

▶ ANNUAL REPORT

▶ On activities of the Financial Monitoring Center in 2016

▶ Yerevan 2017



FINANCIAL MONITORING CENTER
CENTRAL BANK OF ARMENIA

ANNUAL REPORT

Content

FINANCIAL MONITORING CENTER	3
LEGISLATION ON COMBATIONG ML/FT	4
DEVELOPMENT OF IT SYSTEMS	7
INFORMATION ON TRANSACTIONS AND BUSINESS RELATIONSHIPS	8
PREVENTIVE MEASURES IN THE AREA OF AML./CFT	10
DOMESTIC COOPERATION	13
INTERNATIONAL COOPERATION	18
TRAININGS, CONSULTANCY AND TECHNICAL ASSISTANCE	22
ANNEXES	23

ACRONYMS

AML/CFT	Anti-money laundering and counter-terrorism financing
Egmont Group	Egmont Group of Financial Intelligence Units
Eurasian Group	The Eurasian Group on Combating Money Laundering and Financing of Terrorism
FIU	Financial Intelligence Unit
FMC	Financial Monitoring Center of the Central Bank of Armenia
FSD	Financial Supervision Department of the Central Bank of Armenia
Interagency Committee	Interagency Committee on Combating Money Laundering, Terrorism Financing and Proliferation Financing in the Republic of Armenia
IIS	Integrated Information System
ML/FT	Money laundering and terrorism financing
MONEYVAL Committee	Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
Mutual Evaluation Report	Fifth round Mutual Evaluation Report of the Council of Europe's MONEYVAL Committee on anti-money laundering and counter-terrorist financing measures in Armenia
PF	Proliferation financing
SRC	State Revenue Committee of the Government of the Republic of Armenia
UN	United Nations
Warsaw Convention	Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (2005)
WMD	Weapons of mass destruction

EXECUTIVE SUMMARY

This report provides a summary of the works implemented in the field of AML/CFT in the Republic of Armenia over the course of 2016.

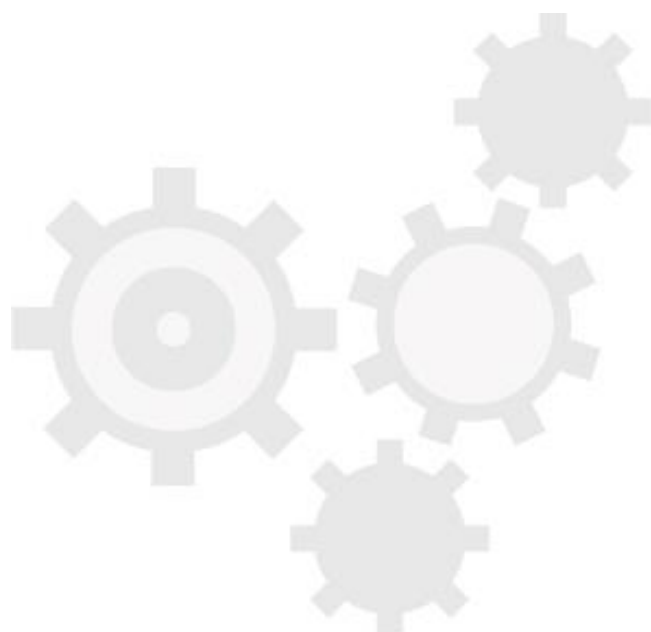
Particularly, the report reflects on both adopted and draft legal acts; the strategic analyses conducted by the FMC, the essential measures taken in the area of combating TF, the instructions given and notifications sent to the reporting entities. This report provides also information on the works aimed at ensuring enhanced access of the FMC to various databases of other agencies, improved and enhanced set of analytical tools used by the FMC, as well as the online training system.

The report presents the works aimed at furthering domestic cooperation, particularly the report reflects on the works performed by the Interagency Committee for the development of a national policy for AML/CFT, on the joint efforts of the FMC, supervisory and law enforcement agencies

towards proper implementation of AML/CFT preventive measures and disclosure of ML/FT cases. Information is also provided on the participation of the FMC in the works of relevant international organizations, such as the MONEYVAL Committee, the Egmont Group, the Eurasian Group, and the Council of Heads of CIS FIUs, as well as on the exchange of information with foreign FIUs.

The report provides a snapshot of trainings aimed at the improvement of knowledge of the relevant staff of reporting entities in the prevention of ML/FT, and professional development of the personnel within the FMC and the other agencies involved in the fight against ML/FT.

The report is presented pursuant to Part 1(15) of Article 10 of the Law on Combating Money Laundering and Terrorism Financing.

