



**FINANCIAL MONITORING CENTER
CENTRAL BANK OF THE REPUBLIC OF ARMENIA**

A N N U A L R E P O R T

**2014 Activities in the Field of
Combating Money Laundering and Terrorism Financing
in the Republic of Armenia**

YEREVAN, 2015



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Acronyms

AML/CFT	Ant-money Laundering and Combating of Terrorism Financing
CBA	Central Bank of the Republic of Armenia
CIS	Commonwealth of Independent States
FIU	Financial Intelligence Unit
FMC	Financial Monitoring Center
FSD	Financial Supervision Department
IMF	International Monetary Fund
LEA	Law Enforcement Authority
ML/FT	Money Laundering and Terrorism Financing
UN	The United Nations



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 2014.

On the way of reaching the objectives in the 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 compliant with the FATF Recommendations, strengthening of domestic and international cooperation, enhancing of AML/CFT knowledge among compliance staff of reporting entities, training of personnel for the FMC and other AML/CFT competent authorities.

In addition, a national assessment of ML/FT risks was conducted in the Republic of Armenia during the reporting period,¹ as well as works were underway as part of the preparation for the 5th round mutual evaluation of the AML/CFT system in the Republic of Armenia by the Council of Europe's MONEYVAL Committee.²

¹ More details in Chapter 3 of this report on Domestic Cooperation

² More details in Chapter 4 of this report on International Cooperation



1. Regulatory Framework and Developments

On 21 June 2014, the National Assembly of the Republic of Armenia passed a legislative package, which enacted on 28 October 2014, introducing changes and amendments to the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and to 14 other laws which had all been drafted by the FMC and other AML/CFT competent authorities

In 2014, efforts were invested into the development and implementation of various secondary regulations, driven by the requirements of the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing. In particular, the CBA Board approved the following instruments during the reporting period:

- Decisions No. 261-N to 278-N from 7 October 2014 on Approving New Templates, Completion and Submissions Rules for Filing Reports on Transactions Subject to Mandatory Reporting and Suspicious Transactions by Reporting Entities under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing;
- Decision No. 279-N from 7 October 2014 on Repealing Decision No. 269-N from 9 September 2008 by the Board of the Central Bank of the Republic of Armenia and on Approving the Regulation on Minimum Requirements for Reporting Entities for Combating Money Laundering and Terrorism Financing;
- Decision No. 280-N from 7 October 2014 on Approving the Rules of Registration of Reporting Entities under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing;
- Decision No. 336-N from 2 December 2014 on Approving the Rules for Consideration of Petitions to Delist Terrorism-related Persons Designated under the Lists Published by the Authorized Body, and for Unfreezing the Property of Terrorism-related Persons.

Typology No. 13 on Money Laundering Through Casinos and No. 14 on Terrorism Financing through Non-profit Organizations were approved by CBA Chairman decisions No. 1/1218A from 11 December 2014 and 1/41A from 24 January 2014.

2. Analyses, Investigations and Outcomes

The analyses of ML/FT signals and suspicious transactions received by the FMC led to the application of preventive measures in the form of relevant warnings to financial institutions, as well as of notifications to LEAs and foreign FIUs.



The signals received and analyzed were of various nature, where money laundering cases involved the use of various schemes, including attempts for turnover of illicit funds by means of false documentation, swindling by means of computer technologies, theft of payment card information issued by foreign banks, use of mass-marketing models, etc. Some signals received were related to financial transactions linked to tax evasion and shadow economy, as well as to the schemes included in the typologies published by the CBA.

Table 1 below presents 2010-2014 statistics on notifications and requests made by the FMC to LEAs and vice-versa.

Table 1

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>Total</i>
FMC notifications to LEAs	23	17	11	25	28	104
FMC requests to LEAs	15	33	11	17	17	93
LEA requests to FMC	53	58	61	36	66	274

International cooperation with foreign counterparts in 2014 resulted in 36 requests made by the FMC to foreign FIUs and 17 requests in the opposite direction (see Table 2).

