

**REPORT**  
**ON 2021-2023 NATIONAL ASSESSMENT OF**  
**MONEY LAUNDERING AND TERRORISM**  
**FINANCING RISKS IN THE REPUBLIC OF**  
**ARMENIA**

**This document was prepared using the methodology developed by the Interagency Committee on Combating Money Laundering, Terrorism Financing and Financing of the Proliferation of Weapons of Mass Destruction in the Republic of Armenia, and approved at 41<sup>st</sup> session of the Interagency Committee on 27 December 2024.**

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## ABBREVIATIONS

|                   |                                                                                                                                                                                             |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AAPOC             | Public Oversight Council for Accounting and Audit Activities                                                                                                                                |
| ABM               | Automated Banking Machine                                                                                                                                                                   |
| ACC               | Anti-Corruption Committee of the Republic of Armenia                                                                                                                                        |
| AML/CTF Law       | Republic of Armenia Law on Combating Money Laundering and Terrorism Financing                                                                                                               |
| ATM               | Automated Teller Machine                                                                                                                                                                    |
| CAEA              | Chamber of Auditors and Expert Accountants of Armenia                                                                                                                                       |
| CASP              | Crypto Assets Service Providers                                                                                                                                                             |
| CBA               | Central Bank of Armenia                                                                                                                                                                     |
| CC                | Republic of Armenia Criminal Code                                                                                                                                                           |
| CDD               | Customer due diligence                                                                                                                                                                      |
| CIS HoFIU Council | Council of the Heads of Financial Intelligence Units of member states of the Commonwealth of Independent States                                                                             |
| CJSC              | Closed joint-stock company                                                                                                                                                                  |
| CPREVC            | Corruption Prevention Commission of the Republic of Armenia                                                                                                                                 |
| CPC               | Republic of Armenia Criminal Procedure Code                                                                                                                                                 |
| DNFBP             | Designated Non-Financial Business and Professions                                                                                                                                           |
| EAEU              | Eurasian Economic Union                                                                                                                                                                     |
| EU GRECO          | EU Cooperation with the Group of States Against Corruption                                                                                                                                  |
| FATF              | Financial Action Task Force                                                                                                                                                                 |
| FIU               | Financial Intelligence Unit                                                                                                                                                                 |
| FMC               | Financial Monitoring Center of the Central Bank of Armenia                                                                                                                                  |
| FSLD              | Financial Supervision and Licensing Directorate of the Central Bank of Armenia                                                                                                              |
| FSRD              | Financial System Regulation Department of the Central Bank of Armenia                                                                                                                       |
| FTZ               | Free Trade Zone                                                                                                                                                                             |
| FUR               | Follow-Up Report to the Fifth Round Mutual Assessment Report on Armenia's Anti-Money Laundering and Center-Terrorism Financing Measures, MONEYVAL Committee of the Council of Europe (2015) |
| GDP               | Gross Domestic Product                                                                                                                                                                      |

