APPROVED BY THE DECISION OF THE GOVERNOR
OF THE CENTRAL BANK OF ARMENIA NO 1/04-A
FROM JANUARY 15, 2010

ANNEX

8. Typology

Money Laundering Scheme through Real Estate Transactions

1) Scope of Application

The scheme of transactions presented by this typology[1] may be relevant for the following types of reporting entities:

a. Banks, credit organizations, insurance companies;
b. The authorized body responsible for maintaining the integrated state cadastre of real estate;
c. Realtors;
d. Notaries;
e. Independents accountants and auditors; accounting and auditing firms;
f. Independent lawyers and firms providing legal services.

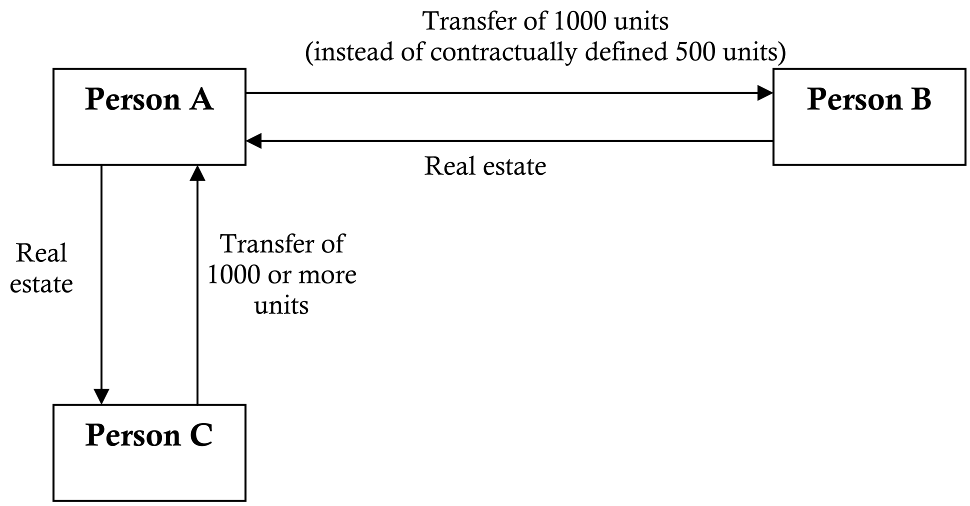
2) Description of Scheme

Transactions described in the typology below are usually performed in the following sequence of actions: Person A, who has illegally gained income totaling, for example, 1.000 units, comes to agreement with Person B selling a real estate and offers him to buy the property for 1.000 units; however, he wants that the price of the deal to be indicated in the contract is 500 units. Later on, Person A sells the real estate to Person C for 1.000 units (or even at a higher price), thus making the illegally gained income look like being generated from the sales of the property. In this case, it is possible that an offshore company acts as the buyer/ seller of the real estate for further concealment of the illegal origin of the funds.

[1] The typology was developed on basis of typologies published by FATF in 1997-1998 (www.fatf-gafi.org).

1) Schematic Illustration of Transactions

Schematic illustration of the transactions is presented below:



2) Conclusions

a. Transactions carried out through the illustrated scheme and sequence of actions are aimed at concealing the origin, movement, or true ownership (final beneficiaries) of illegal proceeds. The following characteristics are typical for such transactions:
   1) Inconsistency of the contractually defined price with the real (market) price of the property;
   2) Relatively short period between the purchase and the sale of the property (e.g. one or several weeks/ one month);
   3) Cash or non-cash transactions carried out by the initial seller of the real estate in amounts significantly exceeding the contractual price;
   4) Unclear/ suspicious sources of income of the intermediate and final payers against the transactions;
   5) Involvement of entities based in high-risk (offshore) territories.

b. The following measures should be taken for preventing the ML/FT risks pertinent to the transactions described in the scheme above:
   1) Enhanced due diligence of the customer;
   2) Additional scrutiny of the documents underlying the transaction;
   3) Check of legitimacy of the transaction;
   4) Efficient exchange of information with authorized state bodies and other organizations.