Table 2

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>Total</i>
Foreign FIU requests to FMC	25	36	11	32	17	121
FMC requests to foreign FIUs	28	30	38	24	39	159

In 2014, a total of 10 criminal cases were instigated by LEAs on money laundering, where the following offences were the most common:

- Swindling;
- False entrepreneurial activity;



- Manufacture, sale and use of forged documents;
- Embezzlement through the use of computers technologies;
- Abuse of authority by employees of commercial or other organizations.

In 2014, 1 conviction for standalone money laundering was produced to sentence 1 person. Charges were pressed for laundering of criminal proceeds obtained through embezzlement of card accounts through the use of computers technologies.

Tables 3 and 4 below present 2010-2014 statistics on instigated criminal cases, convictions, funds involved in transactions and business relationships suspended by the CBA Board decisions, and funds subject to confiscation as a result of convictions.

Table 3

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>Total</i>
Criminal cases	13	12	9	10	9	53
Convictions	3	5	2	2	1	13

Table 4

	Funds involved in transactions and business relationships suspended by CBA Board decisions	Funds subject to confiscation (Armenian drams)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
2014	0	283.600 Armenian drams
Total	78.242.245 Armenian drams 290.000 US dollars	967.128.248 Armenian drams

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 2011 satisfied claims for forfeiture of additional 83.535.019 Armenian drams for the benefit of third parties.



3. Domestic Cooperation

An AML/CFT regime requires effective cooperation among AML/CFT competent authorities, which in fact was carried out on various levels during the reporting period.

In particular, among other initiatives, a national assessment of ML/FT risks was carried out in the Republic of Armenia in 2014. In accordance with the requirements of the revised FATF Recommendations, countries should assess their ML/FT risks in order to direct their preventive efforts towards corresponding vulnerabilities and areas. Thus, in accordance to the procedures set out in the new manual for conducting ML/FT national risk assessments in the Republic of Armenia – as approved during the 28th meeting of the Interagency Committee on Combating Counterfeit Money, Fraud with Plastic Cards and Other Payment Instruments, and Money Laundering in the Republic of Armenia (the committee was established on 21 March 2002 by the Decree No. 1075-NK of the President of the Republic of Armenia) – in 2014 the FMC sent out survey requests to corresponding stakeholder authorities in order to collect the required information. Based on the information outcomes, a national assessment of ML/FT risks was carried out in the Republic of Armenia, which was summarized in the “National Assessment of Money Laundering and Terrorism Financing in the Republic of Armenia” document. This report was discussed and approved during the 30th meeting of the Interagency Committee. Concise versions of the report (i.e., “Introduction” and “Key Findings”) were published on the FMC website.⁴

Continued efforts were made in 2014 to implement the Integrated Information System for secure exchange of information among the FMC and other AML/CFT competent authorities. In particular, terms of reference and other related topics were discussed among relevant authorities in relation to the connection to and operation of the system. Together with the FMC, the company developing the Integrated Information System organized a joint training course for future users of the system.

As part of domestic cooperation, the FMC organized a number of training courses during the reporting period, which are discussed in Chapter 6 of this report.

⁴ For more details visit the link below:

https://www.cba.am/Storage/EN/FDK/risk_assesment/2014_NRA_key_findings_eng.pdf



4. International Cooperation

In the reporting period the FMC continued to demonstrate its commitment to existing relationships with international counterparts by getting involved in the development of international instruments and other initiatives.

Efforts were directed towards the implementation of limitations imposed by international organisations. In particular, the FMC published the following materials for the awareness of reporting entities:

- Updates to the list of persons related to Al Qaeda and Taliban, as established UN Security Council Resolutions 1988 and 1267/1989,
- Countries with strategic deficiencies in their AML/CFT systems, as established by the FATF, as well as countries that were identified with strategic deficiencies in their AML/CFT systems (and programmes were developed jointly with FATF to overcome these deficiencies) as a result of on-going monitoring exercises for compliance with the AML/CFT criteria established by the FATF.

