



FINANCIAL MONITORING CENTER
CENTRAL BANK OF ARMENIA

ANNUAL REPORT

On 2013 Activities in the Field of
Combating Money Laundering and Terrorism Financing
in the Republic of Armenia

YEREVAN 2014



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Acronyms

AML/CFT	Combating Money Laundering and Terrorism Financing
CBA	Central Bank of the Republic of Armenia
CIS	Commonwealth of Independent States
FATF	Financial Action Task Force
FMC	Financial Monitoring Center
FIU	Financial Intelligence Unit
IMF	International Monetary Fund
MoU	Memorandum of Understanding
ML/FT	Money Laundering and Terrorism Financing
UN	The United Nations
WB	The World Bank



Introduction

This report summarizes the works implemented and outcomes achieved in the field of AML/CFT in the Republic of Armenia over the course of 2013.

On the way of reaching its objectives in 2013-2015 National Strategy for Combating Money Laundering and Terrorism Financing in the Republic of Armenia, continued efforts were invested into the implementation of a legal framework largely compliant with the FATF recommendations, strengthening of domestic and international cooperation, enhancing of relevant knowledge among **reporting entities' compliance** staff, training of personnel for the FMC and other AML/CFT competent authorities.



1. Legislative Regulation and Developments

In 2013, continued improvements were made to the AML/CFT legislation. In the pursuit of enhancing key AML/CFT mechanisms and developing a legal framework largely compliant with international standards, the package of draft laws introducing changes and amendments to the Law on Combating Money Laundering and Terrorist Financing and to 14 other laws – which had all been drafted by the FMC and other AML/CFT competent authorities – passed the first reading in the National Assembly of the Republic of Armenia on March 21, 2013, following the approval by the Government of the Republic of Armenia.

In 2013, a work stream was launched to harmonize the provisions in the AML/CFT secondary legislation with those in the draft Law on Amending the Law on Combating Money Laundering and Terrorism Financing.

In the end of 2013, works were initiated for the membership of the Republic of Armenia into the Customs Union, which initiated the establishment of a working group on Combating Money Laundering and Terrorism Financing when Transferring Monetary Values. The Head of FMC was appointed as the chair of this working group, which brings together representatives of the FMC and the State Revenue Committee.

For the purpose of ensuring harmonized legislation, the working group conducted an analysis comparing the AML/CFT legislation in the Republic of Armenian against the one in force within the Customs Union.

2. Analyses, Investigations and Outcomes

For its mandate the FMC uses different sources of information, including reporting entities¹ designated in the AML/CFT legislation, domestic and foreign counterparts, and others. Requests made by the law enforcement authorities, acting as important triggers for FMC analysis, and information inquiries made by the FMC to the law enforcement authorities for running in-house analyses are of specifically high importance in the framework of the domestic cooperation.

¹ Annex 1 presents statistics on above-threshold and suspicious transaction reports filed to the FMC by different types of reporting entities.



In 2013, the analyses of signals and suspicious transaction reports received by the FMC under the AML/CFT regime led to the implementation of preventative measures (such as warnings issued to financial institutions) and, in some cases, to the disclosure of relevant information to law enforcement authorities and foreign FIUs.

According to analyses, in most cases, the initial money laundering signals were related to the use of IT-based communication, particularly email to involve persons into suspicious scams and/or to commit embezzlements, as well as to other schemes described in typologies published on the CBA website.

Building on the incoming signals, the FMC conducted analyses of the types and characteristics of pyramid schemes and of fraud schemes through mass marketing. The outcomes of these analyses were published on the CBA website as complete analytical materials.²

Table 1 below presents 2010-2013 statistics on disclosures and requests made by the FMC to law enforcement authorities and vice-versa.

Table 1

	2010	2011	2012	2013	Total
FMC making disclosures to law enforcement authorities	23	17	11	25	76
FMC making requests to law enforcement authorities	15	33	11	17	76
Law enforcement making requests to FMC	53	58	61	36	208

International cooperation with foreign counterparts in 2013 resulted in 24 requests made by the FMC to foreign FIUs and in opposite 32 requests (see Table 2).

