CENTRAL BANK
OF THE REPUBLIC OF ARMENIA

In 2012 the Central Bank issued silver collector coin dedicated to the 125th anniversary of birth of Hovsep (Joseph) Orbeli »



COMBATING MONEY LAUNDERING AND TERRORISM FINANCING

Work was further carried out to achieve goals set forth in the 2010-2013 national strategy of combating money laundering and terrorism financing in the Republic of Armenia, aimed at introducing a regulatory framework and policies in compliance with FATF recommendations, implementing risk-based principles of the mechanism for combating ML/TF providing equal compliance with the requirements of anti-money laundering and combating terrorism financing legislation by all reporting entities, the strengthening and expansion of cooperation at domestic and international level, training of staff of Financial Monitoring Center (FMC) of the Central Bank and other bodies engaged in combating ML/TF.

The 40th plenary session of the Council of Europe's MONEYVAL Committee in December 2012 approved the second Progress Report on the Evaluation (Phase III) of combating ML/TF framework in Armenia.

In 2012 FMC drafted a paper "National Strategy for Combating ML/TF in 2013-2015" which was approved at the meeting of Interagency Committee on the Fight against Forgery, Fraud in the Field of Plastic Cards and other Payment Instruments, Money Laundering and Terrorism Financing.

Legislative improvements

The discussion held at the Government over changes and supplements which were drafted by the FMC and other concerned parties as an entire amendment package into the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and a total of 14 other laws back in 2010 led to the decision to re-submit the package with relevant remarks and attitude to the appropriate authorities for further consideration. After review, the draft package was further amended and submitted to the Government which approved it based on the final remarks and recommendations. The package was sent to the Republic of Armenia National Assembly for endorsement.

In 2012 typology Money laundering through false and fabricated transactions (contracts) and typology 12 Money laundering through prepaid cards were adopted and certain changes and supplements were introduced to a handful of regulatory acts.

Analyses: statistical profile

There were 2 cases instigated during 2012 resulting in 2 persons convicted of legalization of criminal proceeds. Other cases were instigated for appropriation of funds through the use of computer, property loss caused through fraud or abuse of trust, appropriation and legalization of funds through theft.

Here is a summary of the information provided to law enforcement authorities regarding criminal cases, court decisions, as well as assets suspended and seized on conjecture of money laundering in the period 2010 – 2012:



	2010	2011	2012	Total
FMC referrals to law enforcement bodies	23	17	11	51
Information which FMC requested from law enforcement bodies	15	33	11	59
Information which law enforcement bodies requested from FMC	53	58	61	**172**
Criminal cases instigated	13	10	9	**32**
Sentences rendered	3	5	2	**10**

	Funds involved in transactions and business relations suspended upon the Central Bank Board decision	Funds subject to confiscation
2010	AMD 345.000, USD 290.000	AMD 514.026.500
2011	0	AMD 415.517.535
2012	AMD 23.003.274	AMD 12.220.947
Total	**AMD 23.348.274, USD 290.000**	**AMD 941.764.982**

International cooperation

In the period under review international cooperation of the FMC remained strong as it further enhanced links with international/foreign counterparts.

In 2012 FMC staff participated in plenary sessions organized by the Council of Europe's MONEYVAL Committee, Egmont Group, Eurasia Group, Meeting of the Conference of the Parties established under the Warsaw Convention, FATF meeting and brought their active involvement in programs implemented by these entities.

Further actions were taken in observance of restriction requirements as applied by international institutions. As part of such actions, the FATF declarations were published on the FMC website regarding countries which were reported to have been strategically incomplete in combatting ML/TF as well as countries which have already developed plans for joint action to remove the said weaknesses in cooperation with FATF.

Further work was done by FMC to deliver technical support to foreign intelligence units. The FMC was requested to make amendment to a

In the period under review the FMC signed memoranda of understanding with financial intelligence units of a bunch of countries.

Country	FIU
Japan	Japan Financial Intelligence Center of National Public Safety Commission
Cyprus	Republic of Cyprus Anti-Money Laundering Body
Croatia	Anti-Money Laundering Office of the Ministry of Finance of Croatia
UK	The United Kingdom's Financial Intelligence Authority on Organized Crime

number of papers, including FATF recommendations developed by international institutions (FATF, MONEYVAL, the Eurasia Group) and further work on certain international projects as part of international cooperation. In 2011 the FMC continued its efforts towards increasing effectiveness of information exchange between financial intelligence units worldwide.

Training and consultancy

Training and consultancy remain key pillars in building an effective framework for combatting ML/TF. In 2012 training programs and meetings were organized for FMC staff, other staff members of the Central Bank, public authorities and reporting entities to gain more knowledge of prevention of and fight against ML/TF. Courses and seminars arranged by international institutions such as the IMF, OSCE, MONEYVAL worth mentioning. FMC, on its part, has organized seminars for specialists of the Central Banks of Eurasian Economic Community (EurAsEC) Member States; a workshop titled "Preventing Money Laundering and Terrorism Financing in Financial Institutions" was arranged by FMC for a target audience, including the staff of internal control, internal audit, customer service staff and individuals and bodies which deal with tail risks associated with ML/TF.

Programs tailored to increase professional knowledge of staff of non-financial institution reporting entities and individuals and bodies which oversee their activities are very important components in training and consultancy. To this effect, during the year FMC organized a seminar in cooperation with the IMF for representatives from the Ministry of Finance, notaries, barristers, accountancy firms, auditors, gambling houses, dealers of precious metals, real estate agents.



In 2012 the Central Bank issued silver collector coin "Sergei Parajanov" under the International Numismatic Program "World's Famous Directors" »

MANAGEMENT AND ORGANIZATIONAL DEVELOPMENT »

Improving Management Systems

The Central Bank was the first in Armenia to officially receive, on January 27th 2012, a compliance certificate *ISO/IEC 27001:2005 Information Security Management System Requirements* which was issued by Bureau VERITAS. The certificate tells that an effective information security management System is in place, through which

- records of critical information assets are maintained
- risks are controllable and manageable
- timely response to information security incidents, Investigation and lessons learnt is in place
- business continuity is in place.

A compliance certificate *Requirements to Information Security Management System Requirements* was issued to major financial institutions such as the World Bank, the International Monetary Fund, the New York Federal Reserve Bank, and others.

Work is underway to expand *ISO/IEC 27001: 2005* for inclusion of the payment and settlement system of the Central Bank. The introducing of the standard included alignment of regulatory papers of the Central Bank with the applicable requirements. About 20 new documents were drafted and information security regulations rewritten.

On January 19th 2012 the certification was successfully completed and audited by Bureau VERITAS Certification accordingly. The audit team reported that the information security management system of the Central Bank has been fully aligned with the standard requirements as a result of large amount of quality work.

The majority of information security processes was assessed as "best to practice" which is rare in the industry of inputting of standards.

Accreditation of the Central Bank will undoubtedly influence positively on the process of aligning the level of information security with international standards.



BUREAU VERITAS
Certification

Certification
Awarded to

THE CENTRAL BANK OF ARMENIA
6 V. Sargsyan Str., Yerevan, 0010, Republic of Armenia

Bureau Veritas Certification certify that the Management System of the above organisation has been audited and found to be in accordance with the requirements of the management system standards detailed below

STANDARD

ISO/IEC 27001:2005

SCOPE OF SUPPLY

THE INFORMATION SECURITY MANAGEMENT SYSTEM IN RELATION TO ALL BANK'S OPERATIONS AND SERVICES IN ARMENIA, EXCLUDING THE PAYMENT SYSTEM AND STATE SECRECY.

Statement of Applicability Version 2.0 dated 19/01/2012

Original Approval Date: 27 January, 2012

Subject to the continued satisfactory operation of the organisation's Management System, this certificate is valid until: 26 January, 2015
To check this certificate validity please call (380 44 490 29 79)
Further clarifications regarding the scope of this certificate and the applicability of the management system requirements may be obtained by consulting the organisation

O. Adamenko
Date: 27 January, 2012

Certificate Number: IN.12.2000U

Bureau Veritas Certification using the accreditation certificate number 008

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Personnel Management

In 2012 the Central Bank prioritized a personnel policy of supporting professional development and lifelong training of the staff of the Central Bank. Dedication and commitment to more knowledgeable performance were the main tasks in implementing the strategy set before the Central Bank.

