hereinafter referred to as “*Directive 2015/849*”) and 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*<sup>47</sup> (hereinafter referred to as “*Directive 2018/843*”). The EC informed the EU Member States about proceedings concerning the violation of the EU law, initiated against the Member States due to the failure to communicate the provisions of *Directive 2015/849*. Furthermore, it verified the completeness and correctness of their implementation while informing individual states about the identified deficiencies. During the sessions, members of the EGMLTF presented the advancement of the transposition of the requirements of the aforementioned *Directives* to the domestic legal systems.

The states were also notified that the EC had adopted a procedure for preparing a report on the effectiveness of the implementation of *Directive 2015/849*. Therefore, in late 2019 the Council of Europe, at the order of the EC, launched a series of study visits to the Member

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<sup>46</sup> OJ of the EU L 141 of 05.06.2015, p. 73.

<sup>47</sup> OJ of the EU L 156 of 19.06.2018, p. 43.

States to assess the effectiveness of the implementation of *Directive 2015/849*. In early 2022, the assessment reports of individual Member States will be used to prepare a final report.

The sessions of the EGMLTF were also an opportunity to discuss the so-called *AML Package*<sup>48</sup> of 24 July 2019, which consisted of the following documents:

- 1) Communication of the Commission to the European Parliament and to the Council - Towards better implementation of the EU's anti-money laundering and countering the financing of terrorism framework;
- 2) Report from the Commission to the European Parliament and the Council on the assessment of recent alleged money laundering cases involving EU credit institutions;
- 3) Report assessing the framework for cooperation between Financial Intelligence Units;
- 4) Report on the interconnection of national centralised automated mechanisms (central registries or central electronic data retrieval systems) of the Member States on bank accounts;
- 5) Report on the assessment of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities;
- 6) Commission Working Paper to the Report on the assessment of the risk of money laundering and terrorist financing affecting the internal market and relating to cross-border activities.

The discussions during the sessions on high-risk third parties focused around the way of proceeding towards such countries. The Expert Group also worked on preparing an annex to their identification methodology under *Directive 2015/849*. Its aim was also to coordinate the EU's approach to drawing up lists of high-risk third parties with the process conducted under the FATF.

During the sessions of the EGMLTF, representatives of the Member States, including Poland, shared their opinions with the EC concerning the following Union initiatives:

- Council Conclusions on strategic priorities on anti-money laundering and countering the financing of terrorism;
- The interconnection of central registers of the Member States;
- The consolidated register of trusts and similar legal arrangements under the law of the Member States, submitted to the Commission by appropriate notifications under Article 31(10) of *Directive 2015/849*;
- Report from the Commission to the European Parliament and the Council on the application of Chapter IV of Regulation (EU) 2015/847 on information accompanying transfers of funds.

The sessions of the EGMLTF were also a convenient platform for discussing the assessment of the national systems of counteracting money laundering and financing of terrorism by the FATF and MONEYVAL. Another topic of the discussion was the position of the EC as a

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<sup>48</sup> *Anti-Money Laundering*.

member of the FATF concerning the matters raised during the sessions and the preparation of a consistent position of the EC and of the Member States.

### **7.1.2. THE EU-FIU PLATFORM**

In 2019, representatives of the GIFI actively participated in the Platform of the Financial Intelligence Units of the European Union, while getting involved in the matters discussed by the body. The Platform acts as an advisory body of the EC on the ongoing cooperation between the FIUs of the EU Member States. The Platform discusses new initiatives of the EU to counteract money laundering and financing of terrorism, proposed facilitations to the exchange of information between the Financial Intelligence Units, common analyses of cases with a cross-border component, the supra-national risk assessment and the reporting of suspicious cross-border transactions (the so-called cross-border reporting).

As in 2018, the Platform held four sessions in total during 2019. An important topic of the session was the content of the reports the EC published in July 2019, in particular the documents on the assessment of the functioning of the EU Financial Intelligence Units and the supranational risk assessment.

The sessions were also devoted to discussing the future of FIU.net, i.e. the network for exchanging information between the Union FIUs. Another matter to which particular attention was devoted concerned the legal basis for the functioning of the aforementioned network with the structure of Europol. The EC also initiated a debate on devising new solutions to strengthen the cooperation between the Financial Intelligence Units of the EU Member States and to establish a mechanism for supporting the Units at supranational level (EU). Another topic concerned the methods for increasing the scope of interactions between the Financial Intelligence Units and the European supervisory bodies.

Upon the publication and entrance into force of the *Directive of the European Parliament and of the Council (EU) 2019/1153*, the Platform discussed the implementation of the *Directive* and the organization of transposition workshops for representatives of the administration of the Member States.

A representative of the GIFI, who performed the function of the deputy chairman of the FIU.net Advisory Group and of the chairmen of the project group dealing with the promotion and development of technologies for anonymous data linkage (Ma3tch), regularly informed both Groups about the advancement of their projects. Referring to the technologies for anonymous data linkage, the representative additionally emphasized the need to use the proposed solutions of the project group to enhance the effectiveness of the Ma3tch technologies.

Upon the expiry of the term of office of the deputy chairman of the Advisory Group, the function of which was performed by a representative of the GIFI, and of the chairman of the project group by the end of 2019, the EC expressed its gratitude to the Polish delegation for its significant contribution to the activities of the Groups.



### 7.1.3. THE FIU.NET ADVISORY GROUP

In 2016, Europol took over the management of the FIU.NET network from the Dutch Ministry of Justice and Security. The EU-FIU Platform appointed a FIU.net Advisory Group to support Europol in the formulation of a development strategy for the FIU.net, the implementation of innovations and the formulation of opinions on the applications submitted by the non-EU FIUs to be connected to the network. In 2019, the Group was composed of representatives of the Financial Intelligence Units in Austria, Belgium, Finland, Luxembourg, Poland, Portugal, Romania, Sweden, Italy, and Europol. In the years 2018-2019, the Group was chaired by a representative of Romania, while a representative of the GIFI acted as its deputy chairman. In accordance with the applicable principles for appointing members to the FIU.net Advisory Group, the composition of the Group was restructured in early 2020 and a new chairman and a new deputy chairman were appointed.

In 2019, the FIU.NET Advisory Group held four sessions in total. Its activities focused on guaranteeing the stability of the FIU.net in view of the increasing exchange of information between the Financial Intelligence Units, the development of the cooperation between the Financial Intelligence Units and Europol, the strengthening of a cross-border reporting system between the Financial Intelligence Units (in accordance with the requirements listed in Article 53(1) of *Directive 2015/849*) and the increased use of Ma3tch technologies for anonymous data linkage by the FIUs. Considerable time was also spent on the doubts expressed by the Financial Intelligence Units as to Europol's plan to develop the FIU.net by following the model of the centralized information exchange system (the FIU.net is currently decentralized) and as to Europol's rights to process any categories of information transferred between the FIUs. On 19 December 2019, the European Data Protection Supervisor (EDPS) issued a decision in the case by pointing out that Europol lacks an appropriate legal basis to process all the data exchanged by the Financial Intelligence Units. Therefore, the European Data Protection Supervisor prohibited the processing of such data in the FIU.net by setting out a yearly transitional period for removing any identified violations through the transfer of the management of the FIU.net to a new institution in 2020.

Under the FIU.net Advisory Group, a representative of the GIFI chaired a project group dealing with the promotion and development of technologies for anonymous data linkage. In 2019, the project group drew up a report which formulated, among other things, a number of recommendations and good practices for a more effective use of Ma3tch technologies by the FIUs, and recommendations for Europol on the development of the technologies for anonymous data linkage. During the second half of 2019, representatives of the GIFI also attended a meeting organized by Europol concerning the cross-border reporting system and workshops for users of the FIU.net. The meetings constituted good opportunities to exchange experiences in the formulation of cross-border reports and to discuss possibilities to strengthen the cooperation between the Financial Intelligence Units of the EU Member States.

## 7.2. COOPERATION WITH THE COUNCIL OF THE EUROPEAN UNION

In relation to further work on the draft *Directive on the exchange of financial and other information for the prevention of certain offences* COM (2018) 213, the overriding objective of which is to improve the cooperation and exchange of information between competent bodies of the Member States for counteracting serious crimes, the GIFI submitted comments and opinions at the later stage of drawing up the proposal. *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*<sup>49</sup> was adopted on 20 June 2019. The Member States may implement the aforementioned legal act of the EU until 1 August 2021.

The adopted *Directive* preserves the principle of autonomy and independence of the Financial Intelligence Unit to decide whether it will make available information to other domestic and foreign entities competent for counteracting money laundering and financing of terrorism.

Representatives of the GIFI were actively involved in the formulation of the draft *Council Conclusions on strategic priorities on anti-money laundering and countering the financing of terrorism*, as well as coordinated the process of preparing comments to following versions of the Conclusions at national level.

