Analysis

of statistical data feeds from entities supervised by the Polish Financial Supervision Authority for the purposes of National Risk Assessment - NRA

September 2018

Contents:

1. Introduction

In view of the obligation imposed on the General Inspector of Financial Information (hereafter the GIFI) to produce a national assessment of the risk of money laundering and financing of terrorism, the Office of the Polish Financial Supervision Authority (hereafter UKNF) has reviewed the main directions of cash flows to and from the Polish financial system, as well as the origins of non-residents using that system.

2. Scope of data and assumptions for the analysis

Considering the performance of the tasks specified in the notice from the GIFI (ref. IF10.033.1.2017) of 26 July 2017 concerning collection of a broad range of information from various categories of entities, presenting the performance of their tasks within the framework of the national system for prevention and counteracting money laundering and financing of terrorism, on 23 April 2018 the Polish Financial Supervision Authority issued a notice to the obliged institutions (hereafter the Institutions or the OIs) under the supervision of the PFSA, (ref. DIB.WPP.072.30.2018., hereafter the notice) concerning transmission of statistical data on the number and countries of origin of non-residents for which accounts were operated by the Institutions, divided by country (two-letter ISO-3166 country code - number of non-residents) as at 31 March 2018 and/or transmission of statistical data on the total value of cross-border transfers of funds executed in 2017, according to the following model:

1. Incoming transfers: two-letter ISO-3166 country code identifying the country of origin of these transfers, together with the aggregated value of incoming transfers in 2017, translated into PLN at the average rate of exchange published by the National Bank of Poland as at 31 December 2017;
2. Outgoing transfers: two-letter ISO-3166 country code identifying the country of destination of these transfers, together with the aggregated value of outgoing transfers in 2017, translated into PLN at the average rate of exchange published by the National Bank of Poland as at 31 December 2017.

The data was transmitted by electronic means. The intended recipients of the letters concerned, and the scope of requested data is shown in *Table 1* below.

Table 1. Information requested by the Office of the PFSA, broken down into particular Institutions

Notice recipients	**Information on transfers of funds**	**Information on the number of non-residents**
Board Presidents of Commercial Banks[1]	Yes	Yes
Krakowski Bank Spółdzielczy	Yes	Yes
Bank Spółdzielczy w Brodnicy	Yes	Yes
Directors of Branches of Credit Institutions	Yes	Yes
Board Presidents of National Payment Institutions	Yes	Yes
Board Presidents of Investment Companies	No	Yes
Board Presidents of Investment Fund Companies	No	Yes

[1] Of which: BPS S.A. and SGB Bank S.A.

Board President of National Cooperative Savings and Credit Union (SKOK)	Yes	No

Source: Own research

To verify the acquired data, the values were compared to numerous external sources, including the statistics presented in the publications of the Statistics Poland (hereafter GUS) and the National Bank of Poland (hereafter NBP), as well as the information contained in reports from the Ministry of Entrepreneurship and Technology (hereafter ME&T).

3. Selection of analytic sample and the criteria adopted for review

All the Institutions were required to provide information about the events subject to the reporting obligation. It seems reasonable to note that the national payment institutions (hereafter KIP) do not execute cross-border transfers by themselves and have to buy such services from commercial banks; therefore, a decision was made to exclude the statistics obtained from KIP in this respect for the purposes of the present study. It should be noted that had a different approach been adopted, the analysis could have involved a certain threshold of statistical error, resulting from possible duplication of data transmitted simultaneously by KIP and by commercial banks. The information provided by KIP concerning holders of payment accounts was subject to separate, full-ranged evaluation.

In this study, negligible amounts[2] up to approx. PLN 2,000 on average were disregarded, for reason of the minor effect such data has on the overall values of the amounts under consideration.

Data derived from Cooperative Savings and Credit Unions (hereafter SKOK) was transmitted by the National Cooperative Savings and Credit Union (hereafter the National Credit Union). In accordance with the information received from the National Credit Union, it does not deal with outgoing cross-border transfers, while its incoming transfers are transmitted by NBP, which receives cross-border payment orders to a dedicated SWIFT number. These orders are converted into PLN by NBP and transmitted to the National Credit Union in PLN, while the country code is included in the sender's name, which prevents the National Credit Union from distinguishing specific transfers by country. In light of the above specified limitations and the scale of SKOK transactions as against the entire financial sector being relatively low (the aggregate value of outgoing cross-border transfers is approximately 37.7 million PLN), the data referred to above were excluded from further analysis.

Cooperative banks were analysed on the basis of data reported by the associating banks, i.e. BPS S.A. and SGB S.A.

[2] For the purposes of this paper, a negligible amount means an amount up to approx. PLN 2,000 on average, with a simultaneous verification of non-fulfilment of any of the following criteria by the respective transfer:

- an outgoing or incoming cross-border transfer to/from *ISIS* countries and neighbouring countries, excluding Israel,
- an outgoing cross-border transfer involving countries and territories recognized as tax havens,
- an outgoing cross-border transfer involving countries and territories recognized as high-risk territories,
- an outgoing cross-border transfer involving countries and territories recognized as high-risk territories requiring continuous monitoring in accordance with the FATF recommendations,

as specified on page 6 of this paper.

Based the statistics provided by the Institutions, it was possible to determine the main cash flow directions into and outside the Polish financial system, as well as the places of origin of non-residents using such cross-border transfers offered by the Polish financial system. Considering the scale of gathered information and the awareness of the need to most accurately represent the trends prevailing during the study period and to identify the potential threats, the following criteria were selected for the purposes of this analysis, which were then studied in detail:

1. Countries with the highest total value of outgoing cross-border transfers from Poland;
2. Countries with the highest total value of incoming cross-border transfers to Poland;
3. Countries with the lowest total value of outgoing and incoming cross-border transfers from/to Poland;
4. Countries with the highest total number of non-residents involved in relationships established by OIs;
5. Outgoing and incoming cross-border transfers to/from *ISIS* countries and neighbouring countries, excluding Israel;
6. Outgoing cross-border transfers involving countries and territories recognized as tax havens;
7. Outgoing cross-border transfers involving countries and territories recognized as high-risk territories under the delegated regulations of the Commission (EU);
8. Outgoing cross-border transfers involving countries and territories recognized as high-risk territories requiring continuous monitoring in accordance with the FATF recommendations;
9. Other potentially reasonable criteria in the perspective of the unique characteristics of the Polish economy.

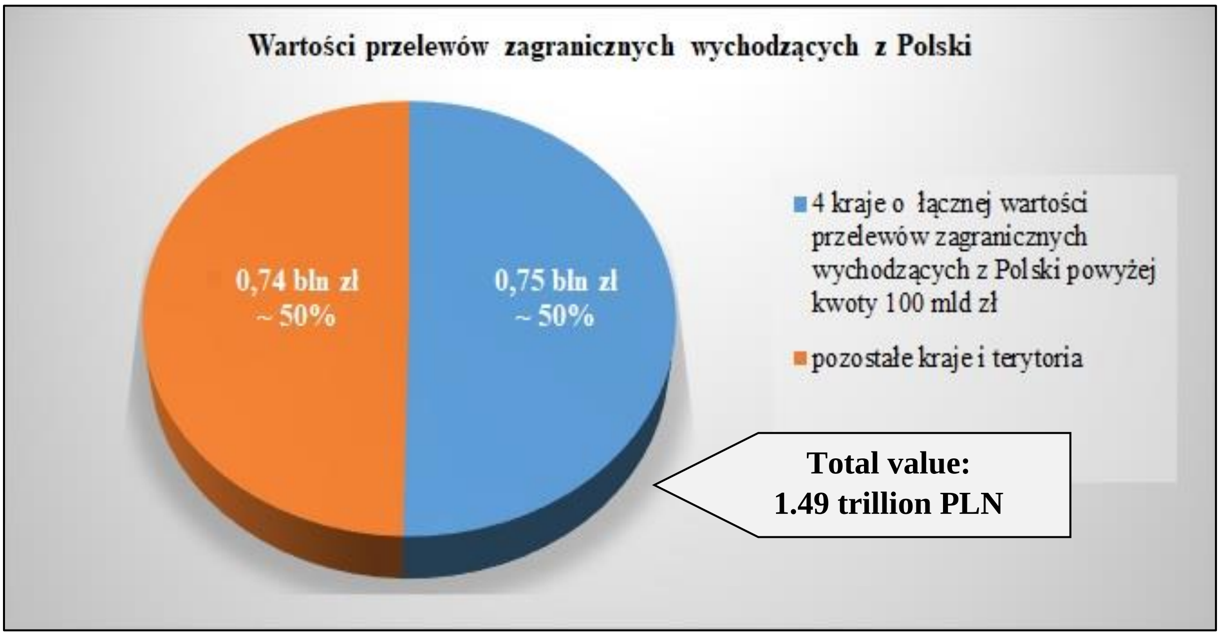
4. Analysis of received statistical data

Through aggregation of the statistics provided by the Institutions, a comprehensive database was set up, containing the information requested in the notice. The database concerned, employing a broad range of filters and sorting options, was used as a source of knowledge of the directions of cash flows within the Polish financial system. This chapter presents the characteristics of the statistics, divided by the particular criteria.