|                                |                                                                                                                                                                                                                                                |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GPO                            | General Prosecutor's Office of the Republic of Armenia                                                                                                                                                                                         |
| IC                             | Investigative Committee of the Republic of Armenia                                                                                                                                                                                             |
| IMB                            | Internal Monitoring Body                                                                                                                                                                                                                       |
| Interagency Committee          | Interagency Committee on Combating Money Laundering, Terrorism Financing and Financing of Proliferation of Weapons of Mass Destruction, established by decision of the Prime Minister of the Republic of Armenia No. 45-A from 17 January 2019 |
| JD                             | Judicial Department                                                                                                                                                                                                                            |
| LEA                            | Law Enforcement Authorities                                                                                                                                                                                                                    |
| LLC                            | Limited Liability Company                                                                                                                                                                                                                      |
| MER                            | Fifth Round Mutual Assessment Report on Armenia's Anti-Money Laundering and Center-Terrorism Financing Measures, MONEYVAL Committee of the Council of Europe (2015)                                                                            |
| ML                             | Money Laundering                                                                                                                                                                                                                               |
| MLA                            | Mutual Legal Assistance                                                                                                                                                                                                                        |
| MOE                            | Ministry of Economy of the Republic of Armenia                                                                                                                                                                                                 |
| MOF                            | Ministry of Finance of the Republic of Armenia                                                                                                                                                                                                 |
| MOFA                           | Ministry of Foreign Affairs of the Republic of Armenia                                                                                                                                                                                         |
| MOIA                           | Ministry of Internal Affairs of the Republic of Armenia                                                                                                                                                                                        |
| MOJ                            | Ministry of Justice of the Republic of Armenia                                                                                                                                                                                                 |
| NGO                            | Non-Governmental Organization                                                                                                                                                                                                                  |
| NPO                            | Non-Profit Organization                                                                                                                                                                                                                        |
| NRA                            | National Assessment of Money Laundering and Terrorism Financing Risks                                                                                                                                                                          |
| NSS                            | National Security Service of the Republic of Armenia                                                                                                                                                                                           |
| OECD                           | Organization for Economic Co-operation and Development                                                                                                                                                                                         |
| OJSC                           | Open Joint-Stock Company                                                                                                                                                                                                                       |
| PEP                            | Politically Exposed Person                                                                                                                                                                                                                     |
| PFWMD                          | Financing of Proliferation of Weapons of Mass Destruction                                                                                                                                                                                      |
| RA                             | Republic of Armenia                                                                                                                                                                                                                            |
| Risk-Based Supervision Concept | Concept for Risk-Based Supervision of Designated Non-Financial Businesses and Professions in Armenia for Compliance with Anti-Money Laundering and Counter-Terrorism Financing Requirements                                                    |

|      |                                                          |
|------|----------------------------------------------------------|
| SIS  | Special Investigative Service of the Republic of Armenia |
| SRC  | State Revenue Committee of the Republic of Armenia       |
| STR  | Suspicious Transaction or Business Relationship Report   |
| TF   | Terrorism financing                                      |
| UN   | United Nations Organization                              |
| UNSC | United Nations Security Council                          |

## KEY FINDINGS

### CONTEXTUAL FACTORS

#### Geographical environment

Given the geographical location of the RA, including the aftermath of the large-scale aggression unleashed by Azerbaijan against Nagorno-Karabakh in September 2020, regional developments could adversely affect Armenia's ML/TF risk profile. However, an effective border control regime mitigates potential ML/TF risks arising from cross-border relations.

#### Demographic environment

The population of the RA remains largely homogeneous, with Armenians making up 98.06% of the population. The vast majority of Armenians (97.5%) identify as Christians. Efforts to protect the rights of national minorities have continued, and there have been no incidents of conflict based on religious or ethnic affiliation. These factors highlight the continued positive trends in the demographic environment as an aspect of the broader social landscape.

#### Economic environment

During the observed period, the economic environment demonstrated stable growth. In 2020, the recovery from the coronavirus pandemic, coupled with the geopolitical situation, contributed to an increased inflow of capital and human resources into the RA, driving economic growth. Additionally, efforts to reduce the shadow economy as a percentage of GDP have continued successfully, with a decline from 12–15% to 8.6%. Regarding FTZs, their location, participant numbers, and turnover volumes indicate that their operations do not pose significant ML/TF risks.

#### Cross-border flows

During the observed period, cross-border non-cash financial flows have remained broadly aligned with foreign trade turnover indicators. The upward trend in the number of export and import cash declarations has continued, contributing to a reduction in the shadow economy. Cross-border predicate offences have not had a significant impact on the country's ML/TF risk profile.

#### Level of corruption

The fight against corruption remains a top priority for Armenia's political leadership. This commitment is reflected in positive evaluations from international organizations and the efforts of relevant Armenian authorities to adopt international best practices, establish the necessary legislative and institutional frameworks, and implement operational measures. However, further steps are needed, as outlined in the Anti-Corruption Strategy Action Plan for 2023–2026, to ensure continued progress and align more closely with international recommendations and best practices.

#### Financial inclusion

During the observed period, financial inclusion continued to show positive growth. This is reflected in the increasing number of users of financial services and the rising volume of non-cash transactions. Contributing factors include the opportunities provided by financial organizations, efforts to enhance financial literacy, improved accessibility to financial services, Armenia's active participation in prestigious international platforms, and other contributing factors.