The GIFI participated in consultations of the Member States and coordinated the formulation of a position on the methodology for the identification of high-risk third countries at national level. In this respect, the GIFI supported the approach of the remaining Member States of the EU. Referring to the position, the Council of the EU unanimously decided to reject the list of 23 high-risk countries, which was put forward by the EC, by concluding that the list had not been prepared in a transparent process. Therefore, the EC was called upon to start working on a new methodology for preparing such a list and consultation it with the Member States.

## 7.3. THE MONEYVAL COMMITTEE

In 2019, the MONEYVAL Committee of the Council of Europe held two plenary sessions (in July and December), which were attended by the permanent Polish delegation composed of representatives of the GIFI, the Polish Financial Supervision Authority and the National Prosecutor's Office.

During the session of the Committee in July 2019, an earlier election of the Chairman of the MONEYVAL Committee was organized, covering the period until the end of the term of office of the outgoing Chairman, Mr. Daniel Thelesklaf, i.e. December 2019. By a majority of votes of the delegations of the Member States, Mrs. Elżbieta Franków-Jaśkiewicz, a representative of the GIFI and head of the Polish delegation to the MONEYVAL Committee and the acting Deputy Chairman of the Committee, was elected to the post of the Chairman of the Committee. A Polish representative was selected to take up the function for the first time in the history of the MONEYVAL Committee.

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<sup>49</sup> OJ of the EU L.2019.186.122.

In December 2019, the statutory elections of the Chairman and of the members of the Bureau of the MONEYVAL Committee were organized. The delegates unanimously elected a representative of the GIFI to the post. Thus, Mrs. Elżbieta Franków-Jaśkiewicz will perform the function during the period from December 2019 until December 2021 by chairing the sessions of the Committee and by representing the members of the MONEYVAL Committee in international bodies competent for counteracting money laundering and financing of terrorism, in particular the FATF. Representatives of the Russian Federation and of Guernsey (Mr. Alexey Petrenko and Mr. Richard Walker) were appointed to the posts of the deputy chairmen, while representatives of Estonia and Slovakia (Mr. Matis Mäeker and Mr. Ladislav Majernik) became regular members of the Committee. In September 2019, the Chairman of the MONEYVAL Committee submitted to Committee of Ministers of the Council of Europe a report on the activities of the body in 2018, as well as answered questions concerning the activities planned for the years to come. Furthermore, she represented the MONEYVAL Committee during the celebrations of the 70<sup>th</sup> anniversary of the Council of Europe, which took place in November in Strasbourg, and during the second Conference “NO MONEY FOR TERROR” which was dedicated to strengthening the global action against the financing of terrorism, initiated by France in 2018 and organized by Australia in November 2019.

On the invitation of the OSCE Office in Kiev and of the Ukrainian FIU, the Chairman of the MONEYVAL Committee paid a visit to Kiev and participated in the workshops during which the Ukrainian FIU presented the actualisation of the National Assessment of the Risk of Money Laundering and Financing of Terrorism, which took place on 20 December 2019.

On 25-26 March 2019, the MONEYVAL Committee along with the FATF organized a joint typological session and workshops for judges and prosecutors, which was held in Tel Aviv at the invitation of Israel. The meeting, which brought together 300 experts from all around the world, including Poland, was a platform for collecting and sharing experiences, challenges and best practices in the prosecution of the offences of money laundering and financing of terrorism, depriving perpetrators of their incomes, recovering assets originating from crimes and a joint approach to new challenges, e.g. virtual assets, which are used to hide criminal incomes, or financing of terrorism. The workshops were chaired by the President of the FATF and the Chairman of the MONEYVAL Committee.

On 8-12 April 2019, the MONEYVAL Committee and the FATF organized joint training workshops in Ostia (Italy). During the workshops, 48 future evaluators (20 from the jurisdiction of the MONEYVAL Committee and 15 from the jurisdiction of the FATF) were trained in the recommendations of the FATF of 2012 and in the methodology of the FATF of 2013. The workshops were also joined by a representative of the Polish Financial Supervision Authority which participates in the activities of the Committee.

During 2019, the MONEYVAL Committee performed four evaluations of its members (Cyprus, Gibraltar, Malta and Moldova). The evaluation of Gibraltar was joined by a representative of the GIFI, who participated both in the evaluation mission and the agreement meeting with the evaluated state and the discussions of the Evaluation Expert Group and the plenary session of the MONEYVAL Committee in December 2019, during which the evaluation report of the jurisdiction was discussed and adopted.

Under the set evaluation procedure, the Committee conducted four pre-evaluation trainings for the Member States. On 24-25 September of the current year, such workshops, led by representatives of the Secretariat of the MONEYVAL Committee - Mr. Michael Stellini, Deputy Executive Secretary of the MONEYVAL Committee, and Mrs. Ani Melkonyan, expert of the Secretariat - were held in Poland, which initiated the preparation process of our country for the 5th round of mutual evaluations concerning the fight against money laundering and financing of terrorism, under which the evaluators of the MONEYVAL Committee will pay an evaluation visit in October of the current year.

The two-day meeting was attended by 80 representatives of competent bodies and associations of obligated institutions, which form the Polish system of counteracting money laundering and financing of terrorism. Conducted one year before the planned visit of the evaluators to Poland, the workshops were to prepare the national institutions engaged in the evaluation process to present the effectiveness of the Polish system of counteracting money laundering and financing of terrorism during meetings with evaluators. The meeting took place in the seat of the National Bank of Poland.

In preparation for the evaluation, the GIFI organized a series of meetings and workshops with the cooperating units and obligated institutions in 2019. The bodies engaged in the fight against money laundering and financing of terrorism were also given assessment questionnaires of the technical compatibility and effectiveness, to prepare each of the institutions' contribution to the completed tasks and the fulfilment of the standards specified in 40 Recommendations of the FATF and the so-called 11 Immediate Outcomes devoted to the assessment of the system's effectiveness. Once completed, the questionnaires must be transferred by the evaluated state (Poland) not later than six months before the planned evaluation visit.

The MONEYVAL Committee continued working on the regional operational plan concerning the fight against financing of terrorism, which was adopted in 2018. It laid foundations for exchanging information and good practices and for conducting special sessions on this area during the sessions of the Committee.

During its July session, the MONEYVAL Committee initiated a debate on the formulation of an operational strategy, which a high-level expert group, including a representative of the GIFI, prepared in cooperation with the Secretariat of the MONEYVAL Committee. The strategy was adopted in December 2019. The planned initiatives involve, among other things, the continuation of the priority action of the Committee which refers to the evaluation of the Member States, the organization of a high-level (ministerial) conference to present the tasks and role of the MONEYVAL Committee in the global fight against money laundering and financing of terrorism, the organization of typological trainings and of trainings in the standards of the FATF, the strengthened cooperation with the FATF and other FATF-style regional bodies, and the provision of appropriate resources for the performance of statutory activities (both human and financial resources).

## 7.4. CONFERENCE OF THE STATES PARTIES TO THE WARSAW CONVENTION

In relation to the implementation of the provisions of the *Warsaw Convention* and the participation of Poland in the *Conference of the Parties* to the Warsaw Convention (COP), the GIFI proceeded in its activities at this forum.

On 22-23 October 2019, the COP held its 11<sup>th</sup> session which continued the amended form for reviewing the implementation of the provisions of the Warsaw Convention in the States Parties thereto. Thematic horizontal reviews of selected articles of the Convention were discussed.

During the 11<sup>th</sup> session of the COP, its participants discussed draft reports on:

- Article 9(3) of the Convention (the unintentional component of the offence of money laundering);
- Article 14 of the Convention (the postponement of transactions suspected of being related to money laundering or financing of terrorism);
- Article 11 of the Convention (the consideration of earlier court judgments in other States Parties to the Convention); and
- Article 25(2) and (3) of the Convention (the division of confiscated assets, contracts).

The COP decided that the Secretariat of the COP would approach selected States Parties on the subject of the recommendations they had not implemented in relation to the aforementioned articles of the Convention. Poland has not implemented the recommendations concerning Article 11 and Article 25(2) and (3), which means it may be one of the State Parties subject to monitoring. The subsequent plenary session devoted to the States Parties which persistently evade the implementation of the respective recommendations of the COP will take place during the 12<sup>th</sup> session of the COP in 2020. The subsequent horizontal progress report on the implementation of the aforementioned provisions was planned for the 13<sup>th</sup> session of the COP in 2021.

Once agreed, the draft reports will be adopted by the States Parties to the Convention and published on the Internet website of the Council of Europe, in the COP tab<sup>50</sup>.

The discussion at the COP concerning the implementation of the Convention in Poland revealed that the Polish authorities should intensify their activities to implement the following articles in the national legal system:

- Article 9(3) - it should be considered before 2021 whether a lower component of the subject of the offence of money laundering than intentionality (i.e. at least one of the two components, i.e. justified suspicion or negligence) should be added to the Penal Code; the recommendation of the COP should be implemented until 2021 (a horizontal progress report on the implementation of the article should be prepared);

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<sup>50</sup> <https://www.coe.int/en/web/cop198/implementation/reports>.