4.1. Criterion 1: Countries with the highest total value of outgoing cross-border transfers from Poland

The purpose of applying criterion 1 was to select those areas of all the countries and territories worldwide to which funds are transferred from Poland in the highest aggregate amount. The assumption was made that special analysis will cover those countries for which the overall value of outgoing cross-border transfers exceeds 100 billion PLN. The case behind the selection of this criterion is supported by the fact that, according to the data received from the Institutions, the aggregate value of all the outgoing cross-border transfers from Poland in 2017 was at approx. 1.49 trillion PLN, while the aggregate value of outgoing cross-border transfers exceeding 100 billion PLN represents approximately 50% of the aggregate value of outgoing cross-border transfers from Poland. The above specified percentages are shown on *Diagram 1* below.

Diagram 1. Values of outgoing cross-border transfers from Poland



Source: Own research

Remarks to Diagram 1:

- in blue – 4 countries showing aggregate value of outgoing cross-border transfers exceeding 100 billion PLN
- in orange – other countries and territories
- bln (in Polish) - trillion

The countries showing aggregate values of outgoing cross-border transfers from Poland in excess of 100 billion PLN are presented on *Diagram 2* below. Number 5 on the list (following Germany, the United Kingdom, Sweden and the Netherlands) of the highest aggregate values of cash transferred outside Poland are the United States of America, where the approximate amount is 85.31 billion PLN. The following countries rank further on the list, respectively: Finland, France, Italy, and Denmark.

Diagram 2. Countries with outgoing cross-border transfers from Poland in excess of 100 billion PLN (data in billion PLN)

Source: Own research

Remarks to Diagram 2:

- Countries in descending order: Germany, United Kingdom, Sweden, the Netherlands

The countries shown on *Diagram 2* correspond to a significant extent with the countries presented in the GUS publication of 12 January 2018 concerning commodity turnovers in foreign trade for the period from January to November 2017.[3] In accordance with the presented data, the value of import in the presented period at current prices was at 794,712.0 million PLN[4], while the values of foreign trade turnovers by major countries (top 10 countries by turnover value, in descending order) were the following: Germany, China, Russia, Italy, France, the Netherlands, Czech Republic, the United States, Belgium, the United Kingdom. The GUS data supports the case concerning the positions of Germany, the United Kingdom and the Netherlands, ranking among the top 4 countries for which the aggregate values of outgoing transfers from Poland exceeded 100 billion PLN. Furthermore, the received statistics match Poland's trade balance, according to which the value of Poland's net direct foreign investment liabilities as at the end of 2016 amounted to 778.7 billion PLN, while the balances of liabilities relating to such investments were highest for investors from the Netherlands, Germany, Luxembourg, and France[5]. Sweden's high rank is further supported by the fact that Scandinavian companies are among the largest investors in Poland,[6] the third largest group of foreign businesses, while Sweden as a country continued to be the largest investor in the

[3] *Commodity turnovers in foreign trade, aggregated and broken down by country, during the period from January to November 2017*, Statistics Poland (GUS), *https://stat.gov.pl/obszary-tematyczne/ceny-handel/handel/obroty-towarowe-handlu-zagranicznego-ogolem-i-wedlug-krajow-w-okresie-styczen-listopad-2017-roku,1,64.html?pdf=1*, access date: 2018-08-31

[4] See above.

[5] *Direct foreign investments in Poland in 2016*, the National Bank of Poland (NBP), *https://www.nbp.pl/publikacje/zib/zib_2016_n.pdf*, access date: 2018-09-01

[6] *The effects of foreign investment. Impact on Poland's economy during the last 25 years*, *http://bpcc.org.pl/uploads/ckeditor/attachments/11573/Inwestycje_zagraniczne_01.03.pdf*, access date: 2018-09-01

preceding years - its investments were worth more than half of all the capital invested by Scandinavian operators[7].

It has been found that the directions of cash transfers from the Polish financial system as shown on *Diagram 2* are not suspicious in terms of money laundering and financing of terrorism, and conform to the relevant expectations. The highest values apply to transfers to European Union Member States and the United States of America, which is justified by the close economic relations and Poland's geographic position. In addition, the consistency of selected statistics with GUS and NBP data should be noted.

4.2. Criterion 2: Countries with the highest total value of incoming cross-border transfers to Poland

With reference to the criteria applied to outgoing cross-border transfers, the same criteria concerning countries showing an aggregate value of transfers exceeding 100 billion PLN were applied to money values transferred from abroad into the Polish financial system. The selection of the top 9 countries as a test sample is further justified by the presence of a significant difference in terms of the highest total value of incoming foreign transfers to Poland, while Norway ranks 10th and its result is significantly lower, ranging around 59 billion PLN. *Diagram 3* below shows a list of countries with the highest total value of incoming cross-border transfers in excess of 100 billion PLN.

Diagram 3. Countries with incoming cross-border transfers to Poland in excess of 100 billion PLN (data in billion PLN)

Source: Own research

Remarks to Diagram 3

- Countries in descending order: Germany, USA, United Kingdom, Sweden, Switzerland, Denmark, the Netherlands, France, Finland

[7] *http://inwestycje.pl/inwestycje_zagraniczne/Polsko-skandynawska-wspolpraca-gospodarcza.-Inwestycje-wymiana-handlowa-i-skandynawscy-inwestorzy-w-Polsce;309859;0.html*, access date: 2018-09-01

For incoming cross-border transfers to Poland, the countries presented on *Diagram 3* largely converge with the countries enumerated in the GUS publication[8], according to which the value of export at current prices was at 802,528.1 million PLN during the period from January to November 2017[9], while the turnovers in foreign trade by top country players (top 10 countries by turnover value, in descending order) were the following: Germany, Czech Republic, United Kingdom, France, Italy, the Netherlands, Russia, Sweden, Spain, the United States. The above clearly demonstrates a significant participation of the countries specified on *Diagram 3* in the overall foreign trade volume, which is the reason behind such significant values of total transfers incoming to Poland from that group of countries.

Sweden, Denmark and Finland are outside the GUS top 10 list, while the statistics gathered in respect of the above countries are matched by other lists, ranking high in terms of the value of export. According to the report produced by Deloitte and the Polish-Swiss Chamber of Commerce, the value of export sales from Poland to Switzerland increased more than 9-fold during the last 20 years, while the value of direct Swiss investments in Poland during the same period reached the approximate level of 17.5 billion PLN[10]. Companies operating in Poland work in such sectors as: manufacture of pharmaceuticals, telecommunication, energy, innovative technology and solution development[11]. Denmark is also an attractive destination for Polish business owners. Data for 2014 demonstrates that it was the 17th largest export partner for Poland, while the export sales were transacted in power machinery industry products, agricultural and food products, precious metal products[12]. Poland's export sales to Finland has been increasing systematically for a few years; according to the data from the Finnish Customs Office, the value of export was at nearly 1.6 billion EUR in 2016. Almost a third of the entire volume of export comprises plant, machinery and vehicles; moreover, metal ores, scrap metal, medical and pharmaceutical products are exported from Poland[13].

Moreover, the NBP report covering the claims receivable on account of Polish direct investments abroad estimates the value of such claims at 122.4 billion PLN in 2016, while the balances of receivables from investments were highest in respect of operators from Luxembourg, Cyprus, Switzerland and the Czech Republic[14]. It should be noted that the values of receivable claims were negative for Sweden, as a consequence of a special investing methodology followed by Polish companies there[15].

It should be pointed out that according to the data from the aggregated database, the combined value of all incoming cross-border transfers to Poland in 2017 is at approximately

---

[8] *Commodity trade…*, quoted above

[9] See above.

[10] *Cooperation, growth, innovation. 20 years of Swiss investment in Poland*, Deloitte, the Polish-Swiss Chamber of Commerce, *https://www2.deloitte.com/content/dam/Deloitte/pl/Documents/Reports/pl-szwajcaria-raport-2018-deloitte.pdf*, access date: 2018-08-31

[11] As above, p. 26

[12] *http://www.pfke.pl/eksport-do-danii-dobry-kierunek-dla-polskich-przedsiebiorcow/*, access date: 2018-08-31

[13] *https://www.seaoo.com/blog/eksport-do-finlandii-towary-najbardziej-chodliwe/*, access date: 2018-08-31

[14] *Polish direct investments abroad in 2016*, the National Bank of Poland (NBP), *https://www.nbp.pl/publikacje/zib/zib_2016_n.pdf*, access date: 2018-09-02

[15] Negative values of receivables are due to the fact that Polish companies have liabilities due to their daughter companies headquartered abroad, through which they generate capital from issuance of bonds on the European market, exceeding the amount of capital invested in these companies.

2.95 trillion PLN, of which the value of incoming cross-border transfers to Poland from the top 9 countries picked for a detailed analysis represents ca. 2.32 trillion PLN, i.e. as much as 79% of the total volume of all the incoming cross-border transfers to Poland. The above specified percentages are shown on *Diagram 4* below.

