

# Annual Report of the Security Information Service for 2016

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## 1. The Nature and Scope of Intelligence Activities

The activities, the status and the scope of powers and responsibilities of the Security Information Service (BIS) as an intelligence service of a democratic state are provided for in relevant legislation, especially in Act No. 153/1994 Coll., on the Intelligence Services of the Czech Republic, as amended, and in Act No. 154/1994 Coll., on the Security Information Service, as amended. The BIS is also governed in its activities by the Constitution of the Czech Republic, the Charter of Fundamental Rights and Freedoms, international treaties, and other legal regulations of the Czech Republic.

Under Section 2 of Act No. 153/1994 Coll., intelligence services are state agencies for the acquisition, collection and evaluation of information (hereinafter referred to as “securing information”) important for protecting the constitutional order, major economic interests, and the security and defense of the Czech Republic. Under Section 3 of Act No. 153/1994 Coll., the BIS is an intelligence service securing information within its powers and responsibilities defined in Section 5, Paragraph 1 of Act No. 153/1994 Coll. on:

- schemes and activities directed against the democratic foundations, the sovereignty, and territorial integrity of the Czech Republic,
- the intelligence services of foreign powers,
- activities endangering state and official secrets,
- activities, the consequences of which may jeopardize the security or major economic interests of the Czech Republic,
- organized crime and terrorism.

Under Section 5, Paragraph 4 of Act No. 153/1994 Coll., the BIS also fulfills further tasks as defined by specific legislation (e.g. Act No. 412/2005 Coll., on the Protection of Classified Information and Security Clearance, as amended) or international treaties, by which the Czech Republic is bound.

Furthermore, Section 7 of Act No. 153/1994 Coll. stipulates that the responsibility for the activities of the BIS and for the coordination of its operation lies with the Government. According to Section 8, Paragraph 4 of this Act, the Government assigns tasks to the BIS within the scope of the Service’s powers and responsibilities. The President of the Czech Republic is entitled to task the BIS with the knowledge of the Government.

To fulfill its tasks, the BIS is authorized to cooperate with other intelligence services of the Czech Republic. Section 9 of Act No. 153/1994 Coll. stipulates that this cooperation must be based on agreements concluded between the intelligence services with the consent of the Government.

Under Section 10 of Act No. 153/1994 Coll., the BIS may cooperate with intelligence services of foreign powers only with the consent of the Government.

## 2. Intelligence Activities and Findings

A summary of all the intelligence activities, in which the BIS engaged in 2016, is part of the classified *Report on the Activities of the Security Information Service for 2016* – a report the BIS submits to the President of the Czech Republic and to the Government in accordance with Section 8, Paragraph 1 of Act No. 153/1994 Coll.

During the course of the year, again in accordance with Section 8, Paragraph 1 of Act No. 153/1994 Coll., the BIS informed entitled addressees about individual intelligence findings and the results of analyses, on which the overview of its activities in this public annual report is based. In 2016, the BIS submitted more than 500 documents to the President and Cabinet members. More than 600 documents were sent to relevant state authorities, the Police of the Czech Republic (in Czech: *Policie České republiky – PČR*), the Office for Foreign Relations and Information (in Czech: *Úřad pro zahraniční styky a informace – ÚZSI*), and to Military Intelligence (in Czech: *Vojenské zpravodajství – VZ*).

Fulfilling its obligations under Act No. 412/2005 Coll., the BIS was asked by the National Security Authority (in Czech: *Národní bezpečnostní úřad – NBÚ*) to conduct more than 20 000 security clearance investigations for the issuance of security clearance certificates for natural and legal persons.

The BIS cooperates also with other state bodies (e.g. the Department for Asylum and Migration at the Ministry of the Interior, the Ministry of Foreign Affairs, the Ministry of Industry and Trade Licensing Administration) in areas falling under the remit of these authorities, e.g. residence permits in the Czech Republic, the MEDEVAC project, the arrangement of employment, international protection stipulated by the Asylum Act, or foreign trade in military equipment. In 2016, the BIS processed requests for information concerning more than 100 000 natural and almost 4 500 legal persons.

Based on a request of the EU, the Czech Republic pledged to resettle refugees from detention centers in Greece and Italy. Another project was aimed at relocating Syrian refugees from Turkey and yet another plan was to resettle from Iraq Christian refugees chosen by the Generation 21 Foundation. In relation to these projects, the BIS participated in the screening of more than 100 individuals.

In 2015, an amendment of Act No. 49/1997 Coll., on Civil Aviation, came into force, which stipulates provisions regarding reliability certificates issued to natural persons by the Civil Aviation Authority (in Czech: *Úřad pro civilní letectví - UCL*). These screenings include a credibility assessment of natural persons conducted by the Czech Police. In relation to this matter, the BIS processed requests concerning more than 6 000 individuals.

In compliance with Article 9 of the Convention implementing the Schengen Agreement, the BIS, as the responsible Czech intelligence service, submits opinions on Schengen visa applications. In 2016, the BIS screened almost 1 500 000 applications.

## 2.1. Protection of Major Economic Interests

In 2016, the BIS detected many varied activities threatening major economic interests of the Czech Republic and informed entitled addressees about them. The law stipulates that the BIS provides information on activities, which can threaten major economic interests, but the law does not set any other limitations regarding the character of such activities, not even their (un)lawfulness. In the area of the protection of major economic interests, there has been an evident rise in the amount of information provided to law enforcement authorities in the past three years. Compared to 2014, there has been an increase of about 50% in 2016.

Several trends from 2015 continued. The state still struggled with the consequences of wrong past decisions, mainly by contracts in the ICT sector. Contracts put out to tender by state contracting authorities continued to be negatively influenced by bidders' efforts to manipulate selection procedures. The BIS also focused on a significant increase of influence of big business groups on the economic decision-making of the state. This influence, albeit enforced legally, significantly affected economic interests of the Czech Republic.

### ***Awarding public contracts***

Phenomena, which negatively affect the efficiency of awarding public contracts by state-controlled entities, primarily pertain to the ICT, transport and energy industry. Above all imperfect contracts from the past posed problems for big ICT tenders. Current suppliers misused contractual loopholes for their own gain when trying to sabotage the state in its efforts to put out an open tender. Usually, these efforts consisted of obstructive steps, which in the end forced state authorities to prolong previous contracts. In order to protect their own reputation, current contractors in some cases concealed their obstructions by using a third party, e.g. tried to inspire another company to legally challenge the decision of the investor.

Aside from problems caused by wrong past decisions, contracting authorities also struggled with several other internal obstacles in awarding public contracts. It was still apparent that some state-controlled entities had problems with inviting companies to tender in such a way, so that unsuccessful bidders would not be able to effectively challenge the tender using available legal means and thus for example achieve its cancellation.

In cases, when the contracting authority for various reasons did not have to follow the law on awarding public contracts and the rules were set for example by the company's internal regulations, the efficiency of the tender depended on the contracting authority's ability to enforce the rules and control them. The BIS described several specific cases of state controlled companies where disregarding internal and external rules formed an established system, which resulted in considerable financial losses. The existence of such a system was always conditioned by a deliberate - passive or active - participation of higher company management and a more or less dysfunctional control conducted by the entities, which exercise shareholder rights, more specifically by their representatives in the supervisory board. This confirmed earlier conclusion of the BIS that the extent of losses, depth of dysfunction and the time needed to uncover the problem and fix it are usually bigger and longer in state-controlled, joint-stock firms than in state companies.

The new register of contracts contributed to transparency of expenditures in the state sector. However, some state-controlled entities tried to intentionally circumvent their obligation to publish information. The BIS detected a case when a state-owned, joint-stock company issued publically tradable securities in order to achieve an exception from the legal obligation to publish contracts.

Among external factors, which negatively influence public contracts, were above all efforts of bidders to enter into agreements, which disrupted fair economic competition. Similarly to previous years, the BIS detected most of these cases among investments in the transport infrastructure. The deals had various forms from a voluntary agreement on the offered price between relevant players to attempts to eliminate competition (or force it to an agreement) using coercive methods, such as the threat of trade boycott in selection procedures for subcontracts in other tenders.

### ***Clash of economic interests with other values***

Economic profitability - whether sought by the state in choosing suppliers, deciding on carrying out a project, or in choosing a foreign-policy strategy - often clashes with security interests. However, as such challenges grew, it became more and more apparent that in some areas the state does not have sufficient measures (primarily legal, technical, and institutional) to successfully tackle them. A typical example is the security of state ICT systems where some suppliers have no problem with meeting the formal security requirements for the participation in the tender, even though they are clearly linked to relevant security risks. Such a situation occurred also outside the ICT sector primarily by companies from countries where businesses are strongly interconnected with local foreign-policy interests, such as China and Russia.

In some cases, public interest, which is not of economic nature (e.g. interest in better health care), can be misused to achieve purely pragmatic financial goals of third parties. What the BIS sees as a growing problem are attempts to influence public opinion and deciding authorities in order to convince them of the necessity of a certain project using twisted, false, or incomplete information with the aim of gaining economic benefit at the expense of the state. The BIS described several specific cases where the state had to face such pressure.