At the end of the year the Central Bank had 788 employees (for both fixed-term and open-ended contracts) of which 455 were women and 333 were men. The average age of employees reached 39. A total of 52 employees left the Bank during the year, and the staff turnover rate was 6.60 percent.

Vacancies in the Central Bank were filled primarily by competition. In 2012 an automated external competition applications system was introduced. During the year 30 positions were filled up by both internal and external competitions, 8 employees earned promotion 6 of who took managerial positions.

During the reporting period the Central Bank regularly announced its intention to recruit staff in Economic Research Department in charge of economic research for Dilijan Research and Training Center. An appropriate unit will be designed to conduct research at micro- and macroeconomic levels, in compliance with internationally applied economics. In 2012 a total of 6 employees joined Economic Research Department of the Central Bank through competition. Information Technologies Department of the Central Bank recruited more specialists to prepare for the creation and servicing of infrastructures of Dilijan Research and Training Center.

The Central Bank saw structural changes aimed at streamlining the design and governance of the Bank. Monetary Policy Department was reorganized in order to use an expanded and more progressive monetary policy model, integrate the outcome of short-term and long-term projections and have an improved level of external communications and publicity. To this end, 4 staff members of the monetary policy unit participated in a long-term training course titled



Advanced Macro-Modeling, organized by the IMF Research Center. Statistics Department added a function that creates a collection of micro-data of the domestic economy and draws up a statement by using these data. The Central Bank obtained a function of issuing final expert conclusion on counterfeit notes and coins, and an appropriate unit was created in Money Cycle Department as a result.

To motivate employees and strike a right work-and-life balance the Central Bank provided for an alternative choice of work, i.e. creating a virtual environment for work.

The Central Bank remained committed to recruiting young specialists, improving qualification and making the best use of their potential. As before, young specialists were selected mostly out of those who had attended a curriculum titled *Central Bank of Armenia: Introductory Course*, which is organized by the "Finance and Banking College" Foundation. In 2012 functional units of the Central Bank employed 80 young specialists on terminal contracts, 18 of who joined the Central Bank.

Young specialists have an opportunity to take their academic and pre-diploma internship in the Central Bank in order to enhance their field knowledge and get professional skills. In 2012 the Central Bank successfully cooperated with establishments of higher education and participated in the *Career Days* organized by them. During the year 137 students from Armenia and 5 students from higher academic institutions abroad took their internship in the Central Bank.

Staff members of the Central Bank transfer their knowledge and experience to young specialists by teaching at educational establishments. During the year a total of 35 employees lectured at the Yerevan State University, State University of Economics, the French University of Armenia, the American University of Armenia, Armenia State Academy of Management, Russian-Armenian (Slavonic) University, the "Finance and Banking College" Foundation.

During 2012 the Central Bank further encouraged best students selected out of higher educational establishments of the Republic of Armenia and Nagorno-Karabakh by awarding 7 of them the Isahak Isahakyan Stipend.

Improving Professional Qualification

The Central Bank spent a considerable amount of efforts and resources to provide professional development of the staff. In 2012 the personnel learning and training policy as well as the set of tools for assessment of the outcome of the training were improved. Skills of both new and experienced employees are equally valuable and the management's direct involvement in the training process is important. The questionnaires were used to measure the effectiveness of training and provide practical recommendations accordingly. In the period under review a total of 370 staff members of the Central Bank have successfully passed training courses in financial institutions abroad and academic centers in Armenia.

Work was done to design and conduct in-house courses so that professional knowledge of the staff of the Central Bank remains transferrable.