Diagram 4. Values of incoming cross-border transfers to Poland (data in billion PLN)

Source: Own research

Remarks to Diagram 4

- in blue – 9 countries showing aggregate value of incoming cross-border transfers to Poland exceeding 100 billion PLN
- in orange – other countries and territories
- bln (in Polish) - trillion

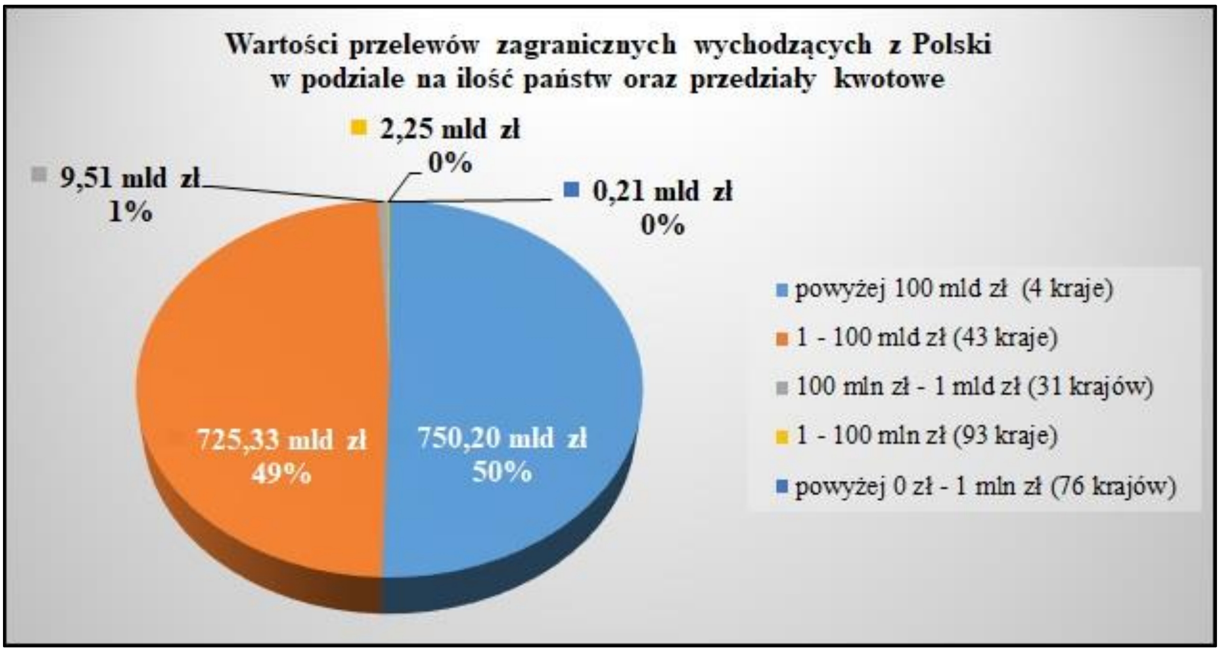
Analysis of incoming cross-border transfers to Poland does not indicate any elevated risk of money laundering and financing of terrorism. The reviewed money value flow directions are not suspicious and they conform to the prior expectations. Transfers are sent from European Union Member States and from the United States of America; most of these countries are within the free trade area of the European Economic Area. Furthermore, GUS statistics concerning foreign trade in goods, as well as the NBP report and the information available in the public domain about the primary directions of export of goods from Poland contribute to the high value proportion of the total value of incoming cross-border transfers to the Polish financial system, particularly with regard to the top 9 countries.

At this point, it would also be reasonable to note the significant difference between the total value of outgoing cross-border transfers and the value of incoming cross-border transfers, the latter being around 1.46 trillion PLN higher. The practical implication of the above is that almost twice as much money was transferred into the Polish financial system than was sent outside Poland in 2017. However, the above is also supported by Poland's economic relations established mainly with the European Union Member States and the United States of America.

4.3. Criterion 3: Countries with the lowest total value of outgoing and incoming cross-border transfers from/to Poland

The purpose of the choice of criterion 3 was to identify countries and territories which could seem surprising from the geographic perspective of Poland, yet the values of transfers sent to these countries are lowest, albeit different from 0. According to the data presented on *Diagram 5* below, there were 76 countries to which money values were transferred from Poland in amounts under 1 million PLN, and the total value for all these countries is approx. 0.21 billion PLN, i.e. less than 1% of all the outgoing cross-border transfers to Poland in 2017.

Diagram 5. Values of outgoing cross-border transfers from Poland, specifying the number of countries and the respective amounts (data in billion PLN)



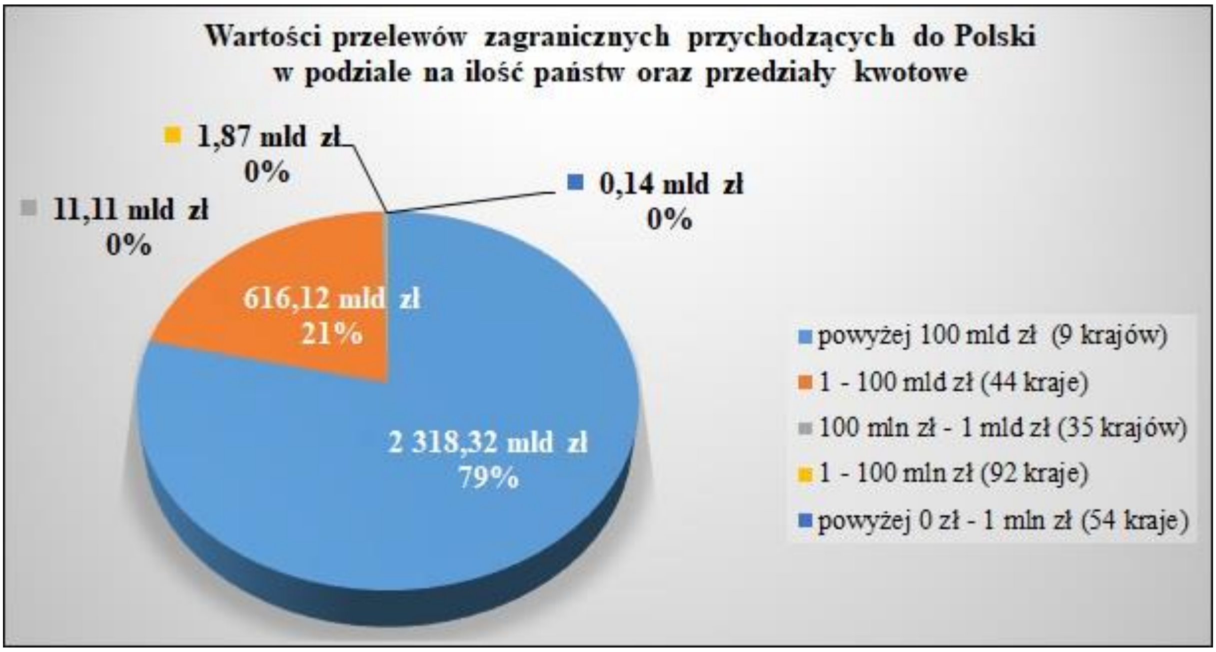
Source: Own research

Remarks to Diagram 5:

- in blue – exceeding 100 billion PLN (4 countries)
- in orange – 1-100 billion PLN (43 countries)
- in grey – 100 million – 1 billion PLN (31 countries)
- in yellow – 1 – 100 million PLN (93 countries)
- in navy blue - less than 1 million PLN (76 countries)

Further to the diagram presenting the values of outgoing cross-border transfers from Poland, specifying the value ranges and their percentages within the aggregate volume of outgoing cross-border transfers from Poland in 2017, *Diagram 6* presents the above mentioned values for incoming cross-border transfers to Poland.

Diagram 6. Values of incoming cross-border transfers to Poland, specifying the number of countries and the respective amounts (in billion PLN)



Source: Own research

Remarks to Diagram 6:

- in blue – exceeding 100 billion PLN (9 countries)
- in orange – 1-100 billion PLN (44 countries)
- in grey – 100 million – 1 billion PLN (35 countries)
- in yellow – 1 – 100 million PLN (92 countries)
- in navy blue - less than 1 million PLN (54 countries)

It has been determined on the basis of an in-depth analysis that a detailed audit of regions from which money is transferred into the Polish financial system or outside the Polish financial system is not justified in the perspective of the potential risks of money laundering and financing of terrorism, as the amounts of such cross-border transfers are relatively low, particularly with reference to the total values of outgoing and incoming cross-border transfers, respectively.

An important note concerns transfers with a total value up to 1 million PLN, linked to the countries/territories specified in the chapters dedicated to criteria 5–8[16] adopted for the study - such cases, if present, are reviewed separately in the respective chapters.