## **ML THREATS**

### **Predicate offence**

During the observed period, the trend of an increase in registered predicate offences continued. The enforcement of sentences remained consistent with the annual figures reported in the previous NRA, with crimes committed on a particularly large scale accounting for approximately 9.58% of the total.

### **Estimated amount of criminal property**

The total value of criminal property recorded during the preliminary investigation stage — including damages caused by crimes — along with criminal judgments, claims for confiscation of illegal property, and settlement agreements, amounted to AMD 680.15 billion (with an annual average of AMD 226.7 billion), representing approximately 2.72% of the country's average annual GDP.

Based on the analysis of predicate offences and the estimated size of criminal assets, the following crimes present the greatest threat in terms of ML risks in the Republic of Armenia:

- Fraud (crime against property);
- Embezzlement of entrusted property (crime against property);
- Abuse of official or official authority or influence derived therefrom by an official or the exceeding of authority (crime of corruption);
- Failure to pay taxes, duties or other payments (crime against economic activity);
- Illegal circulation in narcotic drugs, psychotropic substances, their preparations or their equivalents (analogues) for the purpose of sale or illegal sale of them (crime against the population);
- Cyber theft (cybercrime).

### **Underlying alerts of operational analysis**

The hypotheses presented in the alerts received by the FMC from the private sector, LEAs, and foreign FIUs are consistent in content, both with each other and with the notifications sent by the FMC to LEAs.

## **TERRORISM AND TF THREATS**

- During the review period, there were no favorable conditions for terrorism or ML in the RA.
- The competent authorities effectively prevented individuals with ties to terrorist organizations in the region from infiltrating the country.
- Criminal proceedings were initiated in four cases involving terrorism or preparation for terrorism. These cases were not deemed significant in terms of their danger or scale. One conviction criminal judgment was rendered.
- The RA maintains limited relations with high-risk countries, primarily through natural ties with Armenian communities abroad.
- Analyses conducted have identified no significant terrorism-related risks, and hypotheses concerning ML have been refuted.

## **ML/TF VULNERABILITIES**

### **Legal system**

The developments in sectoral legislation were based on the action plan adopted to address the issues raised in Armenia's first FUR, approved by the MONEYVAL Committee in July 2018. These amendments have significantly enhanced the RAs compliance with FATF Standards. Notably, amendments to the AML/CFT Law, particularly regarding the transparency of legal entities and beneficial owners, will fully align the RA with FATF Standards. Further legislative reforms in related areas, such as: introducing criminal liability for legal entities; establishing a register of beneficial owners of legal entities, adopting a law imposing cash restrictions, and enhancing the income declaration system will substantially reduce vulnerabilities to ML/TF. Additionally, the adoption of a legislative package regulating the crypto-asset sector will provide more robust mechanisms for addressing ML/TF threats.

### **Institutional system**

#### **Financial monitoring center**

The FMC maintained its active role in supporting and investigating the financial aspects of major criminal cases related to ML and predicate offenses. It continued to provide recommendations to reporting entities to encourage preventive measures. Both general and tailored feedback on STRs was shared with reporting entities, and the outcomes were also communicated to the supervisory body. The number of inquiries and information exchanges with foreign counterparts remained low

#### **Law-enforcement system**

The number of initiated criminal proceedings has increased significantly, partly due to recent legislative amendments in criminal procedure. However, this surge has created challenges for the law enforcement system in managing the necessary investigative processes. While there has been a noticeable increase in activity during the preliminary investigation stage of ML cases, the near absence of final judicial decisions on ML prevents a conclusive assessment of the effectiveness of these investigations. The need to strengthen the human and technical capacities of competent stakeholder agencies, along with enhancing their knowledge and experience, remains a pressing issue within the law enforcement system. Efforts to address these gaps are actively underway.

#### **Judicial system**

The judicial system has faced significant overload during the period under review, as evidenced by prolonged case examination timelines. The establishment of a specialized anti-corruption court, including appellate and cassation anti-corruption chambers, holds potential for improving the examination of ML cases. However, the limited number of ML criminal judgments makes it difficult to assess the effectiveness of the courts' performance, including the types of punishments imposed, despite the presence of large-scale ML cases under court proceedings. At the same time, there is a risk that extended examination periods for ML cases may undermine the essence of justice, particularly the principles of inevitability of punishment and accountability. Therefore, adopting effective and acceptable approaches to time limits for the examination of ML cases is crucial. The "Judicial and Legal Reforms Strategy 2022-2026" aims to address these challenges and implement solutions to the existing issues in the field.