- Article 11 - earlier court judgments in other States Parties to the Convention, not only the Member States of the EU, should be considered. It is probable that the Secretariat of the COP will submit a request for a report on the implementation of the aforementioned article before the 12<sup>th</sup> session of the COP in 2020. The final deadline for the implementation of the recommendation of the COP under the horizontal review of Article 9(3) will lapse in 2021;
- Article 25(2) (3) - the division should cover the confiscated assets of the States Parties to the Convention, and not only of the Member States of the EU, while contracts should be concluded with the State Parties in this respect. It is probable that the Secretariat of the COP will submit a request to deliver a report on the implementation of the aforementioned article before the 12<sup>th</sup> session of the COP in 2020. The final deadline for the implementation of the recommendation of the COP under the horizontal review of Article 25(2) and (3) will lapse in 2021;
- Article 10 - for Poland, it refers to the legislative process concerning the *Act on the responsibility of corporate entities for prohibited acts*. It should be emphasized that by using the information on the planned completion of the legislative process concerning the statute in November 2018, in 2018 the COP decided to remove Poland from the process of inducing compliance with the provisions of the Warsaw Convention.

In accordance with the *Rules of Procedure* of the COP, the following action may be applied against a state being subject to the horizontal review, which persistently evade implementing the recommendations of the COP and will not adjust its system within a period of 3 years from the adoption of its horizontal report, with an aim to induce compliance:

- 1) the Chairman of the COP will submit a letter to the Chairman of the Delegation to the COP;
- 2) the Secretary General of the Council of Europe will submit a letter to the competent minister of the Government of the State Party to the Convention;
- 3) the AML/CFT system of the State Party to the Convention will be subject to a complete evaluation in relation to the articles of the Convention which were evaluated in the evaluation process of the State Parties before the introduction of the horizontal review system;
- 4) a declaration on other system-based deficiencies will be published on the Internet website of the COP.

## **7.5. THE EGMONT GROUP**

The Polish FIU is continuously involved in the activities of the Egmont Group both during its sessions (inter alia, by joining the activities of the Working Group for the Exchange of Information and the Working Group for Technical Assistance and Trainings), and by providing support or exchanging its experiences with partnership units and by cooperating with the Secretariat of the Egmont Group throughout the whole year.

Last year, the GIFI joined two sessions of the Egmont Group and of its working groups.

The Heads of the FIUs discussed, among other things, the public-private partnership in the fight against money laundering and financing of terrorism by presenting examples of solutions used by different countries (e.g. by presenting the active inter-institutional work groups). The operational independence of the Financial Intelligence Units, which is currently discussed both by the FATF and the European Union, was a permanent topic of the discussion.

Representatives of the GIFI were involved in presenting Polish and EU experiences in the AML/CFT system to members of the regional groups of the Egmont Group, while joining training and typological projects as well. Furthermore, they participated in the assessment of example analytical cases which were nominated by the Financial Intelligence Units to the annual competition for the best analytical case of the Egmont Group (Best Egmont Case Award (BECA)). Last year, a case study presented by the FIU of Peru was rewarded with the prize.

The Egmont Group continued working on numerous training projects (inter alia, in the field of tactical and strategic analyses, counteracting money laundering from human trafficking and trading in wild fauna and flora, as well as counteracting financing of terrorism and using new technologies, including virtual assets). A representative of the GIFI participated in a project devoted to money laundering from serious fiscal offences. During the plenary session held in Hague in July last year, several reports were adopted, including the report on counteracting the money laundering from corruption and on the exchange of inquiries between units in a standardized format. It was also decided that the work on a cooperation manual for the Financial Intelligence Units and customs bodies would continue. The analysis also covered the operability of the Financial Intelligence Units of the Member States and their compliance with the standards of the Egmont Group and the operability of candidate units.

The sessions constituted a platform for exchanging information and for strengthening the bilateral and multilateral cooperation between the GIFI and the foreign FIUs. They additionally enable to exchange experiences with the partnership Units and to talk to the top management of the Egmont Group.

## **Europe 1**

The Polish FIU - along with the remaining Units of the EU Member States within the so-called group of Region Europe 1 - participated in the sessions of its regional group, which accompany the sessions of the EU-FIU Platform between the individual sessions. The Region Europe 1 discussed, among other things, new initiatives of the EU to counteract money laundering and financing of terrorism and activities related to the information exchange network FIU.net. The sessions were also occasions to share experiences in the evaluation of the national systems of counteracting money laundering and financing of terrorism, including the role of the FIU. During the session of Region Europe 1 in Hague, new regional co-chairmen were selected to act as representatives of the Region in the EG Committee and to be responsible for mediations in potential disputes at regional level.

## **Other activities under the Egmont Group**

On 23-25 April 2019, on the invitation of the GIFI the Ministry of Finance hosted the so-called CORFIN workshops (Corporate Vehicles and Financial Products) for representatives of



the FIUs, organized under the Technical Assistance and Training Working Group of the Egmont Group (TATWG). The aforementioned workshops organized in cooperation with the GIFL in Poland were coordinated by the Egmont Centre of FIU Excellence and Leadership (ECOFEL), which is an operational arm of the TATWG. The workshops were attended by 34 representatives of foreign FIUs and 6 representatives of the GIFL. The workshops were aimed at increasing the knowledge of analysts of the FIUs about the international financial sector and the knowledge about legal persons through thematic presentations and case studies. The analysts of the FIUs had a chance to better understand the tactical analysis and the use of the knowledge about various categories of legal persons and financial products.

## 7.6. THE FINANCIAL ACTION TASK FORCE (FATF)

The GIFL cooperated with the FATF by participating in the sessions at the forum of the MONEYVAL Committee and of the European Commission concerning the implementation of the Recommendations of the FATF.

In 2019, the Presidency of the FATF was held by the United States of America<sup>51</sup> and by China<sup>52</sup>. Irrespective of counteracting money laundering and financing terrorism, both Presidencies set it as a priority to perform the so-called strategic review of the effectiveness of the evaluation process both of the FATF and of the FATF-Style Regional Bodies (FSRBs<sup>53</sup>). The aforementioned review is aimed at assessing the effects of the implementation of the AML/CFT standards and at analysing the evaluation processes to identify determinants of the adaptation of the domestic AML/CFT systems to the international standards. The FATF continued its activities to promote an appropriate interpretation of the risks of financing of terrorism and published a *Manual on terrorist financing risk assessment*<sup>54</sup>.

The priority activities taken up by the FATF, aimed at counteracting money laundering and financing of terrorism, covered, among other things, the mitigating the risk of using new technologies and the fight against the practice of money laundering and the financing of terrorism in relation to this service sector. The FATF focused on how to mitigate the risk of money laundering from virtual assets (including the stablecoins) and the risk of using newly emerging categories of virtual assets. As part of the aforementioned activities, the FATF published the *Guidance on risk-based approach – Virtual assets and virtual assets service providers*<sup>55</sup> and updated the *guidances for a risk-based approach based on the risk analysis in the sectors of legal professionals, the accounting profession, trust and company service providers*. The FATF also worked on the use of digital identity during the application of customer due diligence measures. In 2019, there were also new activities initiated with the participation of the private sector to analyse the financial flows from illegal wildlife trade. Substantial funds from such activities may be used for financing criminal activities. The

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<sup>51</sup> Until June 2019.

<sup>52</sup> Starting from July 2019.

<sup>53</sup> *FATF-Style Regional Bodies*.

<sup>54</sup> Terrorist Financing Risk Assessment Guidance;

<https://www.fatfgafi.org/publications/methodsandtrends/documents/terrorist-financing-risk-assessment-guidance.html>

<sup>55</sup> <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/guidance-rba-virtual-assets.html>



FATF informed the international communities about activities aimed at identifying and disrupting ISIS, Al-Qaida and affiliates financing.

In 2019, the FATF continued its activities aiming to inform the international community about threats to the security of the international financial system coming from the countries which had not sufficiently adapted their national AML/CFT systems to the international standards. To do that, the FATF published statements on *Jurisdictions with strategic AML/CFT deficiencies for which a call for action applies*<sup>56</sup> and *Jurisdictions with strategic AML/CTF deficiencies for which they have developed an action plan with the FATF* (the so-called “grey list of the FATF”).<sup>57</sup> The statements were published as a result of the efforts of the Working Group of the FATF for the International Co-operation Review (ICRG)<sup>58</sup>. The ICRG monitors not only the national AML/CFT systems of its members, but also of the members of the FSRBs. In 2019, the grey list of the FATF was extended by adding Serbia which is a member of the MONEYVAL Committee. Thanks to the efforts of all domestic bodies and to the performance of several reforms following the recommendations of the Action Plan of the ICRG, Serbia was removed from the monitoring process of the FATF/ICRG within one year and was deleted from the grey list.