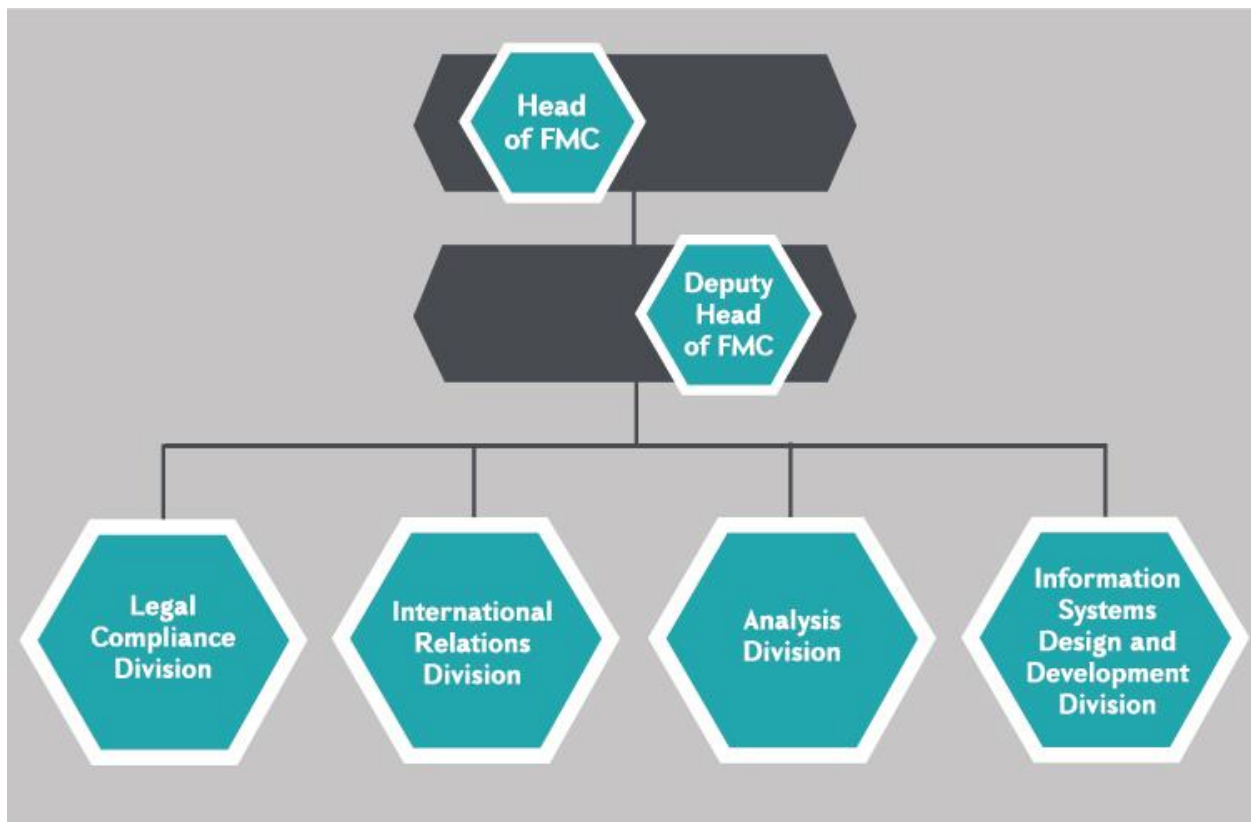




FINANCIAL MONITORING CENTER

The FMC is the national financial intelligence unit in the Republic of Armenia. The objective of the FMC activity is implementation and enforcement of mechanisms for combating ML/FT. This unit operating within the structure of the CBA receives suspicious transaction reports and other information from financial institutions (e.g. banks, credit organizations, etc.) and non-financial institutions or entities (e.g. notaries, organizers of games of chance and casino, etc.) for analysis and dissemination, as appropriate. The FMC is

also charged with the responsibility for developing a uniform state policy in the area of fighting ML/FT, ensuring international cooperation, and presenting the interests of the Republic of Armenia at international organizations specialized in AML/CFT. The FMC has four divisions – the Analysis Division, the Legal Support Division, the International Relations Division, and the Information Systems Design and Development Division. The structure of the FMC is presented below.



In 2016, works for achieving the objectives set out in the 2016-2018 National Strategy for Combating ML/FT and PF have continued including those aimed at the improvement of the legislative system in line with international standards.

Adopted legal acts

Organization, management and creation of financial pyramids have been criminalized.

On December 16, 2016 the National Assembly passed in the second and final reading the legislative package developed by the FMC on the criminalization of financial pyramids. In particular, the Law on Making Amendments to the Criminal Code of the Republic of Armenia (HO-216-N) and the Law on Making Amendments to the Criminal Procedure Code of the Republic of Armenia (HO-217-N) criminalized the organization, management and creation of financial pyramids, and the investigative powers for relevant cases were vested to the National Security Service, the Investigative Committee, and tax investigators.

Changes and amendments have been made to a number of resolutions of the Chairman and the Board of the CBA, and new regulations have been adopted in the area of combating ML/FT. In particular:

The Guidance on Criteria of High Risk and Indicators of Suspicious Activity in Relation to ML/TF has been adopted.

- The Guidance on Criteria of High Risk and Indicators of Suspicious Activity in Relation to Money Laundering and Terrorism Financing has been adopted in line with the international standards of AML/CFT, as well as with the needs of the reporting entities. Subsequently, the guidelines that the reporting entities used before for the assessment and prevention of risks and for the identification of suspicious activity have been repealed.

- The revised version of the regulation defining the contents, form, procedure and deadlines for the submission of statistical data to the FMC by law enforcement authorities as prescribed by the Law on Combating Money Laundering and Terrorism Financing has been adopted.

- The cases for submission of the statement on beneficial owners of legal entities have been clarified, as well as the standard form of the statement has been introduced. In particular, based on the requirements of the Law on Combating Money Laundering and Terrorism Financing and the FATF Recommendations, the obligation to provide information on beneficial owners will apply to all legal entities, regardless of their organizational-legal form.

Legal acts in drafting

An upper threshold for cash payments in real estate transactions is to be introduced to mitigate ML/FT risks.

