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

ANNEX

9. Typology

Money Laundering Scheme through Insurance 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;

b. Insurance companies;

c. Insurance brokers and agents.

2) Description of Scheme

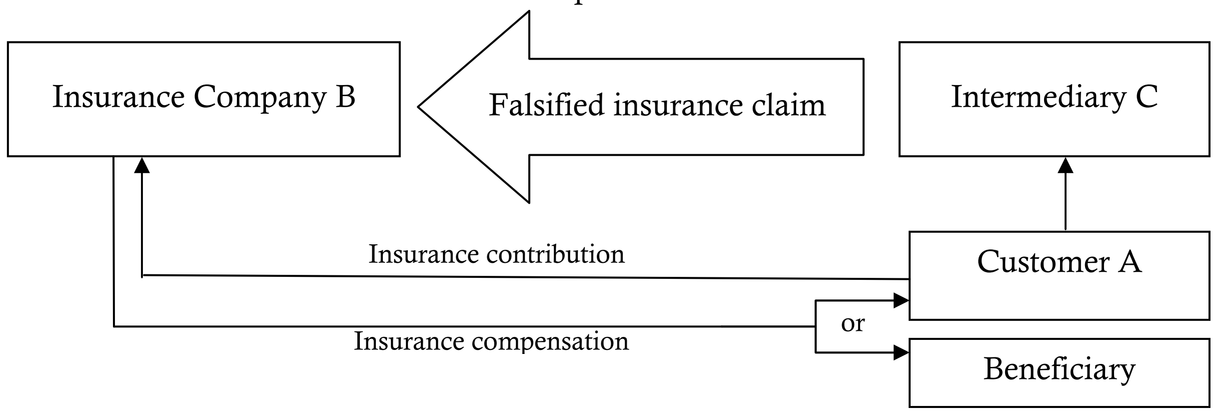
Insurance products are handy instruments for legalizing illegally gained income, since a significant part of insurance policies are sold by means of insurance brokers and agents, which often are the only ones to directly contact with the customers.

Customers (or, involved intermediaries) can explore money laundering schemes through the use of insurance companies by means of both false insurance claims and of early surrender of contracts within the allowable period. Transactions described in the typology below are usually performed in the following sequence of actions:

a. Customer A concludes an insurance contract with the Insurance Company B at extraordinary terms or under conditions not typical for the business. At that, the contract may define either the insured person or a third party (not related to the insured person) as the beneficiary of the contract. Later on, Customer A independently or in agreement with Intermediary C falsifies the respective documents for the purpose of filing an insurance claim and getting compensation. Thus, Customer A by means of falsification devised independently or jointly with Intermediary C, gains illegal income, which, declared as compensation received from the insurance company, may be freely used as legal income.

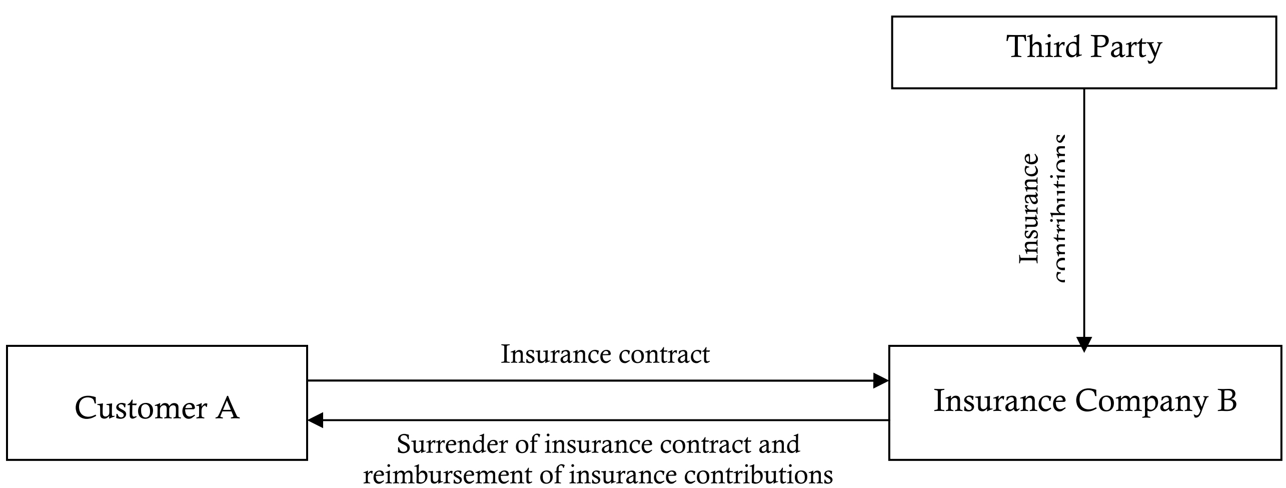
[1] The typology was developed on basis of typologies published by FATF in 1995-1996 and 2003-2004 (www.fatf-gafi.org).

• Schematic illustration of the transactions is presented below:



b. Customer A concludes an insurance contract with the Insurance Company B. At that, the contract may define a third, unrelated Third Party as the payer of insurance contributions. Later on, within the allowable period defined by the contract, Customer A requests early surrender and reimbursement of contributions. This sequence of transactions is aimed at legalizing the income illegally gained by the payer of contributions and transferring it to the insured person through the use of the insurance company.

• Schematic illustration of the transactions is presented below:



3) Conclusion

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) Obvious inconsistency of insurance contributions with the business profile and income of the insured person;
   2) Payment of insurance contributions by third (often, unrelated) parties;
   3) Absence or formal interrelation between the insured person and the beneficiary;
   4) Early and suspicious occurrence of the insured event;

5) Early surrender of the insurance contract and reimbursement of contributions.

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) Detailed examination of the circumstances of the insured event; request for submission of additional documents;
   4) Detailed examination of cases of early surrender of the insurance contract; disclosure of real reasons;
   5) Efficient exchange of information with authorized state bodies and other organizations.