To promote activities which are taken up by the FATF, the GIFI published regular information on the public declarations of the FATF on its Internet website (including the Polish translations of the statements), along with selected materials, i.e. the *Report on the review process of Brazil, Information on the activities of the FATF taken to combat ISIS financing, or the Public Statement on virtual assets and related providers*.

Being part of the delegation of the MONEYVAL Committee, representatives of the GIFI participated in the sessions of the working groups and in the plenary sessions of the FATF, which took place three times last year, as well as in the Private Sector Consultative Fora. Thus, representatives of the Polish FIU could directly participate in the works on the evaluation reports of the Member States of the FATF, the activities of the Working Groups of the organization and consultations on working documents, prepared for strengthening the identity of various entities in the field of counteracting money laundering and financing of terrorism. Thanks to the possibility of accessing the reports, materials and documents of the body, employees of the Polish FIU and of the cooperating units and obligated institutions could gain new knowledge. They will be able to use new experiences in the preparation process for the evaluation of the Polish AML/CFT system during the 5<sup>th</sup> round of mutual evaluations of the MONEYVAL Committee.

## **7.7 THE EURASIAN GROUP ON COMBATING MONEY LAUNDERING AND FINANCING OF TERRORISM (EAG)**

Poland continued its activities as an observer in the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG). The Polish delegation (composed of

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<sup>56</sup> *Jurisdictions with strategic AML/CFT deficiencies for which a call for action applies.*

<sup>57</sup> *Jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF.*

<sup>58</sup> *International Cooperation Review Group.*

representatives of the GIFI and of the Polish Financial Supervision Authority) participated in the plenary sessions of the EAG and in the meetings the working groups held two times in Moscow and Ashkhabad.

The EAG strengthened its cooperation with international organizations in the region of Eurasia. The New Development Bank<sup>59</sup> and the Bureau for the Coordination of the Fight against Organized Crime<sup>60</sup> were granted the status of an observer.

The EAG was deeply engaged in the initiatives to improve the knowledge and competences in counteracting money laundering and financing of terrorism, while cooperating with the International Training and Methodology Centre for Financial Monitoring (ITMCFM) and other organizations, as well as coordinated the organization of technical assistance for its Member States.

In 2019, the EAG organized and participated in workshops and seminars on the most current matters in relation to counteracting money laundering and financing of terrorism. In particular, while cooperating with the ITMCFM and the Training Centre of the FATF (FATF TREIN), the EAG conducted workshops on counteracting the financing of proliferation and - in cooperation with the ITMCFM and the NDB - workshops on new financial technologies (as an accompanying event of the plenary session).

The EAG completed and presented the results of the typological studies: “Financing of terrorism with the use of proceeds from crime” and “The specifics of the schemes for drugs smuggling and the legalization of drugs proceeds with the use of electronic payment instruments and crypto-currencies”. The Polish FIU joined the typological projects by making substantive contribution, which was appreciated by the EAG. The implementation of a project on the identification and assessment of the risk of money laundering and financing of terrorism in the Eurasian region was planned for the following year.

The Member States of the EAG continued mutual assessments of their systems of counteracting money laundering and financing of terrorism under the second round of evaluations based on the FATF standards of 2012. The report on the assessment of Belarus was adopted. Belarus will present its first report on the implementation of the assessors’ recommendations in 2022. Within the framework of the evaluation process, Tajikistan and Kyrgyzstan reported their progress in counteracting money laundering and financing of terrorism (within compliance enhancing procedures). Both countries will present subsequent reports in autumn 2020. Ashkhabad hosted evaluation workshops which were aimed at preparing Tajikistan for the evaluation in 2020.

In 2019, the GIFI co-organized (in cooperation with the Organization for Security and Co-operation in Europe<sup>61</sup>) technical assistance for the Member States of the EAG. On 3-5 September, the GIFI hosted representatives of the public administration of Turkmenistan, and representatives of the public administration of Uzbekistan on 28-30 October. During their study visits, the guests were made familiar with the Polish system of counteracting money

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<sup>59</sup> *New Development Bank (NDB).*

<sup>60</sup> *Bureau for the Coordination of the Fight against Organized Crime.*

<sup>61</sup> *Organization for Security and Co-operation in Europe (OSCE).*

laundering and financing of terrorism, including the role and tasks of its different institutions. The meetings were attended by representatives of certain obligated institutions.

In 2019, the EAG adopted its strategy for the years 2019-2023 and selected its management team for the years 2020-2021. Mr. Yuri Chikhanchin, Head of the Russian FIU - the Federal Financial Monitoring Service (Rosfinmonitoring) was appointed to the post of the Chairman of the EAG, while Mr. Farhod Bilolov, Head of the Tajik FIU - the Financial Monitoring Department by the National Bank of Tajikistan to the post of the Deputy Chairman.

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

In 2019, the GIFI continues its work within the Counter-ISIL Finance Group (CIFG)<sup>62</sup>, operating as one of the working groups of the Global Coalition against Daesh.

Chaired by Saudi Arabia, Italy and the United States of America, the CIFG monitored the activities of the Member States in the framework of the Group Action Plan. In order to carry out its tasks, the CIFG held two sessions in 2019 - in Manama (16-17 April 2019) and Luxembourg (19-20 November 2019).

The meetings focused on the updating of information on the military campaign against Daesh and current trends in the activities of the latter, including the methods for raising funds (inter alia through the activation of women, especially in refugee camps, the use of family members of terrorist fighters for combat actions and the so-called upbringing of next generations of fighters, the kidnapping for ransom, the trading in petroleum products, extortion, the recruitment of financial specialists to join the organizations, the entering into cooperation with representatives of financial firms and of the local administration).

The discussion also concentrated around the regionalization of organizational factions after the collapse of the caliphate, including the regional perspectives of Daesh in Africa and in the Australian-Pacific region. The regionalization determines new financing mechanisms, due to which the rationality of further efforts of the coalition against them were emphasized. Identified methods for financing ISIS affiliate groups in Africa were presented, changing financing methods in Iraq and newly implemented methods for counteracting threats were discussed. The presentation also covered the methods for combating ISIS financing networks in Europe. The implementation of Resolution of the UN Security Council No 1267 (1999) was discussed, and some best examples of the cooperation with the private sector in counteracting financing of terrorism were described.

## **7.9. BILATERAL COOPERATION**

The GIFI is allowed to exchange information with foreign partners<sup>63</sup> based on the *Act of 1 March 2018 on counteracting money laundering and financing of terrorism* (i.e. Journal of

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<sup>62</sup> *Counter-ISIL Finance Group.*

<sup>63</sup> Foreign Financial Intelligence Units, Europol, competent bodies of other countries, foreign institutions and international organizations competent for counteracting money laundering or financing of terrorism.

Laws of 2019, item 1115, as amended). Apart from the *Act*, the GIFI conducts its cooperation based on:

- *Council Decision of 17 October 2000 concerning arrangements for cooperation between financial intelligence units of the Member States in respect of exchanging information* (OJ of the EU L 271 of 24.20.2000);
- the Warsaw Convention;
- the bilateral agreements signed by the GIFI with its foreign counterparts.

### **7.9.1 COOPERATION AGREEMENTS**

The agreements on the exchange of information in relation to the fight against money laundering and financing of terrorism and the cooperation conducted based thereon correspond to the provisions of the *Warsaw Convention* (CETS 198) and to the respective standards of the Egmont Group<sup>64</sup>. The scope of the information received and disseminated, in particular the supplementary one, is dependent in each case on the subject of the inquiry and on the consistency with fundamental principles of the domestic law.

In 2019, the GIFI completed negotiations on renewing cooperation agreements concerning the exchange of information on counteracting money laundering and financing of terrorism with the FIU of Saudi Arabia (in view of significant legal and organizational changes within the FIU).

Under the applicable legal system, the GIFI's cooperates with the EU Member States in the framework of exchanging financial information on counteracting money laundering and financing of terrorism based on Article 111(1) of the AML/CFT Act. On the other hand, *Article 111(2) of the Act* allows the GIFI to make its financial information available to Financial Intelligence Units of non-EU countries on a reciprocal basis, while the exchange of information based on the Warsaw Convention takes place based on *Article 111(3) of the Act*.

