

STATEMENT

On 2006 Activities of the Interagency Committee on Combating Counterfeit Money, Fraud with Plastic Cards and Other Payment Instruments, and Money Laundering

Introduction

Within the first nine months of 2006, the Interagency Committee on Combating Counterfeit Money, Fraud with Plastic Cards and Other Payment Instruments, and Money Laundering (hereinafter: the Committee) has channeled its activities to the basic tasks of coordinating the efforts of combating money laundering and terrorist financing in the country, as well as preparing for the third round assessment of Armenia by the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) in 2007.

This statement touches upon the issues emphasized by the Committee and requiring concerted action of all bodies and agencies involved in the fight against money laundering and terrorist financing (hereinafter ML/FT).

The statement will cover the following issues: a) the works implemented by the Committee within the reporting period (from February to September 2006); b) the progress with implementing recommendations of MONEYVAL; c) further tasks and directions for the works of the Committee.

Committee Works Implemented in the Reporting Period

The Committee called 5 meetings, which were held pursuant to the pre-determined agenda reflecting on specific issues. Minutes of the meetings were taken, and decisions were voted for and approved by the members of the Committee.

The chronological account of the Committee activities within the reporting period is provided below:

- a) At its meeting of February 28, 2006 the Committee approved the Action Plan for meeting the commitments of the Republic of Armenia undertaken at the 18th plenary meeting of MONEYVAL. These commitments related to the issues identified in the MONEYVAL first round assessment report of 2004, which still needed to be dealt with. As the issues were basically concerned with the definition of the crime of money laundering and terrorist financing and, consequently, a number of associated amendments in the Criminal Code and the Criminal Procedural Code, coordination of their implementation was vested in the General Prosecutor's Office.

Based on MONEYVAL recommendations, a package of draft legislative acts was prepared in cooperation with the MONEYVAL Secretariat. At the same time, the Financial Monitoring Center of the Central Bank was charged to send a letter to the Secretariat notifying that legislative improvements were underway, whereas a number of issues would be taken into consideration in the course of reforms in the judicial system.

The meeting of the Committee heard a report on the third round MONEYVAL assessment procedures and requirements. It was decided that the rules of procedure for the third round assessment would be presented to the Committee member agencies.

Based on this decision, the rules of procedure and the assessment methodology were translated into Armenian, relevant discussions were organized, and comments were made on the subject matter to prepare for the MONEYVAL assessment in 2007.

The Committee considered the concept note for the national program of training in AML/CFT and resolved to provide it to the member agencies for comments and proposals.

- b) The meeting of May 3, 2006 considered the draft legislative changes developed on basis of MONEYVAL recommendations and decided to further consider certain amendments in the working group adjacent to the Committee. It was also decided that the draft legislation would be submitted for the consideration of the IMF and the MONEYVAL Secretariat.

The meeting resolved that the Republic of Armenia should be nominated as an observer at the plenary meeting of the Eurasian Group for Combating Money Laundering and Terrorist Financing to take place in Saint Petersburg from May 31 to June 2, 2006. The nomination was approved at the plenary meeting, and Armenia became an observer at the Eurasian Group (see the details provided below).

The meeting also approved the national program of training in AML/CFT and its implementation schedule. Member agencies were proposed to provide the names of their staff members in charge of coordination of program activities.

The Committee also decided to commence the process of signing bilateral agreements in AML/CFT between member agencies. Thereafter, bilateral agreements were concluded between the Central Bank and the General Prosecutor's Office, the Police, the National Security Service, the State Tax Service, and the State Customs Service.

The Committee recommended that the draft Law on Operational and Search Measures was provided to the expert examination of the Council of Europe. Later on, the experts

of the Council of Europe provided a preliminary opinion, whereas the official one would be provided by the end of 2006.

- c) The meeting of June 21, 2006 approved the list of participants and the agenda of the joint training to be organized by the UN Office of Drugs and Crime and the Central Bank of Armenia on June 27, 2006 (see also the section "*Other Works of the Committee*").

The Committee heard the report on the accession of the Republic of Armenia to the Eurasian Group for Combating Money Laundering and Terrorist Financing in the capacity of observer.