#### **Supervisory body of financial institutions**

Measures have been implemented to strengthen the function and independence of the IMB, as well as to enhance internal AML/CFT processes, including the automation of systems within financial institutions. New AML/CFT risk assessment methodologies for banks and non-bank financial institutions have been developed to ensure more effective supervision. Efforts are ongoing to revise manuals for off-site supervision and on-site inspections of financial institutions.

The volume of responsibility measures imposed on financial institutions for detected violations has increased, with post-inspection results indicating that these responsibility measures are largely effective and dissuasive.

### **Supervisory bodies of non-financial institutions**

#### **Supervisory bodies of casinos, games of chance and lotteries organizers**

The indicators of inspections conducted against gambling sector organizers, violations detected, and responsibility measures applied are extremely low. From the perspective of control effectiveness, the adoption of an ML/TF/PF risk assessment methodology and the operation of a monitoring center are important.

#### **Supervisory bodies of auditors and audit firms**

No violations of AML/CFT legislation were revealed against auditors. In the field of audit activities, work continued on regulating internal processes aimed at implementing legislative changes, including the powers of the supervisory body.

#### **Notary Supervisory Body**

The rate of inspections conducted on notaries is extremely low, and no violations of the legislation on combating ML/TF have been identified. From a supervisory effectiveness standpoint, the implementation of the “Methodology for Assessing ML/TF/PF Risks in Relation to Notarial Activities,” adopted in 2023, is of significant importance.

#### **Attorney Supervisory Body**

No inspections were conducted on attorneys, and no violations of AML/CFT legislation were identified. This is primarily due to the initiation of disciplinary proceedings based on complaints/applications, along with the regulations on attorney confidentiality, which limit effective supervision.

#### **Supervisory body for other non-financial institutions**

Regarding other non-financial institutions, the FMC carried out off-site supervision, considering the low risks associated with the activities of these entities and the FMC's limited resources. Based on the supervision results, a violation was identified, and a penalty was imposed. There is a need to enhance the legal mechanisms related to the detection of non-financial institutions.

#### **Data reliability and usability**

During the reporting period, all large organizations, along with financial institutions, were required to publish annual financial statements, aligning largely with international best practices in financial integrity. Legislative amendments that came into effect at the beginning of 2020 broadened the scope of reporting organizations.

The data sources necessary for effective implementation of CDD are widely used by key financial sector participants, consistent with ML/TF risk concentrations. Supervision of financial institutions has uncovered violations of CDD requirements, while supervision of non-financial institutions identified isolated violations. Overall, CDD is being implemented effectively. The FMC

has access to all databases required for analysis, and there are no concerns regarding their reliability or usability.

LEAs have positively assessed the new legislative regulations on obtaining bank secrecy, which now allow access not only for the accused but also for individuals suspected of committing a crime, as well as for legal entities controlled or otherwise managed by these individuals. This may contribute to improved efficiency in detecting and investigating predicate and ML crimes.

### **International cooperation**

Cooperation between FIUs, financial institutions' licensing, and supervisory authorities has been generally smooth, with responses to requests typically received within one month. The average response time to MLA requests is 7 months. While there has been an increase in the number of responses to MLA requests, the competent authorities have taken measures to address issues related to such; however, these issues have not yet been fully resolved.

### **Domestic cooperation**

Domestic cooperation remains largely unimpeded. The FMC is involved in the majority of initiated ML proceedings. There is a growing number of cases where FMC's Financial Intelligence Data are primarily used by LEAs for investigating predicate offences rather than ML crimes. A Common Platform for Exchanging Financial Intelligence Data between the FMC and all LEAs is currently operational.