The success of the defense against such activities depends largely on the level of integrity and personal courage of deciding individuals, who are in the end confronted with the unfavorable outcome of unpopular decisions. Protection of classified information is also closely connected to resilience in such situations. Since 2015, there has been no change in the ongoing absence of security eligibility certificates (so-called security clearances) by some of the highest ranking representatives of important state authorities, some of which are entitled addressees of the BIS. However, the communication of the BIS with recipients of its intelligence is often classified by the law. When the representative of the relevant authority lacks the certificate, there are limitations in cases when it is necessary to give them intelligence important for conducting procedures falling under their remit or for the security of the organization they represent.

### ***Influencing regulatory authorities, circumventing regulation***

Regulatory authorities faced an unchanged level of attempts to influence their decision-making in favor of specific interests. The risks pertained above all to institutions with a connection to energy, transportation, healthcare and the financial industry. The BIS recorded activities using legal means, which negatively impacted major economic interests of the Czech Republic, and also activities of clearly illegal nature with traits of crime, including corruption or blackmail.

Some entities, which are subjected to regulation, tried to promote their own candidates to fill key positions in regulatory authorities. At least once, such support was conditioned by the promise of future actions in a specific matter pertaining to the regulated entity.

As in 2015, the BIS recorded repeated violations of legal and regulatory rules set for specific business sectors by entities with Russian capital. Russian companies showed - at least in some sectors -

a higher likelihood of occurrence and intensity of such actions than entities with capital from other countries. Causes stayed the same as well: links to the "grey zone" of the economy and misuse of legitimate business in order to cover illegal activities. Furthermore, in 2016, there has also been a rise in the aggression, with which representatives of these companies tried to prevent legal sanctions in case of discovery by Czech authorities.

### ***Energy security***

The BIS particularly focused on energy and issues related to ensuring energy security, which has been an important part of major economic interests of the Czech Republic for a long time. In the long-term, the situation is improving in a number of partial aspects (diversification of oil and gas transport routes, elimination of some risks related to the storage of oil and oil products). However, there are still challenges the Czech Republic has to address. A typical example is the problematic development of energy infrastructure. On the one side, it faces complicated rules of permission processes and the construction itself and on the other side, it faces active targeted resistance of private entities, which are trying to prevent the construction of projects threatening their current business (e.g. the establishment of rival infrastructure).

Very active lobbying of some interest groups - albeit fully legal in most of its attributes - posed the biggest threat to the successful completion of long-term development plans of the Czech Republic in the energy sector. The state articulated its plans in a number of strategic documents - inter alia also because their stability is necessary. In spite of that, there were still attempts to circumvent state intentions and achieve partial changes (e.g. the elimination of a certain project) in order to satisfy a specific interest at the expense of state energy security.

## 2.2. Organized Crime

### ***Dysfunction at central level of public administration***

Just like in the past, public funds were being allocated non-effectively in 2016 and it was presented as the protection of public interests. The main cause of this dysfunction is a deep-rooted belief that when supporting an issue of public interest, formal norms and principles of good conduct can be legitimately circumvented. Even some high-ranking civil servants share this belief. In the end, this enables the support of particular interests of private business entities.

Efforts of clientelistic groups to influence civil servants at ministries and subordinate offices and to interfere with the legislative process continued. The BIS informed of cases when civil servants are in a clear conflict of interest in the discharge of their duties and of situations when they offer their services to business entities, for which they expect financial gain or other reciprocal service. Some civil servants for example offered their acquaintances help with getting grants (for which they demanded financial reward), engaged in a change of decision on a denied grant application, or looked into the reasons why a lower grant than expected was disbursed.

The BIS continued to monitor cases of attempts to influence the legislative process in order to advance specific interests and integrate them into finalized laws. An example of such efforts was the attempt of certain entities to influence the form of a governmental bill on the protection of public health against harmful effects of addictive substances.

### ***Dysfunction at regional level of public administration***

The BIS monitored public administration dysfunctions in those regional self-governing units, which are economically the most interesting ones in the Czech Republic because of the amount of annually devolved funds. Massive attention of various lobbyist and advocacy groups with the interest in influencing the decision-making process or significant municipal companies is linked to this situation as well.

What proved to be most problematic, was awarding public contracts and doing business with municipal property, where public funds were being spent illegitimately or even illegally among clientelism, corruption and conflict of interest. This was very often based on non-standard links between civil servants and private supplier of business-partner companies. Dysfunction occurred not only in the final phase of the decision-making process, i.e. in choosing the supplier, but also in the initial phase in manipulating expert studies and assessments in order to influence final conclusions and recommendations for the supplier.

### ***Traditional organized crime***

The BIS unintentionally gained a range of intelligence in the purview of law enforcement authorities and provided it to them without delay. Among other phenomena, the findings pertained to activities of an organized group comprising of Ukrainians, Moldovans and Romanians, who organized transport and subsequent employment of Romanian citizens in agriculture and food processing industry. They found workers in Romania and promised them high earnings. After the arrival to the Czech Republic, these workers had to hand over their passports and conduct forced labor under physical and psychological pressure, without proper reward, and under constant, often armed supervision. To arrange illegal employment, the group used recruitment agencies founded for that one purpose.

## **Migration**

In 2016, the implementation of tougher security measures at the borders of some Balkan states (fences, barriers, army deployment) and the conclusion of the deal between the EU and Turkey (valid from March 20, 2016) were decisive for the development of migration situation in the Czech Republic and the whole Europe. Migration wave, which escalated on the Balkan route at the end of 2015 and caused fatal collapse of border protection and related security and administrative procedures in the affected counties, was significantly reduced.

Uncontrolled movement of aliens was fundamentally reduced on the eastern Mediterranean route and migration there returned to the level of 2014. The migration on the central Mediterranean route was similar to 2014 as well. This also positively influenced the situation in Europe. In most EU states (with the exception of above all Greece and Italy), migration crisis of 2015 was overcome.

That is also the case of the Czech Republic, which found itself in crisis in summer 2015 when the numbers of Syrians, Afghans and Iraqis transiting across the country culminated.<sup>1</sup> However, stricter security measures eliminated the interest of refugees to travel across the Czech Republic already in October 2015 and the numbers of detained individuals rapidly decreased. In 2016, transit migration across the Czech Republic diminished again, in the last quarter of the year to marginal numbers.<sup>2</sup>

In 2016, around 5 300 cases of illegal migration were documented in the Czech Republic – 85 % of them were residence regime violations mostly committed by citizens of Ukraine, Russia, Vietnam, Kuwait, etc. Transit migration, when mostly Afghans, Syrians and Iraqis were documented, constituted only about 10% of cases.

International protection procedures were partially stabilized in the EU in 2016 as well. The disproportion between the numbers of immigrants and applications for international protection, however, is a manifestation of serious deficiencies in the common EU asylum policy and the implementation of the Dublin Regulation.<sup>3</sup>

In the Czech Republic, between 1 120 and 1 500 asylum applications were annually filed in the past years with a slightly rising tendency. Asylum seekers from the former USSR countries (above all Ukraine, Russian Federation, Georgia, Armenia) constitute about 60 % of the agenda, 18 % are asylum seekers from risk countries in Asia and Africa (mainly Iraq, Syria, Afghanistan, Nigeria) and 22 % are the remaining asylum seekers (Cuba, China, Vietnam, etc.). Just like in previous years, the dynamic of asylum procedures in the Czech Republic and of migration to/across the Czech Republic was influenced mainly by the situation in the former USSR countries.

In 2016, manifestations or impacts of migration in the Czech Republic did not escalate. Competent state authorities routinely dealt with cases of illegal migration and procedures on granting international protection, Dublin Regulation, readmissions and returns. Verification of aliens' identity and the fact, that it is often impossible to carry out the deportation decision, pose the main problems.

In 2016, migration of Russian citizens - mainly from Caucasus - via Belarus, Poland and Germany constituted a potential threat. Stricter border controls in Poland and Germany in summer

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<sup>1</sup> In the 3<sup>rd</sup> quarter of 2015, nearly 3 000 illegal migrants were detained, up to 200 a day in peak time.

<sup>2</sup> According to the Police of the Czech Republic, 47 illegal migrants were discovered in the fourth quarter of 2016, in average one every two days.

<sup>3</sup> In 2015, more than one million immigrants entered the EU and 1,3 million asylum applications were filed. In 2016, 380 000 migrants came and 1 050 000 asylum applications were registered. Between 2014 and 2016, there were 1 654 000 migrants, while more than 3 million asylum applications were filed.



2016 made transit via this migration route more complicated, which might have resulted in its deflection to the Czech Republic. However, this hypothesis was not confirmed during the year.

Another important issue related to migration in the Czech Republic and abroad monitored by the BIS was EU visa liberalization with Ukraine. The Czech Republic is next to e.g. Russia, Poland, Italy, or Germany only one of target countries of Ukrainian migration. Because of that, the BIS assessed the risk, that threats stemming from visa liberalization (e.g. influx of migrants, asylum seekers or "criminals" working or doing business illegally) might come true, as low.