² See the following links:

https://www.cba.am/Storage/EN/FDK/Annual%20Reports/Analysis_on_pyramids_eng.pdf

https://www.cba.am/Storage/EN/FDK/Annual%20Reports/analysis_on_mass_marketing_fraud_eng.pdf



Table 2

	2010	2011	2012	2013	Total
Foreign FIUs making requests to FMC	25	36	11	32	104
FMC making requests to foreign FIUs	28	30	38	24	120

In 2013, a total of 10 criminal cases were instigated on money laundering, where the following predicate offences were the ones most prevalent:

- Theft;
- Smuggling;
- Embezzlement committed through the use of computers;
- Swindling;
- Infliction of property damage by cheating or abuse of trust;
- Misspending of a loan.

In 2013, 2 convictions were passed to sentence 2 persons for money laundering. The convictions were determined on charges of embezzlement committed through the use of computers and theft with subsequent legalization of criminal proceeds (there was 1 case of acquittal in 2013). Table 3 presents 2010-2013 statistics on instigated criminal cases and convictions.

Table 3

	2010	2011	2012	2013	Total
Instigated criminal cases	13	10	9	10	42
Passed convictions	3	5	2	2	12

The funds suspended by the CBA Board decisions in 2013 totaled 54.893.971 Armenian drams, while the funds subject to confiscation under court verdicts amounted to 25.079.666 Armenian drams (see Table 4).



Table 4

	Funds involved in transactions/ business relationships suspended by CBA Board	Funds subject to confiscation ³
2010	345.000 Armenian drams, 290.000 US dollars	514.026.500 Armenian drams
2011	0	415.517.535 Armenian drams
2012	23.003.274 Armenian drams	12.220.947 Armenian drams
2013	54.893.971 Armenian drams	25.079.666 Armenian drams
Total	78.242.245 Armenian drams, 290.000 US dollars	966.844.648 Armenian drams

3. Domestic Cooperation

Active cooperation among domestic AML/CFT competent authorities continued in the reporting year, those being the FMC, law enforcement authorities, Ministries of Justice, Finance and Foreign Affairs, and other state bodies. The results of the cooperative work were discussed in September 2013 during the 28th session of the Interagency Committee on Combating Counterfeit Money, Fraud with Plastic Cards and Other Payment Instruments, Money Laundering and Terrorism Financing, a body established under Decree No. NK-1075 issued by the President of the Republic of Armenia on March 21, 2002.

The important point in the agenda of the 28th session of the Interagency Commission was the adoption of the Methodology for Conducting Strategic Analyses of Money Laundering and Terrorism Financing Risks in the Republic of Armenia, which will provide the basis for conducting the 2014 strategic analysis of ML/FT risks in the Republic of Armenia. The session also heard a presentation on the results of risk assessment in the sector of non-financial institutions. The latter is expected to be an integral part of the 2014 strategic risk analysis paper.

Among others, an important agenda point in the Interagency Commission session was the presentation of self-evaluation results on the subject of compliance of national AML/CFT legislation with the provisions of the Warsaw Convention.

³ In addition to the funds subject to confiscation for the benefit of the state budget, as shown in the table, court verdicts for money laundering passed in 2013 satisfied claims for forfeiture of additional 83.535.019 Armenian drams for the benefit of third parties.



In 2013, continuous efforts were made towards the establishment of the Integrated Information Environment, which will be used for express information sharing via secured channels among the FMC and other AML/CFT competent authorities. The FMC initiated several meetings with other members of the Integrated Information Environment, where agreements were reached to make necessary amendments to relevant legal documents.

Within the scope of domestic cooperation in the reporting period, the FMC delivered several training programs, as presented in Chapter 6 of this report.

4. International Cooperation

In the reporting period, the FMC continued its commitment towards previously established relationships with foreign counterparts, by means of contributing to the improvement of applicable international documents, as well as engaging in other international initiatives. In particular, for the implementation of UN Security Council Resolutions 1988 and 1267/1989, information on relevant amendments to Al-Qaida and Taliban lists were published on the CBA website and corresponding changes were made to the FMC database.

In addition, actions were taken by the FMC for the implementation of restrictive measures imposed by international organizations. Particularly, the following materials found their place on the CBA website:

- The FATF statements on jurisdictions with significant deficiencies in their AML/CFT systems;
- The list of jurisdictions identified by the on-going monitoring of the FATF as having significant deficiencies in their AML/CFT systems, for which they have committed to an action plan developed with the FATF to address such deficiencies.

[Cooperation with the Egmont Group](#)

Representatives of the FMC attended the working group meetings and the 21st plenary meeting of the Egmont Group, where the FMC holds membership since 2007.