4.4. Criterion 4: Countries with the highest total number of non-residents involved in relationships established by OIs

[16]These criteria include:
– an outgoing or incoming cross-border transfer to/from *ISIS* countries and neighbouring countries, excluding Israel,
– an outgoing cross-border transfer involving countries and territories recognized as tax havens,
– an outgoing cross-border transfer involving countries and territories recognized as high-risk territories,
– an outgoing cross-border transfer involving countries and territories recognized as high-risk territories requiring continuous monitoring in accordance with the FATF recommendations.

This study comprises analytical elements concerning the number of non-residents for which the Institutions operate bank accounts/payment accounts. As per the statistics provided, the overall number of non-residents in Poland for which such accounts were kept by the Institutions in 2017 is approximately 615.18 thousand. *Table 2* below shows a list of countries characterized by the presence of non-residents in Poland beyond 5k.

Table 2. Countries with the total number of non-residents involved in relationships established by OIs exceeding 5 thousand

Item	Name of country	ISO-3166 country code	Number of non-residents
1.	Ukraine	UA	319,915
2.	Germany	DE	51,696
3.	Belarus	BY	27,334
4.	United Kingdom	GB	24,851
5.	United States	US	16,345
6.	France	FR	9,378
7.	Italy	IT	8,991
8.	Moldova	MD	8,580
9.	Sweden	SE	8,439
10.	Russia	RU	7,937
11.	India	IN	7,754
12.	Canada	CA	7,506
13.	Czech Republic	CZ	6,140
14.	Netherlands	NL	5,736
15.	Austria	AT	5,415
16.	Spain	ES	5,169

Source: Own research

The statistical percentages presented above clearly indicate that Ukraine ranks first on the list, representing more than 50% of all non-residents involved in relationships with IOs. The above is mainly due to the Polish job market opening for the Eastern neighbours. As regards the subsequent items in *Table 2*, it should be noted that the percentages of the amounts represented by other countries in terms of the number of non-residents, particularly in the context of the group of non-residents from Ukraine, are relatively low. Moreover, the countries selected for the sample often border Poland and therefore, the presence of more than 5 thousand non-residents is justified by Poland's geographic location in this case. Furthermore, based on the GUS report concerning country border transit volumes in Poland for 2016, citizens of the respective neighbouring country prevailed in the groups of foreigners crossing the particular sections of Poland's state border on land; for example, 97% of people crossing the state border with Ukraine were citizens of Ukraine, 90% of the group crossing the Russian border were Russian citizens, and 87.5% of the group crossing the Belarussian border were citizens of Belarus[17].

[17] *State border transit and moneys spent by foreigners in Poland and by Polish citizens abroad in 2016*, Central Statistical Office of the Republic of Poland (GUS), Statistical Office in Rzeszów, *https://stat.gov.pl/obszary-tematyczne/ceny-handel/handel/ruch-graniczny-oraz-wydatki-cudzoziemcow-w-polsce-i-polakow-za-granica-w-2016-r-,15,3.html*, access date: 2018-09-05

The results shown above suggest that the quantitative percentages of non-residents, with reference to their respective countries of origin, do not indicate any excessive risks of money laundering or financing of terrorism. Ukraine is the main actor within the group of non-residents, reasonably ranking first in the analysis of Poland/Ukraine economic relations as per *Table 2*. The percentages of the amounts from other countries are significantly lower; in addition, Poland has signed memoranda of understanding with many of these countries.

4.5. Criterion 5: Outgoing and incoming cross-border transfers to/from *ISIS* countries and neighbouring countries, excluding Israel[18];

The abbreviation *ISIS* stands for the *Islamic State of Iraq and Sham*, a Salafi terrorist organization representing itself as the Islamic State since 29 June 2014. In fact, it is a self-proclaimed caliphate located in the territory of Iraq and Syria[19]. The approximate range of territories controlled by *ISIS* is shown on *Fig. 1* below.

Fig. 1. *ISIS* countries

Source:*https://learninglyceum.org/2016/07/26/teenage-gunfight-with-isis/isis-held-territory-map-cropped3/*, access date: 2018-07-13

[18] The reasons behind the exclusion of Israel from the present study include the fact that Israel is the central ally of the United States in the region in terms of combating terrorism. Moreover, Israel is an active *FATF* observer, while its *AML/CFT* system is currently covered by an evaluation report (*Mutual Evaluation Report of Israel*) *Moneyval*; source: *http://www.fatf-gafi.org/countries/#Israel*, access date: 2018-09-17 *Moneyval* (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism in Central and Eastern European Countries), functioning within the framework of the Council of Europe as the so-called *FATF* regional bodies, established for the purpose of conducting comprehensive mutual evaluations of national AML/CFT systems) of the member states; source: *http://www.mf.gov.pl/documents/764034/1002265/Rada+Europy+Specjalny+Komitet.pdf*, access date: 2018-09-17

[19] *http://www.nowastrategia.org.pl/isis-nowe-islamskie-panstwo/*, access date: 2018-07-15

The official goal of the organization is to create an Islamic state on the basis of Sharia law, covering not only religious beliefs but also the organization of religious government and the daily lives of every Muslim. Whereas Sunni extremists are members of the *ISIS*, the organization pursues its goals in a radical manner. This terrorist organization's cash flows are largely based on profits gained from ransom, smuggling and trafficking in women[20].

Because *ISIS* operates as a terrorist organization as such, and in light of the high level of danger it poses for the world safety for reason of its very existence, demonstrated by the incidence of terrorist attacks worldwide during the recent years with the involvement of the Islamic State[21], it was considered fully reasonable to include the countries recognized as the primary territories of *ISIS* and countries bordering with these territories in the scope of this analysis. *Fig. 2* shows a piece of the political map of the Middle East, partially indicating the territories of countries bordering on *ISIS*, excluding Israel (hereafter the neighbouring states/countries). The following are recognized as neighbouring states:

- Turkey,
- Iran,
- Kuwait,
- Saudi Arabia,
- Jordan,
- Lebanon.

Fig. 2. Countries bordering on *ISIS*

Source: *https://pl.depositphotos.com/163161162/stock-illustration-middle-east-political-map.html*, access date: 2018-07-15

[20] See above.
[21] Examples include the terrorist attacks in Paris (20 April 2017), Nice (14 July 2016), Brussels (22 March 2016), Paris (13 November 2015), source: *http://www.gazetaprawna.pl/artykuly/1048402,zamachy-terrorystyczne-w-europie-w-ostatnich-latach.html*, access date: 2018-07-15

Table 3 presents the amounts of outgoing cross-border transfers to *ISIS* countries and neighbouring countries.

Table 3. Values of outgoing cross-border transfers to *ISIS* countries and neighbouring countries

Name of country	ISO-3166 country code	Transaction value (million PLN)
Turkey	TR	18,125.96
Lebanon	LB	94.86
Saudi Arabia	SA	86.82
Jordan	JO	37.20
Kuwait	KW	19.63
Iraq	IQ	5.95
Iran	IR	0.41
Syria	SY	0.03
TOTAL		**18,370.86**

Source: Own research

It should be borne in mind that in the context of terrorism, its financing is also based on funds transferred by other countries or organizations with the intention of sponsoring or facilitation of terrorist activities; therefore, indication of the total value of outgoing cross-border transfers to the countries enumerated in *Table 3* is a very important indicator in the perspective of financial safety.

Yet in the perspective of potential attempts at sponsoring terrorist activity, it is also relevant to analyse the monies transferred to *ISIS* countries and neighbouring countries, and the values of incoming transfers from these countries. The amounts of incoming cross-border transfers from *ISIS* countries and neighbouring countries are presented in *Table 4*.

Table 4. Values of incoming cross-border transfers from *ISIS* countries and neighbouring countries

Name of country	ISO-3166 country code	Transaction value (million PLN)
Turkey	TR	5,781.16
Saudi Arabia	SA	411.81
Lebanon	LB	118.86
Kuwait	KW	90.49
Jordan	JO	57.63
Iran	IR	38.80
Iraq	IQ	15.02
Syria	SY	0.32
TOTAL		**6,514.09**

Source: Own research

The data shown in *Table 3* and *Table 4* indicate a relatively low percentage of outgoing and incoming cross-border transfers to/from Iraq and Syria within the aggregate value of outgoing and incoming cross-border transfers to/from Poland in 2017; nevertheless, considering the fact that the Islamic State is established in these territories, an in-depth analysis was chosen to cover the above specified jurisdictions.

Table 5 shows the data from the report by the Ministry of Entrepreneurship and Technology - MPiT, presenting information about Poland's export and import for the period from January to December 2017 (hereafter the MPiT report)[22]. Said report implies that the value of Poland's trade in goods during the above specified period with Iraq and Syria strongly exceeds the total value of outgoing and incoming cross-border transfers as provided by the Institutions.

