

STATEMENT

On 2006-2007 Activities of the Interagency Committee on Combating Counterfeit Money, Fraud with Plastic Cards and Other Payment Instruments, and Money Laundering

Introduction

Within the period from November 2006 to May 2007, 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 November 2006 to May 2007); b) 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. Before calling the meetings, the agenda and relevant documents were discussed and agreed with member agencies at the meetings of the working group adjacent to the Committee. 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:

Meeting of October 25, 2006

1. The meeting considered implementation of the commitments stemming from the Compliance Enhancement Procedure determined by MONEYVAL with respect to Armenia. The Committee resolved to apply to the Ministry of Justice for the urgent submission of the package¹ of draft amendments in the Criminal Code, the Criminal

¹ The package proposed the following major amendments:

Procedural Code, and the Law on Combating Legalization of Criminal Proceeds and Financing of Terrorism, which were developed by the working group adjacent to the Committee, to the consideration of the Government for it to immediately provide to the National Assembly at its own legislative initiative. The package was endorsed by the National Assembly on November 28, 2006 and entered into force on January 4, 2007. Based on this fact, the joint 22nd plenary meeting of MONEYVAL and FATF (held in February 2007) resolved to lift the Compliance Enhancement Procedure with respect to Armenia. The progress with implementation of Armenia's commitments before MONEYVAL was considered at the meetings of December 12, 2006 and April 14, 2007, as well (see also the second items of the text on these meetings).

2. Moreover, the Financial Monitoring Center (hereinafter: the FMC) of the Central Bank of Armenia made a report on the 20th plenary meeting of MONEYVAL. The fact that accession of the FMC to the Egmont Group in 2007 would entail payment of annual membership fees was specifically emphasized. It was decided that the amount of the expected membership fee would be clarified, and consultations would be held with the Ministry of Foreign Affairs for including the fee into the state budget after accession. Pursuant to this decision, the FMC found out that the annual membership fee to the Egmont Group would amount to approximately 2.000 US dollars. Accession of the FMC to the Egmont Group was discussed at the Committee meeting of November 25, 2006, as well (see also the first item of the text on that meeting).
3. As a policy-related issue, the meeting considered declaration of physical cross-border transportation of currency under the FATF Special Recommendation IX. The State Customs Committee and the FMC had examined the basic principles for the declaration of currency, and the findings were reported to the Committee at its meeting of April 14, 2007 (see also the fourth item of the text on that meeting).
4. The meeting also considered the revised draft Law on Combating Legalization of Criminal Proceeds and Financing of Terrorism and heard the progress with finalizing

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- Bringing the definition of money laundering crime into compliance with that of international treaties (Part 1 of Article 190 of the Criminal Code, Item "b" of Article 3 of the AML/CFT Law);
 - Establishing the list of crimes generating criminal proceeds as predicate offences for money laundering (Part 5 of Article 190 of the Criminal Code);
 - Establishing arrest of property as a mandatory investigative measure under money laundering and terrorist financing criminal cases (Part 1.1 of Article 233 of the Criminal Procedural Code);
 - Establishing confiscation of property (including that of equivalent property) as a mandatory punitive measure for the crime of money laundering and terrorist financing (Parts 4, 5, and 6 of Article 55 of the Criminal Code);
 - Establishing a requirement for immediate freezing of funds of the persons related to terrorism in accordance with the UN Security Council resolutions (Article 18.1 of the AML/CFT Law).

the draft Regulation on Internal Compliance Function of Reporting Entities in Combating Legalization of Criminal Proceeds and Financing of Terrorism. The FMC was charged to submit the regulation for the approval of the Committee and, once it were adopted by the Board of the Central Bank, apply to the Ministry of Justice for its registration bearing in mind that this was necessary for meeting the international commitments of Armenia.

5. The meeting heard and acknowledged the report on the consultative session of authorized representatives of member countries in the Collective Security Treaty Organisation (CSTO), on preparation of comprehensive measures for combating legalization of illegal drugs turnover and terrorism financing. The Committee approved that cooperation with CSTO member states under the “Kanal” program for fighting illegal drugs turnover might be realized within the framework of the Memorandum of Understanding between the Central Bank and the Police.
6. The meeting charged the FMC to further improve the Armenian translation of the MONEYVAL third round assessment methodology and send it to the member agencies for a self-assessment exercise. Based on the findings of the self-assessment, the FMC was assigned to work out an action plan for the introduction of international standards in the country. In implementation of this, the Central Bank initiated inclusion of preparatory works for The MONEYVAL third round assessment into the priority tasks of the Government’s activities in 2007, and the Committee considered the progress in this direction at its meetings of December 12, 2006 and April 14, 2007 (see also the third items of the text on these meetings).