In the Operational Working Group of the Egmont Group, the progress report of the project initiated and led by the FMC for the enhancement of information exchange



and international cooperation between FIUs was presented. Practical recommendations were made for the enhancement of access to and sharing of information by Egmont member FIUs.

At the meetings of the Outreach Working Group, the FMC presented the outcomes of works achieved by the FIUs of Turkmenistan and Iran in the reporting period (both FIUs are sponsored by the FMC for accession into Egmont Group).

A representative of the FMC was involved as an expert into the project led by the Egmont Legal Working Group on reviewing the procedures for accession into Egmont Group.

The FMC was also involved in the review by the Head of FIUs working group of Egmont incorporation documents, where several amendments proposed by the FMC were reflected in these documents. After the review, the Egmont incorporation documents package was adopted in the Head of FIUs meeting.

The FMC presented on the topic of Enhancing Information Exchange during the seminar on International Cooperation organized by the Egmont Group.

Cooperation with Council of Europe's MONEYVAL Committee

As a member state, the delegation of Armenia participated in 41st - 43rd plenary meetings of Council of Europe's MONEYVAL Committee. During the 2013 plenary meetings the following issues, *inter alia*, were considered:

- The 4th round AML/CFT mutual evaluation reports of Poland, Croatia, Monaco, Bulgaria and Israel;
- Results of special assessment and progress reports following the 3rd round AML/CFT mutual evaluations of Isle of Man, Jersey, Guernsey, Czech Republic and Montenegro;
- Reports on measures taken by Albania, Bosnia and Herzegovina, and Hungary under compliance enhancement procedures.

During the plenary meetings of Council of Europe's MONEYVAL Committee, the FMC representatives acted as legal and financial evaluation experts for Bulgaria and Croatia. A representative of the FMC was involved in the 4th round AML/CFT mutual evaluation mission to Romania. In addition, Armenia acted as a country rapporteur on the financial sections of **Israel's** mutual evaluation report.



The FMC representatives participated in the event on Money Laundering and Financial Analysis, jointly organized by MONEYVAL Committee and Egmont Group, where the FMC gave a presentation on the topic of FIU Authority to Access and Exchange Information.

Cooperation with the Eurasian Group

In the capacity of an observer country, the Republic of Armenia – represented by the FMC – continued its active involvement in the initiatives of the Eurasian Group for Combating Money Laundering and Terrorist Financing.

In the reporting period, the Armenian delegation attended plenary meetings of the Eurasian Group.

The FMC gave a presentation on Information and Analysis Systems of the Armenian FIU during the seminar on Modern Approaches to Build and Develop Information and Analysis Systems for FIUs, jointly organized by the Eurasian Group and Egmont Group

The FMC gave another presentation on the Implementation of UN Security Council Resolution 1373 in the Republic of Armenia during the seminar on Freezing Terrorist Assets under UN Security Council Resolution 1373, jointly organized by the Eurasian Group and the UN Security Council Counter-Terrorism Committee

Council of FIUs' Heads from CIS Countries

On December 5, 2012 in Ashgabat, the ratification of the Agreement on Establishing the Council of FIUs' Heads from the CIS was followed by an actual meeting of the Head of FIUs Council in 2013, preceded by a meeting of AML/CFT experts from CIS countries.

The FMC put forward proposals on the work program of the Council and on the draft regulations governing the activities of the Council.

Technical Assistance Provided to Foreign FIUs

Within the scope of technical assistance program provided to the FIU of Iran, several delegates representing Iranian FIU and Central Bank paid a visit to Yerevan. The agenda of the visit was to introduce the AML/CFT legislation of Armenia to the Iranian



delegation and to discuss questions related to information technology systems and to the procedure for gaining accession into Egmont Group.

In 2013 the FMC continued its efforts aimed at providing technical assistance to the FIU of Turkmenistan.

IMF Technical Assistance

The following work streams were part of the IMF technical assistance program in 2013:

- Discussions were held about risks present in the non-financial sector of Armenia with the non-financial institutions and persons (those being reporting entities under the national AML/CFT regime) and the representatives of their supervisors;
- Several documents were designed and circulated to regulate this sector.

An IMF expert mission for providing technical assistance was hosted in Armenia in 2013.

Conference of Parties established under the 2005 Warsaw Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism

During the Armenian presidency of the Council of Europe, the Conference of Parties established under the 2005 Warsaw Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism was hosted in Dilijan Training and Research Centre of the CBA during the period of October 1-4, 2013. The agenda for the first two days was about raising awareness among countries about the Warsaw Convention, while the last two days were training sessions for experts in evaluating countries' compliance with the Warsaw Convention. The conference was attended by the representatives of the Council of Europe member states and other countries.