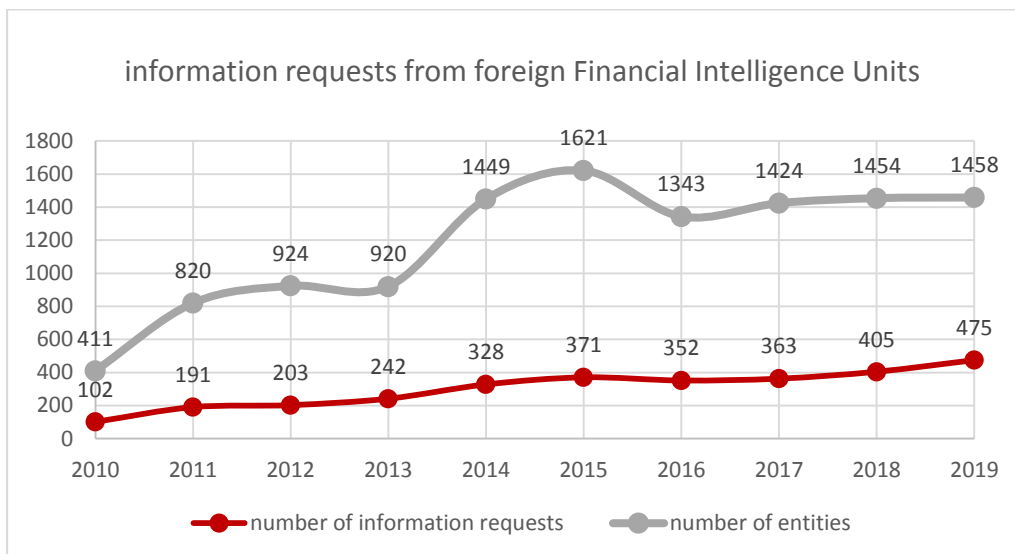
### **7.9.2 EXCHANGE OF INFORMATION WITH FOREIGN FINANCIAL INTELLIGENCE UNITS**

#### **Requests and information the GIFI received from its foreign counterparts**

In 2019, the GIFI received 475 requests from foreign FIUs concerning 1,458 entities. This implies an increase in the volume of requests by 17%, if compared with 2018, and by 365%, if compared with 2010. The number of entities being subject to the inquiries of the foreign FIUs remains at a level similar to that of 2-3 years ago. All the requests were addressed by the GIFI.

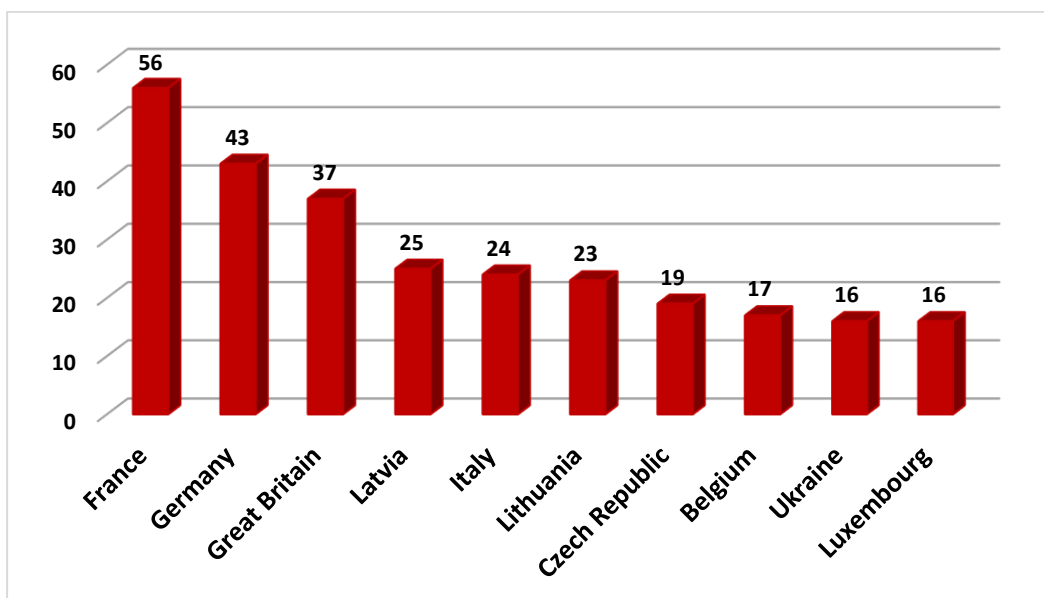
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<sup>64</sup> *Egmont Group of financial intelligence units principles for information exchange between financial intelligence units.*



Over 78% of the inquires come from the FIUs of the Member States of the European Union. The greatest volume of requests directed to the GIFI come from the Financial Intelligence Units in France, Germany and Great Britain. Of the FIUs based outside the European Union, the greatest number of information requests to the GIFI was submitted by Ukraine.

Diagram No 18. Schedule of 10 countries whose FIUs submitted the greatest volume of requests in 2019.



In 2019, the GIFI received 2 requests from Europol concerning a total of 14 entities for the first time ever. The exchange of information with Europol is based on Article 115 of the *AML/CFT Act*.

Irrespective of the requests, the foreign Financial Intelligence Units also provide the GIFI with the so-called spontaneous (ad-hoc) information concerning Polish entities or assets

which were transferred to/from the territory of Poland. The data referred to predicate offences or resulted from the analyses indicating that the mentioned transactions may be related to money laundering from financial frauds or fiscal offence or from the financing of terrorism. In 2019, the GIFI received a total of 4,107 reports, if compared with 2,844 reports during the preceding year. In this respect, it is necessary to differentiate between:

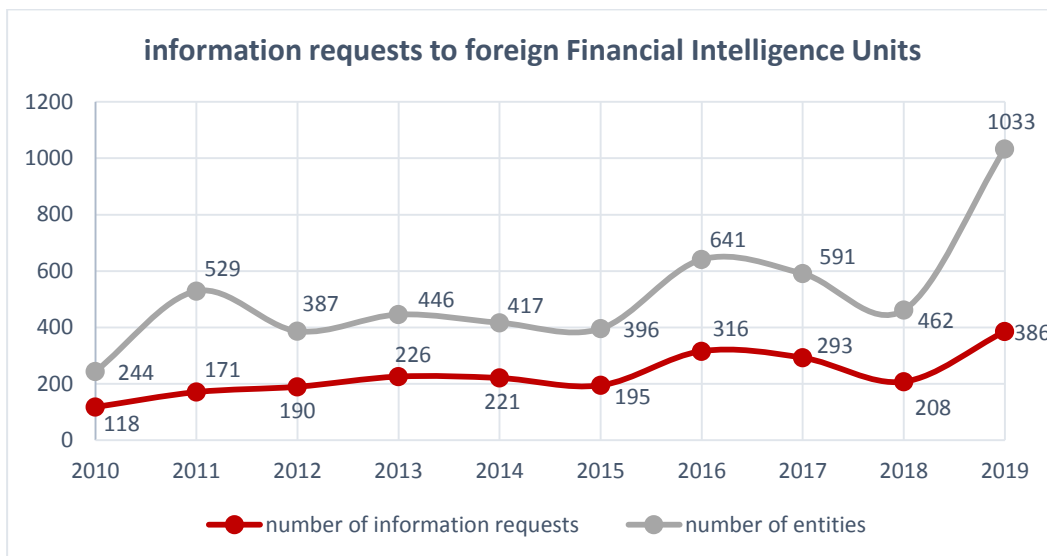
- the spontaneous information which are transferred after an analysis by another Financial Intelligence Unit - 182 reports;
- cross-border reports, in particular the reports concerning the notifications of suspicious transactions reported in other Member States in accordance with Article 53(1)(3) of *Directive 2015/849* - 3,922 reports;
- other information provided by foreign Financial Intelligence Units or foreign institutions and organizations competent for counteracting money laundering or financing of terrorism - 3 reports.

The greatest volume of information was submitted by the Units of the following countries:

Country	Number of reports
The Netherlands	3,595
Luxembourg	211
Germany	95
Czech Republic	38
Slovakia	25
Austria	23
Malta	20
France	15
Latvia	11
Hungary	9

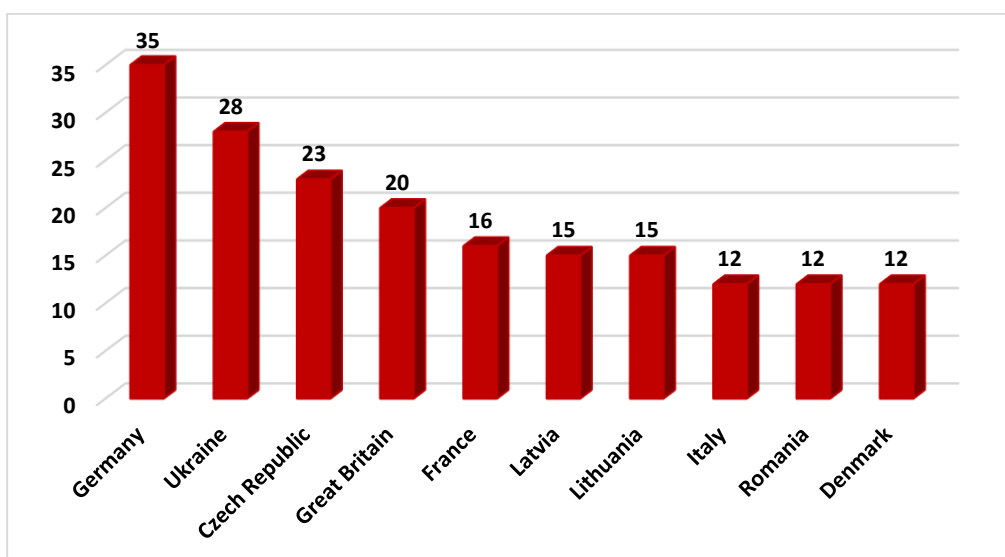
**Requests and information the GIFI submitted to its foreign partners**

In 2019, the GIFI submitted a total of 386 information requests concerning 1,033 entities, of which 281 requests (73%) were submitted to the Member States of the European Union. One request was also submitted to Europol. The number of requests increased by 86% against the preceding year and corresponds to the highest number of requests the GIFI submitted during the last 9 years (an increase by 227%, if compared with 2010).