Table 5. Volume of Poland's trade in goods for the period from January to December 2017, relating to Iraq and Syria

Name of country	ISO-3166 country code	Trade value (million EUR)	
		Import	Export
Iraq	IQ	366.90	84.00
Syria	SY	1.30	16.30

Source: *https://www.mpit.gov.pl/media/60831/HZ_Syntetyczna_Informacja_styczen_grudzien_2017ost.pdf*, access date: 2018-09-09

It should be noted that the volume of Poland's import from Iraq was more than 4-fold higher than the volume of export in 2017, yet this is justified by the model of economic relations with Poland - the main exported items included food products (mainly dairy products), while crude oil was practically the only product imported from Iraq (99.5% of total import), with Grupa LOTOS S.A. being the main importer. In light of the unstable political status and the risks arising from the lack of security in a major area of that country, Polish companies would not generally become directly involved in investment/development projects. On the other hand, the involvement of Iraqi businesses in Poland was negligible in 2016, with the value determined by NBP at 100 thousand USD[23].

The Poland/Syria trading exchange is mainly focused on import of herbs and spices, representing more than 40% of the total volume of import, while export sales to Syria mainly include processed baby food, lifting trucks, and cane sugar. For reason of the unstable political situation in the Middle East, the volume of capital exchange between Syria and Poland is low, whereas Syrian investment in Poland is limited to private businesses operated by Syrian citizens domiciled in Poland, who mainly invest in the food service sector and small manufacturing undertakings[24].

A number of trading agreements and commercial arrangements play an important role in Poland's trading relationships with Iraq and Syria, as they set out the terms and conditions of mutual cooperation in this field.

Furthermore, whereas Iran remains a high-risk country, particularly for the financial sector for reason of its inadequate anti-money laundering and counter-terrorism financing and

---

[22] *Synthetic information about Poland's export and import, January to December 2017, million EUR,* Ministry of Entrepreneurship and Technology, *https://www.mpit.gov.pl/media/60831/HZ_Syntetyczna_Informacja_styczen_grudzien_2017ost.pdf*, access date: 2018-09-09

[23] *The Republic of Iraq. Information about the economic relations with Poland*, Ministry of Entrepreneurship and Technology, *https://www.mpit.gov.pl/media/57000/IRAK_21_05_2018.pdf*, access date: 2018-09-05

[24] *Syria. Information about the economic relations with Poland*, Ministry of Development, *https://www.mpit.gov.pl/media/37178/SYRIA_8_05_2017.pdf*, access date: 2018-09-05

it being recognized by the Department of State of the United States of America as a country that supports terrorism[25], this study has been extended with that jurisdiction. In accordance with the Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council by identifying high-risk third countries with strategic deficiencies in their anti-money laundering and counter-terrorism financing, Iran is still identified as a jurisdiction with major deficiencies, causing significant hazards for the financial system of the European Union[26]. Nevertheless, it should be noted that, as shown further in this section 4.7, Iran presented a political undertaking to remedy the identified deficiencies and decided to request technical support in the implementation of its *FATF* action plan.

Pursuant to the terms of the nuclear arrangement signed on 14 July 2015, considering Iran's fulfilment of the requirements defined in the Joint Comprehensive Plan of Action, a number of international economic and financial restrictions were repealed in respect of Iran as of 16 January 2016, transpiring from the regulations of the United Nations, the European Union and the United States[27].

In light of the existing regime of international sanctions, there are no reasons ruling out the establishment of business relations with Iran[28]. Poland perceives Iran as a very attractive business partner, as it qualifies among the 5 markets identified as good prospects for Polish exports. During the 2-year period following the cancellation of economic sanctions, the volume of Poland/Iran trading exchange increased almost 3-fold, to reach USD 227 million as at the end of 2017 (of which the value of export to Iran was at USD 136 million and the value of import was at USD 91 million)[29]. It should be noted that no restrictions were applicable by the end of 2017 to transmission of money values and financial services to or from Iran. The ban on financial transfers was lifted, together with the notification and transfer permission requirements[30].

In view of the foregoing, the values of outgoing and incoming cross-border transfers to/from ISIS countries and neighbouring countries (excluding Israel) do not raise high concerns in terms of strengthening the risks of money laundering and financing of terrorism. The existence and operation of the Islamic State in the region should not be disregarded, yet bearing in mind that the values of outgoing and incoming cross-border transfers to/from the selected countries seem to be adequate, realistic and non-suspicious when referenced to the above discussion of the characteristics of Poland's economic relations with these countries. Also, trading relationships with Iran are justified in light of the data provided by MPiT and the lifting of certain sanctions against Iran.

---

[25] *https://www.mpit.gov.pl/strony/zadania/wspolpraca-miedzynarodowa/zasady-rozliczania-transakcji-handlowych-z-iranem/*, access date: 2018-09-05
[26] See above.
[27] See above.
[28] Where no restrictions apply to the subject-matter of a commercial contract (whether of goods-related or investment-related nature) and the contract parties are not covered by funds freezing or prohibition of making funds available, source: See above.
[29] See above.
[30] See above.

4.6. Criterion 6: Outgoing cross-border transfers involving countries and territories recognized as tax havens

Tax haven is usually defined as a country or territory in which tax regulations are extremely generous for foreigners and foreign capital. The role of tax havens is to attract capital of individuals or corporations outside the territory of their actual economic activities. Tax havens are used by business owners for transferring profits and evasion of taxes in their respective countries of origin[31], yet it should be remembered that these are also enjoyed by criminals trying to launder their money through multiple cash transfers among numerous companies. In many countries/territories identified as tax havens, it is allowed by local legislation not to keep accounting ledgers, not to submit financial statements to State administration, or even not to disclose shareholders in the official registers, not to mention the non-existence of any requirements for disclosing beneficial owners of companies registered in such territories. From the perspective of money laundering and financing of terrorism, another matter of key importance is that the origins of cash credited to local bank accounts are not verified.

On 17 May 2017, Regulation was passed by the Minister of Development and Finance concerning identification of countries and territories implementing harmful tax competition mechanisms in corporate income tax, as well as Regulation of the Minister of Development and Finance concerning identification of countries and territories implementing harmful tax competition mechanisms in personal income tax; the two Regulations contain an identical list of countries and territories recognized as tax havens.

The listed countries and territories, together with the respective money values transferred to the particular countries and territories enumerated in the Regulations, are presented in *Table 6* below. Of the following list of territories identified as implementing harmful tax competition mechanisms in corporate income tax, only Sark, a dependent territory of the Crown of the United Kingdom, is not specified as the destination of money value transfers from the Institutions.

It has been determined through the analysis that an amount of nearly 11.48 billion PLN was transferred from Poland to countries and territories recognized as tax havens in 2017. The aggregate amount is relatively high, representing approximately 0.8% of the sum of all the outgoing cross-border transactions from Poland in 2017, yet it should be noted that the approximate value of 10.31 billion PLN out of the above specified total sum is the money transferred to Hong Kong. According to the MPiT report, the value of Poland's turnover in trade in goods to the countries referred to above was 63.4 million EUR for import (ca. 264 million PLN according to the rate of exchange of the Euro as at the end of 2017) for 2017, and thus the aggregate amount reported by the Institutions greatly exceeds the value presented in that report. In addition to the potential money laundering intentions, the high amount of money value transfers may be due to the intent to conceal the beneficial owner of the transferred monies, or to exercise a tax optimization scheme. The high percentage of money values transferred to Hong Kong for the purposes of utilizing a tax optimization scheme can also be

[31] *https://pl.wikipedia.org/wiki/Raj_podatkowy*, access date: 2018-07-15

supported by the large volume of online offers to assist business operators to set up a business in Hong Kong with that intention. Therefore, tax optimization may partially justify the outgoing transfers to Hong Kong. Nevertheless, as the above specified region is recognized as a tax haven and tax havens being considered high-risk territories in terms of money laundering, further analysis would be required to fully clarify the transfers of money values to Hong Kong.

Table 6. Values of outgoing cross-border transfers to the countries and territories enumerated in the above specified Regulations of the Minister of Development and Finance of 17 May 2017.

Name of country	ISO-3166 country code	Transaction value (million PLN)
Hong Kong	HK	10,308.08
Mauritius	MU	475.56
Panama	PA	172.50
Monaco	MC	133.00
Macao	MO	112.38
British Virgin Islands	VG	66.06
Bahrain	BH	61.74
Seychelles	SC	53.10
Maldives	MV	23.25
Curaçao	CW	16.42
Andorra	AD	15.44
Antigua and Barbuda	AG	14.88
Anguilla	AI	10.24
Saint Lucia	LC	6.56
Marshall Islands	MH	6.32
Dominica	DM	2.66
Nauru	NR	2.12
Cook Islands	CK	1.53
Vanuatu	VU	0.85
Samoa	WS	0.54
Liberia	LR	0.32
Grenada	GD	0.14
Sint Maarten	SX	0.08
United States Virgin Islands	VI	0.04
Niue	NU	0.04
Tonga	TO	0.01
Sark - Crown dependency	n/a	0.00
TOTAL		**11,483.86**

Source: Own research

4.7. Criterion 7: Outgoing cross-border transfers involving countries and territories recognized as high-risk territories under the delegated regulations of the Commission (EU)

In accordance with the Commission Delegated Regulation (EU) 2016/1675 of 14 July 2016 supplementing Directive (EU) 2015/849 of the European Parliament and of the Council by identifying high-risk third countries with strategic deficiencies, the European Union must provide effective mechanisms for protection of the entire internal market to improve the level of legal assurance for business operators and all stakeholders in respect of their relationships with third country jurisdictions. The integrity of the financial markets and proper functioning of the internal market as a whole are significantly exposed to jurisdictions with strategic deficiencies in their anti-money laundering and counter-terrorist financing systems. Such jurisdictions with inadequate legal and institutional frameworks, together with poor money value flow control standards, are a major risk for the Union's financial system[32].