MoUs signed between the FMC and foreign FIUs

In the reporting period, the FMC signed MoUs with the FIU of Panama, while preparation works were underway to sign MoUs with other countries going forward. As of 2013, the FMC had MoUs with FIUs from 28 countries⁴.

5. Violations and Sanctions

In 2013, inspections in financial and non-financial reporting entities resulted in detecting several violations and imposing relevant sanctions.

The violations by financial reporting entities were generally related to inadequate implementation of AML/CFT preventative legal requirements, particularly related to customer due diligence, activities of internal compliance units and the requirements of internal legal acts. Table 5 below provides details on violations imposed on each type of reporting entity:

Table 5

Sanctions imposed on financial institutions in 2013	
Banks	A total of 19 violations were committed by 4 banks, having resulted in: <ul style="list-style-type: none">• Warnings for 15 cases of violation• Penalties amounting to 100.000 Armenian drams for 4 cases of violation
Credit organizations	A total of 8 violations were committed by 3 organizations, having resulted in: <ul style="list-style-type: none">• Warnings for 2 case of violation• Penalties amounting to 100.000 Armenian drams for 6 cases of violation
Insurance companies	Warnings were issued for 9 cases of violation committed by 2 companies.
Exchange bureaus	A total of 6 violations were committed by 6 companies having resulted in 4 warnings, one penalty amounting to 2.000.000 Armenian drams, and one activity suspension for 6 months.

⁴ See Annex 2



As far as non-financial reporting entities are concerned, in 2013 sanctions were imposed only on entities organizing games of chance and casinos for inadequate functioning of internal compliance units. Table 6 below provides details on violations imposed on each type of reporting entity:

Table 6

Sanctions imposed on non-financial institutions in 2013	
Games of chance	A total of 6 entities received a warning each and 1 entity was imposed a penalty on amounting to 800.000 Armenian drams
Casinos	1 entity was imposed a penalty on amounting to 800.000 Armenian drams

Several FMC employees were included in inspections of financial reporting entities, bringing expertise to the examination of internal AML/CFT systems of financial institutions.

6. Trainings, Consultancy and Technical Assistance

Several training programs and meetings were held in 2013 with the purpose of enhancing the knowledge and building capacities for AML/CFT competent authorities and reporting entities. For more details, see Annexes 3 and 4 to this report.



Annexes

Annex 1: Over-threshold and Suspicious Transaction Reports

Reporting entities	Registered as of December 31, 2013	Reports filed to FMC by reporting entities	
		Over-threshold	Suspicious
<i>Financial reporting entities</i>			
Banks	22	177586	197
Credit Organizations	33	252	-
Entities engaged in foreign currency exchange	214	13	-
Licensed entities engaged in money (currency) transfer services	6	-	-
Investment companies (entities providing investment services, as defined under the Law on Securities Market)	8	319	-
The central depository of regulated market securities (as defined under the Law on Securities Market)	1	109	-
Insurance (including re-insurance) companies	10	2020	-
Entities providing intermediary insurance (including re-insurance) services	2	25	-
Insurance agents	8408	-	-
Pawnshops	134	15	-
<i>Non-financial reporting entities</i>			
Realtors	204	-	-
Notaries	93	783	-



Attorneys, independent lawyers and law firms	1552	-	-
Independent accountants and accounting firms	8	-	-
Independent auditors and auditing firms	37	-	-
Dealers of precious metals	-	-	-
Dealers of precious stones	17	-	-
Dealers of precious art works	-	-	-
Organizers of auctions	-	-	-
Entities organizing games of chance and casino	51	13	-
Entities organizing lotteries	3	-	-
Entities organizing internet games of chance	1	-	-
Trust and company service providers	-	-	-
Credit bureaus	-	-	-
The authorized body in charge of the integrated state cadaster of real estate	154	802	-
TOTAL		181937	197