In compliance with the international commitments of the Republic of Armenia in the field of fighting ML/FT due to its membership in the United Nations and the Council of Europe's MONEYVAL Committee, as well as with the recommendations of the fifth round Mutual Evaluation Report of the MONEYVAL Committee on the Armenian AML/CFT system, the FMC has developed the drafts of the Law on Making Changes and Amendments to the Law on Combating Money Laundering and Terrorism Financing, the Law on Making Changes to the Criminal Code of the Republic of

Armenia, and the Law on Making an Amendment to the Civil Code of the Republic of Armenia.

The scope of the AML/CTF Law is to be expanded to set forth the obligation of freezing the property of persons related to the financing of proliferation of WMD.

The mentioned drafts provide for the obligation to freeze the property of persons related to the proliferation of WMD, establish an upper threshold for cash payments in real estate transactions, bring the concepts of FT and proliferation of WMD into compliance with international requirements etc.

Upon revision based on proposals received from stakeholder agencies, the above drafts have been considered and approved at the meeting of the Interagency Committee and, subsequently, have been submitted to the Government's consideration.

The FMC has developed the draft resolution of the Board of the CBA "On Making Changes and Amendments to the Resolution of the Board of the Central Bank of Armenia No. 279-N of October 07, 2014". The draft bill is intended to change the regulations with regard to applying the criteria of high risk and updating information as set out in the rules on the minimum requirements established for

reporting entities in the area of preventing ML/FT, so as to align these requirements with the reporting entities' needs. At the same time, given that reporting entities (excluding banks) may delegate the function

of the internal monitoring unit to the internal audit, provisions to safeguard against the conflict of interest in this area have been set out.



DEVELOPMENT OF IT SYSTEMS

During 2016, significant works have been carried out to develop the information systems at the FMC.

The FMS has direct access to five databases within the Integrated Information System.

The FMS has direct access to several databases of the Police and the Company Register. In 2016, the online system providing query-based direct access to information databases of the Real Estate Cadaster has been put into operation. At the same time, agreement has been reached with the SRC for its accession to the IIS. Due to this, the FMC is expected to obtain direct access to the database on cross-border movements of currency values. Works have also been carried out to ensure direct access to the database maintained by the Notary Chamber of the Ministry of Justice. This will enable access to the data contained in the reports on notarized transactions subject to mandatory reporting.

Works have been implemented in connection with the development and improvement of analytical tools in accordance with the (FISMM) guidelines of the Egmont Group.

Within the framework of continuous improvement of analytical information systems in line with the Egmont Group FISMM guidelines, consistent efforts have been made towards further automation of the FMC functions, data flow management, as well as database enhancement. This will enable the introduction of up-to-date IT solutions for improved quality analysis through a renewed set of analytical tools. The system is planned to be implemented during 2017.

The FMC has designed and put into pilot operation an online AML/CFT training system-key.

The AML/CFT training system aims to raise the awareness of reporting entities by means of providing systematized knowledge-building opportunities.

In the course of the reporting period, works have been carried out for the enhancement of online questionnaires within the on-line training system. The introduction of the revised questionnaires and upgraded software is planned for 2017.

04

INFORMATION ON TRANSACTIONS AND BUSINESS RELATIONSHIPS

The FMC receives reports from reporting entities both on cash or non-cash transactions. The legislative requirement for reporting cash transactions has come

into force on October 28, 2014 resulting in a significant increase in the number of reports on transactions subject to mandatory reporting.

REPORTS ON CASH-RELATED TRANSACTIONS

Legislative requirement

Transactions above AMD 5 million

2016 **206065**

2015 **214095**

REPORTS ON NON-CASH TRANSACTIONS

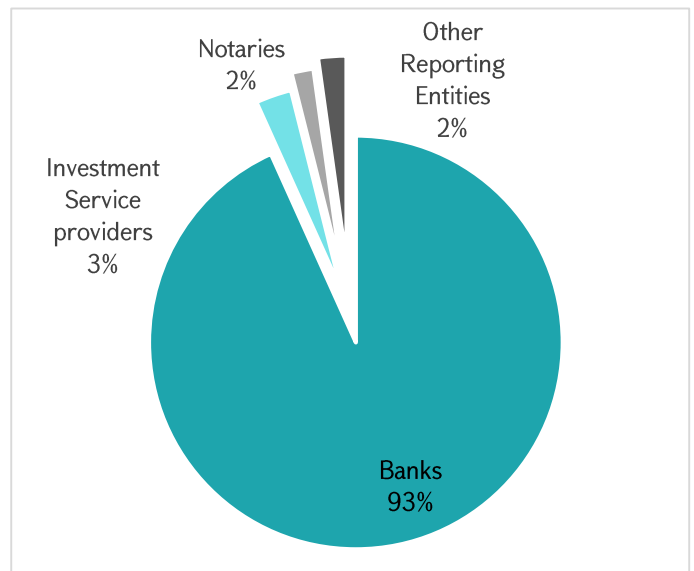
2016 **168329**

2015 **144051**

Legislative requirement

Transactions above AMD 20 million and transactions related to real estate above AMD 50 million

The graph reflects comparative statistics on transactions subject to mandatory reporting based on the types of the reporting entities.



The FMC also receives reports on suspicious transactions or business relationships. In the course of the reporting period, reporting entities have submitted

256 reports on suspicious transactions and business relationships, with the majority of submission made by banks.