In accordance with the above assumption, the Commission (EU) has reached a conclusion in the course of its deliberation that the following should be identified as third-country jurisdictions which have strategic deficiencies in their national AML/CFT regimes that pose significant threats to the financial system of the Union:

- Afghanistan,
- Bosnia-Herzegovina,
- Guyana,
- Iraq,
- Lao People's Democratic Republic (Laos),
- Syria,
- Uganda,
- Vanuatu,
- Yemen.

Iran was further identified as a high-risk third country, which presented a high level political undertaking to remedy the deficiencies and decided to request technical assistance in the implementation of the *FATF* action plan, which was also identified in the *FATF* public notice.

The Democratic People's Republic of Korea (North Korea) has also been identified a high-risk third country being a source of continuous significant risk of money laundering and financing of terrorism, which would frequently fail to remedy the identified deficiencies and which was named in the *FATF* public notice[33].

Pursuant to the Commission Delegated Regulation (EU) No. 2018/105 of 27 October 2017 and Commission Delegated Regulation (EU) No. 2018/212 of 13 December 2017, amending Delegated Regulation (EU) No. 2016/1675, the following countries were also added to the list of high-risk third countries:

- Ethiopia,
- Sri Lanka,
- Trinidad and Tobago,
- Tunisia[34].

[32] *https://eur-lex.europa.eu/legal-content/PL/TXT/HTML/?uri=CELEX:32016R1675&from=EN*, access date: 2018-07-15

[33] See above.

[34]*https://www.mf.gov.pl/ministerstwo-finansow/dzialalnosc/giif/aktualnosci/-/asset_publisher/SVp7/content/rozporzadzenie-delegowane-komisji-ue-nr-2018-105-z-dnia-27-pazdziernika-2017r-oraz-rozporzadzenie-delegowane-komisji-ue-nr-2018-212-z-dnia-13-grudnia-2017-r-zmieniajace-*

It should be noted that the list annexed to the above specified Regulation comprises a different selection of countries than the high-risk jurisdictions identified by FATF[35]. The above specified jurisdictions, together with the total values of cross-border transfers sent to them and the conclusions concerning that direction of transfer of funds from the Polish financial system in the context of selected countries, are presented in the subsequent chapter 4.8. – whereas the countries enumerated in the Commission Delegated Regulations (EU) are largely identical to the high-risk jurisdictions identified by *FATF*, which are discussed further in this paper.

4.8. Criterion 8: Outgoing cross-border transfers involving countries and territories recognized as high-risk territories requiring continuous monitoring in accordance with the FATF recommendations

In the context of the discussion of the previous criterion concerning high-risk territories as per Commission delegated Regulation (EU) 2016/1675 of 14 July 2016, supplementing Directive (EU) 2015/849 of the European Parliament and of the Council, it is reasonable to review outgoing cross-border transfers to the high-risk countries identified by FATF. *FATF* identifies jurisdictions with strategic AML/CFT deficiencies three times a year, and such information is thereafter communicated in the form of public statements. These publications are divided into two types of documents:

- documents identifying jurisdictions with strategic deficiencies, collaborating with *FATF* for the purpose of eliminating such deficiencies, as they constitute a threat for the international financial system (calls for action);
- documents identifying jurisdictions collaborating with FATF, monitored by FATF in terms of verifying their progress in resolving any identified AML/CFT deficiencies (other monitored jurisdictions); at the same time, FATF calls these jurisdictions to quickly implement relevant action plans within the proposed time perspectives.

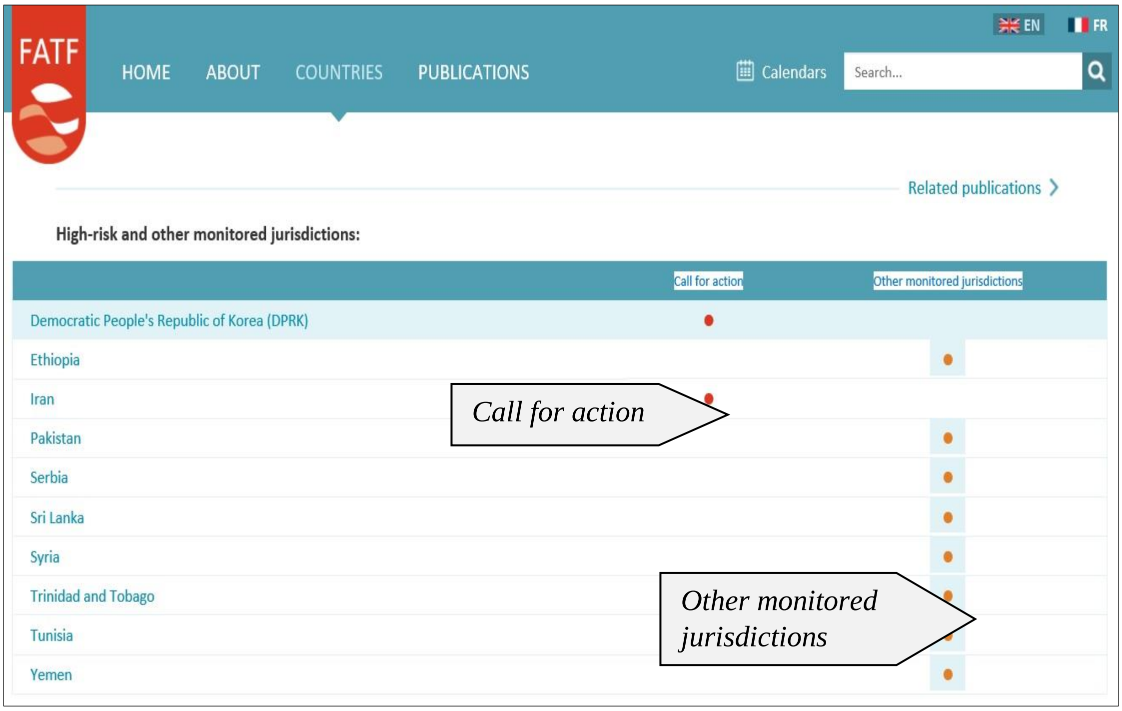
The status updated as at July this year is shown on *Fig. 3* below.

At the same time, regular publication of notices should be emphasized again; in practical terms, such cyclical publications necessitate audits of the entire group of jurisdictions enumerated in *FATF* lists in 2017. Whereas said notices have already been published twice in 2018, the analysis has been extended with the present state. As regards the first group of documents concerning countries with strategic AML/CFT deficiencies, Iran and the Democratic People's Republic of Korea is listed by FATF throughout 2017 and as at the date of the study. A list of countries in need of continuous monitoring according to *FATF* is presented in *Table 7* below.

rozporzadzenie-delegowane-eu-2016-1675-przez-dodanie-etiopii-do-wykazu-panstw-trzecich-wysokiego-ryzyka/pop_up?_101_INSTANCE_SVp7_viewMode=print, access date: 2018-07-15

[35] See above.

Fig. 3. High-risk jurisdictions and jurisdictions monitored by *FATF*



Source: *http://www.fatf-gafi.org/countries/#high-risk*, access date: 2018-07-24

Table 7. Countries and territories requiring continuous monitoring according to the *FATF* lists

Jurisdictions requiring continuous monitoring						
Name of country	***FATF* notice publication dates**					
	2016-10-21	2017-02-24	2017-06-23	2017-11-03	2018-02-23	2018-06-29
Afghanistan	✓[36]	✓				
Bosnia and Herzegovina	✓	✓	✓	✓		
Ethiopia		✓	✓	✓	✓	✓
Iraq	✓	✓	✓	✓	✓	
Pakistan						✓
Laos	✓	✓				
Serbia					✓	✓
Sri Lanka				✓	✓	✓
Syria	✓	✓	✓	✓	✓	✓
Uganda	✓	✓	✓			
Trinidad and Tobago				✓	✓	✓
Tunisia				✓	✓	✓
Vanuatu	✓	✓	✓	✓	✓	
Yemen	✓	✓	✓	✓	✓	✓

[36] The ✓symbol indicates that the given country/territory was identified as a jurisdiction requiring continuous monitoring at the specified time of publication of the respective *FATF* notice.

Source: Own research

The analysis covered the total values of outgoing cross-border transfers involving countries and territories recognized as high-risk territories requiring continuous monitoring in accordance with the FATF recommendations. The results are shown in *Table 8* below.