Meeting of November 25, 2006

1. This meeting of the Committee was called for discussing urgent legislative amendments required for the FMC accession to the Egmont Group. The urgency of the issue stemmed from the fact that the FMC candidacy presented to the Outreach Working Group of the Egmont was accepted on the condition that before December 2006 the FMC would have sufficient operational independence in international and domestic cooperation. This required an urgent amendment to Article 12 of the AML/CFT Law establishing independence of the FMC in exchanging information with foreign financial intelligence units. The Committee resolved that adoption of the revised article would be presented to the National Assembly as an initiative coming from an individual delegate and would be incorporated into the package of draft laws on entering changes and amendments in the Criminal Code, the Criminal Procedural Code, and the

AML/CFT Law awaiting parliamentary endorsement. Hence, the said amendment was endorsed by the National Assembly within the established deadline, thus enabling further consideration of the FMC candidacy by the Egmont Group and having resulted in a full membership granted at the plenary meeting of the group in May-June, 2007².

2. In relation to the issue of making available for law enforcement bodies information constituting banking secrecy, the meeting of the Committee resolved that it was still early to mitigate the regime for the disclosure of information as established under the Law on Banking Secrecy.

Meeting of December 12, 2006

1. The meeting heard the reports on participation of the Armenian delegation at the 21st plenary meeting of MONEYVAL and the 5th plenary meeting of the Eurasian Group. In relation to the MONEYVAL meeting, it was mentioned that the next plenary meeting would be a joint one of MONEYVAL and FATF, and the third round assessment reports of the two immediate neighbors of Armenia – Turkey and Georgia – would be considered at that meeting. In order to address the potential issues related to the foreign policy of the Armenia, the meeting resolved to apply to the Ministry of Foreign Affairs proposing their representation at the joint plenary.
2. The progress with meeting Armenia's commitments before MONEYVAL was considered during the meeting. It was mentioned that the plenary meeting of MONEYVAL discussed the progress report provided by the country; however, the report was not adopted insofar as the Compliance Enhancement Procedure with respect of Armenia would be lifted only after package of draft laws on entering changes and amendments in the Criminal Code, the Criminal Procedural Code, and the AML/CFT Law were endorsed by the National Assembly and entered into force (see also the first item of the text on the meeting of October 25, 2006).
3. The Committee examined the Armenian translation of the MONEYVAL third round assessment methodology provided by the FMC and assigned to present to the next meetings of the Committee an action plan for Armenia's self-assessment on basis of the methodology.
4. The report on the progress with the FMC accession to the Egmont Group was heard, and the FMC was charged to further implement the pre-determined measures to ensure accession in 2007. The Committee also recommended the respective agencies to assist

² Accession of the FMC to the Egmont Group was sponsored by the Russian Federal Service for Financial Monitoring and the Ukrainian State Committee for Financial Monitoring.

the FMC in filling out the questionnaire provided by the Legal Working Group of the Egmont (see also the first item of the text on the meeting of November 25, 2006).

5. The Committee heard a report on the pilot project to analyze training needs in the field of combating ML/FT. This project carried out with the assistance of the UN Office of Drugs and Crime (UNODC) firstly provided for the analysis of training needs of the respective divisions at the General Prosecutor's Office, the Police, and the Central Bank. The task teams established under the project had interviewed relevant staff of the agencies, gathered data describing their work and summarized the findings of this exercise. These findings are to be taken into consideration when implementing training and professional development programs in AML/CFT.
6. The expert opinion of the Council of Europe on the draft Law on Operational and Search Measures was considered at the Committee meeting. The Committee resolved that the opinion should be sent to the Ministry of Justice, the General Prosecutor's Office, and the Police to be taken into account for future discussions. Further outcomes of the discussion on the expert opinion of the Council of Europe were reported to the Committee meeting of April 14, 2007, as well (see also the seventh item of the text on the meeting of November 25, 2006).
7. The meeting considered the issue of forming the Committee composition. The Central Bank was proposed to apply officially to the heads of the member agencies for nominating officials to be included in the revised composition of the Committee as per the relevant Decree of the Republic of Armenia President. Thereafter, the Central Bank provided the nominations received from member agencies to the Assistant to the President, and the President's Decree No NK-38-A from February 20, 2007 approved the new composition of the Committee.