SUSPICIOUS TRANSACTION REPORTS

Legislative requirement

Suspicious transactions and business relationships

2016

256

2015

239

The SRC submits notifications to the FMC on declarations made by individuals on the import and export of currency values, monetary instruments and traveler's

checks exceeding the total amount of 10,000 US dollars in value at a time. In the course of the reporting period, the FMC has received 83 such notifications.

Preventive measures taken in the area of AML/CFT are of key importance in terms of identifying, assessing and mitigating ML/FT risks. Both the FMC and the other stakeholders of the AML/CFT system, i.e. the reporting entities, supervisory and law enforcement bodies have their own role in the process of taking preventive measures.

To that end, the FMC – in the capacity of the national financial intelligence body – instructs the reporting entities on the proper fulfillment of the obligations set out in the Law on Combating Money Laundering and Terrorism Financing and in the by legal acts adopted on the basis of the law, and also provides feedback on the reports submitted to the FMC.

The instructions, in particular, relate to the enhanced customer due diligence measures taken on the basis of the identification data provided by the FMC, to the recognition as suspicious, refusal or termination of transactions or business relationships on the basis of the relevant criteria and typologies.

Hence, in the reporting period the FMC has sent around 40 instructions (notifications) to the reporting entities,

particularly to banks and money transfer companies. Most instructions (notifications) have been related to various schemes with potential elements of fraud and pyramid structures disclosed due to analysis, and to the implementation of appropriate measures prescribed by the law with respect to the involved persons, as well as to the conclusions of the analysis of alerts received from the reporting entities.

Suspension of transactions and freezing of assets of the persons linked to terrorism is an integral element of the preventative measures. In addition to the reporting entities, all the government agencies or entities that have a legally defined authority to restrict (arrest, seize, freeze, suspend) the possession, usage and (or) disposition of property are entitled to impose freezing measures.

The value of property involved in the transactions and business relationships that have been suspended pursuant to the resolutions of the Board of the CBA has totaled around AMD 195 million.

In the course of the reporting period, the banks have suspended 5 transactions, 2 of which have been further suspended by the Board of the CBA.

In order to prevent or mitigate the FT risk stemming from the increased threat of international terrorism, commensurate and dynamic measures have been taken within the framework of international cooperation for the identification of possible sources, patterns and schemes of funding terrorism, as well as of the persons involved therein. In particular, within the scope of such measures the reporting entities have been instructed to collect comprehensive information on the flows of funds to and from areas that are considered to be high risk in terms of the financing of terrorism. The collected information is systematically analyzed both by the reporting entities and the FMC.

To date, the risk of TF in Armenia has been very low.

The very low risk of TF is also confirmed by the findings of the national assessment of money laundering and terrorism financing risks regularly conducted in the country.

The FMC has undertaken actions aimed at fulfilling the restrictive measures imposed by international organizations. Thus, the following information has been published on the FMC website and notified to the reporting entities:

- Updates in the lists published by or in accordance with the UN Security Council resolutions that stipulate for the freezing assets of persons under, *inter alia*, UNSCR 1267/1989/2253 designations on ISIL (DA'ESH) and Al-Qaeda, UNSCR 1988 designations on the Taliban, and UNSCR 1718 designations on North Korea;
- The FATF statements on countries with strategic deficiencies in their AML/CFT systems, as well as on countries with such strategic deficiencies monitored by the FATF under its on-going global AML/CFT compliance process.

In order to effectively prevent and mitigate the ML/FT risks related to non-financial institutions or entities, the FMC has developed the *Concept Note on Risk-Based Supervision of Compliance of Designated Non-Financial Businesses and Professions with Anti-Money Laundering and Counter-Terrorism Financing Requirements in the Republic of Armenia*.

The Concept Note on Risk-Based Supervision of Compliance of Designated Non-Financial Businesses and Professions with AML/CFT Requirements in the RA has been developed.

The concept note implements a targeted study of the regulatory and operational features of certain types of non-financial institutions or entities with the

purpose of specifying the minimum scope of the risk-based supervisory measures that is necessary for the effective prevention and mitigation of AML/CTF risks relevant for them. The activity of non-financial institutions or entities activity is considered in terms of a number of characteristic features such as the market share, products, services and delivery channels, high-risk customers and transactions, as well as reporting of over-threshold and suspicious transactions or business relationships. The risk-based approach will allow competent authorities to use existing resources more efficiently by allocating them to the sectors and institutions of higher risk.

The FMC regularly conducts strategic analyses for identification and prevention of ML/FT risks.

Within the reporting period, analysis has been carried out *on the regional risks of trafficking in nuclear materials*. The analysis aims to provide a summary of the potential external challenges at the regional level in order to identify ways for meeting those challenges. Accordingly, the analysis provides a summary description of regional risks, the involvement of organized criminal groups, the ways of trafficking in nuclear materials, the recommendations aimed at improving the situation, and the implications for Armenia.

Furthermore, an *analysis of the ML risk profile of incoming financial flows related to the export of agricultural products* has been conducted. The analysis mainly elaborates on the potential hypothesis of tax evasion, given the low practicability of other hypotheses.

In collaboration with the international organizations, certain indicators have been developed to facilitate analysis of outgoing cross-border transfers of funds, with the aim of identifying the directions and trends in relation to them.

The FMC conducted *analysis in the real estate market* to facilitate mitigation of ML risks in the real estate sector.

It should be noted that continuous implementation of preventive measures in the area of combating ML/FT has been in the focus of the FMC and other stakeholders of the AML/CFT system.