Table 8. Values of outgoing cross-border transfers to countries and territories recognized as high-risk territories requiring continuous monitoring in accordance with the FATF recommendations

Name of the country or territory	ISO-3166 country code	Transaction value (million PLN)
Serbia	RS	1,391.37
Pakistan[37]	PK	306.56
Bosnia and Herzegovina	BA	283.16
Tunisia	TN	139.89
Sri Lanka	LK	57.61
Afghanistan	AF	13.99
Laos	LA	11.35
Uganda	UG	8.05
Iraq	IQ	5.95
Ethiopia	ET	3.69
Trinidad and Tobago	TT	1.94
Vanuatu	VU	0.85
Iran	IR	0.41
Yemen	YE	0.11
North Korea	KP	0.07
Guyana	GY	0.04
Syria	SY	0.03
TOTAL		**2,225.07**

Source: Own research

Based on the analysis of data concerning money value transfers from Poland to countries identified as high-risk countries (including those identified as such by FATF), which require continuous monitoring as per the FATF recommendations, in the context of the quantitative results presented in *Table 8*, Serbia is the ranking leader (1,391.37 million PLN), followed by Pakistan (with a significant difference compared to Serbia's position) (306.56 million PLN), Bosnia-Herzegovina (283.16 million PLN), and Tunisia (139.89 million PLN); the values presented for subsequent list items are lower than 100 million PLN. In the opinion of the Office of the Polish Financial Supervision Authority, the above is justified by these countries' trading relations with Poland, which have been revived recently, as further supported by the MPiT report developed on the basis of data from the Ministry of Finance and the Statistics Poland (GUS)[38]. The approximate estimated value of import from Serbia in 2017 was at 330.7 million EUR. Based on 2014 data, paper and board was mainly imported from Serbia, followed by passenger cars; at the same time, the value of Polish investment in Serbia was at 50.2 million

[37] It should be noted that the list of countries and territories identified in Commission Delegated Regulations (EU) as high-risk third countries matches the list of jurisdictions presented in Table 9, with the exception of Serbia and Pakistan.
[38] *Synthetic information...*, quoted above

EUR in 2014. MPiT also points to the fact that the Poland/Serbia cooperation has been strengthening in the perspective of the subsequent years[39]. The value of Poland's turnover in trade in goods was at 334.2 million EUR for Pakistan in 2017.

The MPiT report further justifies the relatively high ranks of Bosnia-Herzegovina and Tunisia, listed as high-risk countries, in terms of value. The information contained in the report show that Poland's import turnovers for 2017 for Bosnia-Herzegovina were worth 62.3 million EUR (mainly unprocessed aluminium was imported[40]), while the estimated value of import from Tunisia is at 182.9 million EUR, with the main items imported from Tunisia being mechanical and powered plant and machinery, textile materials and products, footwear and leather products)[41].

Special attention should be drawn to those jurisdictions which pose a threat to the international financial system in the FATF perspective. The case of Iran is discussed in chapter 4.5 above. According to the MPiT Report, the value of Poland's trade in goods with North Korea amounted to 1.7 million EUR in terms of export value in 2017, and therefore the data shown in *Table 8* is further supported by the economic relationships with that country. An important note should be made about the total value of outgoing cross-border transfers to North Korea being relatively low in proportion to the values of outgoing cross-border transfers to other high-risk jurisdictions.

4.9. Other potentially reasonable criteria in the perspective of the unique characteristics of the Polish economy

4.9.1. Countries selected by the Central Anti-Corruption Bureau (CBA) as countries involved in criminal activities

Considering the size of Asian operations in the context of Poland's economy, it seems fully reasonable to include the criterion of analysis of outgoing cross-border transfers to China and Vietnam in the national risk assessment. The case behind this decision is further supported by the significant volume of negative publicity dedicated to money laundering and the measures undertaken in response by the Central Anti-Corruption Bureau. As an example, we can mention a series of arrests of business operators in the textile sector in Wólka Kosowska, who were accused of VAT fraud and money laundering, among other offences[42]. By 11 June this year, 38 suspects were indicted in the course of that investigation, including intermediaries, helpers and company representatives, for such offences as membership in a criminal organization during 2014-2017. The group committed offences consisting of fictitious trading in textiles and issuance of fictitious VAT invoices. According to CBA's findings, the arrested individuals committed a tax refund fraud of great value, exceeding 30 million PLN, and laundered over 161

---

[39] *Information about the economic cooperation with Poland*, Ministry of Development, *https://www.mpit.gov.pl/media/22930/KE_Serbia_25_07_2016.pdf*, access date: 2018-09-03

[40] Bosnia-Herzegovina. Information about the economic relations with Poland, Ministry of Development, https://www.mpit.gov.pl/media/22926/KE_BiH_25_07_2016.pdf, access date: 2018-09-03

[41] Tunisia. Information about the economic relations with Poland, Ministry of Development, https://www.mpit.gov.pl/media/36704/Tunezja_25_04_2017.pdf, access date: 2018-09-03

[42] *https://www.cba.gov.pl/pl/aktualnosci/3819,Fikcyjne-faktury-VAT-na-20-mln-Zatrzymani-biznesmeni-z-Wolki-Kosowskiej-i-Tarnob.html*, access date: 2018-07-17

million PLN gained by them as a criminal organization from offences through a system of companies and transfers[43]. It should be added here that the Wólka Kosowska neighbourhood is considered a centre of trading in goods of Asian origin, mainly from China and Vietnam. The aggregated values of outgoing cross-border transfers to China and Vietnam are presented in *Table 9* below.

Table 9. Values of outgoing cross-border transfers to China and Vietnam

Name of country	ISO-3166 country code	Transaction value (million PLN)
China	CN	28,752.53
Vietnam	VN	980.50
TOTAL		**29,733.03**

Source: Own research

Based on the analysis of the values of outgoing transfers to the above specified countries through the Polish financial system, it should be noted that the aggregate value of money transferred to Vietnam is significantly lower than the aggregate value of money transferred to China, and still the former value is almost 1 billion PLN. The value of cross-border transfers originating from the Polish financial system to China is approximately 29 billion PLN. The sum of the aggregate values of outgoing cross-border transfers to China and Vietnam represents approx. 2% of all the outgoing cross-border transfers from Poland in 2017.

Despite the relatively high values above, these should be justified by the mutual economic relations with the Asian countries discussed above. Based on the GUS publication referenced in the preceding chapters[44], it should be noted that China, with the value of import at 57,390.3 million PLN, ranks second in terms of the total value of trade in goods with Poland during the period from January to November 2017. According to MPiT, more than half of all the commodities imported from China in 2015 were powered machinery industry products, with another important category being textile products. The main products imported from China to Poland also included telecommunication and TV equipment, computers and computer parts, gaming consoles, toys, transformers, lamps and luminaires, footwear, clothing, parts of printing machinery, suitcases, bags, and automotive parts[45]. Growth of Poland/China cooperation in the field of investment and equity is another important factor determining the overall value of the outgoing cross-border transfers to China[46].

4.9.2. Former USSR member states in the context of their *CPI* values according to *Transparency International*

Transparency International (hereafter also referred to as TI) is an independent international non-government organization which studies, discovers and counteracts corruptive practices.

[43] *https://www.cba.gov.pl/pl/aktualnosci/3868,Fikcyjne-faktury-VAT-na-160-mln-Zatrzymani-biznesmeni-z-Wolki-Kosowskiej.html*, access date: 2018-07-17

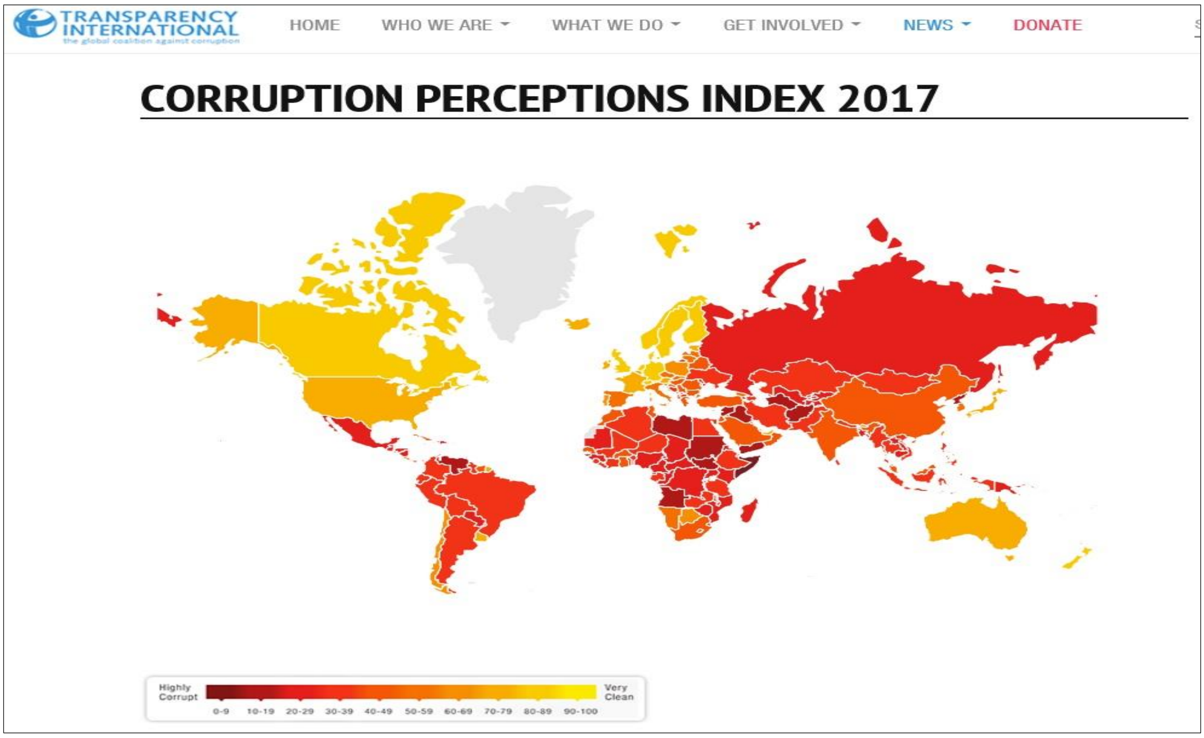
[44] *Commodity trade…*, quoted above

[45] *People's Republic of China. Information about the economic relations with Poland*, Ministry of Entrepreneurship and Technology, *https://www.mpit.gov.pl/media/29722/Chiny_29_11_2016.pdf*, access date: 2018-09-04

[46] See above.