Annex 2: MoUs between the FMC and foreign FIUs

Jurisdiction	Name of FIU
Australia	Australian Transaction Report and Analysis Center
Belarus	Financial Monitoring Center
Bermuda	Financial Intelligence Agency
Canada	Financial Transactions and Reports Analysis of Canada
China	China Anti-Money Laundering and Analysis Center
Croatia	Anti-Money Laundering Office
Cyprus	Cyprus Unit for Combating Money Laundering
Georgia	Financial Monitoring Service of Georgia
Iran	Financial Intelligence Unit
Israel	Israel Money Laundering Prohibition Authority
Japan	Japan Financial Intelligence Center
Macedonia	Money Laundering Prevention Directorate
Moldova	Office for Prevention and Control of Money Laundering
Montenegro	Administration for the Prevention of Money Laundering
Panama	Financial Analysis Unit
Poland	General Inspector of Financial Information
Romania	National Office for the Prevention and Control of Money Laundering
Russian Federation	Service for Financial Monitoring
San Marino	Financial Intelligence Agency (FIA)
Saudi Arabia	Saudi Arabian Financial Investigation Unit
Serbia	Administration for the Prevention of Money Laundering
South Africa	Financial Intelligence Center
Taiwan	Anti-Money Laundering Division
Tajikistan	Financial Monitoring Department of the National Bank of Tajikistan
Thailand	Anti-Money Laundering Office
Ukraine	State Committee for Financial Monitoring of Ukraine (SCFM)
United Arab Emirates	Anti-money Laundering and Suspicious Cases Unit
United Kingdom	Serious Organized Crime Agency



Annex 3: Trainings for the FMC, other CBA departments and AML/CFT competent authorities

Training program	Participants	Date
AML/CFT seminar as part of the Personnel Training Program for central banks of EurAsEC member states	Employees from the FMC and other CBA departments, central bank representatives from Russian Federation and Kyrgyzstan	March 11-15, 2013
Regional seminar on Strategic Analysis at FIUs, jointly organized by the WB, Eurasian Group and Egmont Group	FMC employees	April 1-3, 2013
Seminar on Combating Money Laundering and Terrorism Financing, organized by the National Bank of Poland	FMC employee	April 22-26, 2013
Seminar on Understanding the Fight against Money Laundering, organized by the Federal Reserve System	FMC employee	September 9-13, 2013
Discussion forum on Raising Awareness of Warsaw Convention, organized as part of the Conference of Parties established under the 2005 Warsaw Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism	Representatives from Council of Europe member states and other countries, representatives of the FMC, General Prosecutor's Office , and Ministry of Justice	October 1-2, 2013
Training of experts in assessing compliance with the Warsaw Convention, organized as part of the Conference of Parties established under the 2005 Warsaw Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism	Representatives from Council of Europe member states and other countries, representatives of the FMC and the Ministry of Justice	October 3-4, 2013



Training on Combating Money Laundering, organized by the Deutsche Bundesbank	FMC employee	October 29 - November 1, 2013
Seminar for mutual evaluation experts for the Council of Europe's MONEYVAL Committee	FMC employee	November 4 – 8, 2013
Third regional meeting on Analyses and Typologies of Laundering Proceeds from Corruption in Transition Economies, organized as part of the Effective Management and Fight against Corruption Program under the European Union – Council of Europe Eastern Partnership	FMC employee, representative from the Ministry of Justice	November 26 – 28, 2013
Seminar on Toolkit for Combating Crime: Essential Skills for Investigating Financial Crime, jointly organized by the Advisory Group of European Union in the Republic of Armenia and the FMC.	FMC employees, representatives from the General Prosecutor's Office , National Security Service, State Revenue Committee, the Police, and Special Investigations Service	December 11 – 12, 2013



Annex 4: Training programs and events for reporting entities and their regulators

Training program	Participants	Date
Training on Draft Law on Amending the Law on Combating Money Laundering and Terrorism Financing	Employees of internal monitoring units of commercial banks in Armenia	March 22, 2013
Training on Preventing Money Laundering and Terrorism Financing in Financial Institutions	Employees of internal monitoring bodies and customer service officers of financial institutions in Armenia	May, 2013
Seminar for financial reporting entities on Draft Law on Amending the Law on Combating Money Laundering and Terrorism Financing	Employees of the CBA Financial Supervision Department, representatives of pawnshops, insurance companies, credit organizations, money transfer services, and foreign exchange dealers in Armenia	September 5, 9 and 11, 2013
Seminar for non-financial reporting entities on Draft Law on Amending the Law on Combating Money Laundering and Terrorism Financing	Auditors, accountants, attorneys, notaries, organizers of games of chance, lotteries and casinos, as well as representatives of Legitimacy Supervision Authority of the Ministry of Justice, State Committee of Real Estate Cadaster, Legal Entities State Registration Agency of the Ministry of Justice, and Ministry of Finance	October 21 – 23, 2013