In relation to the conducted analytical proceedings, the GIFI cooperated mostly with the FIUs in Germany, Ukraine, the Czech Republic, Great Britain and France. The information obtained from abroad is used above all to verify whether the parties to transactions, which the obligated institutions and cooperating units find suspicious, are known to the Financial Intelligence Unit in relation to the suspicion of the offence of money laundering, financing of terrorism or participating in any other criminal activity. Furthermore, the GIFI receives the data and information on financial flows, which makes it possible to establish where the transfers of funds to Poland originate from or where the funds are transferred afterwards.

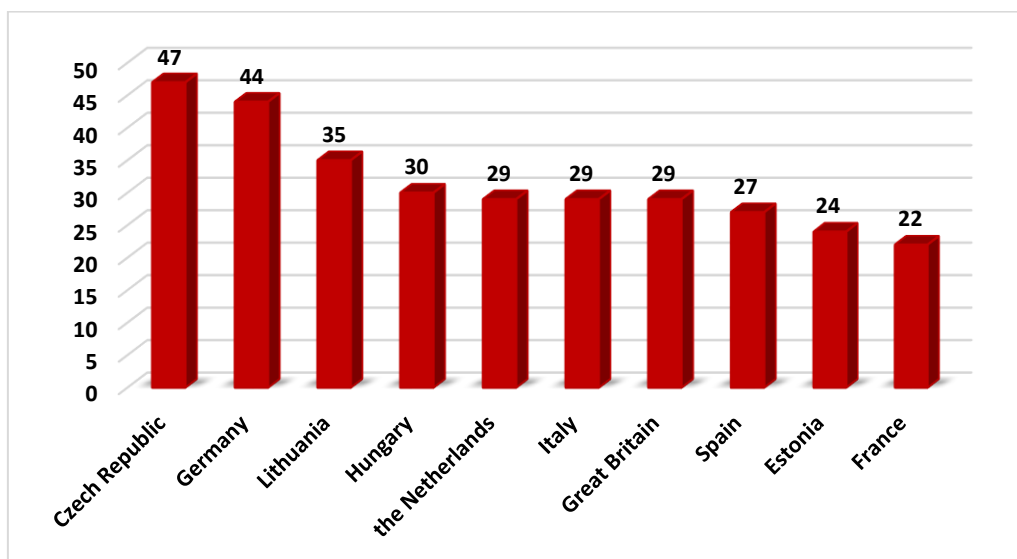
*Diagram No 19. Schedule of 10 countries - foreign FIUs to which the GIFI submitted the greatest volume of requests in 2019.*



## Cross-border report on other Member States

Acting under Article 112(3) of the AML/CFT Act, the GIFI submitted to foreign Financial Intelligence Units of the European Union a total of 475 reports on notifications concerning other Member States<sup>65</sup> in 2019. The reports referred to 1,390 entities in total. Most of the reports were transmitted to the FIUs in the Czech Republic, Germany, Lithuania, Hungary, and the Netherlands. The least number of reports was submitted to the Greek FIU - 1 report.

*Diagram No 20. Schedule of 10 countries - foreign FIUs to which the GIFI submitted the greatest volume of notifications under Article 112(3) in 2019.*



### 7.9.3 EVALUATION MISSION BY EXPERTS OF THE COUNTER-TERRORISM COMMITTEE OF THE UN

On 9-13 December 2019, Poland hosted a delegation of the Counter-Terrorism Committee Executive Directorate of the UN<sup>66</sup>. This is an implementing body of the Counter-Terrorism Committee of the UN<sup>67</sup>, which was appointed by Resolution of the UN Security Council No 1373(2001) and whose tasks include monitoring the implementation of the Resolution.

The visit of the CTED to Poland has the following objectives: experts of the CTED were to (1) review the implementation of the obligations resulting from certain resolutions of the UN Security Council concerning the counteracting of terrorism and financing of terrorism, (2) analyse the capacities of Poland to implement the obligations, (3) identify areas in which Poland could make use of the technical assistance for a better implementation of resolutions, and (4) formulate recommendations on activities Poland should take to implement the resolutions more effectively.

<sup>65</sup> Counted as reports transmitted to one single foreign Financial Intelligence Unit.

<sup>66</sup> The Counter-Terrorism Committee Executive Directorate (CTED)

<sup>67</sup> The Counter-Terrorism Committee (CTC).



The GIFI coordinated the preparation for the part of the visit which focused on the framework of the system of counteracting money laundering and financing of terrorism and operational tools to counteract financing of terrorism. During the session held in the seat of the Ministry of Finance on 11 December 2019, the experts of the CTED held a meeting with representatives of the GIFI, the National Revenue Administration, the Minister of the Interior and Administration (including the Police), the Minister of Justice, the Minister of Foreign Affairs, the ABW Anti-Terrorist Centre, the Chancellery of the President of the Council of Ministers and the Polish Financial Supervision Authority. They had a comprehensive discussion on changes to the criminal law concerning the financing of terrorism, analytical proceedings and results of the analyses performed by the GIFI, the cooperation at national level with law enforcement authorities and other bodies responsible for counteracting money laundering and financing of terrorism, the exchange of information with foreign Financial Intelligence Units, the control of the obligated institutions, including the correct application of specific restrictive measures, and the implementation of Resolution No 1373(2001).

Upon the end of the visit, Poland received the document entitled *“Preliminary Assessment and Observations of the Counter-Terrorism Committee on its comprehensive visit to the Republic of Poland”* which briefly assessed the effectiveness of the implementation of Resolution No 1373 in Poland (and of certain following resolutions on counteracting terrorism and financing of terrorism) and specified areas for improvement. The evaluation mission will be completed by a comprehensive report on the implementation of certain resolutions of the UN concerning the counteracting of terrorism and financing of terrorism in Poland.

## **7.10. OTHER INTERNATIONAL INITIATIVES**

### **7.10.1 AID PROJECT FOR THE UKRAINIAN FIU**

In 2019, the GIFI was once again involved in the performance of the Development Cooperation Plan by continuing its technical assistance for the Financial Intelligence Unit in Ukraine under the project entitled “Strengthening the Ukrainian system of counteracting money laundering and financing of terrorism”.

The support (financed from the special reserve for the Programme entitled *“The implementation of the Polish cooperation programme for the development and support of the international cooperation for democracy and civic society”*) consisted in the organization of a study visit of representatives of the Ukrainian public administration to Poland and of meetings in Ukraine with the participation of representatives of the Polish Financial Intelligence Unit.

The meetings with the Ukrainian representatives in Kiev on 22-26 October 2019 were an occasion to present activities and experiences concerning the assessment of the technical compatibility and of the effectiveness of the Ukrainian system of counteracting money laundering and financing of terrorism by the MONEYVAL Committee during the 5<sup>th</sup> round of mutual evaluations of the Member States, the implementation of the recommendations of the Committee’s experts in Ukraine, and the following report on Ukraine’s progress in this respect. Furthermore, Ukraine received materials on the preparation of the National

Assessment of the Risk of Money Laundering and Financing of Terrorism in Poland, the sector-based risk assessment by the obligated institutions and the strengthened cooperation with the cooperating units based on the results of the National Assessment of the Risk of Money Laundering and Financing of Terrorism.

On 18-22 November 2019, representatives of the Ukrainian public administration paid a study visit to Poland under the assistance project. The visit concentrated above all on the cooperation between the Financial Intelligence Unit and the cooperating units, in particular the National Revenue Administration and the CBA, new trends in money laundering and financing terrorism, regulations and practical aspects of the functioning of crypto-currencies in Poland and the cases in which the Polish FIU had detected a practice of money laundering with the use of the crypto-currencies. Furthermore, the meetings were also used to discuss the gathering of data by the Polish FIU and the use of data bases and software for statistical analyses and new provisions on the Central Register of Beneficial Owners and practices of the obligated institutions by the identification of a beneficial owner.