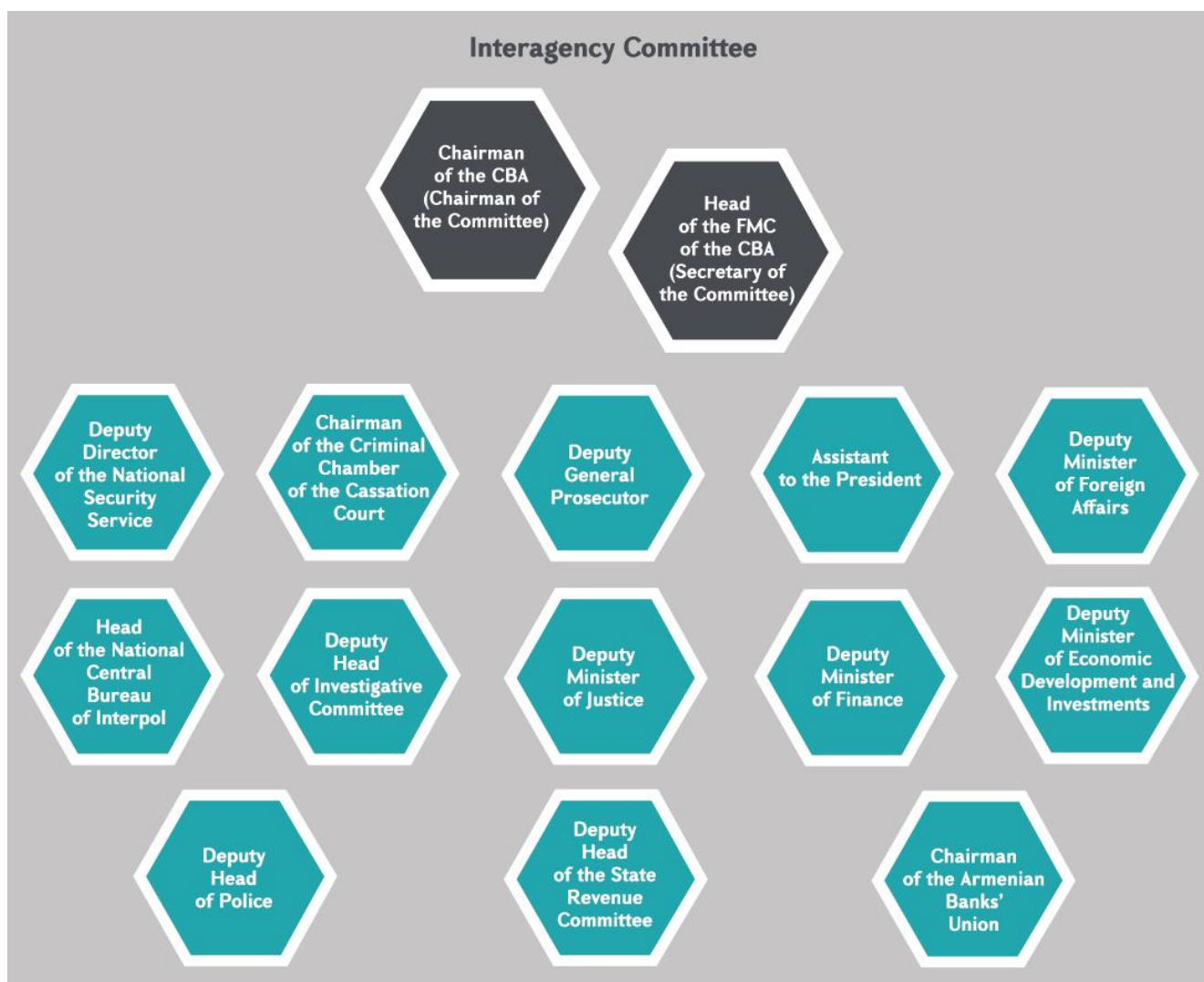
06

DOMESTIC COOPERATION

Domestic cooperation in the area of combating ML/FT is realized through the policies developed by the Interagency Committee established under the President's Ordinance No. 1075-N of March 21, 2002, as well as through joint

activities with the FMC and supervisory and law enforcement authorities aimed, accordingly, to the implementation of AML/CFT preventive measures and disclosure of ML/FT cases.

Interagency Committee activities



In 2016, the scope of the coordination by the Interagency Committee has been expanded to include also the fight against the financing of proliferation of WMD.

The Interagency Committee is an advisory body that develops and coordinates implementation of the policy in the area of fighting ML/FT and, since 2016, also of fighting the financing of proliferation of WMD. Driven by the expanded scope of coordination by the Interagency Committee, in 2016 the Ministry of Economic Development and Investments has been included into the composition of the Committee for matters related to combating the financing of proliferation of WMD.

In the course of the reporting period, the Interagency Committee has continued pursuing the objectives set out in the *2016-2018 National Strategy for Combating ML/FT and PF*, including the efforts aimed at strengthening domestic cooperation in the fight against ML/FT. In particular, the 32nd session of the Interagency Committee held on April 15, 2016 has considered and adopted decisions on the following key issues:

- Changes to the name, composition and rules of procedure of the Interagency Committee in relation to the

function of coordinating the fight against the financing of proliferation of WMD;

- Findings of the Mutual Evaluation Report of the Council of Europe's MONEYVAL Committee, and the action plan developed on the basis of the report for dealing with the identified shortcomings;

- Outcomes of the implementation the *2014-2016 National Strategy for Combating ML/FT* and, consequently, the *2016-2018 National Strategy for Combating ML/FT and PF*.