The changes and amendments were correspondingly reflected in the FMC database as well.

Egmont Group

The FMC continued to exchange information with other foreign FIUs through the secure gateway of the Egmont Group.

In 2014, the FMC delegation took part in the working groups and plenary meetings of the Egmont Group in Budapest, Hungary and Lima, Peru.

The 3rd progress report and the overall report on the project initiated and managed by the FMC for the enhancement of effectiveness in exchanging information among Egmont-member FIUs, as well as a proposal of amendments to the procedures on FIU functions and information exchange were presented to the Operational working group.

The on-site evaluation report on Turkmenistan FIU, which is sponsored by the FMC, was presented to the Outreach and Legal working groups. Information on works implemented by the Iranian FIU, which is sponsored by the FMC, was presented to the Outreach working group.

A presentation on “National risk report and action program “ was presented by the FMC as part of the seminar on “National risk assessment” organised by the Egmont Group.



The FMC took part in the work for revising the survey questionnaire which goes out to Egmont members once in two years.

In 2014, the FMC delegation was present at the Egmont Committee meeting, where amendment proposals were presented for the procedures on FIU functions and information exchange and on assistance and compliance of Egmont-member FIUs. The latter was well accepted and approved by heads of Egmont-member FIUs.

Council of Europe's MONEYVAL Committee

As part of the Armenian delegation, FMC representatives took part in the 44-46th MONEYVAL plenary sessions.

The agenda of the meetings had the following main points:

- Schedule of 5th round mutual evaluations of AML/CFT systems in relevant countries;
- Procedures and survey templates for carrying out 5th round mutual evaluations of AML/CFT systems in relevant countries;
- 4th round mutual evaluation reports of AML/CFT systems in Macedonia, Lichtenstein, Romania, Estonia and Azerbaijan;
- Reports on compliance enhancement procedures in Lithuania, Bosnia and Herzegovina;
- Progress report for 3rd round mutual evaluation of AML/CFT system in Russia;
- Progress reports for 4th round mutual evaluations of AML/CFT systems in several MONEYVAL member countries, etc.

During the MONEYVAL plenary sessions, the FMC representatives acted in the capacity of a financial expert for the 4th round mutual evaluation of the AML/CFT system in Romania and as a member of a group revising the report on mutual evaluation of the AML/CFT system in Lichtenstein.

The plenary sessions concluded that the 5th round mutual evaluation of the AML/CFT system in the Republic of Armenia will be carried out in May-June of 2015, making it the first country to pass a mutual evaluation in accordance with the revised FATF Recommendations. As part of the 5th round mutual evaluation of the AML/CFT system in the Republic of Armenia, the expert mission will arrive in the country on 25 May 2015.

Meanwhile, as part of preparation works for the mutual assessment, the secretary general and representatives of the MONEYVAL secretariat visited the Republic of Armenia in 11-13 June



2014 and made a presentation during the organized seminar on the procedure for carrying out the 5th round mutual evaluation of the AML/CFT system in the Republic of Armenia. In addition, MONEYVAL representatives had meetings with the members of the Interagency Committee and of the underlying working groups.

As part of preparation works for the mutual assessment (and in accordance with the evaluation procedures), technical and effectiveness compliance questionnaires were sent out to relevant competent authorities in 2014 in order to collect and analyze necessary information.

The technical compliance questionnaire was finalized by the FMC and presented to the MONEYVAL on 15 December 2014. The finalized version of the effectiveness compliance questionnaire will be presented to MONEYVAL before 15 January, 2015.

Following the proposal by the Republic of Armenia, it was decided to hold the expert training seminar (for 5th round mutual evaluations with the revised FATF Recommendations) in the premises of the research-training center in Dilijan, Republic of Armenia.