Meeting of April 14, 2007

1. The Assistant to the President presented to the meeting the President's Decree No NK-38-A (see also the eight item of the text on the meeting of December 12, 2006). Based on the Decree, it was decided that changes should be made in the rules of procedure of the Committee in view of the new assignments.
2. The meeting heard the report on participation of the Armenian delegation in the joint 22nd plenary meeting of MONEYVAL and FATF (held in February 2007) (see also the first item of the text on the meeting of October 25, 2006).
3. The FMC updated the Committee on the progress with the preparation of MONEYVAL third round assessment. Heads of Committee member agencies were proposed to assign

their relevant staff to provide information on the situation in their respective areas, in accordance to which an enhancement action plan would be developed subject to consideration by the working group adjacent to the Committee and presentation to the next meetings of the Committee. This task was still in the course of implementation.

4. The meeting also considered declaration of physical cross-border transportation (importation) of currency and resolved to charge the State Customs Committee and the Central Bank to jointly develop the rules for declaration of currency above the equivalent of 10.000 euros, to come to agreement on them within the working group adjacent to the Committee, to submit them for the Committee's approval for further endorsement and application (see also the eighth item of the text on the meeting of October 25, 2006).
5. The Committee meeting considered the reference on the compliance of the procedures on activities and supervision of DNFBPs with the international standards of combating ML/FT. As a result, it was proposed to come to agreement on the rules for supervising DNFBPs and the list of reporting entities within the working group adjacent to the Committee for further submission of relevant findings to the Committee. There was also a proposal to discuss within the working group the issues related to the application of and supervision over AML/CFT requirements for non-governmental organizations and to present an agreed approach to the Committee.
6. The Committee charged the FMC to analyse the information on the volume and trends of using counterfeit coins, discuss the findings within the working group and report to the next meeting of the Committee.
7. After hearing the report on the draft Law on Operational and Search Measures, the meeting decided to propose the Ministry of Justice to send a letter of appreciation to the representation of the Council of Europe in Armenia for providing expert opinion on the draft law (see also the sixth item of the text on the meeting of December 12, 2006).

Meeting of May 7, 2007

1. Pursuant to the assignment of the Committee meeting of April 14, 2007, a report on (attempted) fraud with payment instruments and trends in counterfeiting money was heard, and issues related to the cases, volumes, methods and disclosure of this type of fraudulent activity were discussed.
2. The meeting heard a reference on the "black lists" related to terrorism and on the rules for maintaining such lists. Consequently, the FMC was charged to publish the UN Consolidated List. Based on this decision, the Consolidated List was posted on the FMC

website, and reporting entities were sent circular letters notifying on the need to immediately freeze the funds of the persons designated by those lists.

New Tasks and Directions for Further Committee Works

The Committee will continue its works aimed at coordinating the initiatives and efforts of various agencies in combating ML/FT. In this regard, the Committee will arrange its further works in the following directions:

- 1. Adoption of the new draft Law on Combating Money Laundering and Terrorist Financing and state registration of the Regulation on Internal Compliance Function of Reporting Entities in Combating Legalization of Criminal Proceeds and Financing of Terrorism.** These legal acts would basically assure compliance of the Republic of Armenia with the FATF 40+9 recommendations, as well as with other applicable international requirements.

It is expected that the new draft Law on Combating Money Laundering and Terrorist Financing will be submitted for the Committee's approval by September 2007, with its subsequent consideration by the Government and submission to the National Assembly, as prescribed by the Government's Action Plan.

It is also planned that the cooperation with the Ministry of Justice within the framework of the Committee will be furthered so as to ensure state registration and enactment of the Regulation on Internal Compliance Function of Reporting Entities in Combating Legalization of Criminal Proceeds and Financing of Terrorism.

- 2. The Committee will further coordinate preparation of the third round assessment of Armenia by MONEYVAL.** For that purpose, member agencies will put joint efforts to produce the report on the self-assessment of Armenia in accordance with the FATF third round assessment methodology (fully applied by MONEYVAL), to identify relevant gaps in terms of compliance, and to implement an appropriate enhancement action plan.

An important feature of the FATF third round assessment methodology is that it not only evaluates proper integration of the essential requirements of each FATF standard into the national legislation, but also highly emphasizes efficient implementation of the standards (based on statistical or other reliable data). In that regard, efficiency of implementing the legislative requirements in the area of combating ML/FT in Armenia still appears to be a matter of concern.

- 3. Within the framework of the reforms in the judicial system in Armenia, the Committee will further keep focused on the formation of effective institutional and functional**

mechanisms for criminal prosecution of ML/FT offenses. Under the proposed revision of the investigatory function, the new tasks of the Committee would comprise clearly defining the investigatory bodies in charge of ML/FT crimes, enhancing effective cooperation between these bodies and the FMC, developing a methodology for the investigation of this kind of offences, and building up relevant investigatory capacities.

4. **The Committee will further provide an efficient platform for member agencies to discuss, come to agreement, and arrive at shared approaches on various issues and initiatives related to the fight against ML/FT.**