### **7.10.2. TWINNING PROJECT FOR MOLDOVA**

In December 2018, a Lithuanian-Polish-German consortium launched an EU twinning project for the Republic of Moldova under the heading *“Strengthening the system of counteracting money laundering and financing of terrorism in the Republic of Moldova”*.

The twinning project is a joint initiative of the Office for the Prevention and Fight against Money Laundering in the Republic of Moldova (Project Beneficiary), the Financial Investigation Service of the Ministry of the Interior of the Republic of Lithuania (Project Lead Partner), the Polish FIU (Junior Project Partner) and the University of Public Administration in Bremen, Germany (Junior Project Partner). The project is managed by the Lithuanian Central Project Management Agency.

During a period of 36 months, Lithuanian, Polish and German experts in cooperation with Moldovan bodies and services of the Financial Intelligence Unit, the Prosecutor’s Office, the General Police Inspectorate, the Tax and Customs Service, the National Bank and courts will implement different measures to strengthen the Republic of Moldova in its fight against money laundering and financing terrorism under seven thematic components.

Under 4 components of the project activities in which Polish experts were involved, mainly representatives of the GIFI, there were 16 expert missions in total, dedicated to strengthening the national legal system of Moldova in the area of counteracting money laundering and financing of terrorism, strengthening the controls of obligated institutions, facilitating analytical proceedings and strengthening the capacities to cooperate and exchange information between competent services in the fight against financing of terrorism.

Under component 4 concerning the controls of obligated institutions, a group of Moldovan civil servants paid a study visit to Poland on 19-23 August 2019. During their five-day stay, the Moldovan guests held meetings with representatives of the GIFI, the Polish Financial Supervision Authority, the National Bank of Poland and the Cracow Association of Notaries Public and other bodies, which discussed the role of their institutions within the Polish AML/CFT system.

### **7.10.3. COOPERATION UNDER THE AID PROGRAMMES OF THE EUROPEAN UNION (TAIEX, EU ACT) AND OF OTHER INTERNATIONAL ORGANIZATIONS**

#### **TAIEX Programme**

On 14-16 October 2019, a representative of the GIFI participated in an expert mission as part of the TAIEX Programme of the European Commission in Kiev (Ukraine). The three-day workshops focused on counteracting money laundering and financing of terrorism in securities markets. The Polish expert presented the role of the GIFI within the Polish system of counteracting money laundering and financing of terrorism in the area of securities markets, including particularly the cooperation between the GIFI and the Polish Financial Supervision Authority.

On 21-23 October 2019, a representative of the GIFI held a speech during the workshops organized under the TAIEX Programme in Tirana (Albania) and discussed the counteracting of VAT fiscal offences. The expert of the GIFI presented the actions Poland had taken to close the VAT gap and the cooperation between the GIFI, the National Revenue Administration and law enforcement authorities in the fight against fiscal offences.

As part of the TAIEX Programme in 2019, a representative of the GIFI participated in the project entitled “*Expert Mission on Free Movement of Capital – Anti-money Laundering*” for the so-called Turkish Republic of Northern Cyprus, while conducting trainings and lectures for the Financial Intelligence Units of the so-called Turkish Republic of Northern Cyprus, representatives of the obligated institutions (banks, insurance firms) and cooperating units (the prosecutor’s office, the Police and tax office). The aim of the project is to promote the EU’s good practice in counteracting the practice of money laundering and financing of terrorism through the presentation and implementation of current legal provision in the framework of *Directive 2018/843*. In 2019, the representative of the GIFI completed 6 missions under the project.

#### **Cooperation with the EUAM and the OSCE**

On the invitation of the European Mission Advisory Mission (EUAM)<sup>68</sup> in Ukraine, a representative of the GIFI participated in two-day workshops for bodies of the Ukrainian public administration competent for the fight against money laundering and financing of terrorism. During the meeting, the representative made its participants familiar with the activities of the Polish FIU in the implementation of new UE regulations, the cooperation and exchange of information with domestic institutions and the international cooperation, among other things. The workshops took place in Kharkiv on 28-29 May 2019.

On 3-5 September 2019, Poland hosted a delegation of Turkmenian public servants. The study visit was organized by the OSCE Office in Ashkhabad. During their stay in Poland, the civil servants from Turkmenistan could learn best practices concerning the cooperation between the institutions competent for counteracting money laundering and financing of

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<sup>68</sup> *European Union Advisory Mission.*

terrorism in Poland. The guests held a meeting with experts of the GIFl, the Polish Financial Supervision Authority and of selected obligated institutions.

On 28-30 October 2019, the GIFl hosted a delegation of the administration of Uzbekistan. The visit was organized under a project of the OSCE Office in Uzbekistan to support the authorities of the state in the implementation of an effective policy for counteracting money laundering and financing of terrorism. During their 3-day stay, the civil servants from Uzbekistan participated in presentations of the Polish Financial Intelligence Unit and of the Polish Financial Supervision Authority and of selected obligated institutions. During the meetings, they talked about the Polish national assessment of the ML/FT risk, the inter-institutional cooperation or IT tools used by the GIFl.

#### **7.10.4 BILATERAL AND MULTILATERAL COOPERATION OF THE FIUs**

##### **Visit of representatives of the FIU of Saudi Arabia to Poland**

On 12 March 2019, the GIFl hosted representatives of the FIU of the Kingdom of Saudi Arabia during their visit to Poland. During the two-day meeting, representatives of the GIFl presented the Polish system of counteracting money laundering and financing of terrorism and the role of the Polish FIU. Members of the delegation of Saudi Arabia presented system-based changes in relation to the fight against money laundering and financing terrorism in their country. Both parties agreed on renewing a working agreement on the cooperation in the exchange of financial information in the area of money laundering and financing of terrorism. This resulted from the fundamental reforms which the FIU of Saudi Arabia was subject to. The new agreement replaced the former one of 12 July 2011.

##### **Regional workshops of the FIUs from Central and Eastern Europe**

On 28-29 May 2019, representatives of the GIFl participated in regional workshops of the partnership FIUs, organized by the Slovenian FIU with the participation of heads and experts of the FIUs in the Czech Republic, Slovakia and Hungary. The two-day meeting was used to exchange of experiences in new customer identification methods and their development possibilities and to discuss the cooperation between the FIUs and domestic bodies in the light of the proposed *Directive laying down rules facilitating the use of financial and other information for the prevention, detection, investigation or prosecution of certain criminal offences*. The discussion also focused on a concept of a European Financial Intelligence Unit and on trends, typologies and practices of the use of virtual currencies. New trends and typologies of money laundering within the activities of fictitious firms run by foreign nationals and by granting micro-loans from the EU structural funds were also analysed. The workshops take place on an annual basis, and are organized by one of the aforementioned Financial Intelligence Units. Their aim is to exchange experiences and strengthening the operational cooperation between the Financial Intelligence Units in Poland, Austria, the Czech Republic, Slovakia, Slovenia and Hungary. Last year's workshops were not attended by the Austrian Unit as an exception.

##### **“NO MONEY FOR TERROR” Conference**

Having been invited by the Austrian Government, representatives of the GIFI participated in the second edition of the high-level international conference entitled “NO MONEY FOR TERROR”, which took place in Melbourne on 7-8 November 2019. The conference is an answer of the international community to the increasing risk of terrorism and of financing of terrorism.

Over 65 delegations, including 23 ministers, representatives of 15 international bodies (the Organization of the United Nations, the FATF and regional bodies similar to the FATF) and of the private sector discussed the key threats, trends and methods for financing terrorism by presenting best practices in the fight against such crimes and by promoting the cooperation between the private and public sectors. The Polish FIUs also spoke during the discussion at this important international forum. Its participants agreed on the promotion of the international and regional cooperation and on enhancing the global capacities to counteract the financing of terrorism.

## 8. APPLICATION OF SPECIFIC RESTRICTIVE MEASURES

In accordance with Recommendation 6 of the FATF, states are obliged to immediately implement financial sanctions against the individuals and entities specified by the UN Security Council based on Resolution No 1267 (1999) and No 1373 (2001). To speed up the flow of information on the updating of the lists of sanctions by the Security Council, **the GIFI launched a special newsletter** to inform about ongoing changes to the lists. It is targeted mainly at the obligated institutions which are obliged to freeze assets of the individuals and entities subject to sanctions based on Article 118(1)(1) of the AML/CFT Act. The newsletter subscription form is available on the Internet website of the Ministry of Finance, under the GIFI activities tab.

On its Internet website, the GIFI also published a downloadable data file concerning the individual and entities against which specific restrictive measures are applied based on the aforementioned provisions. The file is updated automatically, which enables its users to access the latest sanction lists.