Cooperation with law enforcement authorities

In 2016, the Analysis Division of the FMC in performing its functions has conducted analyses based on multi-nature alerts with the potential of comprising ML/FT elements. Where applicable, the results of analyses have been disseminated to law enforcement agencies in the form of notifications setting out, *inter alia*, relevant ML/FT hypotheses. In the schemes identified due to the analyses, the following typical examples have been traced more frequently:

- Various fraud schemes, particularly related to:
 - Counterfeit cards, illegitimate use of stolen data on cards issued by foreign banks;

- Attempts to legalize proceeds of crimes committed through the use of various mass marketing schemes;
- Transactions with elements of financial pyramids;
 - Attempts to provide unlicensed financial intermediation services;
 - Financial transactions potentially aimed at tax evasion, illegal entrepreneurship and underreported economic activity;

- Other cases with similarities to the schemes described in the typologies published by the CBA.

The statistics for 2015-2016 on disseminations to law enforcement agencies as a result of analysis, the requests made by the FMC to law enforcement agencies and those made by law enforcement agencies to the FMC are presented in the table below:

	2015	2016
Notifications from FMC to law enforcement agencies	31	34
Requests from FMC to law enforcement agencies	9	11
Requests from law enforcement agencies to FMC	36	36

Due to the actions taken by law enforcement agencies to identify ML cases with the use of the information provided by the FMC, 4 criminal have been initiated in 2015 and 5 criminal cases have been initiated in 2016.

The most common predicate offences for ML are theft, fraud, embezzlement, and tax evasion.

MoUs and other national initiatives

In 2016, the FMC has furthered the works for achieving the objectives set out in the 2016-2018 National Strategy for

Combating ML/FT and PF towards broadening the domestic cooperation and enhancing the effectiveness of the fight against ML/FT and the financing of proliferation of WMD. In particular, upon the initiative of both the FMC and other law enforcement agencies more than 10 meetings/ workshops have been held to improve the effectiveness of ML investigations. At the same time:

Revised versions of the cooperation agreements with the General Prosecutor's Office, the Police, and the State Revenue Committee have been signed.

- To ensure compliance with the current regulations and to provide for a more inclusive bilateral cooperation, the FMC has initiated revision of the cooperation agreements concluded with law enforcement agencies since 2008. As part of this effort, revised versions of such agreements have been concluded with the General Prosecutor's Office, the Police, and the State Revenue Committee.

New cooperation agreements have been signed with the Investigative Committee and the Academy of Justice.

- In view of the formation of a new law enforcement body, i.e. the Investigative Committee, as well as of the need for cooperation on AML/CFT matters, the FMC has signed a cooperation agreement with the Investigative Committee.

- A cooperation agreement has been signed between the FMC and the Academy of Justice to launch regular joint training activities for law enforcement authorities in the area of AML/CFT, including the investigation of ML/FT cases.

- To ensure receipt of information on the turnover of proliferation sensitive materials, a cooperation agreement has been drafted and agreed with the Ministry of Economic Development and Investments. At present, the

cooperation agreement is in the stage signing.

A conference titled Investigation of Money Laundering Cases has been held.

To develop capacities of law enforcement agencies in charge of investigating ML cases and to provide a platform for discussing current issues, at the initiative of the FMC and the Academy of Justice, a conference titled *Investigation of Money Laundering Cases* has been held in 2016 with the attendance of the law enforcement, the judiciary, the Academy of Justice and the FMC. The conference has considered the current issues related to ML investigations, including parallel financial investigations, challenges in putting forward ML hypothesis in such cases, as well as examples of international and domestic judicial acts on ML.

Supervision and control

Within the framework of cooperation with supervisory bodies, the FMC staff participates in the supervision of financial institutions implemented by the FSD. Particularly, in the process of off-site supervision and on-site inspections conducted by the FSD, the FMC assists the relevant works in matters related to AML/CFT, as per the agreement reached in

the course of the supervision planning or based on operational needs, as necessary.

In 2016, the violations by financial institutions due to improper implementation of the legislative requirements of AML/CFT have been mainly related to customer due diligence, record keeping, competencies of the internal compliance, internal regulations, requirements with regard to the internal

compliance reporting to the senior management and the like.

For irregularities identified by the FMC or ascertained through on-site inspections, certain sanctions have been imposed on financial institutions as presented below:

Sanctions imposed on financial institutions in 2016

Banks	24 violations have been committed by 7 banks, resulting in: • A warning issued for 8 violations; • A warning issued and a fine imposed for 7 violations totaling AMD 1.1 million; • A notification sent for 9 violations with an assignment to take relevant measures for excluding such violations in future.
Credit organizations	4 violations have been committed by 1 credit organization, resulting in a warning issued to the organization.
Insurance companies	4 violations have been committed by 1 insurance company, resulting in a warning issued to the company.
Pawnshops	1 violation has been committed by 1 pawnshop, resulting in a warning issued to the pawnshop.
Exchange bureaus	2 violations have been committed by 2 exchange bureaus, resulting in a warning issued to the exchange bureau.



INTERNATIONAL COOPERATION

The FMC provides for international cooperation in the field of AML/CTF by means of representing Armenia in international structures and collaborating with foreign financial intelligence units.