## 2.3. Counterintelligence Activities

Russian priorities for 2016 were influence and intelligence operations conducted within or in support of the hybrid campaign in the context of the Ukrainian and Syrian crises. However, compared to 2015, the role and activity intensity of Russian intelligence services rose in the Czech Republic in 2016. As far as China's activities in 2016 are concerned, the intensity and aggression of its influence operations grew and Chinese espionage in the Czech Republic and against Czech interests and security increased.

The BIS did not identify any activities of intelligence services of third countries relevant to its purview - with the exception of Iranian intelligence services (see Section 2.5. Terrorism).

Russian intelligence services did not change their extensive attitude to using undeclared intelligence officers under diplomatic cover. Russian diplomatic personnel thus remain the most significant risk of unintentional contact with a foreign intelligence officer and even after a long time, they still hold this negative first place among the diplomatic corps declared in the Czech Republic.

The Czech Republic was not a primary target of Russian hybrid campaign<sup>4</sup> in 2016 (or before). It was, however, affected by influence operations or other measures, which constituted direct or indirect components of Russian hybrid campaign against other targets.<sup>5</sup>

In the context of Russian influence and active measures in 2016, it can be said that Russia uses all available means for its benefit but (primarily) all adversary's strong and weak points. That means that the principle of hybrid conflict lies in:

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<sup>4</sup> The issue of hybrid warfare seems to be complicated and without a unified definition, but the principles of hybrid warfare were described long ago by authors like Sun Tzu (544-496 BC), Miyamoto Musashii (1584-1645) or in works like "Thirty-Six Stratagems" (489-537). In the 20<sup>th</sup> century, the Soviet practice of active measures (any activity aimed at weakening or confusing the adversary) and "Maskirovka" (concealment - imitation - simulation - denial - disinformation - deceptive measures) must not be omitted. Nowadays, hybrid warfare therefore does not constitute a revolution, but an evolution in running a conflict. Russia's economic and military potential cannot rival that of the USA and the EU but just like a virus or bacteria, Russia constantly adapts to the situation and adversary's skills and capabilities - in theory (e.g. Gen. V. V. Gerasimov, Gen. I. N. Vorobyov, Col. V. A. Kiselyov), but also in practice (Crimea, Donbas, Syria).

The evolution of hybrid warfare affects all parts of Russian structures utilizable in hybrid warfare, therefore also intelligence services. In 2007, Maj. Gen. O. D. Kalugin described active measures as the "heart and soul" of Soviet espionage: "Not intelligence collection, but subversion: active measures to weaken the West, to drive wedges in the Western community alliances of all sorts, particularly NATO, to sow discord among allies, to weaken the United States in the eyes of the people of Europe, Asia, Africa, Latin America, and thus to prepare ground in case the war really occurs." In June 2016, V. I. Trubnikov said: „Today, to get any kind of secret paper with the top-secret info - that's nothing. It is essential to penetrate into the brains of those who are leading the countries. An intelligence officer must grow up to the level of Michelangelo. The best spy is a Renaissance man. He has to have in his brain an encyclopedia. He cannot today be a very narrow specialist to get information - very, very delicate information." Russian espionage moved from the Cold-War style of playing Western countries against each other to a higher level. Just like Russian hackers create botnets in the Internet, so do Russian intelligence services de facto strive to create similar networks consisting of Western politicians, whose minds the intelligence services „infiltrate, understand and then dominate them". It is a way that fits into the whole system of hybrid warfare very well.

<sup>5</sup> Hybrid campaigns waged against Ukraine, NATO and the EU. Just like in the past, it was Russia's interest to influence Czech social and political inner integrity and thus also weaken the EU and NATO. (If we put together Russian activities in the past years in cyber space and propaganda, operations in Ukraine and Syria, kidnapping of an Estonian intelligence officer from Estonia to Russia, and Russian border operations in Europe, it is obvious that the EU and NATO are facing a Russian hybrid campaign.)

1. using all available forces and means against the adversary (with the condition of combining military and non-military, more specifically kinetic and non-kinetic, means);
2. entrapping the adversary in his own definitions and schemes (e.g. operational, defense, warning ones), that means in the end figuratively pushing the adversary into the pit, that he himself had dug, and then came to stand at the edge of;
3. targeted activity below and above adversary's threshold of reaction, i.e. combination of actions, which cause adversary's paralysis (e.g. the inability to assess the situation correctly or uncertainty of adequate reaction - is it a military attack, or not?) or adversary's inadequate reaction (e.g. media hysteria, rash and false reactions, which become clues for planning further hybrid warfare campaigns, or more specifically their components).

In 2016, Russian influence and intelligence operations in the Czech Republic corresponded with the above described theoretical patterns. These Russian influence and intelligence activities primarily constitute Russian interference in Czech internal matters (on the scale of influence measures from white to black). On a strategic level, however, they are seen as a part of Russian hybrid campaigns against Ukraine, NATO and the EU.

What the BIS had stated on Russian influence measures and operations undertaken in context of the developments in Ukraine in 2015 (above all online activities and operations of NGOs, and the like), was valid in 2016 as well. Russia developed this basis further, particularly in the sense of a higher engagement of Russian intelligence entities.

Czech citizens still illegally travelled (from Russia) to problematic areas of Ukraine (Donbas, Crimea). Czech citizens, albeit unknowingly, use hidden assistance of Russian secret services during these travels. The presence of Russian intelligence officers and in some cases photographs from these trips cast doubt upon the allegedly private character of such travels.

As a part of subversive activities aimed against the sovereignty and territorial integrity of Ukraine, Russia and its intelligence services coordinated and financed operations of so-called non-governmental organizations, which (under the cover of defending the right of ethnic self-determination and improving the situation of minorities in Ukraine) conducted grey and black active measures against territorial integrity of Ukraine. Representatives of "non-governmental" entities directly or indirectly controlled by Russia and its intelligence services systematically attempted to gain support of Czech parliamentary and non-parliamentary political parties and officials from top state administrative authorities. Some Czech citizens therefore knowingly or unknowingly participated in intelligence aggression of a foreign power against the integrity of a third country. It was very interesting to observe how under the Russian baton, entities from far or orthodox right and left scene, or strong supporters of Beneš decrees and their ardent opponents "fraternized" with each other.

In the area of classic intelligence gathering, Russian interests in the Czech Republic were dominated by political espionage. Russian intelligence services have had for a long time a quality network of information, access and influence contacts in the Czech Republic and they continued to develop this network further. The Czechs in question do not provide Russia with classified information, but on a large scale give it sensitive internal information. Even though the Russians gained unclassified information, its character and extent caused the Czech Republic bigger damage than revelation of classified information (please see the quote of V. I. Trubnikov in footnote 4).

In 2016, the numbers of Chinese intelligence officers in the Chinese diplomatic mission in the Czech Republic did not significantly change. However, the numbers of intelligence officers coming to the Czech Republic with official Chinese delegations did rise and there was primarily an increase in the

numbers, aggression and intensity of Chinese intelligence operations against Czech targets and interests. For their operations in the Czech Republic, Chinese intelligence services cooperate with the local Chinese compatriot community.

Chinese priority was no longer to broaden and deepen influence infiltration of Czech politics and Czech state authorities (even though these activities continued) but to use these capacities to benefit Chinese domestic and foreign-policy interests. The dominant interest of China and its intelligence services in the Czech Republic was the elimination of the Tibet issue and the disturbance of Czech-Taiwanese relations.

Chinese intelligence and influence operations in the Czech Republic were also connected to a term primarily linked to Russia - the hybrid campaign. One example (which includes the use of the so-called little blue men<sup>6</sup>) can be Chinese activities connected to disputes in South China Sea. Based on the United Nations Convention on the Law of the Sea, the Permanent Court of Arbitration in The Hague found against China and upheld Philippines' complaint on July 12, 2016. According to the ruling, China violates sovereign right of the Philippines, does not have historical claim on disputed islands in South China Sea and furthermore, caused irreparable ecological damage while exploring natural resources and building artificial islands in the region.

Activities of people linked to Chinese intelligence services in the Czech Republic intensified in connection with the culmination of Chinese-Philippine dispute over the region of the South China Sea. Exponents of Chinese intelligence services in the Czech Republic intensively looked for support of Chinese claims in the above mentioned dispute not only in the Chinese community in the Czech Republic, but primarily on Czech political and academic scene as well. Strongly pro-Chinese articles and interviews appeared in Czech media and the Chinese Embassy in Prague was involved in their publication. The aim of these activities was to influence Czech public opinion, but also Chinese public opinion since the articles were translated and published on Chinese news websites. Another goal was to create the impression that Czech citizens and political representatives support China.

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<sup>6</sup> Little blue men are allegedly Chinese civilians - fishermen, who on their civilian boats inconvenience or endanger vessels of other countries in disputed waters of South China Sea, which China claims. These irregular maritime militias probably number in hundreds of men and motor boats and are based on the Hainan Island.