In the reporting period the FMC facilitated a seminar on “Combating money laundering and terrorism financing” for the representatives of LEAs and judicial authorities. The seminar was led by the MONEYVAL deputy president and a legal expert.

[Conference of Parties to Warsaw Convention](#)

In the time period from 29 September to 1 October 2014, an FMC representative attended in Strasbourg the 6th meeting of the Conference to Parties under the 2005 Warsaw Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (Warsaw Convention). During the meeting several country evaluation reports were approved and a time schedule was approved for future evaluations of countries (including the Republic of Armenia) for compliance with the Warsaw Convention.

[Eurasian Group](#)

The Republic of Armenia, represented by the FMC, continued its active involvement as an observer country in the initiatives of the Eurasian Group.

The delegation of the Republic of Armenia attended the 20th and 21st plenary sessions of the Eurasian Group that took place in the reporting period.

The agenda of the meetings included the following main points:



- The time schedule, procedures and work plans for the 2nd round mutual evaluations of AML/CFT systems in relevant countries;
- Progress reports following mutual evaluations of AML/CFT systems in Belarus, Kyrgyzstan, Tajikistan, Kazakhstan, Turkmenistan and Uzbekistan;
- Questions related to the expansion of scope in observer countries in the Eurasian Group and to the membership of several countries and international organizations, etc.

An international conference was organized as part of the plenary session of the Eurasian Group, where the head of FMC gave a presentation speech.

Council of FIU Heads from CIS

The FMC representatives attended the 3rd and 4th meetings of Council of FIU Heads from CIS and the underlying working group sessions.

The agenda of the meetings included the following main points:

- Operational concept paper and questions related to the information exchange system among member FIUs;
- A concept paper on AML/CFT cooperation in CIS;
- A draft action plan on AML/CFT measures in CIS;
- Questions related to the creation of an information exchange system for FIUs and other topics.

During the meetings, a concept paper was finalized on cooperation among FIUs in CIS, in relation to which all the comments and recommendations by the FMC were fully accepted.

The meeting of working groups took place in 20-21 May 2014 in the premises of the research-training center in Dilijan, Republic of Armenia, which was attended by experts from FIUs of Armenia, Kazakhstan, Kyrgyzstan, Tajikistan and Russia, as well as by executive body representatives from the Council of FIU Heads from CIS. During the meetings, presentations were given on “National assessment of ML/FT risks” and on “National implementation of revised FATF Recommendations: key challenges”. FATF President was among the presenters.

IMF Technical Assistance Program

The IMF expert mission was in the Republic of Armenia in 14-17 April 2014, with a purpose to finalize their technical assistance program. During the visit, the expert group had meetings with representatives from the Finance Ministry of the Republic of Armenia and the FMC.



The final part of the technical assistance program had the following components:

- Discussion and summary of the results on ML/FT risk assessment in the non-financial sector;
- Discussion around specificities for AML/CFT supervision over casinos.

As part of the technical assistance program, the IMF developed and provided an on- and off-site supervision manual for casinos to the Ministry of Finance of the Republic of Armenia.

Technical Assistance to Foreign FIUs

As part of the technical assistance program for the Iranian FIU, the representatives of the Iranian FIU and Central Bank paid a visit to Yerevan, Republic of Armenia. Several issues were discussed during the meeting: AML/CFT legislation, IT systems, accession to Egmont Group, etc. The Iranian FIU presented their progress in the area of AML/CFT.

The 12th session of the inter-governmental joint committee between the Iranian and Armenian governments took place in 15-16 December 2014 in Tehran, Iran. During the meetings, questions were discussed in relation to the deepening of cooperation in the banking and finance sectors of both countries, and meetings took place between representatives of FIUs from both countries. The meetings were followed by a signing of an MOU, which manifested FMC's commitment to assist in accession of the Iranian FIU into the Egmont Group.