Armenia, in the person of the FMC, participates in the works of international organizations involved in the development of international standards of AML/CFT, as well as in their introduction and implementation at country level. Such organizations include the Council of Europe's MONEYVAL Committee, the Egmont Group, the Conference of the Parties of the Warsaw Convention, the Eurasian Group, and the Council of Heads of CIS FIUs.

MONEYVAL Committee

The MONEYVAL Committee established in 1997 is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards of AML/CFT and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems. Armenia is

a full member of the MONEYVAL Committee since 2001.

In the course of the reporting period, the FMC along with other agencies has participated in the following works of the Committee:

Within the framework of the 5th round mutual evaluations of AML/CFT systems conducted by the MONEYVAL Committee, the representative of the FMC has participated in the assessment of Hungary's national system for combating ML/FT acting as the evaluator of legal issues.

At the 52nd plenary meeting of the MONEYVAL Committee held in December 6-8, the representatives of the FMC have presented an interim progress report further to the 5th round mutual evaluation of the Armenian AML/CFT system regarding implementation of the recommendations on targeted financial sanctions for the financing of proliferation of WMD.

The plenary meeting has adopted the interim progress report of Armenia and expressed appreciation of the measures taken towards introducing legislative changes in order to deal with identified shortcomings.

To ensure adequate and effective response to the issues raised in the 5th round mutual evaluation of the Armenian AML/CFT system, on May 16 and 17 the Executive Secretary and the member of the Secretariat of the MONEYVAL Committee have held a meeting with members of the Interagency Committee and the Working Group, to reflect on the international best practice for dealing with such issues and on the progress in implementation of the respective action plan approved by the Interagency Committee.

Egmont Group

The Egmont Group of Financial Intelligence Units established in 1995 aims to set up a common platform for cooperation of FIUs from different countries in the fight against ML/FT.

FMC is a member of the Egmont Group since 2007, which enables cooperation with FIUs from 150 countries around the world, including the exchange information via a secure system, as well as participation in the management, plenary sessions and working group meetings of the group.

In the course of the reporting period, the FMC has participated in the following works of the Egmont Group:

- Upon the invitation of the FMC, in June 13 to 17 a course titled *Corporate Tools and Financial Services, as well as Training of Trainers* has been held at the

Dilijan Training and Research Center of the CBA and attended by around 20 members of the Egmont Group of FIUs;

- The FMC has continued to exchange information with foreign FIUs through the secure information network of the Egmont Group;
- The FMC has also continued the works in supporting FIUs of Iran and Turkmenistan for their accession to the Egmont Group.

Conference of Parties of the Warsaw Convention

The Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (the Warsaw Convention, CETs No 198) was adopted in 2005 and ratified by Armenia in 2008. The Convention is a framework document setting out a common response to ML/FT.

In order to coordinate implementation of the Convention by countries, a conference of the member countries (the Conference of the Parties) has been established in accordance with the provisions of the Convention.

The 8th plenary session of the Conference of the Parties has adopted the report on Armenia. According to applicable procedures, Armenia should submit a progress report in three years after the adoption of the assessment report.

In the course of the reporting period, the FMC along with other agencies has participated in the following works of the Conference of the Parties:

- At the 8th plenary session of the Conference of the Parties, the reports of compliance of Armenia and Belgium with the Warsaw Convention have been considered;
- The assessment has found that Armenia has taken a number of important steps to ensure compliance with the Warsaw Convention;
- The representative of the FMC as an assessor/ expert of FIU activities has been involved in the assessment of Belgium's compliance with the Warsaw Convention.

Eurasian Group

The Eurasian Group on Combating Money Laundering and Financing of Terrorism was established in 2004. The main objective of the group is to support creation of an effective legal and institutional framework for AML/CFT in the countries of the Eurasian region. Armenia has an observer status in the Eurasian Group since 2006.

In the course of the reporting period, the FMC along with other agencies has participated in the following activities of the Eurasian Group:

Within the framework of the 24th plenary meeting of the Eurasian Group held in June 6 to 10 in Astana, Kazakhstan, a seminar titled *Preparation of the Member States of the Eurasian Group for National ML/FT Risk Assessments and Mutual Evaluations* has been held. At the plenary meeting, the representative of the FMC has made a presentation on the topic *The Experience in Preparing National Risk Assessments and Mutual Evaluations: Immediate Outcome 1*.

Council of Heads of CIS FIUs

The Council of Heads of financial intelligence units of the CIS member countries was established on the basis of the *Agreement on the Establishment of the Council of Heads of Financial Intelligence Units of the CIS Member Countries* in 2012. The main goal of the council is to provide for the cooperation between the member FIUs in the area of combating ML/FT. The FMC, in the person of the head of the FMC, is a full member of the council.

Within the framework of cooperation with the Council of Heads of CIS FIUs the FMC has initiated a study to develop common approaches in the fight against the financing of proliferation of WMD and to examine the practices related to the exchange of information between the CIS FIUs.

Other organizations

The FMC also cooperates with the European Union and the Organization for Security and Cooperation in Europe. In particular, during the seminar/ workshop titled *Assessment of AML/CFT systems by the Council of Europe's MONEYVAL Committee* organized in Lvov, Ukraine, by the Organization for Security and Cooperation in Europe in November 17 to 18, the representative of the FMC has presented the Armenian experience in undergoing a mutual evaluation of the country's AML/CFT system.

international

Foreign FIUs

FMC has continued its cooperation with foreign FIUs; particularly, in 2016 the FMC has received 26 and has sent 20 requests to its foreign counterparts.