- d) In meeting of July 27, 2006 the Committee decided that, based on the findings of the MONEYVAL meeting of July 27, 2006, it was necessary to commence with the Ministry of Foreign Affairs the process for ratification of the amended version of the Strasbourg Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime.

The Committee resolved that, in order to cover the gaps in the Law on Combating Legalization of Criminal Proceeds and Financing of Terrorism, a working group of lawyers should be established, which, in collaboration with the IMF experts to visit Armenia, would develop a comprehensive draft of amendments and changes in the law.. The working group comprising experts from various agencies held consultations with the IMF visiting team from July 31 to August 8, 2006, resulting in the development of a package of amendments and changes into the Law on Combating Legalization of Criminal Proceeds and Financing of Terrorism.

The Committee approved participation of the representatives of the General Prosecutor's Office at the working group meetings of the Eurasian Group, whereas the Ministry of Foreign Affairs was charged to represent the country at the meetings to be held in Kyrgyzstan in August 27-30, 2006.

The meeting also discussed the possibility and legal relevance for the Central Bank to provide additional information to criminal investigation bodies after the initial submission of a notification under Article 13.1 of the Law on Banking Secrecy. It was decided that, after the initial submission, additional information would be provided only when the Board of the Central Bank had qualified the given transaction as a suspicious one.

- e) At the meeting of August 4, 2006 the Committee approved the basic principles and approaches worked out by the IMF experts and the working group for the amendment of the Law on Combating Legalization of Criminal Proceeds and Financing of Terrorism,

and assigned the Financial Monitoring Center to summarize those amendments to be articulated in the draft law on relevant amendments and changes.

Other Works of the Committee

1. The Committee regularly heard reports on the progress in meeting the commitments of the Republic of Armenia before MONEYVAL, while the consequent discussions clarified and enabled arriving at agreement on the mechanisms for that.
2. The Committee arranged participation of various agencies and institutions at the distant training on AML/CFT for financial intelligence units of CIS countries organized by the World Bank in May-June, 2006.
3. The Committee actively participated in the exercise for assessing ML/FT needs in Armenia under the respective program carried out by the UN Office of Drugs and Crime. Within the framework of the program, the Committee determined the list of the participants of the workshop held in June 6 and 7, 2006. Representatives of Committee member agencies also participated in the seminar on building awareness of anti-money laundering efforts among the staff of state bodies.

Progress with Meeting the Commitments before MONEYVAL

In the reporting period, the Committee worked in two directions to meet the commitments before MONEYVAL:

1. Implementation of the recommendations of MONEYVAL first round assessment report of 2004

To this end, in 2005 the Committee had approved and submitted to MONEYVAL the progress report of Armenia. Based on the findings of the report, the plenary meeting of MONEYVAL resolved to launch a Compliance Enhancement Procedure in respect of Armenia, which implied that the country should submit a progress report on the still-to-be-met commitments before November 10, 2006. Hence, the General Prosecutor's Office coordinated development and further approval by the Committee of the package of amendments and changes into the Criminal Code, the Criminal Procedural Code, and the Law on Combating Legalization of Criminal Proceeds and Financing of Terrorism. The amendments were agreed with the IMF experts and the MONEYVAL Secretariat, and finalized by the Ministry of Justice. Adoption of the package of draft laws would result in more accurately defining and bringing into compliance with MONEYVAL requirements the definition of the legalization of criminal proceeds, the domestic system of preventive measures and confiscation. The ministry of has already submitted the

package to the Government, which would provide it to the National Assembly at its own legislative initiative. It is expected that the National Assembly will consider the package before the established deadline of November 10, 2006, and this will be reflected in the progress report of Armenia.

2. Preparation of the AML/CFT system of Armenia for The MONEYVAL third round assessment

As already mentioned above, it is expected that in 2007 MONEYVAL experts would conduct the third round assessment of Armenia's AML/CFT system under the new methodology; hence, this issue has been in the focus of the Committee. Member agencies have been provided the assessment methodology of MONEYVAL, and relevant discussions have been held in the working group. Based on the methodology, the following steps have been taken:

- Under the coordination of the Committee and with the assistance of the IMF, a new draft of the Law on Combating Legalization of Criminal Proceeds and Financing of Terrorism was developed. This draft encompassed the basic international standards, which the MONEYVAL experts would assess compliance with. In developing the draft, the outcomes of the discussions with the IMF and the international best practice were taken into consideration. The draft will be widely discussed both with the Committee member agencies and with other stakeholders before submitting for adoption.
- The Committee has quite a few times considered the issue of establishing uniform and equal requirements with respect to reporting entities. To that end, a draft regulation on the requirements and procedures in the area of combating legalization of criminal proceeds and financing of terrorism was developed, detailing the procedures and implementation mechanisms for AML/CFT measures. It aims to comprehensively regulate the requirements with respect to all reporting entities, while providing details on legislative and international standards to improve applicability of the mechanisms for fighting ML/FT. Adoption of the regulation would consummate the Armenian legislation based on international AML/CFT standards. The regulation was submitted to the Committee member agencies and reporting entities for comments and proposals. It is expected that meetings and discussions will be arranged on these comments, and the Board of the Central Bank will approve it after finalization.
- Pursuant to the assignment of the Committee, the Financial Monitoring Center commenced preparation of a self-assessment exercise to examine the AML/CFT

system of Armenia on basis of MONEYVAL assessment methodology. Based on the findings of the exercise, it is expected that the tasks and scope of activity of each agency would be clarified before the upcoming assessment, and identified gaps would be covered in accordance with a clearly defined timetable.

New Tasks and Directions for Further Committee Works

The Republic of Armenia currently is at a stage of introducing a qualitatively new system for combating money laundering and terrorist financing. The basic tasks at this stage are continuous reformation of the legislative and institutional systems in place, and implementation of practical measures aimed at effectively combating ML/FT. These measures should be taken with the joint effort of various involved agencies and comply with the commitments of the Republic of Armenia before relevant international structures.

To deal with these tasks, the Committee will arrange its further works in the following directions:

1. The Committee will further coordinate the progress with meeting the commitments of Armenia before MONEYVAL. In this relation, the Committee would finalize implementation of the commitments as per the recommendations of the first round assessment by MONEYVAL and prepare for the third round assessment (see also the section *“Progress with Meeting the Commitments before MONEYVAL”*).
2. The Committee will further keep focused on implementation of the national program of training in AML/CFT. In this regard, training needs of each involved agency have been assessed, available resources have been identified, responsible staff for the arrangement of training has been assigned, and the mechanism for the delivery of training has been determined due to the works with international donors. A training of trainers exercise is expected to be undertaken, and involved agencies are assisted to develop training programs in accordance with their specific needs. The Committee should regularly discuss and deal with the issues related to further improvement of such programs.
3. One of the basic tasks of the Committee would be arranging discussion of and agreement with member agencies on the proposed amendments into the Armenian legislation on the fight against ML/FT. In this respect, special emphasis will be put on interagency discussion of the new draft of the Law on Combating Legalization of Criminal Proceeds and Financing of Terrorism. The Committee will also consider

drafts of other legislative amendments, normative acts, guidelines, methodological papers on AML/CFT.

4. The Committee will consider the programs carried out by various international (UN, World Bank, OSCE, European Union etc) organizations in Armenia, examine the country's commitments in that regard, and bring together capacities of all member agencies for dealing with that task. In this respect, priority will be given to the introduction of mechanisms for freezing the funds of persons related to terrorism in accordance with the UN Security Council resolutions, ratification of the amended Strasbourg Convention, and harmonization of the Armenian legislation with European Union directives.
5. The Committee will further encourage cooperation and exchange of AML/CFT-related information between member agencies. This will be carried out on basis of the bilateral agreements and when there is the need to deal with specific tasks and functions. To this end, clear principles and rules for cooperation will be established to define more accurately the joint programs and objectives of AML/CFT efforts of member agencies. The Committee will also regularly reflect on the problems identified in the process of cooperation and, based on relevant findings, develop a methodology on cooperation.
6. The Committee will assume the function of assessing and summarizing AML/CFT activities of various agencies. For this purpose, it will regularly monitor implementation of different tasks and functions related to AML/CFT, assess their efficiency and approve relevant recommendations at the meetings of the Committee. Regular release of statistics on the fight against ML/FT will be another important task of the Committee.