MOUs between the FMC and foreign FIUs

In the reporting period, the FMC signed MOUs with FIUs from Lichtenstein and Kyrgyzstan. The FMC re-signed its long-standing MOU with the newly re-structured FIU of the United Kingdom. Negotiations were underway with the Russian FIU to re-sign an MOU in accordance with the revised MOU template by the Egmont Group. As of 2014, the FMC had MOUs with FIUs from 30 countries.⁵

5. Violations and Sanctions

In 2014, inspections in financial and non-financial reporting entities resulted in detecting of several violations and imposing of corresponding sanctions.

⁵ See Annex 2 of this report



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 breaches of requirements in internal rules and procedures. Table 5 below provides details on violations imposed on each type of reporting entity:

Annex 5

Sanctions imposed on financial institutions in 2014

Banks	28 violations were committed by 7 banks, resulting in: <ul style="list-style-type: none">• Warnings issued for 18 violations;• A total of 100,000 Armenian drams imposed in fines for 4 violations;• A total of 1,100,000 Armenian drams in fines and warnings imposed for 6 violations.
Credit organizations	18 violations were committed by 6 credit organization, resulting in a total of 300,000 Armenian drams in fines.
Insurance companies	6 violations were committed by 2 insurance companies, resulting in warnings.
Payment-settlement facilitators	4 violations were committed by 1 payment-settlement facilitator, resulting in 250,000 Armenian drams in fines and warnings.
Investment firms	2 violations were committed by 1 investment firm, resulting in warnings.
Exchange bureaus	6 violations were committed by 6 exchange bureaus, resulting in: <ul style="list-style-type: none">• warnings for 4 violations;• 4,000,000 Armenian drams in fines for 2 violations.

As far as non-financial reporting entities are concerned, in 2014 sanctions were imposed only on one entity organizing games of chance, which was fined for 800,000 Armenian drams for a failure to have an internal compliance unit or employee, as required by the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing.

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 organized in 2014 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 of this report.

Annexes

Annex 1

Reporting entities	Registered as of 31 December 2014	Reports filed to FMC by reporting entities in 2014	
		Over-threshold	Suspicious
<i>Financial reporting entities</i>			
Banks	22	213662	209
Credit organizations	33	492	1
Entities engaged in foreign currency exchange	203	-	-
Dealers and brokers in foreign currency exchange	1	15	-
Licensed entities engaged in money (currency) transfer services	6	-	-
Investment firms (entities providing investment services, as defined under the Law on Securities Market)	8	616	-
The central depository of regulated market securities (as defined under the Law on Securities Market)	1	41	-
Insurance (including re-insurance) companies	8	808	-



Entities providing intermediary insurance (including re-insurance) services	2	-	-
Pawnshops	132	24	-
<i>Non-financial reporting entities</i>			
Realtors	213	-	-
Notaries	103	808	-
Attorneys, independent lawyers and law firms	1461	-	-
Independent accountants and accounting firms	8	-	-
Independent auditors and auditing firms	36	-	-
Dealers of precious metals	-	-	-
Dealers of precious stones	21	-	-
Dealers of precious art works	-	-	-
Organizers of auctions	-	-	-
Entities organizing games of chance and casino	10	16	-
Entities organizing lotteries	4	-	-
Entities organizing internet games of chance	4	-	-
Trust and company service providers	-	-	-
Credit bureaus	-	-	-
The authorized body in charge of the integrated state cadaster of real estate (registration points)	146	920	-
The authorized body in charge of registering legal person (state registry)	1	2	-
TOTAL	2423	217404	210