Over the past 2 years, the countries that received requests from the FMC most frequently are USA, Latvia and RF, and the countries that sent requests to the FMC most frequently are RF, Lithuania, Ukrain, USA and Moldova.



TRAININGS, CONSULTANCY AND TECHNICAL ASSISTANCE

In 2016, works have continued to deepen the knowledge and develop the capacity of the competent bodies involved in the fight against ML/FT, as well as of the relevant staff of the reporting entities. In particular, the FMC has organized and held more than 10 seminars/ workshops attended by around 200 representatives of the financial and non-financial institutions and entities, their supervisors, as well as the representatives of the Company Register and the Real Estate Cadaster. These seminars/ workshops have reflected on the findings of the Mutual Assessment Report of the MONEYVAL Committee, particularly on the progress made in and current issues related with meeting the obligations of the reporting entities set out in the AML/CFT legislation, on the developments in the AML/CFT legislation related to combating the financing of proliferation of WMD, on the preventive measures defined by the AML/CFT legislation, and on the newly developed criteria and indicators of suspicious activity. In the course of 2016, both international organizations and domestic authorities have organized a number of training programs for the FMC, for other departments of the

CBA, as well as for the staff of various government agencies involved in the fight against ML/FT. In particular, the FMC staff has participated in different courses organized by the Council of Europe's MONEYVAL Committee, the IMF, the German Central Bank, and the Central Bank of France at their premises, as well as in the courses organized by the Council of the Head of CIS FIUs through video conferences. A staff member of the FMC has also attended the course titled *The Prevention of Money Laundering and Terrorism Financing* organized by the Luxemburg School of Finance and has obtained a CAMS (Certified Anti-Money Laundering Specialist) qualification.

Upon the invitation of the FMC, in June 13 to 17 a course titled *Corporate Tools and Financial Services, as well as Training of Trainers* has been held at the Dillijan Training and Research Center of the CBA and attended by around 20 members of the Egmont Group of FIUs. The course has been organized by the Egmont Group's Technical Assistance and Training Working Group to build capacities in the analysis of corporate tools and financial services, as well as to prepare trainers in that area.

Annex 1: Performance indicators of reporting entities

Reporting entities	Registered as of December 31, 2016	Disclosures made to FMC in 2016	
		<i>Over-threshold</i>	<i>STR</i>
Financial institutions			
Banks	19	354705	245
Credit organizations	33	955	3
Entities engaged in foreign currency exchange	171	66	-
Dealers and brokers in foreign currency exchange	1	103	-
Licensed entities engaged in money (currency) transfer services	6	214	5
Investment firms (entities providing investment services, as defined under the Law on Securities Market)	9	10720	1
The central depository of regulated market securities (as defined under the Law on Securities Market)	1	-	-
Insurance (including re-insurance) companies	8	-	-
Entities providing intermediary insurance (including re-insurance) services	3	-	-
Corporate investment funds	-	-	-
Non-public contractual investment funds that do not have a manager licensed by the CBA	-	-	-
Pawnshops	110	498	-
Non-financial institutions			
Realtors	205	-	-
Notaries	95	6521	-
Attorneys, independent lawyers and law firms	1486	-	-
Independent accountants and accounting firms	10	-	-
Independent auditors and auditing firms	31	-	-
Dealers in precious metals	-	-	-
Dealers in precious stones	22	-	-
Dealers in works of art	-	-	-
Organizers of auctions	-	-	-
Entities organizing games of chance and casino	5	31	-
Entities organizing lotteries	4	-	1

Entities organizing internet games of chance	4	-	1
Trust and company service providers	-	-	-
Credit bureaus	1	-	-
Total	2224	373813	256

Annex 2: Cooperation agreements concluded between the FMC and competent domestic authorities

Law enforcement bodies

- General Prosecutor's Office (revised version signed on 28.11.2016)
- National Security Service (signed on 04.04.2008)
- Police (revised version signed on 18.11.2016)
- State Revenues Committee (revised version signed on 10.11.2016)
- Investigative Committee (signed on 16.11.2016)

Other competent authorities

- Academy of Justice (signed on 12.11.2016)

Annex 3: Memoranda of Understanding concluded between the FMC and foreign FIUs

	Country	Date
	Australia	26.08.2009
	Belarus	04.02.2008
	Bermuda	21.10.2009
	Canada	21.12.2009
	China	08.06.2011
	Croatia	11.07.2012
	Cyprus	11.07.2012
	Georgia	26.02.2008
	Iran	26.05.2010
	Israel	03.11.2011
	Japan	29.10.2012
	Kazakhstan	11.11.2015
	Kyrgyzstan	19.02.2014
	Lichtenstein	04.06.2014
	Macedonia	13.07.2011
	Moldova	12.07.2011

	Country	Date
	Montenegro	12.07.2011
	Panama	03.07.2013
	Poland	22.09.2009
	Romania	27.05.2009
	Russia	09.06.2015
	San Marino	15.03.2010
	Saudi Arabia	12.07.2011
	Serbia	12.07.2011
	South African Republic	22.05.2009
	Taiwan (China)	12.07.2011
	Tajikistan	19.05.2011
	Thailand	29.11.2010
	Ukraine	13.03.2008
	United Arab Emirates	28.05.2009
	United Kingdom	27.09.2012