In 2012 staff of the Central Bank participated in great many training programs, workshops in and outside Armenia as well as attended central banks of other countries for exchange of experience. In 2012 the Central Bank carried on cooperating with states of Eurasia Economic Community as well as the Centre for Central Bank Studies in England, the Joint Vienna Institute in Austria, Germany's Bundesbank, National/Central Banks of France, the Netherlands, Switzerland, Poland, the Czech Republic, the Financial Stability Institute; a total of 185 international training programs and 45 tailor-made training courses were organized abroad (some of tailor-made courses conducted in the Republic of Armenia). A total of 229 employees of the Central Bank attended these courses.



Seeking to expand the scope of cooperation, the Central Bank has started to strengthen ties with the Financial Technology Transfer Agency of Duchy of Luxembourg. The cooperation resulted in a seminar “Aptitude functions” through which 9 specialist from the Central Bank and 15 specialists from 13 commercial banks were trained.

In 2012 the Central Bank organized a total of 11 regional seminars in collaboration with foreign counterparts. These were events to which a total of 180 employees of the Central Bank and 60 more invited from banks of other countries attended.

In 2012 employees of the Central Bank further took exams and successfully passed the English Language Proficiency Test which was developed in collaboration with the American University of Armenia.

Staff rotation, another tool aimed at professional development, was successfully implemented by the Central Bank during the reporting year in order to maintain a pool of management personnel, enhance knowledge and improve the skills of young professionals within the Central Bank.

Staff members of the Central Bank take exams in the fields of finance, accounting, audit, insurance, and information technologies. Some already hold appropriate certificates (ACCA, CFA, CII,) among others. In 2012 a total of 47 employees passed qualification exams of who 26 for ACCA, 9 for CFA, 2 for CII and 10 took international qualification exams in information technologies.



International Cooperation

In 2012 the Central Bank sustained its multilateral and bilateral cooperation with international organizations and institutions of other countries.

In the period under review, as part of the IMF/WB technical assistance, the Central Bank received IMF missions on bank supervision and financial operations, accountancy, monetary policy and statistics. In February of 2012 an IMF mission visited Armenia in the framework of Financial Sector Assessment Program. In March, the IMF's executive director on Armenia paid a visit to the Central Bank.

Other people and delegations having visited the Central Bank in the course of 2012 included experts from Japan International Cooperation Agency, representatives from Sinocop Resources Holdings Ltd. and China Sports Development Ltd., headed by chairman of China State Development Bank, representatives from the European Investment Bank, the IMF, a delegation headed by South-East Europe and Caucasus country director of the European Bank for Reconstruction and Development, a delegation of FINEST S.p.a., an Italian investment firm, a delegation from the National Bank of Poland, headed by chairman of the Bank, and a delegation of National Commission on Securities and Stock Exchange Market of Ukraine.



The Central Bank organized a number of meetings, roundtable discussions and conferences.

In the period June 21-24, 2012 Yerevan hosted the 14th Annual Meeting of the Board of Governors of Black Sea Trade and Development Bank, with a business event titled Business Forum Armenia: Opportunities for Growth and International Experiences. Participants included governors, directors and delegations from BSTDB member-states such as Albania, Armenia, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine.

Events taken place in the context of international cooperation during 2012, among others, included:

- a visit of ex minister of Labor and Social Security of Chile Jose Piñera who made a lecture with the following topic "The pace of Pension Reforms in Armenia"
- a memorandum of understanding signed by and between the Central Bank of Armenia and the Polish Supervision Authority
- a memorandum of understanding signed by and between the Central Bank of Armenia and National Commission on Securities and Stock Exchange Market of Ukraine
- admission of the Central Bank of Armenia as the 23rd member of the Group of Banking Supervisors from Central and Eastern Europe
- a memorandum of intention signed by and between the Central Bank of Armenia, the Ministry of Education and Science of Armenia, and the foundation "Pension System Awareness Center"
- a loan disbursement agreement in the field of renewable energy, signed by and between the Central Bank of Armenia and KfW Bank, Germany.

The staff of the Central Bank participated in and delivered speech at international events such as annual meetings, international banking and financial conferences, forums, round-table discussions, consultations, exhibitions and workshops, which were organized by such institutions as the World Bank, the German-Armenian Fund, the OECD, International Organization of Securities Commissions, Interstate Bank, the EFSE, the ECB.