Annex 2

MoUs between the FMC and foreign FIUs

COUNTRY	FIU NAME
Australia	Australian Transaction Report and Analysis Center
Belarus	Belarus Financial Monitoring Center
Bermuda	Bermuda Financial Intelligence Agency
Canada	Canada Financial Transactions and Reports Analysis of Canada
China	China Anti-Money Laundering and Analysis Center
Croatia	Croatia Anti-Money Laundering Office
Cyprus	Cyprus Unit for Combating Money Laundering
Georgia	Georgia Financial Monitoring Service of Georgia
Iran	Iran Financial Intelligence Unit
Israel	Israel Money Laundering Prohibition Authority
Japan	Japan Financial Intelligence Center
Kyrgyz Republic	State Financial Intelligence Service under the Government of the Kyrgyz Republic
Liechtenstein	Liechtenstein Financial Intelligence Unit
Macedonia	Macedonia Money Laundering Prevention Directorate
Moldova	Moldova Office for Prevention and Control of Money Laundering
Montenegro	Montenegro Administration for the Prevention of Money Laundering
Panama	Panama Financial Analysis Unit
Poland	Poland General Inspector of Financial Information
Romania	Romania National Office for the Prevention and Control of Money Laundering
Russian Federation	Russian Federation Service for Financial Monitoring



San Marino	San Marino Financial Intelligence Agency (FIA)
Saudi Arabia	Saudi Arabia Saudi Arabian Financial Investigation Unit
Serbia	Serbia Administration for the Prevention of Money Laundering
South Africa	South Africa Financial Intelligence Center
Taiwan	Taiwan Anti-Money Laundering Division
Tajikistan	Tajikistan Financial Monitoring Department of the National Bank of Tajikistan
Thailand	Thailand Anti-Money Laundering Office
Ukraine	Ukraine State Committee for Financial Monitoring of Ukraine (SCFM)
United Arab Emirates	United Arab Emirates Anti-money Laundering and Suspicious Cases Unit
United Kingdom	United Kingdom Serious Organized Crime Agency



Annex 3

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

TOPIC	PARTICIPANTS	DATE
Seminar for enhancing AML/CFT knowledge and building capacities	Representatives from the FMC, Prosecutor General's Office, the Policy, National Security Service, State Revenue Service, Ministry of Justice, Judicial Department, as well as judges	January 20-21
HEMOLIA conference organized by Romanian FIU (National Office for the Prevention and Control of Money Laundering)	FMC employee	February 10-11
Training on "General overview of the AML/CFT system"	FMC and CBA employees	March 10
Conference on "Strategy and tactics for integration of financial markets of countries membering the unified economic zone"	FMC employee	March 20
Seminar on "Foreign Account Tax Compliance Act (FATCA): compliance requirements for banks and financial institutions in the Republic of Armenia "	FMC employees	April 25-26
Discussion organized by the Council of Europe's MONEYVAL Committee on "Prosecutors' view on legalization of criminal proceeds"	Representative from the Prosecutor General's Office	May 12-13
Seminar-discussion organized by the experts from the Council of Europe's MONEYVAL Committee for raising awareness about the procedures for carrying out 5th round mutual evaluations	Judicial, law enforcement and supervisory authorities, reporting entities	June 12-13
Training provided by the IMF on "Implementation of revised AML/CFT recommendations"	FMC employee	August 4-8



Trainig provided jointly by the Council of Europe's MONEYVAL Committee and Egmont Group on "Strategic analysis"	FMC employee	August 25-29
Seminar for mutual evaluation experts for the Council of Europe's MONEYVAL Committee	FMC employees	November 3-7



Annex 4

Training programs and events for reporting entities and their supervisory authorities

TOPIC	PARTICIPANTS	DATE
Training provided by Financial-banking College on “Prevention of ML/FT in financial institutions”	Representatives from internal compliance units of financial institutions, customer service employees	March 31 – April 4
Training on changes to national AML/CFT legislation	Representatives from internal compliance units of banks	27 September
Meeting on “Conducting analyses and filing of reports”	Representatives from internal compliance units of banks	15 October
Training seminar delivered by the European Bank of Reconstruction and Development (EBRD) on AML/CFT and financial sanctions	Representatives from internal compliance units of banks	November 26-28