## 2.4. Protection of the Constitutionality and of the Democratic Foundations of the Czech Republic

In 2016, the BIS did not identify any activities posing a specific, direct threat to the democratic foundations of the Czech Republic from the perspective of an intelligence service.

### *Anti-immigration and anti-Muslim activities*

In relation to the refugee crisis, the BIS continued its monitoring of entities, which concentrate on the topic of immigration and Islamization of the Czech Republic and Europe. The BIS also kept on assessing security risks stemming from the activities of these entities, above all the danger of the spread of xenophobia, racism and other forms of intolerance.

Aside from right-wing extremists, the BIS also monitored activities of entities, which cannot be labeled as extremist but rather as populist, and which posed the threat of manipulating public opinion and contributing to provoking fears and tensions in the society by spreading their one-sided and biased attitude to Islam and Muslims or even by spreading false claims.

Supporters of this spectrum focused on various phenomena connected to migration - aversion to Muslim immigrants, disapproval of government policies on this topic, disapproval of mandatory refugee quotas, aversion to the EU, etc.

Activities of the anti-immigration movement contributed to the polarization of Czech society, the increasing radicalization of opinions of a part of the public (not only of individuals opposing immigration but also of its supporters) and to distrust of democratic values. Some migration opponents from the general public gradually became more aggressive in their expressions and their rhetoric was basically as radical as that of right-wing extremists. This was most apparent on the Internet, above all on social networks.

During the year, it also became apparent that the heated debate turned into an impulse for a rational public discussion on migration and its impacts on the changing society in the Czech Republic and elsewhere. Not only politicians and academicians, but also journalists participated in this discussion. It helped the public to better acquaint itself with opinions of the Czech political representation and various experts and the public also received more objective information. Together with the actual level of migration in 2016, it helped to somewhat lower tensions in the society and calm the situation.

The existence of public-wide discussion influenced the anti-immigration movement as well. During the year, it grew weaker and started losing its potential to mobilize. Despite partial and temporary cooperation of some entities, the heterogeneous anti-immigration spectrum remained very fragmented and continued to fall apart despite various proclamations on the need to unite all patriotic forces. What caused the inability and unwillingness to cooperate were not only differences in opinion, personal hostility of leading representatives of the entities, but also the rivalry ahead of autumn regional and Senate elections. Populist entities, which dominated the space, refused to cooperate with right-wing extremists for fears of potentially discrediting themselves. In the end, all but one anti-immigration party flopped during the elections.

The diminishing public interest in the topic of migration manifested itself in decreasing numbers of public anti-immigration gatherings, fewer participants in these events and a lower proportion of regular citizens there.

Most anti-immigration events would have been calm, had it not been for clashes caused by immigration supporters, above all left-wing extremists. Truly dangerous forms of protests - e.g. setting refugee facilities on fire or physical attacks on immigrants - did not take place. Most of the more radical expressions were only of verbal nature and could be found mainly on the Internet.

### ***Non-state paramilitarism***

Forming of various paramilitary and street patrol groups continued in connection with the migration crisis. The goal of these groups was to be prepared to prevent illegal immigrants from entering the Czech Republic and monitor security situation in the streets. They tried to create the impression that Czech security forces are not capable of handling the situation and protect the Czech Republic and its citizens. However, their activities did not pose a specific threat to the security and democratic foundations of the Czech Republic. They also did not use violence.

Membership composition but also the level of activities of paramilitary and street patrol groups depended on the state of refugee crisis. As the topic of migration grew weaker, so did the groups involved lose strength as well and the interest of general public in actively participating in their activities diminished.

Paramilitary and street patrol groups constituted of a wide spectrum of individuals of various ideological orientations. Among them were far-right extremists, former members of armed forces, fans of martial arts and shooting training, survival training enthusiasts but also regular citizens, who fear for their safety and that of their families. Most of them had strong pro-Russian attitudes, which stemmed from their anti-Western orientation - from aversion to the USA and international communities, like NATO or the EU.

### ***Right-wing extremism***

The right-wing extremist scene was in crisis at the end of 2016. Not even the focus on anti-immigration and anti-Muslim topic helped it during the year because the influence of its representatives in the whole anti-immigration movement was rather small. Due to progressive "staleness" of this topic, right-wing extremists and other entities looked at it in a larger context - e.g. as a protest against the EU and its policy, protest against the present political representation, or distancing from "Prague Café" (a pejorative term for a vaguely defined group of intellectuals from bigger cities, who are publically active and interested in politics). Most of other topics, e.g. the previously traditional anti-Roma rhetoric, moved to the background. The campaign before October regional and Senate elections was conducted by right-wing extremists in a similar spirit.

Right-wing extremists committed no serious physical attacks in connection with anti-Muslim and anti-immigration activities. A case of attacking and stabbing at the beginning of the year was widely discussed and investigated but the Police eventually filed it away because of serious doubts about the course of the crime itself. A link was also drawn between anti-immigration activities and the February attack of masked right-wing hooligans against the Autonomous Social Center Klinika but the Center was targeted rather as a symbol of left-wing activities and not primarily for its pro-immigration activities.

Supporters of the far right committed less serious, mostly verbal transgressions. Offenders were mainly right-wing extremists from the hooligan scene. On the present right-wing extremist scene, they are the ones most inclined to commit disorderly conduct or be violent.

At the beginning of the year, various right-wing extremist groups were capable of certain pragmatic cooperation, above all on regional level, but as the year progressed, mutual support crumbled. Far-right political parties, which did not gain bigger support, are of completely marginal significance now. Their lack of success during October elections further deepened the crisis of the far-right scene and weakened it even more. Aside from political parties, also other small right-wing extremist groupings were active. However, their activities were insignificant and did not pose a relevant security threat.

Contacts between Czech and foreign right-wing extremists were established most frequently at the individual level. The most significant manifestation of institutionalized cooperation was the involvement in the European platform Alliance for Peace and Freedom.

Right-wing extremist events with music continued to be organized but their general character was not usually openly right-wing extremist.

### ***Left-wing extremism***

The bigger part of the far-left scene continued to mainly focus on the refugee crisis in Europe. However, due to the diminished interest of migration opponents in this topic, activities of left-wing extremists in support of immigrants lessened as well. Cooperation between left-wing extremists and various civil-rights activists can be described as a "fight against the common enemy". Some left-wing extremists tried to find new sympathizers through their support of refugees, however, without success.

Primarily the fight of anti-authoritarians against migration opponents, which was not limited to right-wing extremists only, constituted a security risk. Repeatedly, there were attempts to disrupt demonstrations of right-wing extremists and also of populists, who organized anti-immigration gatherings. Above all the more militant sympathisers tried to physically assault their opponents; however, there have been only a few cases of violations of public order.

A notable activation topic and a certain cementing element for a big part of the far-left scene were the Autonomous Social Center Klinika and the circumstances of its operations. After the one-year lease agreement had expired, the center became an illegal squat again in March. Aside from alternatively-minded activists and supporters of squatting and autonomous activities, also anarchists (including militant ones) gathered there.

The Center received attention, solidarity and support from anti-authoritarian and Trotskyist groups in the Czech Republic and abroad, but also from a relatively wide spectrum of individuals ranging from some politicians and journalists with one-sided focus to human-rights activists with a narrow ideological orientation. The support often lacked a wider, more critical view of the whole context, which resulted primarily in playing down the risks stemming from left-wing extremist activities.

Anti-authoritarian groups remained fragmented without any more distinct personality to unite them. Their membership base remained weak. The level of activities of the anarchist-autonomous movement was roughly the same as in the previous time period.

Compared to the previous year, there has been a distinct change in the modus operandi of direct actions. Militant anarchists only claimed one arson attack in 2016. However, they pursued the same or similar goal with a tactic of sending anonymous e-mails to several media, the Police or journalists repeatedly announcing improvised explosive devices or other security threats.

The radical communist part of the left-wing extremist scene continued to stagnate as a whole. Only some Trotskyist groups showed partial mobilization. Their representatives organized more of their own events and tried to present themselves to the public. A large part of their activities was online, above all on social networks.

The rest of the radical communist scene was fragmented into several marginal collectives, which still could not attract bigger numbers of new sympathizers. Some of them were almost inactive, even on the Internet.



## 2.5. Terrorism

The global situation of terrorism was reflected in the developments in the Czech Republic in 2016. Activities of Islamic State (IS) in Iraq and Syria, as well as terrorist attacks by its supporters in European states provoked negative reactions from Czech Muslims and the Czech majority society. The BIS reacted to such course of events by intensifying its actions against Islamic radicalisation, activities of international terrorist networks, and against abuse of migration by Islamic terrorists aimed at penetrating the EU. In addition, the BIS focused on the issue of Kurdish militias and their possible support, terrorism financing and activities of Iranian intelligence services.

The BIS registered several persons whose speeches were inspired by the ideas of Islamist ideologies. Promoters of such ideas remained isolated in their beliefs and were not provided with a scope to spread their attitudes and ideas in the Czech Muslim community whose moderate nature had been preserved.

In 2016, the official Muslim organizations remained passive. Under the circumstances caused by a negative perception of Islam and Muslims by the Czech society, their leadership limited the media appearances to the minimum. Organizations that were not registered as religious associations were increasingly taking over the activity. That was a case of e.g. a private Muslim centre, supported also by certain Czech converts, that endeavoured to present Islam and Muslims in the Czech Republic. The centre significantly contributed to the organisation of the “Muslims against terrorism” demonstration, whose objective was to define themselves against terrorist activities of Muslims elsewhere in the world and to highlight that the Muslims in the Czech Republic do not agree with them.

Islamophobia was assessed by the BIS as one of the radicalisation factors of the Muslim community in the Czech Republic. Inclination towards Islamophobia of a part of the Czech society was manifested in the form of several events against Muslims and Islam in the Czech Republic. Those actions included e.g. burning of the Koran in front of a mosque in Brno, a staged Islamic State attack in Prague, and a release of a list of Teplice Muslim businesspersons. The events provoked no negative reaction of the Muslim community.

The BIS contributed to screening of the activities of the first Czech citizen who had decided to join IS fighters. The person was detained in Turkey and returned back to his country. As a convert, he radicalised via online Islamist propaganda. Afterwards in December, he was charged with preparation of a terror attack.

Czech-Turkish relations were affected by an event related to the Kurdish issue. A promotion office of YPG Kurdish militia was opened in Prague in the spring, but was closed later in the year. One of the reasons for its closing was the lack of interest of the local Kurdish community connected with the lack of funding.

In addition to that, the BIS focused on activities of certain Czechs who were involved in the support of Kurdish militias fighting against IS. Their actions, involving illegal crossing of Middle Eastern countries' borders, might have been seen as highly dangerous. Even if their lives were not directly threatened, they at least risked being charged with supporting terrorism. The BIS found no evidence related to those cases indicating their participation in actions assessed as terrorist activities.

Despite a decrease of the number of Islamic radicals leaving Europe for Syria/Iraq in 2016, in particular returns of those foreign fighters continued to pose a security threat in 2016. The BIS focused on foreign fighters who had voluntarily left the Czech Republic to join IS. This issue did not involve

Czech citizens, but former foreign residents in our country. The BIS priority objectives therefore included not only detecting new departures, but also prevention of returns of foreign fighters to the Czech Republic. The BIS also focused on uncovering relationship networks of the persons potentially posing a threat, as those networks may be used upon their homecomings. Thanks to new findings, the BIS managed to confirm a past departure of such person to terrorist organizations in Libya and Syria. Furthermore, the BIS obtained detailed information on personal contacts of a foreign fighter who had lived in the Czech Republic and joined IS in 2015. For most of the returnees, the Czech Republic was not the final destination, but similarly as in the previous year, the Czech territory might have been used for transits further to Western Europe.

Migration from North Africa and the Middle East was among determining factors affecting the security situation in Europe. Besides other issues in this area, the BIS focused on pathological phenomena related to abuse of residence and asylum procedures by migrants from the above-mentioned regions. Sham weddings with citizens of the EU Member States were not the only controversial way in which those persons tried to arrange for a legal stay. The Czech Republic has also registered a trend, widespread in Europe, which involves migrants stating untrue, dependably unverifiable information in the course of asylum procedure, often including allegations of made-up persecution by terrorist groups in their country of origin. There have been repeated cases of efforts to abuse Czech residence permits issued for study purpose. Several private educational institutions, whose dominant business plan was evidently to generate profit from fees for securing residence permit in the Czech Republic to foreigners for study purpose, were active in our country. Another method used for an easier entry to the Schengen area included rehabilitation and health stays or coming as accompaniment of the patients using such stays. In this way, persons linked to Islamic networks operating in North Africa and the Middle East may enter our territory.

In addition to the previously mentioned facts, the BIS noted closed ethnic communities originating from Central Asia whose members include asylum seekers in the Czech Republic. Due to cultural differences and adopted specific form of Islam, the integration of this community is complicated. Its isolation, emanating from a strict adherence to the principles of radical interpretation of Islam, and associated animosity towards the Czech society presented a security threat. This community operated in separation from the well-established Czech Muslim community.

In 2016, the BIS also monitored developments in other ethnic communities with long-term higher levels of criminality. From the perspective of radicalisation, this higher criminality presents a serious risk as an increasing number of perpetrators of attacks in Europe had been radicalized in prisons, among criminal gangs, pickpockets or drug users during the past two years. Maghreb<sup>7</sup> community is among the social groups threatened by criminality and possibly consequent radicalisation. Some Maghrebis quite often committed criminal acts, such as fraud, thefts and distribution of narcotics. Certain persons of Maghreb origin in our country thus confirmed the experience from Western Europe where Magrebi belong to the social groups showing difficulties integrating to the Western majority culture.

As concerns threats associated with the spread of Islamist extremism and terrorism, the BIS focused also on activities of Iraqi citizens who had been closely linked to the former Iraqi regime of

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<sup>7</sup> Maghreb (West in Arabic) – a part of Northwest Africa consisting of Mauritania, Morocco, Algeria, Tunisia and Libya.

Saddam Hussein. In general, the core of IS terrorist organisation consists of supporters of the former Iraqi regime. Some individuals whose past is linked to government and security apparatus of the former Iraqi regime were active within the Iraqi community in the Czech Republic. Nevertheless, none of them posed a threat for maintaining security of the Czech Republic in 2016.

Irrespective of discussions on lifting Iranian sanctions, the BIS again focused on intelligence activities of this state. Iranian intelligence services continued to be very active in Europe, and the actions of suspects of intelligence activities were also registered by the BIS in the Czech Republic. 2016 did not bring realisation of terrorist threat generally posed by Iran, nevertheless its capabilities to strike the European territory remained unaffected. Its important ally there is Hezbollah, a Lebanese terrorist movement that is also covertly active in Europe. Its logistic activities were registered also in the Czech Republic.

Even more than in the previous years, the great significance of international cooperation was reasserted in the fight against terrorism. The cooperation allowed for revealing terrorist attacks and adopting measures to thwart them. Terrorist networks, directly or indirectly linked to the IS and other jihadist organizations, spread its sphere of activity not only Europe-wide, but also in a sense practically worldwide. Highly effective jihadist propaganda disseminated via social networks allowed for a global spread of terrorism. Its high effectiveness was guaranteed by a minor stress on ideological nuances, but by the greater presentation of senseless brutal violence. This simplified communication code of terrorists became established and has attracted numerous volunteers particularly to the IS ranks. Even though the end of the IS organizational structure is inevitable in the years to come, terrorism-related security risks will persist due to the hatred it had sown with its propaganda.

## 2.6. Proliferation of Weapons of Mass Destruction

Nuclear, chemical and biological (bacteriological and toxin) weapons of mass destructions and their carriers (WMD) are completely excluded from international trade. Czech legislation<sup>8</sup> arising from international treaties obliging the Czech Republic to prevent WMD proliferation includes e.g. International Control Regimes<sup>9</sup>.

The task of the BIS in connection to WMD proliferation is to inform about specific incidents, phenomena and trends connected to foreign trade with controlled items and to circumventing or violating other obligations of the Czech Republic arising from international sanctions imposed on respective countries or entities.

North Korea, Iran and Syria are long-term posing the gravest proliferation threats. They seek various devices, special materials, technologies and expertise, including the items falling under the category of internationally controlled goods, abroad for research, development and production in their military programmes. Export of such goods and related receiving payments is prohibited by the sanctions; therefore such trades are concealed in various ways in order to prevent the identification of real users of the exported goods. To such ends, both parties of the trade used re-exports from third countries, e.g. from China to the North Korea or from the United Arab Emirates and Turkey to Iran. The conventional weapons and missile programme of the latter are still – despite relaxed international sanctions related to its nuclear program – sanctioned.

One of the objectives of the EU sanctions imposed on Russia was to halt deliveries to Russian arms factories. Circumvention or violation of enumerative exemptions from the sanctions amounts to a failure to meet the EU laws with all the consequential implications for a Member State. Also in 2016, the BIS registered a highly tolerant attitude towards the use of exemptions to complete contracts concluded before the adoptions of sanctions imposed on the Russian Federation, i.e. before August 1, 2014.

The international requirements arising from the so-called UN Security Council, EU and OSCE (Organisation for Security and Cooperation in Europe) arms embargoes imposed e.g. on Yemen, Somalia and Azerbaijan, were essential for exports of military materials from the Czech Republic. Certain obligations related to exports of internationally controlled items concerned management of such goods in the Czech Republic. This is the case for instance of cluster munitions that are excluded from international trade in military materials, including brokering. Despite the fact that Czech private entities were permitted only to participate in the liquidation of cluster munitions and submunitions and that the possession of such ammunition for business purposes was ruled out by the law, the BIS detected a specific Czech online offer of cluster munitions and submunitions.

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<sup>8</sup> E.g. Act No. 594/2004 Coll. Implementing the European Community Regime for the Control of Exports of Dual-use Items and Technologies; Act No 38/1994 Coll. On Foreign Trade with Military Material; Act No. 228/2005 Coll. On Control of Trade in Products the Possession of which is Restricted in the Czech Republic for Security Reasons; or Act No. 61/1988 Coll. on Mining Activities, Explosives and the State Mining Administration, as Amended.

<sup>9</sup> The Australia Group (AG), the Missile Technology Control Regime (MTCR) reinforced by the Hague Code of Conduct (HCOC), the Nuclear Suppliers Group (NSG), the Zangger Committee (ZC), the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies (WA), and the United Nations Security Council Resolution No. 1540 (2004).

Together with the development of e-shops, also the number of offers and demands for other dangerous goods, including explosives precursors, increased. Online manuals for fabrication of functional explosives or improvised explosive devices, including quite well made audiovisual instructions, posed a more grave threat. The BIS therefore informed entitled authorities about its specific findings related to genuinely dangerous goods that are abused abroad, and notified them of violations and circumventions of legal obligations and lobbyists' efforts to relax control mechanisms pertaining to manipulation and foreign trade with such items.

## 2.7. Cybersecurity

As in previous years, the BIS monitored issues related to the functioning of Visapoint – an information system run by the Czech Ministry of Foreign Affairs. Many of the problems were successfully eliminated in the past and particularly in 2015, but some have persisted.

Registration into the system through automated software tools remains a lasting problem of the Visapoint IS. Those tools schedule a significant number of available dates for personal appointments (which are a requisite part of visa application) and therefore prevent legitimate users from scheduling an appointment at Czech embassies. Consequently, the legitimate applicants had no other option than to buy a pre-registered appointment dates from the so-called intermediaries for a significant amount of money.

In 2016, the BIS informed the Foreign Ministry that some of the intermediaries had succeeded in bypassing reCAPTCHA, an advanced safety feature used by the Ministry at the time as protection against automated software tools. Efforts of the intermediaries to overcome the reCAPTCHA feature clearly indicate that registration to available interview dates still involves considerable financial flows.

### ***Czech hacker groups***

In 2016, the BIS learnt that members of a Czech hacker group discovered vulnerabilities on the websites of several state institutions and on a host server of websites of an important Czech state official. The group used the vulnerabilities and installed a script designed to control a server at those portals (so-called shell script). In the light of the previous and other activities of the hacker group, its efforts to exploit the revealed vulnerability for financial enrichment could be anticipated. The group might have tried to sell the vulnerability information directly to the state institutions concerned or to e.g. people from hackers' circles.

The group detected a particular vulnerability at the website of a bank that operates in the Czech Republic, and the same group placed the so-called shell script to the information system of another bank operating there. The shell very likely enabled the group members to access other banking systems. It was supposed to serve as the so-called backdoor and to provide the group members with a concealed access to the information system of a bank, even in the case of elimination of the vulnerability (i.e. its repair or blocking) that had been used for the initial penetration of the said information system.

By the end of 2016, the BIS informed about plans of Czech Anonymous to wage electronic attacks against web portals of the Czech state institutions within the Million Mask March (a worldwide mass march organized by the Anonymous "movement"), held on November 5, 2016. Based on similar cases from the past, simple attacks of (D)DoS type or defacement were most likely to be expected, meaning the attacks that had been successfully carried out by the Czech Anonymous in the past.

### ***Vulnerabilities***

During the investigation of network devices in the cyber-espionage campaigns, the BIS has also obtained information on port configurations of certain IP addresses falling to the range of several Czech ministries. Certain open ports for internet enabled a direct access to form-based authentication used for administration of network devices, which are placed at IP addresses administered by the ministries. In some cases, an old version of Key Exchange Algorithm was used, with its vulnerabilities

that had been previously published in open sources. The BIS has also learnt that some network devices had obsolete firmware.

In 2016, the BIS provided the National Security Authority with information on a navigation bar that enables access to domains used for electronic attacks. Such domains usually serve for phishing attacks or as a source for malware downloading. Attacks originating from such domains are likely linked to cyber-espionage or generally to cyber criminality. They are a security risk above all due to a possible compromising of critical information infrastructure or important information systems in the Czech Republic, and subsequent espionage or attack.

### ***Russian cyber-espionage***

In 2016, the BIS progressed in investigation launched in 2015 that focused on possible compromising of routers at IP addresses in two state administration authorities. The BIS obtained new technical information that might have contributed to detection of possible compromising of particular routers.

APT28/Sofacy campaign is currently probably the most active and visible Russian cyber-espionage campaign with various spheres of activities – ranging from principal areas, such as diplomacy and defence, to science and research and academia. Despite being one of the oldest cyber-espionage campaigns, described in detail and identified in open sources, its effectiveness continues to be considerable, and its continuing activity can be anticipated. APT28/Sofacy does not target data as such, but it has recently focused on theft of personal data and ICT logins. Stolen data and information may be used for various purposes – for political or scientific and industry aims, or e.g. for blemishing of certain persons or states, disinformation, or else for blackmailing. As in the previous year, the Russian APT28/Sofacy cyber-espionage campaign was very active against Czech targets in 2016 and it used computer infrastructures located abroad for such attacks. The said campaign compromised several private email accounts of persons linked to the Czech military. Attackers from the APT28/Sofacy campaign could therefore learn, among other things, much personal information about the email accounts' holders.

Also a Czech military research institution was targeted by the Russian APT28/Sofacy campaign. In autumn 2016, another wave of the Russian APT28/Sofacy campaign was conducted, targeting European Foreign Affairs and Defense Ministries in European states.

In addition, the BIS provided its addresses with information on electronic attacks falling within other specific cyber-espionage campaigns.

## **3. Protection of Classified Information**

### **3.1. Administrative Security**

The BIS drew up expert opinions related to protection of classified information and expert studies on classification in accordance with Act No. 412/2005 Coll. and interpreted items listed as classified in the BIS sphere of powers and responsibilities, both in reply to internal requests and requests from state administration authorities and other institutions.

Current legislation does not provide sufficient and effective protection of classified intelligence in the administrative procedure and in the potential subsequent judicial review. However, this is an essential and necessary precondition for intelligence services to provide relevant information in a form enabling its further use by an administrative body. The BIS has been repeatedly drawing attention to this issue, which is related to incomprehensive and inconsistent regulations of various administrative procedures. These procedures are governed by special legislation and in/directly anticipate the use of intelligence findings.

### **3.2. Security of Information and Communication Systems**

All BIS information systems processing classified information have a valid National Security Authority certificate. Certificates of two information systems processing information classified as Confidential and Top Secret were renewed. Both these systems were successfully re-certified and checked by the National Security Authority. The re-certification also included an update to security documentation.

Advanced technologies for tracking user access to data were tested. The BIS will implement the technologies to its systems to enhance security of processed information.

As far as the cryptographic protection of classified information is concerned, a cryptographic device in communication system was modified, and the whole communication system operation was authorized after an update to security documentation and National Security Authority checks.

Cryptographic protection and management of cryptographic devices were centralized.

The BIS detected no serious incidents or compromising of cryptographic devices.

### **3.3. Physical Security**

In the area of physical security, the BIS implemented measures aimed at improving special rules systems providing for the operation of BIS buildings, their technical protection and their physical guarding in order to meet the requirements on the protection of classified information provided in Act No. 412/2005 Coll. and in Regulation No. 454/2011 Coll.

Documentation on BIS offices and buildings was regularly updated. Due to the relocation of some workplaces, relevant documentation was updated to reflect the current situation.

### **3.4. Crisis Management**

Focusing on the protection of classified information in emergencies, Plans for Building and Area Security, which are part of Security Projects, were updated.



Emergency Plans of BIS buildings were updated in order to protect BIS officials in emergencies. The BIS Crisis Plan was also regularly updated.

## 4. Cooperation with Intelligence Services of the Czech Republic and with other State Authorities

### 4.1. Cooperation with Intelligence Services of the Czech Republic

The BIS regularly provides intelligence and findings to the Military Intelligence and Office for Foreign Relations and Information. Cooperation with these services takes place at different levels encompassing operational, analytical and service activities.

Close cooperation with the Office for Foreign Relations and Information and with the Military Intelligence focused on counterespionage and on fighting against WMD proliferation and illegal trade with military equipment.

Countering terrorism is a specific part of cooperation. The BIS cooperated on fighting terrorism with the two intelligence services of the Czech Republic and other state authorities and security forces – either bilaterally or working together in the Joint Intelligence Group of the Cabinet Office of the Czech Republic.

### 4.2. Cooperation with the Police of the Czech Republic

The BIS played an active role in regular meetings of the National Contact Point for Terrorism (in Czech: *Národní kontaktní bod pro terorismus – NKBT*) falling under the remit of the Unit Combating Organized Crime of the Criminal Police and Investigation Services (in Czech: *Útvar pro odhalování organizovaného zločinu Služby kriminální policie a vyšetřování*; since August 2016 the Unit has been integrated in the National Centre against Organized Crime, in Czech: *Národní centrála proti organizovanému zločinu*).

Section 8, Paragraph 3 of Act No. 153/1994 Coll. stipulates that the BIS must provide information to the Police of the Czech Republic if this does not jeopardize an important intelligence interest. Under Section 8, the BIS also provides the information to the President, the Government, the Prime Minister and other Cabinet Ministers. In many cases, cooperation between various departments of the BIS and the Police draws on the nature of submitted information.

Effective bilateral cooperation on individual cases took place with relevant police units, especially with specialized units.

The BIS and representatives of the Criminal Police and Investigation Services focusing on investigating economic crime attended meetings regarding organized crime activities in the Czech Republic. The meetings focused on advocacy groups, corruption, fund transfers among organized crime groups, and on organized crime infiltrating public administration.

The BIS and the Unit Combating Corruption and Financial Crimes of the Criminal Police and Investigation Service (a part of National Centre against Organized Crime since August 2016) discussed dysfunctional public and local administrations, organized crime infiltrating public administration, and individual persons and advocacy groups of interest.

The BIS and the National Centre against Organized Crime cooperated on issues regarding electronic attacks and threats against state representatives and public authorities.

The BIS continued to cooperate with the Police of the Czech Republic on issues regarding illegal trade and manipulation with military equipment, security equipment, guns, ammunition, explosives, hazardous materials, and on fighting WMD proliferation.

In the area of physical security, the BIS has cooperated with the Police of the Czech Republic on security guarding of the BIS buildings.

### 4.3. Cooperation with other State Authorities and Institutions

In 2016, cooperation of the BIS and the National Security Authority on protecting classified information continued. The cooperation involved mainly the following investigations based on NBÚ requests: investigations pertaining to personal and industrial security and security clearance and security clearance examinations examining whether a natural or legal person holding security eligibility certificates still meets the requirements for their issuance. Throughout the year, meetings regarding the cooperation on specific issues were held.

In addition to activities on NBÚ requests, the BIS provides information indicating that a holder (natural or legal person) of a security clearance or security eligibility certificate no longer meets the requirements set for the holders thereof. In accordance with Section 8, Paragraph 3 of Act No. 153/1994 Coll., or Section 140, Paragraph 3 of Act No. 412/2005 Coll., the information is passed to the NBÚ, or if the information concerns employees or officials of intelligence services, to the services concerned. The BIS also routinely pass information in reaction to numerous and repeated NBÚ requests on possible information on holders of security clearance or security eligibility certificate (requests pursuant to Section 107, Paragraph 1, Section 108, Paragraph 1, and Section 109, Paragraph 1 of Act No. 412/2005 Coll.).

Furthermore, efforts to improve and broaden cooperation on enhancing cybersecurity with the National Security Authority, and in particular with the National Cyber Security Center (in Czech: *Národní centrum kybernetické bezpečnosti*), a part of the National Security Authority.

In 2016, the BIS cooperated also with Czech custom authorities – the Directorate General of Customs (in Czech: *Generální ředitelství cel – GŘC*) and local customs directorates – on fighting WMD proliferation. Cooperation in the fight against WMD proliferation took place also with the Ministry of Foreign Affairs, the Ministry of Industry and Trade Licensing Administration, and with the State Office for Nuclear Safety (in Czech: *Státní úřad pro jadernou bezpečnost*) and its subordinate organizations.

The BIS cooperated and also with the following state bodies regarding various spheres of interest (banking, the management of state funds and assets, economic competition, protection the Czech Republic from the influence of foreign intelligence services): the Cabinet Office, the Czech National Bank, the Financial Analytical Unit of the Ministry of Finance (in Czech: *Finančně analytický útvar – FAÚ*), the General Financial Directorate (in Czech: *Generální finanční ředitelství – GFŘ*), the Directorate General of Customs, the Prison Service (in Czech: *Vězeňská služba*), the General Inspection of Security Forces (in Czech: *Generální inspekce bezpečnostních sborů – GIBS*), the Supreme Prosecutor's Office in Prague (in Czech: *Vrchní státní zastupitelství v Praze*), and the Office for the Protection of Competition (in Czech: *Úřad pro ochranu hospodářské soutěže*). Regular consultations of the issues with those bodies were held.

The BIS Inspection Department cooperated with other public administration bodies primarily in connection with requests sent by police bodies engaged in criminal or misdemeanor proceedings. The

requests did not involve BIS officials. They were related to information the police bodies needed for their work and were not able to obtain by themselves. The number of these requests does not undergo significant changes.

The BIS cooperated also on projects of other state authorities (e.g. Ministry of the Interior and Ministry of Foreign Affairs) contributing to the protection of the interests of the Czech Republic and its citizens and to limiting or eradicating security threats. The BIS processed requests related to tens of thousands of natural and legal persons.

In 2015, an amendment of Act 49/1997 Coll., on Civil Aviation, which stipulates provisions regarding reliability certificates issued to natural persons by the Civil Aviation Authority, came into force. These screenings include a credibility assessment of the natural persons conducted by the Police of the Czech Republic. In relation to this matter, the BIS processed several thousand requests.

The BIS is also an active member of the Joint Intelligence Group, a permanent working body of the Committee for Intelligence Activity, contributing to the cooperation and exchange of information between the BIS, other intelligence services and state authorities.

In addition to providing and exchanging information, the BIS provides other state authorities with generalized findings and recommendations when commenting on various legislative and non-legislative documents. Furthermore, the BIS organizes various training courses, holds consultations, etc.

Expert opinions related to the protection of classified information were drawn up within the BIS, on requests by state administration authorities and other entitled institutions (Office of the President of the Czech Republic, Office of the Government, National Security Authority, Nuclear Research Institute, Ministry of the Interior, Security Services Archive).

The BIS representatives took part in meetings of National Security Council working bodies – Committee for Coordination of Foreign Security Policy, Committee for Domestic Security, Committee for Intelligence Activity, Committee for Defense Planning and Committee for Civil Emergency Planning – and their subcommittees and working groups. Recommendations and opinions were drawn up on materials of the committees and the National Security Council.

Preparation of “National Security Audit” represented an important cooperation on inter-ministerial level. The BIS expert representatives were involved in project’s management structures and in working groups, and in preparation of supporting documents for particular sections of the document.

Crisis management office intensely cooperated with state administration central authorities, mostly with the Ministry of Defense, Ministry of the Interior and Administration of State Material Reserves.

## 5. Cooperation with Intelligence Services of Foreign Powers

Cooperation with intelligence services of foreign powers is provided for in Section 10 of Act No. 153/1994 Coll. The BIS is authorized by the Government to cooperate bilaterally with over a hundred of intelligence services. In 2016, the BIS actively cooperated with around two thirds of them. As far as multilateral cooperation in 2016 is concerned, the BIS was active in several organizations, e.g. Counter-Terrorist Group or NATO Civilian Intelligence Committee.

The BIS received almost 10 000 reports from its foreign partners and sent almost 1 800 documents. BIS representatives took part in more than 700 international strategic and expert meetings.

Compared to 2015, international information exchange increased by almost 20 %.

The cooperation continued to focus mostly on the fight against terrorism, counter-intelligence and proliferation, and the role of cooperation in cyber security increases. The main partners in terms of international cooperation are the intelligence services of the EU and NATO Member States and of some other states.

## 6. Oversight

Act. No. 153/1994 Coll., on the Intelligence Services of the Czech Republic, provides a legal basis for the oversight of intelligence services. Section 12 of this Act stipulates that the activities of intelligence services are subject to oversight by the Government and Parliament. Furthermore, this Act (Sections 14 – 16) defines the relation between the chamber of Deputies (lower house) of the Czech Parliament and the Government as far as intelligence services are concerned. Moreover, Section 12 refers to a separate Act providing for direct parliamentary oversight of intelligence services. Section 13a provides for specific oversight conditions.

The Act defines neither the scope nor the manner of government oversight. It is based on the Government's entitlement to assign tasks to the BIS within the Service's legal powers and responsibilities and to assess their fulfillment; and on the fact that the BIS is accountable to the Government, which also coordinates its activities and appoints and dismisses the Director of the BIS. Section 8, Paragraph 1 of Act No. 153/1994 Coll. states that the BIS must submit reports on its activities to the President and to the Government once a year and whenever it is requested to do so. Government oversight focuses on all BIS activities.

Sections 14 to 16 of Act No. 153/1994 Coll. regulate information provided by the Government to the Chamber of Deputies. Section 14 stipulates that the Chamber of Deputies is informed about the activities of Czech intelligence services by the Government, through the intermediation of its respective body for intelligence services. This body is not created by legislation; its establishment is dependent on a Chamber of Deputies Resolution. Direct parliamentary oversight of intelligence services as stipulated by Section 12 of Act No. 153/1994 Coll. is defined by separate legislation; therefore, the above-mentioned respective body for intelligence services acts to a certain extent as a means of parliamentary oversight of the Government.

The separate legislation mentioned in Section 12 of Act No. 153/1994 Coll. is Act No. 154/1994 Coll., on the Security Information Service, as amended. Under Section 18 of the said Act, the responsibility for overseeing the activities of the BIS lies with the Chamber of Deputies, which sets up a special oversight body (the Standing Oversight Commission). Sections 19 and 20 of the said Act provide specifically for the powers of the Oversight Commission. Authorized members of the oversight body may, e.g., enter BIS buildings when accompanied by the BIS Director or by a BIS official designed by the Director for this purpose; or request due explanation from the BIS Director should they feel that the activities of the BIS illegally curb or harm the rights and freedoms of citizens. The Director of the BIS is obliged to provide legally defined information and documents to the Oversight Commission.

An amendment to the Act on the Intelligence Services of the Czech Republic proposed by the Government is discussed at the Chamber of Deputies (Chamber publication 855)<sup>10</sup>. The amendment would establish a five-member expert oversight body "The Authority for Independent Oversight of the Intelligence Services of the Czech Republic" (in Czech: *Orgán nezávislé kontroly zpravodajských služeb České republiky*). The Authority would be selected by the Chamber of Deputies for five years based on Government's proposal and conduct oversight under the initiative of a special oversight body (the amendment would create a special oversight body also for the Office for Foreign Relations and Information). The Independent Oversight Authority would be authorized to request any necessary

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<sup>10</sup> As of the end of 2016.

information from an intelligence service pertaining to an ongoing control. There are following exceptions: information that may foil the aim of an ongoing action, reveal identity of intelligence service officials involved in intelligence activities and of persons acting on behalf of an intelligence service, threaten other persons whose security is of a high importance to an intelligence service, or damage requirements of a foreign power not to share classified information with a third party.

Oversight regarding BIS management of state-assets and of the funds allocated to the BIS from the state budget is stipulated in Act No. 320/2001 Coll., on Financial Audit in Public Administration and on the Amendments to some Acts (the Financial Audit Act), as amended, and in Regulation No. 416/2004 Coll., implementing this Act. Internal audit activities are provided for in an internal regulation issued by the Director of the BIS.

## 6.1. External Oversight

Authorities and institutions with the legal right to oversee individual activities of the BIS carry out external oversight of the BIS. In 2015, 3 external audits were conducted - an audit of public health insurance and other obligations of insurance payer and two audits of food hygiene. No deficiencies related to generally binding legal regulations were found.

The National Security Authority conducted an audit of the BIS classified information registry. The audit did not expose any shortcomings.

## 6.2. Internal Audit

The BIS internal audit service operates in compliance with Act No. 320/2001 Coll., on Financial Control in Public Administration and on the Amendments to some Acts (Act on Financial Control), as amended. Its scope of powers and responsibilities is set by the organizational structure and internal regulation by the BIS Director. In 2016, the internal audit service carried out audits in compliance with annual work plan focused on inventory of properties and obligations, reimbursement of travel expenses, claims management and implementation of recommendations approved by the BIS Director.

Other expert BIS units conducted 53 inspections. These inspections focused on compliance with internal regulations in respect to economical and effective management of individual BIS departments. The inspections focused on the following areas:

- fulfillment of the budget; adherence to binding limits and the keeping of records; adherence to budget discipline, including adherence to principles of allocating money from the cultural and social needs fund;
- provision of material needs in organizational units and keeping material records;
- monitoring the technical condition of vehicles, required vehicle inspections, adherence to fuel consumption norms;
- monitoring the structural condition of buildings and their usage in accordance with their intended purpose; conducting prescribed inspections; adherence to principles of occupational safety and hygiene, fire protection, water management, and of ecology; monitoring energy consumption.

- the equipment of buildings with security technologies and the effective use of the installed technologies.

The inspections did not reveal any serious shortcomings. Detected shortcomings (mostly of administrative nature) are gradually eliminated within set deadlines.

In compliance with Section 76 of Act No. 187/2006 Coll., on Sickness Insurance, the BIS carried out 10 inspections of persons (officially on a contract of service; former officials in the protection period) temporarily unable to work. The inspections did not reveal any shortcomings.

Employees of the archive and of the control group carried out 49 archive inspections related to records management. The inspections focused mainly on establishing that no classified documents or their parts were missing, on meeting administrative requirements, and on the precision of keeping record entries.

Intelligence documentation stored by individual BIS divisions and documentation stored in the registry was regularly inspected.

As far as physical security is concerned, the following inspections were carried out: adherence to requirements for the storage of classified documents, and inspections of installed security elements at the BIS buildings, including of storage objects and security lock systems.



## **7. Maintenance of Discipline; Handling Requests and Complaints**

The work of the BIS Inspection Department is based on laws on intelligence services, Act No. 141/1961 Coll. (Code of Criminal Procedure), as amended, and internal BIS regulations.

The BIS Inspection Department activities can be divided into four main areas:

- Acting as the BIS police authority within the meaning of Section 12, Paragraph 2 of the Code of Criminal Conduct, on suspicion of commitment of a criminal act by a BIS official;
- Investigation of conduct suspected of having the traits of a misdemeanor and of a disciplinary infraction by a BIS official, including emergencies;
- Investigation of complaints, notifications and motions by the BIS officials and external entities;
- Processing requests submitted by other law-enforcement authorities in accordance with the Code of Criminal Conduct and requests by other state administration authorities. The BIS Inspection Department cooperates with other state administration authorities in relation to requests sent by the Police authorities involved in criminal or misdemeanor proceedings. The number of those requests does not undergo significant changes.

### **7.1. Investigation of Conduct Suspected of Having the Traits of a Misdemeanor, of a Disciplinary Infraction, and of other Infractions**

In this area, the BIS Inspection Department focuses on traffic accidents involving Service officials (accidents both caused and not caused by BIS officials). The Inspection Department is responsible for findings that cannot be provided by the Police but are important for a decision in the matter. Further, this category includes investigation matters related to protection of classified information, incidents related to the health of BIS officials and conduct suspected of disciplinary infraction or other infractions.

Cases of conduct suspected of disciplinary infraction or of having traits of a misdemeanor by a BIS official were referred to a disciplinary proceeding.

### **7.2. Investigations of Complaints and Notifications**

In 2016, the BIS Inspection Department investigated complaints, notifications and suggestions from BIS officials and mostly from other entities. Compared to 2015, the number of notifications and suggestions decreased by 24.8% and no submission was declared a complaint. In terms of content, reports made by citizens reflected society-wide developments in the Czech Republic and abroad.

## 8. Budget

The budget of the BIS in 2015 was stipulated by Act No. 400/2015 Coll., on the State Budget of the Czech Republic for 2016.

Salaries and equipment payments accounted for the majority of total expenditures reflecting the importance of high-quality personnel for an intelligence service. Personnel expenditures also include severance benefits, i.e. mandatory payments for Service members whose service has ended.

Further current expenditures included mainly standard expenditures for services, fuels and electrical power expenses ensuring the normal functioning of the organization. Expenditures for repairs and maintenance aimed at assuring the appropriate technical condition of the property and buildings of the BIS. Furthermore, funds were allocated for intelligence technology and field intelligence activities.

A significant part of capital investment expenditures was invested in modernization of information and communication technologies and intelligence technology.

Another part of capital investment expenditures was allocated to construction investments that included project phase of an administrative technical building that is key for further development of the BIS, as well as to a number of smaller construction works. The planned budget for related project documentation could be decreased due to a merger of territorial and construction procedures.

Purchase of a land under a Service building managed by the BIS was a major action. The BIS long-term intended to buy the land – which was not owned by the state in contrast to the premises built thereon – as the situation presented a significant security threat. The land was bought by the BIS in compliance with Act No. 219/2000 Coll., on the Property of the Czech Republic and the Representation of the Czech Republic in Legal Relations, in particular when determining the purchase price.

The budget reflects requirements on the protection of classified information provided for in Act No. 412/2005 Coll., on the Protection of Classified Information and on Security Clearance, especially in the areas of physical, administrative, and personnel security, and in the area of security of information and communication systems. The need to take these facts into consideration in the whole spectrum of activities of the BIS leads to much expenditures that do not occur in other organizational units of the state.

Budget allocated to the BIS Section in 2016 allowed covering necessary operational needs. In terms of personnel, the budget improved and allowed 5% increase in the number of occupied Service posts compared to 2015. The budget also financed development of intelligence technology and information and communication technologies that could not be realized in previous years due to budgetary constraints.

**Indicators of Budget Section 305 – Security Information Service in 2016 (thousands)**

	<b>Approved budget</b>	<b>Amended budget</b>	<b>Real data</b>
<b>Total revenues (CZK)</b>	145 500	145 500	162 197
<b>Total expenditures (CZK)</b>	1 499 664	1 504 088	1 426 427

A detailed analysis of BIS economic management structure in accordance with the relevant regulation of the Ministry of Finance of the Czech Republic is submitted to the Ministry of Finance and to the Security Committee of the Chamber of Deputies of the Czech Parliament.