In 2019, the GIFI informed the obligated institutions and cooperating units about the principles under which specific restrictive measures should be applied, including during direct meetings. **A dedicated e-mail address - [srodkiograniczajace@mf.gov.pl](mailto:srodkiograniczajace@mf.gov.pl)** - was also launched to receive queries concerning the application of specific restrictive measures. The GIFI continued answering the queries of the obligated institutions concerning the performance of the obligations resulting from the application of specific restrictive measures.

During 2019, the GIFI did not receive any notification about a freezing or blocking of assets. However, it received 3 notifications about transactions with the participation of entities whose business names or surnames were similar to the business names or surnames of the entities entered in the sanction lists or were related to such entities.

## 9. THE FINANCIAL SECURITY COMMITTEE

During 2019, the Committee focused its activities on preparing the National Assessment of the Risk of Money Laundering and Financing of Terrorism (hereinafter referred to as the “National Risk Assessment”). In accordance with Article 25 of the AML/CFT Act, the National Risk Assessment is prepared by the GIFI in cooperation with the Committee, cooperating units and obligated institutions. Members of the Committee prepared appropriate sections of the document within their competences, familiarized themselves with the methodology for preparing the document and analysed and discussed its content. Acting under *Article 19(2) of the AML/CFT Act*, the Committee favourably assessed the content of the National Assessment of the Risk of Money Laundering and Financing of Terrorism by resolution.

The Committee was also engaged in working on a strategy for counteracting money laundering and financing of terrorism. During its sessions, the Committee discussed in particular the manner for cooperating with the cooperating units by the elaboration of the strategy, the time horizon for its implementation, the level of detail of the activities to be specified therein, the timetable for their performance, as well as the manner for providing funds for their performance.

The Committee additionally dealt with the supplementary justified opinion of the European Commission which questioned the transposition of certain provisions of *Directive 2015/849* to the Polish legal system. The opinion was issued under the proceeding of the European Commission under *Article 258 of the Treaty on the Functioning of the European Union*. In particular, the Committee discussed *the draft Act on amending the Act of 1 March 2018 on counteracting money laundering and financing of terrorism*, which amended the aforementioned statute to the extent the General Inspector found the objections raised in the justified opinion to be justified. Having analysed the justified opinion of the European Commission and the draft amendments to the AML/CFT Act, the Committee adopted an opinion on the need to amend the provisions within the scope proposed by the GIFI by resolution. Furthermore, members of the Committee referred to appropriate facts and provisions concerning the content of the justified opinion within their competences so that the General Inspector could quote them in its answer to the justified opinion to the European Commission.

The members of the Committee were also provided with information on the principles for Poland’s evaluation by the MONEYVAL Committee planned for 2020, and were informed about the current status of the preparation for the evaluation on an ongoing basis. Additionally, representatives of the GIFI made the members of the Committee familiar with the principles under which information is exchanged between the FIUs across the European Union with the use of the ma<sup>3</sup>tch technology. The Committee also started a debate on technical and legal possibilities to use a similar system for exchanging information at national level.

At the request of the member of the Committee nominated by the Head of the CBA, the Committee worked on the *Special Report of the CBA - Proposed amendments to the law to strengthen the security of the economic and financial trading*. The members of the Committee expressed their opinions on the proposed amendments by reporting comments in writing and during the session.

In 2019, the Committee held 4 sessions in total and 1 meeting with the participation of selected members of the Committee, which was not a session due to the non-existence of the quorum required by the Rules and Regulations of the Committee.

During 2019, the Committee appointed two working groups:

- 1) *The Working Group for the identification and analysis of information and documents to perform the obligation mentioned in Article 26 of the Act of 1 March 2018 on counteracting money laundering and financing of terrorism*. The Working Group was appointed to speed up the preparation of the National Assessment of the Risk of Money Laundering and Financing of Terrorism. The Group continues its activities due to the necessity to update the National Risk Assessment, among other things, based on the results of the Supra-national Assessment of the Risk of Money Laundering and Financing of Terrorism updated by the European Commission in July 2019, and based on new areas of threats as indicated by the Egmont Group;
- 2) *The Working Group for the cooperation of the public, private and public-private sectors*. The Working Group was appointed to create a forum for strengthening cooperation with the private sector in the field of counteracting money laundering and financing of terrorism. The Group may also perform its tasks by exchanging concepts, analyses and training materials and by organizing joint conferences, workshops and trainings. In 2019, one of the sessions of the Group focused on pre-paid cards.



## 10. NATIONAL ASSESSMENT OF THE RISK OF MONEY LAUNDERING AND FINANCING OF TERRORISM

In July 2019, the General Inspector of Financial Information published the National Assessment of the Risk of Money Laundering and Financing of Terrorism, upon its consultations with the Financial Security Committee (FSC) and upon its acceptance by the Minister of Finance.

The final version of the National Risk Assessment was prepared mainly by the *Working Group for the identification and analysis of information and documents to perform the obligation mentioned in Article 26 of the Act of 1 March 2018 on counteracting money laundering and financing of terrorism*, which was appointed by the Financial Security Committee in early 2019. External experts also played an active part in its activities.

To prepare the National Risk Assessment, several types of data and information on different areas were considered and examined, concerning directly or indirectly the matter of money laundering and financing of terrorism. The National Risk Assessment referred to the threats resulting from predicate offence and to the products and services available on and outside the financial market. It additionally described the most frequent practices of money laundering or financing of terrorism. Annex No 2 to the National Risk Assessment contained potential scenarios of the risk of money laundering, while Annex No 3 described potential scenarios of the risk of financing of terrorism with the use of the products and services available on and outside the financial market.

The description of the determinants of the risk of money laundering and financing of terrorism also referred to legal regulations and their non-existence and to the operational practice of individual components of the national system of counteracting money laundering and financing of terrorism (NSCMLFT).

In 2019, the GIFI started working on a strategy for counteracting money laundering and financing of terrorism. Article 31(1) of the *AML/CFT Act* states that the strategy should define an action plan to reduce the risk of money laundering and financing of terrorism. Once assessed by the Financial Security Committee and accepted by the Minister of Finance, the strategy will be submitted for consideration to the Council of Ministers which will adopt it by resolution.

The strategy will be prepared based on the National Risk Assessment, in particular the conclusions formulated therein. They refer to 4 areas, i.e.

- the supplementation of legal regulations,
- the development of trainings (both for employees of the Polish Financial Intelligence Unit and of the cooperating units and obligated institutions),
- the exchange of information (in particular with the use of IT system),
- the generation of data to objectively assess the effectiveness of the NSCMLFT.

A draft strategy was prepared by the end of 2019. The draft will be improved and supplemented further during 2020. To do that, the amendment of the supra-national assessment of the risk of money laundering and financing of terrorism, published by the European Commission in late July 2019, will be taken into account.

## 11. LEGAL ACTIVITY

During 2019, the legal activities of the GIFI particularly focused on the communication with the obligated institutions and cooperating units and were based on the ongoing publishing of the knowledge about the provisions on counteracting money laundering and financing of terrorism in the Public Information Bulletin, on the Internet website of the office of the minister competent for public finance, in the form of Communications of the GIFI.

Due to the fact that the correctness of the implementation of *Directive 2015/849* was subject to a proceeding of the European Commission based on Article 258 of the *Treaty on the Functioning of the European Union* (infringement No 2017/041)<sup>69</sup> in 2019, the GIFI was engaged in devising the draft answer of the Republic of Poland to a supplementary justified opinion the European Commission issued under Article 258 of the Treaty on the Functioning of the European Union due to the failure to adopt statutory and administrative regulations to implement *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*, as well as in the elaboration of the *draft Act on amending the Act on counteracting money laundering and financing of terrorism* for the complete and correct implementation of the aforementioned *Directive 2015/849* into the Polish legal system.

The legislative process resulted in the *Act of 16 October 2019 on amending the Act on counteracting money laundering and financing of terrorism (Journal of Laws item 2088)*, which entered into force on 30 November 2019.

In 2019, the GIFI also focused on elaborating legal and legislative solutions to implement *Directive 2018/843* into the domestic legal system.

In November 2019, a draft *Act on amending the Act on counteracting money laundering and financing of terrorism and certain other acts* was submitted for internal consultations within the Ministry of Finance. The aforementioned draft Act was intensively worked on until the end of the year, including a major part of the comments reported at that stage.

The GIFI was also responsible for issuing opinions of draft normative acts falling under its competences.

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<sup>69</sup> During the proceeding, the European Commission issued a supplementary justified opinion in which it questioned the transposition of several provisions of *Directive 2015/849* into the domestic legal system. The review of the national provisions on counteracting money laundering, which were adopted to transpose *Directive 2015/849*, revealed that some sections of the *Act* should be amended to ensure the transparency needed to apply and implement the EU law in a correct manner. The Republic of Poland expressed its readiness to amend the act in the response to the supplementary justified opinion of the European Commission.

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General Inspector of Financial Information