### **Confiscation**

According to the results of **confiscation of property based on a convicting criminal judgment**, the ratio of criminal property (AMD 132 billion) — recorded under predicate offences in the preliminary investigation stage — to recovered property (AMD 78 billion) during the period under review is 60%. There is no distinction in the volume of criminal property between the damage caused to the victim and the volume of property subject to confiscation provided for in Article 121 of the CC. The low volume of property subject to confiscation under issued criminal judgments may be due to the recovery of property during the preliminary investigation stage, the fact that court cases are at the trial stage, while the modest volume of recovered property may be due to the circumstances of ongoing enforcement proceedings or voluntary recovery. The value of the instruments and means of crime subject to confiscation by criminal judgments is separated. There are difficulties in identifying income resulting from the use of criminal property, in which it is necessary to maintain the continuous nature of the work of LEAs, including the enforcement of making full use of the parallel financial investigation tools. A separate asset management body or fund for frozen and confiscated assets is not envisaged under criminal proceedings, the existence of which in international practice is key from the point of view of effective management of frozen and confiscated property.

Given the short period of operation of the institution of **confiscation of property of illegal origin without a convicting criminal judgment**, notable successes have been achieved by this institution. These successes are reflected in the year-on-year increase in the number of decisions to initiate investigations into the confiscation of illegal property, the number of lawsuits filed, the application of preliminary security measures for claims, and the quantity and volume of property actually confiscated during the review period. Settlement agreements have been concluded and approved by the court, one of which was based on the investigation initiated based on ML criminal proceedings. This settlement, which involved a large scale of confiscated property, is a positive

indicator, especially considering that no ML convictions involving large scales of property confiscation, including those actually confiscated, were issued during the review period. Regarding the management of frozen and confiscated property, there is a clear need for an asset management body or fund dedicated to frozen and confiscated property in criminal proceedings.

### **Additional preventive measures to combat terrorism and TF**

In order to prevent terrorism and ML, both domestic and international— including multilateral and regional—measures are being implemented in the RA, which significantly mitigate the likelihood of the realization of threats related to terrorism and ML.

## **Private sector**

### **Financial institutions**

**Customer risk:** The share of high-risk customers in the total number of customers of banks has shown a trend of increase, reaching an average of 4.25% against earlier 1.5%, which is mainly due to the growth of non-resident natural persons. The majority of customers of financial institutions of the RA, about 98%, are resident natural and legal persons of the RA. Non-resident customers are mainly considered under a high-risk criterion, against which additional due diligence measures are taken. The relationship with residents of high-risk countries and their connection with the RA is explained by the presence of Armenian Diaspora there and trade turnover with those countries. As for residents of offshore countries, the risk portfolio related to them is concentrated in a small number of banks, the supervision exercised over which, as well as the internal risk containment mechanisms implemented in these banks, are sufficient to effectively implement the requirements of combating ML/TF.

**Geographical risk:** From the perspective of correspondent relations, risks are managed taking into account that effective AML/CFT systems are implemented in the majority of correspondent banks' countries. As regards international transfers to and receipts from high-risk countries, although the index has increased, their share in the total volume of transfers and receipts has not undergone significant changes, which is due to the presence of the Armenian Diaspora in those countries and the economic interests in and personal/kinship ties of its representatives with the Republic of Armenia, as well as current trade turnover and economic growth indicators.

**Product/service risk:** Given the limited, mainly classical range of products/services provided in the financial system of the RA, as well as the measures implemented by financial institutions to mitigate potential risks associated with the provision of these services, the risks in this respect are adequately identified, assessed and mitigated. However, given the number and turnover of CASPs that are increasing every year, as well as the fact that the services they offer are at least partially used to launder alleged proceeds of crime, the risk arising from crypto-assets will continue to remain high as long as the crypto-asset sector is not regulated in the RA.

**Internal control system:** The results of the analysis allow us to state that in banks and other large financial institutions, where the main ML/TF risks are concentrated, the ML/TF prevention function is implemented in accordance with the best corporate governance standards through a three-tier system. The measures taken by small financial institutions to prevent ML/TF are sufficient to contain the ML/TF risks inherent in their activities.

## **Non-financial institutions**

### **Casinos, games of chance and lottery organizers sector**

In the RA, casinos do not issue winning certificates, which significantly reduces the risk of ML, but the study of predicate offences and ML criminal proceedings has shown that the gambling accounts of organizers of online games of chance are used to launder fraudulently stolen funds. The number of foreign customers has decreased from 2.5% to 1.1%. Both the number of large transactions made by reporting entities in the gambling sector, as well as the number of reports submitted to the FMC and the volume of funds involved therein have increased. The indicator of the low number of issuance of STRs has been maintained, in regard of which the consistent work of the supervisory body is important.

### **Real estate transactions sector**

Risks in the real estate sector are manageable and a set of legal and operational tools are being introduced to increase the effectiveness of supervision. It is necessary to establish a requirement for mandatory notarization of large real estate purchase and sale transactions exceeding AMD 50 million. The vast majority of participants in real estate purchase and sale transactions are citizens of the RA or foreign citizens of Armenian nationality, which in turn indicates the intended use of the property. In general, the involvement of non-residents in real estate purchase and sale transactions is not significant and is explained by reasonable circumstances. Some notaries have difficulties in identifying the source of origin of the property and the beneficial owners. The practice of realtors not providing STRs is still relevant and it is necessary for realtors and the supervisory body to make efforts in this matter.

### **Legal, advocacy, accounting and auditing services sectors**

In the RA, lawyers, advocates, accounting and auditing professionals practically have little or no participation in the types of transactions for which FATF Standards provide for CDD, reporting and other requirements. In the case of lawyers, there is a low probability of becoming a subject of regulation of the requirements provided for by the legislation on combating ML/TF, also due to the legislative requirement to maintain secrecy. Overall, lawyers, advocates, accountants and auditing professionals have sufficient tools for internal control over the due diligence of clients, the preservation of information and the implementation of other requirements provided for by the Law in case of participation in the transaction provided for by FATF Standards.

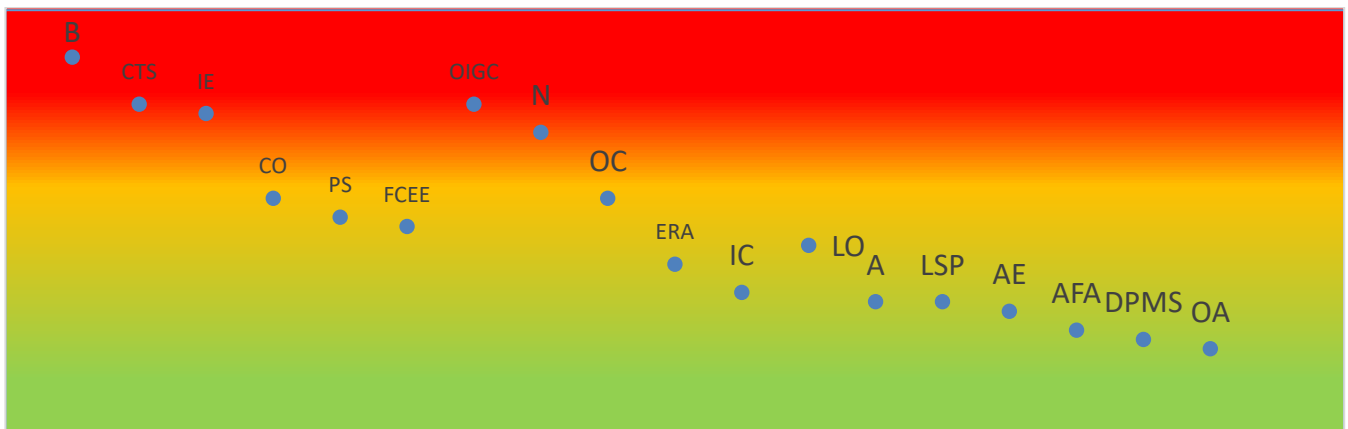
## Precious metals and stones dealer services sector

In the RA, services identified as dealership are provided mainly by individuals and organizations engaged in jewelry activities in the form of buying and selling jewelry products, in which case there are strict restrictions on cash transactions for individual entrepreneurs and legal entities. There are practically no indications that dealers in precious metals and stones are involved in high-risk transactions from the point of view of ML/TF.

## Auction organizers sector

In the RA, auction organizers are mostly involved in organizing auctions for the sale of properties pledged by banks and non-bank financial institutions. The above indicates that the main clients of auction organizers are financial institutions, and the property belongs to clients of financial institutions, to whom due diligence procedures have already been applied. In general, property owners in the RA prefer to sell their property in a classic way, without an auction; on the other hand, the practice of selling expensive property through auctions is not common in the Republic of Armenia, which indicates minimal ML/TF risks.

### MATRIX OF ML/TF RISKS FOR FINANCIAL AND NON-FINANCIAL INSTITUTIONS



B - Banks

CTS - Entities engaged in currency transfer services

IE - Investment entities

OIGC – Organizers of online games of chance

N - Notaries

CO - Credit organizations

PS - Pawnshops

OC - Organizers of casino

FCEE - Foreign currency exchange entities

LO - Lottery organizers

ERA - Entities engaged in realtor activities

IC - Insurance companies

A – Attorneys

LSP - Legal services providers

AE - Accounting entities

AFA - Auditing firms and auditors

DPMS - Dealers in precious metals and stones

OA - Organizers of auctions

## **Legal persons**

In general, LLCs are considered to be more risky from the ML perspective in the country. However, there is no reason to believe that there are favorable prerequisites for LLCs to be involved in ML schemes, despite the fact that mainly LLCs are included in criminal cases, FMC notifications and STRs. A more likely reason for this are the peculiarities of the organizational and legal form of LLCs, as evidenced by international experience, as well as the fact of LLCs forming the major share among registered legal entities. LEAs' assessments of the ML/TF vulnerability of legal entities are no longer largely conditioned by restrictions on obtaining bank secrecy, which was recorded in the results of the 2017-2020 NRA. Legislative reforms and strategic initiatives aimed at ensuring transparency of legal entities, including the development of the beneficial owner institution, as well as the possibility of providing beneficial owner information through the bank account register, can significantly reduce the ML/TF vulnerability of local legal entities and the cases of their use or misuse for ML/TF purposes. However, difficulties associated with identifying cases involving non-resident legal entities with a complex organizational or legal form or structure, including their beneficial owners, are still relevant and can contribute to the increase in ML/TF vulnerability.

## **Non-profit organizations**

In the RA, all NPOs are subject to supervision, publish annual reports on their activities; the absolute majority of NPOs registered in the country operate in the RA, are serviced by banks, and a risk-based approach is applied to their servicing. Out of over 10,000 NPOs operating in the country, 1,100 fall under the FATF definition, and 15 of which (about 1.5%) were considered to be the most risky from the point of view of TF. Relations with high-risk countries from the point of view of TF are limited to the centers of the Armenian Diaspora, and small-scale funds are involved in transactions with residents of such countries. In general, there are no favorable preconditions for terrorist activities and TF in Armenia.

## RISK MATRIX

### THREATS

| VARIABLES AND THEIR ELEMENTS           | THE VALUE | THE TREND |
|----------------------------------------|-----------|-----------|
| <b>ML threats</b>                      |           |           |
| Predicate offences                     | 2         | ↔         |
| Estimated size of illicit assets       | 2         | ↔         |
| Alerts underlying the analysis         | 3         | ↔         |
| <b>TF threats</b>                      |           |           |
| Existence of conducive preconditions   | 1         | ↔         |
| Terrorism and TF incidents             |           |           |
| Relationships with high-risk countries |           |           |
| Alerts underlying the analysis         |           |           |

### VULNERABILITIES

| VARIABLES AND THEIR ELEMENTS                   |                      | RATING | TREND | RATING | TREND |
|------------------------------------------------|----------------------|--------|-------|--------|-------|
|                                                |                      | ML     |       | TF     |       |
|                                                | Legal system         |        |       |        |       |
| Sectoral legislative developments              |                      | 2      | ↓     | 2      | ↓     |
| Legislative developments in related areas      |                      | 2      | ↓     | 2      | ↓     |
|                                                | Institutional system |        |       |        |       |
| Financial intelligence unit                    |                      | 2      | ↔     | 2      | ↔     |
| Law-enforcement bodies                         |                      | 3      | ↓     | 3      | ↓     |
| Legal system                                   |                      | 3      | ↓     | 3      | ↓     |
| Supervisory body of financial institutions     |                      | 2      | ↔     | 2      | ↔     |
| Supervisory body of non-financial institutions |                      | 3      | ↓     | 3      | ↓     |
| Data reliability and usability                 |                      | 2      | ↔     | 2      | ↔     |
| International cooperation                      |                      | 2      | ↔     | 2      | ↔     |
| Domestic cooperation                           |                      | 2      | ↔     | 2      | ↔     |
| Confiscation                                   |                      | 2      | ↔     | 2      | ↔     |

|                                            |                       |   |   |   |
|--------------------------------------------|-----------------------|---|---|---|
| Additional preventive measures for AML/CTF | -                     |   | 1 | ↔ |
|                                            | <b>Private sector</b> |   |   |   |
| Financial institutions                     | 2                     | ↔ | 2 | ↔ |
| Non-financial institutions                 | 1                     | ↔ | 1 | ↔ |
| Legal entities                             | 2                     | ↔ | 2 | ↔ |
| NPOs                                       | -                     |   | 1 | ↔ |

### Scales

| The value |   | The trend      |   |
|-----------|---|----------------|---|
| Very high | 4 | Sharply rising | ↗ |
| High      | 3 | Rising         | ↑ |
| Medium    | 2 | Steady         | ↔ |
| Low       | 1 | Declining      | ↓ |

The aggregate ratings for ML/TF threats and vulnerabilities are as follows:

- ML threats: Moderate (2 points);
- TF threats: Low (1 point);
- ML vulnerabilities: Moderate (2 points);
- TF vulnerabilities: Moderate (2 points).

According to Clause 30 of the “2017-2020 National Risk Assessment Methodology on Combating Money Laundering, Terrorism Financing and Financing of the Proliferation of Weapons of Mass Destruction in the Republic of Armenia”, as a result of comparing assessments of ML threats and vulnerabilities, the residual ML risk is assessed as **medium**, and as a result of comparing assessments of TF threats and vulnerabilities, the residual TF risk is assessed as **low**.

### ML/TF RESIDUAL RISK BY KEY ACTORS

#### Law enforcement and judicial system

1. Legalization of funds stolen through the use of telecommunications and information technologies and proceeds from drug sales.
2. Legalization of funds obtained through shadow business activities by concealing them from taxation, transferring taxes concealed via entering false data in tax reports to different natural and legal entities, including legal entities that have not carried out economic activities in the RA.
3. Legalizing the amounts embezzled from the state budget by abusing official authority though alienation of real estate that is community property at a price much lower than the

cadastral value, concluding formal contracts in the name of other persons, and concluding service provision contracts without providing them.

4. Insufficiently revealing the ML crimes provided for in points 1-3, not punishing the perpetrators and not confiscating the property, due to factors (large number of criminal proceedings, delays in the trial, new technologies, lack of knowledge) hindering the effectiveness of the investigation of ML cases.

#### **Private sector and regulatory bodies**

1. Schemes to transfer funds on the card to other bank, electronic wallets, including gaming accounts, and to convert them into crypto assets by illegally obtaining bank card data (*banks, entities engaged in currency transfer services, organizers of online games of chance*),
2. Schemes to make payments for drugs in crypto-assets using bank, electronic wallets, including gaming accounts, to transfer funds received from drug sales to platforms engaged in the purchase and sale of crypto-assets and to convert them into crypto-assets (*banks, money transfer entities, online gambling organizers*).
3. Schemes to deposit or deposit cash into the accounts of politically exposed persons or persons associated with them, to withdraw money from accounts for the purpose of acquiring real estate, or to transfer it to another country (*banks*).
4. Schemes to deposit cash into the bank accounts of individuals or to make payments for goods and services through bank accounts in order to avoid tax liabilities (*banks*).
5. Schemes related to the transit of financial funds through the banking system of the RA, including establishing a company in the RA and transferring funds as if they were paid for a service or product provided, through transactions under the guise of investments in various financial instruments by foreign issuers (*banks*).
6. Schemes of providing for a property with a high market value at an obviously low value in large real estate purchase and sale contracts and submitting an offer to ratify or ratify the contract (*notaries*).
7. Failure to disclose the existence of insufficient internal control processes of the reporting entity in relation to the schemes provided for in points 1-6 and failure to apply liability measures (*supervisory bodies*) due to the failure to implement sufficient risk-based control (failure to assess or partially assess risks, low number of inspections, failure to record violations or record them insufficiently).