This organization publishes a so-called Corruption Perception Index[47], hereafter CPI or the Index) each year.

Fig. 4. Global corruption levels on the basis of Transparency International's CPI values



Source: *https://www.transparency.org/news/feature/corruption_perceptions_index_2017#resources*, access date: 2018-07-24

On 21 February, the CPI report for 2017 was published on TI's website. According to the current index, Poland was rated 60 in a 100-point scale, ranking 36th on the list of 180 countries and territories. The scoring discussed above is presented on *Fig. 5*.

With the fall of the Union of Soviet Socialist Republics, involving rapid political and economic changes, crime rates increased rapidly. In light of the recent investigation events involving the 'Laundromat'[48], a Russian money laundering organization through which offenders managed to launder the amount of nearly 21 billion US dollars[49], it seems reasonable to claim that this incidence in the territories mentioned above still poses a risk of money laundering and financing of terrorism. Analysis of the CPI values for the 15 countries established pursuant to the fall of the Soviet Union indicates that only 4 of them (Estonia, Lithuania, Latvia and Georgia) have accomplished CPI values above 50 on a scale of 0 to 100

[47] *CPI* illustrates the perceptions of corruption in a specific country among business people and analysts worldwide, including experts domiciled in the evaluated country. Each country is evaluated on a scale of 100 (highest level of transparency) to 0 (highest level of corruption). Countries are ranked by their scores, in descending order. Highest on the list are countries with the least corruption; *https://pl.wikipedia.org/wiki/Transparency_International*, access date: 2018-07-17

[48] The 'Laundromat' was nicknamed as a reference to Al Capone's times, when that offender used to operate legal commercial and service businesses, i.e. shops and laundry services, in order to conceal his gains from illicit manufacture, sales and smuggling of alcohol.

[49] 'Laundromat' is a Russian money laundering organization that used to operate on an enormous scale during 2011-2014: the money value transfers passed 5140 companies, received at 732 banks in 96 countries worldwide. The actual owner of the billions invested in the 'Laundromat' is still unknown. For more information, see: *https://tvn24bis.pl/ze-swiata,75/rosyjska-pralnia-brudnych-pieniedzy-sledztwo-dziennikarskie,725430.html*

points, where 0 stands for the highest possible level of corruption. Individual CPI values for each of the 15 countries are shown on *Fig. 6*.

Fig. 5. CPI value for Poland

TRANSPARENCY INTERNATIONAL the global coalition against corruption — HOME | WHO WE ARE | WHAT WE DO | GET INVOLVED | NEWS | DONATE

CORRUPTION PERCEPTIONS INDEX 2017

Search

2017 Rank	Country	2017 Score	2016 Score	2015 Score	2014 Score	2013 Score	2012 Score	Region
29	Portugal	63	62	64	63	62	63	Europe and Central Asia
29	Qatar	63	61	71	69	68	68	Middle East and North Africa
29	Taiwan	63	61	62	61	61	61	Asia Pacific
32	Brunei Darussalam	62	58	N/A	N/A	60	55	Asia Pacific
32	Israel	62	64	61	60	61	60	Middle East and North Africa
34	Botswana	61	60	63	63	64	65	Sub Saharan Africa
34	Slovenia	61	61	60	58	57	61	Europe and Central Asia
36	Poland	60	62	63	61	60	58	Europe and Central Asia
36	Seychelles	60	N/A	N/A	N/A	N/A	N/A	Sub Saharan Africa
38	Costa Rica	59	58	55	54	53	54	Americas
38	Lithuania	59	59	59	58	57	54	Europe and Central Asia

Source:*https://www.transparency.org/news/feature/corruption_perceptions_index_2017#resources*, access date: 2018-07-25

Fig. 6. CPI values for former USSR states

Corruption Perceptions Index 2017: Global Scores

Country	ISO3	Region	CPI Score 2017	Rank	standard error	Lower CI	Upper CI	number of sources
Estonia	EST	WE/EU	**71**	21	2,21	67	75	10
Lithuania	LTU	WE/EU	**59**	38	2,21	55	63	9
Latvia	LVA	WE/EU	**58**	40	3,21	53	63	9
Georgia	GEO	ECA	**56**	46	3,1	51	61	6
Belarus	BLR	ECA	**44**	68	4,12	37	51	7
Armenia	ARM	ECA	**35**	107	3,79	29	41	6
Azerbaijan	AZE	ECA	**31**	122	5,64	22	40	7
Kazakhstan	KAZ	ECA	**31**	122	3,59	25	37	9
Moldova	MDA	ECA	**31**	122	1,54	28	34	9
Ukraine	UKR	ECA	**30**	130	2,27	26	34	9
Kyrgyzstan	KGZ	ECA	**29**	135	2,59	25	33	7
Russia	RUS	ECA	**29**	135	2,5	25	33	9
Uzbekistan	UZB	ECA	**22**	157	2,11	19	25	7
Tajikistan	TJK	ECA	**21**	161	2,36	17	25	5
Turkmenistan	TKM	ECA	**19**	167	1,78	16	22	5

Source: *https://www.transparency.org/news/feature/corruption_perceptions_index_2017#resources*, access date: 2018-07-24

Considering the level of corruption determined through CPI, and taking into account the historical perspective and the recent events involving money laundering offences, the authors of this analysis decided to include a criterion concerning outgoing cross-border transfers to former Union of Soviet Socialist Republics states. The values of outgoing cross-border transfers to the particular countries formed pursuant to the decline of the USSR are shown in *Table 10* below.

Table 10. Values of outgoing cross-border transfers to countries formed pursuant to the decline of the USSR

Name of country	ISO-3166 country code	Transaction value (million PLN)
Russia	RU	13,988.42
Latvia	LV	9,487.75
Ukraine	UA	8,068.30
Lithuania	LT	6,213.70
Estonia	EE	3,230.33
Belarus	BY	2,311.72
Kazakhstan	KZ	409.51
Georgia	GE	231.36
Moldova	MD	168.64
Armenia	AM	69.46
Uzbekistan	UZ	45.31
Azerbaijan	AZ	27.68
Kyrgyzstan	KG	4.81
Tajikistan	TJ	2.38
Turkmenistan	TM	0.49
TOTAL		**44,259.86**

Source: Own research

The sum of the aggregate values of outgoing cross-border transfers to new countries emerging from the former USSR represents approx. 3% of all the outgoing cross-border transfers from Poland in 2017.

As mentioned in chapter 4.1 above, Russia ranks third among the top 10 countries with the highest values of import with Poland - the value of turnovers in foreign trade with Russia was at approx. 51,229 million PLN in 2017 (excluding December 2017)[50].

The factor that directly translates into the values presented in *Table 10* above is the Polish trading exchange system, also in respect of the remaining countries. Moreover, the importance of Poland bordering on some of these countries (Lithuania, Belarus and Ukraine) is emphasized, as well as the opening of the Polish job market for foreign individuals.

5. Conclusions

In view of the criteria adopted for the present study, the statistics generated in the course of the analysis and the results of their comparison with the official GUS and NBP reports and information from MPiT, no increase of the risks of money laundering and financing of terrorism

[50] *Commodity trade…*, quoted above

has been determined in the perspective of the Polish financial system. The values presented in the analysis for the audited jurisdictions are generally justified by the business relationships with Poland, while the overall number of non-residents whose quantitative statistics were provided by the obliged institutions is relatively low in proportion to the general population of Poland, also relating to mutual economic relations, but also with the opening of the Polish job market for foreigners and the geographic location of Poland, which is demonstrated by the fact that the citizens of neighbouring countries and countries involved in extensive trading exchanges with Poland represent the highest proportion of the total population of foreigners in Poland. An in-depth analysis may be required in respect of the significant value of money transfers from Poland to Hong Kong.

List of drawings:

Tables:

List of diagrams: