



**FINANCIAL MONITORING CENTER
CENTRAL BANK OF ARMENIA**

ANNUAL REPORT

**On 2012 Activities in the Field of
Combating Money Laundering and Terrorism Financing
in the Republic of Armenia**

YEREVAN 2013



Contents

Introduction	3
1. Legislative Regulation and Development.....	4
2. Analyses and Investigations.....	4
3. Collection of Information and FMC Database.....	6
4. Violations and Sanctions.....	7
5. International Cooperation	8
6. Trainings, Consultancy and Technical Assistance	12
Annexes	15



Introduction

This report presents the works implemented and the outcomes achieved over the year 2012 in the field of combating money laundering and terrorism financing (hereinafter: AML/CFT) in the Republic of Armenia.

In order to improve the AML/CFT system in the country and to provide for its compliance with the applicable international standards, during 2012 the authorities continued the works aimed at attaining the objectives defined under the 2010-2013 National Strategy for Combating Money Laundering and Terrorism Financing in the Republic of Armenia. In particular, further efforts were made towards implementing a legal framework largely compliant with the FATF recommendations, strengthening international and national cooperation, enhancing relevant knowledge of the reporting entities' compliance staff, training of personnel of the Financial Monitoring Center (hereinafter: the FMC) of the Central Bank of Armenia and of other agencies involved in the fight against ML/FT.

In 2012, the 40th plenary meeting of the Council of Europe MONEYVAL Committee adopted the second Progress Report of Armenia following the third round assessment of the country's anti-money laundering and counter terrorist financing system¹.

In the reporting year, the FMC developed the 2013-2015 National Strategy for Combating Money Laundering and Terrorism Financing in the Republic of Armenia², which was endorsed at the session of the Interagency Committee on Combating Counterfeit Money, Fraud with Plastic Cards and Other Payment Instruments, and Money Laundering.

¹ See the Section 5, "International Cooperation"

² Refer to the following link:

[https://www.cba.am/Storage/EN/FDK/AML_CFT_Strategy\(2013_2015\)_Eng.pdf](https://www.cba.am/Storage/EN/FDK/AML_CFT_Strategy(2013_2015)_Eng.pdf)



1. Legislative Regulation and Development

In 2012, works were continued to further improve the AML/CFT legislation. In the pursuit of enhancing the required AML/CFT mechanisms and developing a legal framework largely compliant with international standards, the package of draft laws introducing changes and amendments in the Law on Fighting Money Laundering and Terrorist Financing and in 14 other laws, which had been in the process of drafting since 2010, was considered within the Government of Armenia. As a result, it was decided that the package of draft laws should be recirculated among the stakeholder agencies and bodies so as to obtain their opinion on the rejection or partial acceptance of the key proposals and comments made by them at earlier stages of developing the package. Once the said opinions were collected and summarized, the draft laws were resubmitted to the Government to initiate the process for their forwarding to and adoption by the National Assembly.

In 2012, two typologies were developed and adopted, those being the Typology No 11 on Money Laundering by Means of Feint and Fictitious Transactions (Contracts), and the Typology No 12 on Money Laundering by Means of Prepaid Cards. Moreover, changes and amendments were entered into a number of legal acts.

2. Analyses and Investigations

In implementation of the competencies defined by the law, the FMC as the national authority coordinating the fight against money laundering and terrorist financing receives and analyses first-hand signals on potential ML/FT cases, and disseminates the results of analysis to relevant domestic and foreign counterparts in the cases and the manner established under the law.

Particularly, information is received from reporting entities, domestic and foreign counterparts, as well as from mass media and other sources. Law enforcement agencies are an important source of information, whence the FMC requests data necessary for performing its functions. Moreover, within the framework of cooperation with law enforcement authorities, the FMC receives from them information requests and conducts analysis based on such requests. The statistical data shows that in 2012 the FMC received 61 requests from and made 11 requests to law enforcement authorities (see Table 1).



Table 1

	2010	2011	2012	Total
Disclosures made by FMC to law enforcement authorities	23	17	11	51
Requests made by FMC to law enforcement authorities	15	33	11	59
Requests received by FMC from law enforcement authorities	53	58	61	172

Cooperation with foreign counterparts is important in terms of the exchange of information related to AML/CFT. Hence, in 2012 the FMC made 38 requests to and received 11 requests from foreign FIUs (see Table 2).

Table 2

	2010	2011	2012	Total
Requests received by FMC from foreign FIUs	25	36	11	72
Requests made by FMC to foreign FIUs	28	30	38	96

As to the outcomes of the analysis conducted by the FMC, in the reporting year 11 disclosures were made to law enforcement authorities for them to take relevant measures (see Table 1). The following predicate offences were the ones to most often become the subject of conducted analysis and instigated criminal cases:

- Squandering or embezzlement;
- Theft;
- Production or realization of forged payment documents;
- Embezzlement committed through the use of computers;
- Swindling;
- Abuse of authority by the employees of commercial or other organizations.



In 2012, 2 convictions were passed to sentence 2 persons for the legalization of criminal proceeds (see Table 3). The convictions were determined on charges of embezzlement committed through the use of computers, infliction of property damage by cheating or abuse of confidence, and theft, with subsequent legalization of criminal proceeds.

Table 3

	2010	2011	2012	Total
Instigated criminal cases	13	10	9	32
Passed convictions	3	5	2	10

The funds suspended by the decisions of the Board of the Central Bank in 2012 totaled 23.003.274 Armenian drams, and those subject to confiscation under court verdicts amounted to 12.220.947 Armenian drams (see Table 4).

Table 4

	Funds involved in transactions/ business relationships suspended by CBA Board	Funds subject to confiscation³
2010	345.000 Armenian drams, 290.000 US dollars	514.026.500 Armenian drams
2011	0	415.517.535 Armenian drams
2012	23.003.274 Armenian drams	12.220.947 Armenian drams
Total	23.348.274 Armenian drams, 290.000 US dollars	941.764.982 Armenian drams

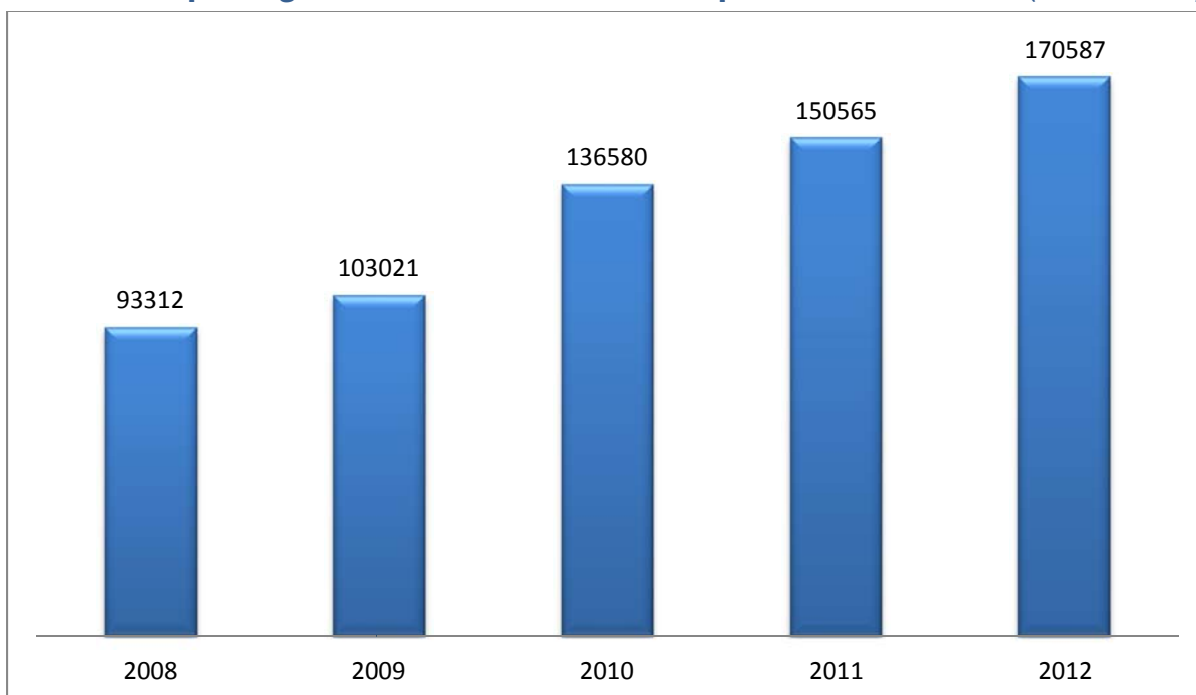
3. Collection of Information and FMC Database

In 2012, approximately 171.000 reports on transactions subject to mandatory reporting and on suspicious transactions were filed with the FMC (see Annex 1), thus increasing the total number of reports contained in the FMC database to approximately 790.000 items as of the end of the reporting period. The dynamics of reporting within the period of 2008-2012 is shown below.

³ In addition to the funds subject to confiscation for the benefit of the state budget as shown in the table, court verdicts for money laundering passed in 2012 satisfied claims for confiscation of another 83.535.019 Armenian drams for the benefit of third parties.



Dynamics of reporting on above-threshold and suspicious transactions (2008-2012)



4. Violations and Sanctions

In 2012, supervisory efforts aimed at ensuring appropriate implementation of the AML/CFT legislation resulted in detecting violations and imposing relevant sanctions on both financial and non-financial reporting entities.

Hence, off-site surveillance over financial institutions, as well as on-site inspections conducted jointly by the FMC and the Financial Supervision Department of the Central Bank of Armenia disclosed cases of late reporting and submission of inaccurate data, failure to meet the requirements of applicable legal acts, with subsequent imposition of the following sanctions:

Table 5

Notifications sent to and sanctions imposed on financial institutions in 2012	
Banks	✓ A total of 36 violations were committed by 4 banks, having resulted in: • Warnings for 14 cases of violation • Penalties amounting to 400.000 Armenian drams for 10 cases of violation • Warnings and penalties amounting to 200.000 Armenian drams for 12 cases of violation



	✓ A total of 4 notifications were sent to banks for minor infringements
Credit organizations	✓ A total of 18 violations were committed by 6 organizations, having resulted in: • Warning for 1 case of violation • Penalties amounting to 300.000 Armenian drams for 17 cases of violation
Insurance companies	✓ A total of 14 violations were committed by 4 companies having resulted in an equal number of warnings ✓ A total of 3 notifications were sent to insurance companies for minor infringements
Exchange bureaus	✓ A total of 4 violations were committed by 4 exchange bureaus having resulted in 2 warnings ⁴

In addition, the FMC staff participated in on-site inspections of financial institutions to assist the examination of their internal AML/CFT systems.

As far as non-financial institutions are concerned, in 2012 sanctions were imposed on entities organizing games of chance, lotteries and casino. The table below provides data on the non-financial institutions and the sanctions imposed on them:

Table 6

Non-financial institutions	Sanctions
Games of chance	A total of 37 entities received warnings and 1 entity was imposed a penalty amounting to 800.000 Armenian drams
Casinos	A total of 6 entities received warnings and 2 entities were imposed penalties amounting to 1.000.000 Armenian drams
Lotteries	1 entity received a warning

5. International Cooperation

In the reporting period, active international involvement facilitated furthering previously established relationships with foreign counterparts, by means of contributing to the improvement of applicable international documents as well as engaging in other international initiatives.

⁴ As of the time of compiling this report, the other 2 violations are still under consideration.



Certain actions have been taken for implementation of restrictive measures imposed by international structures. Particularly, the following posts were made on the FMC website and communicated to the reporting entities:

- The FATF statements on jurisdictions with significant deficiencies in their AML/CFT systems;
- The list of jurisdictions identified by the on-going monitoring of the FATF as having significant deficiencies in their AML/CFT systems, for which they have committed to an action plan developed with the FATF to address such deficiencies.

In 2012 the FATF recommendations were adopted in a new revision entailing a number of changes in applicable documents. Particularly, provisions on combating the financing of the proliferation of weapons of mass destruction were added to the recommendations on fighting money laundering and terrorist financing.

Cooperation with the Egmont Group

Over the reporting period, the FMC continued exchanging information with foreign counterpart FIUs through the Egmont Secure Web.

Representatives of the FMC and the Financial Supervision Department of the Central Bank of Armenia attended the working group meeting and the 20th plenary meeting of the Egmont Group.

In the Operational Working Group, the project led by the FMC for the enhancement of information exchange and international cooperation between FIUs was finalized, and relevant recommendations were made for the revision of incorporation documents of the Egmont Group currently underway. Moreover, the FMC presented a new project aimed at establishing minimal requirements for the access of information by Egmont member FIUs.

At the meetings of the Outreach Working Group, the FMC presented the findings of the on-site visit to FIU Tajikistan sponsored by the FMC, as well as the measures taken within the reporting period by another sponsored FIU, that of Turkmenistan. The on-site visit report on FIU Tajikistan was considered also at the Legal Working Group, with subsequent approval of FIU Tajikistan's accession to the Egmont Group during the meeting of the Heads of FIU in the margins of the 20th plenary meeting.



At the opening ceremony of the 20th plenary meeting, the Head of the FMC made a report on the works of the 19th plenary meeting held in 2011 in Yerevan.

Representatives of the FMC were also involved in the works for the revision of incorporation documents of the Egmont Group, and made proposals on entering relevant changes into those documents.

Cooperation with Council of Europe's MONEYVAL Committee

The delegation of Armenia participated in the 38th, 39th and 40th plenary meetings of the Council of Europe's MONEYVAL Committee. During these meetings the following issues, *inter alia*, were considered:

- The 4th round follow up assessment reports on a number of MONEYVAL member countries; at that, the Armenian delegation acted as the rapporteur country for the report on Andorra;
- Progress reports following the 3rd round assessment of MONEYVAL member countries;
- Reports on measures taken by countries under compliance enhancement procedures.

The 40th plenary meeting adopted the second Progress Report of Armenia following the 3rd round assessment of the country's AML/CFT system. The report recognized Armenia's progress in the following main areas:

- The package of draft legal acts regulating the AML/CFT sphere, if adopted, will insure the compliance of the definition of the terrorism and terrorist financing, as well as customer due diligence procedures with the international standards;
- The verdict of the Cassation Court from February 2011 makes possible to issue a court verdict on money laundering case without prior or simultaneous conviction for the predicate offence;
- Armenia effectively coordinates reporting by the financial and non-financial institutions designated by the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing, as well as shows improvements in respect of effective investigation of money laundering cases.



The report also reflects on the adoption of the 2013-2015 National Strategy for Combating Money Laundering and Terrorism Financing in the Republic of Armenia, the training programs organized for reporting entities, supervisory and law enforcement authorities and the staff of the financial intelligence unit, as well as other actions aimed at improved efficiency of the system.

At the 40th plenary meeting, the Armenian delegation also presented its experience with the strategic analysis of ML/FT risks in the country.

In the reporting year, FMC staff members joined the evaluation teams of MONEYVAL for the 4th round follow up assessment of Bulgaria and Croatia.

Cooperation with the Eurasian Group

The FMC has been actively participating in the initiatives of the Eurasian Group for Combating Money Laundering and Terrorist Financing. Particularly, an FMC staff member joined the team of experts for an on-site visit to Bishkek within the framework of a project aimed at developing the AML/CFT system of Kyrgyzstan.

In the reporting period, the Armenian delegation attended plenary meetings of the Eurasian Group.

Technical Assistance Provided to Foreign FIUs

In 2012 the FMC furthered its efforts aimed at providing technical assistance to foreign FIUs. Particularly, the FMC hosted two representatives of the financial intelligence unit of Kazakhstan, who came to familiarize themselves with the Armenian experience of combating ML/FT.

Mutual visits were paid under the technical assistance program for the FIU of Turkmenistan. During the visits, issues related to information technologies and Egmont accession were considered.

Miscellaneous

In May 23-25, 2012 a delegation led by Andrzej Parafianovich, the Deputy Minister of Finance of Poland, visited Armenia within the framework of cooperation between the Armenian and Polish FIUs. During the visit, representatives of the FMC presented to the



Polish delegation the Armenian system of combating money laundering and terrorist financing.

In June 13-15, 2012 a representative of the FMC participated in the 4th session of the Conference of Parties established under the Warsaw Convention and was re-elected into the bureau of the Conference. The session adopted a new schedule for the assessment of compliance with the Warsaw Convention.

In September 4-7, 2012 a representative of the FMC attended the meeting of the FATF working group considering the draft methodology for the assessment of efficiency under the new FATF 40 recommendations.

In October 29-30, 2012 the FMC hosted a delegation from Japan for the exchange of experience and enhancement of cooperation. During the visit, representatives of the two countries presented their experience in the field of fighting ML/FT.

Memoranda of understanding signed between the FMC and foreign FIUs

Within the reporting period, the FMC signed memoranda of understanding with the FIUs of certain countries:

Table 7

Jurisdiction	Name of financial intelligence unit
Japan	Japan Financial Intelligence Center under the National Public Safety Commission
Cyprus	Cyprus Unit for Combating Money Laundering
Croatia	Croatia Anti-Money Laundering Office
United Kingdom	UK Financial Intelligence Unit of the Serious Organized Crime Agency

6. Trainings, Consultancy and Technical Assistance

6.1. Training for FMC, other CBA departments and competent authorities

Training program	Participants	Date
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Seminar on combating terrorism financing, organized by the Ministry of Foreign Affairs and the Ministry of Finance of Poland	Competent authorities involved in AML/CFT	January 31-February 2
Workshop on combating ML/FT, organized in the margins of the first preparatory meeting for OSCE 20th Economic and Environmental Forum	Competent authorities involved in AML/CFT	February 6-7
AML/CFT training course, organized under the IMF technical assistance program	Competent authorities involved in AML/CFT	March 20-21
Seminar on the revised FATF standards, organized by the IMF	Competent authorities involved in AML/CFT	April 9-13
Seminar on risk-based supervision, organized by the Bank of Netherlands	FMC, other CBA departments	April 18-19
Training courses on concentration of credit risk, interaction of market and credit risk, and cooperation between supervisors and external auditors during on-site examinations, organized by Bundesbank	FMC, other CBA departments	May 7-11
Seminar on organization of works for combating ML/FT in the banking system, organized under the professional education program for central banks' staff of EurAsEs member countries	Central Banks of Armenia, Belarus, Poland, Kazakhstan, Kyrgyzstan, Russia and Tajikistan	June 5-7
Outreach visit to the FIU of Canada	Competent authorities involved in AML/CFT	September 4-10
Outreach visit to the FIU of Australia	FMC, other CBA departments	September 9-13
Seminar on revised FATF standards, organized by MONEYVAL and EAG	Competent authorities involved in AML/CFT	September 19-21
Outreach visit to the FIU of the United	Competent authorities involved	September 27-28



Kingdom	in AML/CFT	
Training program on combating money laundering, organized by Bundesbank	Competent authorities involved in AML/CFT	October 21-27
Seminar on AML/CFT aspects of currency control in the banking system, organized by the Central Bank of Russia	CBA departments	November 19-23

6.2. Training programs and events for reporting entities

Training program	Participants	Date
Training course for DNFBPs, organized under IMF technical assistance program	Notaries, lawyers, accountants, auditors, casinos, dealers of precious metals, realtors	November 21
Seminar on combating ML/FT in financial institutions, organized by the Training Center of the Financial and Banking College	Compliance officers, internal audit staff, customer support and other AML/CFT-related staff of financial institutions	October 8-12



Annexes

Annex 1

Reporting entities	Registered as of December 31, 2012	Reports filed to FMC by reporting entities	
		Over-threshold	Suspicious
Financial institutions			
Banks	22	166500	189
Credit Organizations	32	214	1
Entities engaged in foreign currency exchange	223	-	-
Licensed entities engaged in money (currency) transfer services	5	-	-
Investment companies (entities providing investment services, as defined under the Law on Securities Market)	9	185	-
The central depository of regulated market securities (as defined under the Law on Securities Market)	1	143	2
Insurance (including re-insurance) companies	9	1700	-
Entities providing intermediary insurance (including re-insurance) services	3	25	-
Insurance agents	4769	-	-
Pawnshops	93	6	-
Non-financial businesses and professions			
Realtors	144	-	-
Notaries	91	823	-
Attorneys, independent lawyers and law firms	361	-	-
Independent accountants and accounting	8	-	-



firms			
Independent auditors and auditing firms	31	-	-
Dealers of precious metals	-	-	-
Dealers of precious stones	12	-	-
Dealers of precious art works	-	-	-
Organizers of auctions	-	-	-
Entities organizing games of chance and casino	61	15	-
Entities organizing lotteries	4	-	-
Entities organizing internet games of chance	1	-	-
Trust and company service providers	-	-	-
Credit bureaus	-	-	-
The authorized body in charge of the integrated state cadaster of real estate	122	760	-
TOTAL		170394	192