

# ▶ ANNUAL REPORT

## ▶ On activities of the Financial Monitoring Center in 2018

▶ Yerevan 2019



FINANCIAL MONITORING CENTER  
CENTRAL BANK OF ARMENIA

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## ACRONYMS

|                                 |                                                                                                                                                                 |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>AML/CFT</b>                  | Anti-Money Laundering and Counter-Terrorism Financing                                                                                                           |
| <b>AML/CFT Law</b>              | Republic of Armenia Law on Combating Money Laundering and Terrorism Financing                                                                                   |
| <b>CIS</b>                      | Commonwealth of Independent States                                                                                                                              |
| <b>Egmont Group</b>             | Egmont Group of Financial Intelligence Units                                                                                                                    |
| <b>Eurasian Group</b>           | The Eurasian Group on Combating Money Laundering and Financing of Terrorism                                                                                     |
| <b>FIU</b>                      | Financial Intelligence Unit                                                                                                                                     |
| <b>FMC</b>                      | Financial Monitoring Center of the Central Bank of Armenia                                                                                                      |
| <b>Interagency Committee</b>    | Interagency Committee on Combating Money Laundering, Terrorism Financing and Proliferation Financing in the Republic of Armenia                                 |
| <b>ML/FT</b>                    | Money laundering and terrorism financing                                                                                                                        |
| <b>MONEYVAL Committee</b>       | Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism                                     |
| <b>Mutual Evaluation Report</b> | Fifth round Mutual Evaluation Report of the Council of Europe's MONEYVAL Committee on Anti-Money Laundering and Counter-Terrorism Financing Measures in Armenia |
| <b>STR</b>                      | Suspicious transaction report                                                                                                                                   |
| <b>UN</b>                       | United Nations                                                                                                                                                  |

## EXECUTIVE SUMMARY

This report provides a summary of the works performed by the FMC in the field of AML/CFT over the course of 2018. In particular, the following topics are covered in corresponding chapters of the report:

- **Information on transactions:** statistical data is presented on transactions subject to mandatory reporting and STRs filed by reporting entities to the FMC,
- **Risk analyses and preventive measures:** information is presented on strategic analyses conducted for the identification of ML/FT risks and preventive measures implemented towards the mitigation of identified risks, as well as on instructions cascaded to reporting entities and works performed towards the enhancement of information systems,
- **Domestic and international cooperation:** information is presented on cooperation in the field of AML/CFT with both domestic and international counterparts, covering the works performed, measures implemented, as well as the rankings given by international organizations to the Republic of Armenia in the field of AML/CFT.

Statistical data is presented in the concluding Annexes of this report, covering the reporting entities registered with the FMC as at 31 December 2018, trainings provided to reporting entities and memoranda of understanding signed with domestic and international counterparts.

The report is presented pursuant to Part 1(15) of Article 10 of the AML/CFT Law.

## INFORMATION ON TRANSACTIONS

The FMC collects reports from reporting entities, covering STRs, as well as cash and non-cash transactions exceeding the minimum reporting threshold defined by the AML/CFT Law. Statistical data is presented below on the reports collected in 2017 and 2018.

### REPORTS ON CASH TRANSACTIONS

|                                      |             |                |
|--------------------------------------|-------------|----------------|
| <b><u>Regulatory requirement</u></b> | <b>2018</b> | <b>262 680</b> |
| Transactions above AMD 5 million     | <b>2017</b> | <b>232 635</b> |

### REPORTS ON NON-CASH TRANSACTIONS

|                                                                                     |             |                |
|-------------------------------------------------------------------------------------|-------------|----------------|
| <b><u>Regulatory requirement</u></b>                                                | <b>2018</b> | <b>225 544</b> |
| Transactions above AMD 20 million and real estate transactions above AMD 50 million | <b>2017</b> | <b>193 460</b> |

### SUSPICIOUS TRANSACTION REPORTS

|                                                    |             |            |
|----------------------------------------------------|-------------|------------|
| <b><u>Regulatory requirement</u></b>               | <b>2018</b> | <b>294</b> |
| Suspicious transactions and business relationships | <b>2017</b> | <b>280</b> |

***STRs were related to suspicions of money laundering and predicate offences***

The FMC received 280 and 294 STRs in 2017 and 2018, correspondingly, the majority of which (259 and 262 STRs, respectively) were filed by banks.

The STRs were related to suspicions of money laundering and predicate offences. No STRs were related to suspicions of terrorism financing.

Summary information is presented below on the involvement of natural and legal persons in the STRs filed by banks.

|             | Natural persons    |                   | Legal persons         |                      |
|-------------|--------------------|-------------------|-----------------------|----------------------|
|             | Armenian nationals | Foreign nationals | Armenian registration | Foreign registration |
| <b>2017</b> | 178                | 49                | 93                    | 79                   |
| <b>2018</b> | 159                | 127               | 117                   | 102                  |

The analysis of STRs received demonstrates that, similar to the previous year, STRs filed on Armenian nationals and companies registered in Armenia are mainly related to transactions around tax evasion and unreported economic activity. Compared to the previous year, the same situation holds for foreign natural and legal persons: STRs filed on foreign natural persons are mainly related to various fraud schemes (including illegitimate use of stolen bank card information; mass marketing schemes, etc.). STRs filed on foreign legal persons are related to transit flows of funds through the banking system of Armenia.

## RISK ANALYSES AND PREVENTIVE MEASURES

AML/CFT risk analyses and preventive measures implemented for the mitigation of ML/FT risks have an essential role in early identification and prevention of potential ML/FT cases. The FMC and other parties involved in AML/CFT, such as reporting entities, supervisory and law enforcement authorities, have a unique role to play in assessing ML/FT risks and implementing preventive measures.

This part provides information on risk analyses and preventive measures performed by the FMC, acting as the national FIU for Armenia. Particularly, the relevant sections of this report refer to the following topics:

- **Strategic analyses for the identification and mitigation of ML/FT risks:** in the reporting period information was collected from reporting entities and other parties involved in AML/CFT for the purpose of ML/FT risk identification and assessment,
- **Regulatory amendments:** laws and regulations were passed in order to facilitate the implementation of effective preventive measures towards the mitigation of ML/FT risks,
- **Instructions (notifications) cascaded to reporting entities:** instructions were cascaded to reporting entities for implementing preventive measures towards the mitigation of ML/FT risks identified by the FMC,
- **Enhancement of information systems:** works were performed towards the implementation of effective AML/CFT systems by reporting entities, including a new report submission system for filing reports with the FMC,
- **Trainings:** trainings were organized to develop AML/CFT capacities among the employees of reporting entities, supervisory and law enforcement authorities (for details refer to the chapter on Domestic and International Cooperation and Annex 2 of this report).

### **Strategic analyses conducted for the identification and mitigation of ML/FT risks**

FMC periodically conducts strategic analyses for the identification and mitigation of ML/FT risks.

#### ***National assessment of ML/FT risks was completed***

The national assessment of ML/FT risks launched in 2017 came to the end in the reporting period. In particular, comparative analyses, using various quantitative and qualitative indicators, were conducted in the following areas for the purpose of identifying and assessing ML/FT threats in the Republic of Armenia:

- ML predicate offences – through the analysis of criminal cases instigated and convictions made,
- Latent crimes and corruption – through the comparison and analysis of statistical data and ratings assigned to the Republic of Armenia by various international organizations and experts,
- Risk of legal persons being misused for ML purposes – through the analysis of legal persons registered in the Republic of Armenia, the elements of the legal framework governing the operations of legal persons and the identified cases of misuse,
- Risk of non-profit organizations being misused for FT purposes – through the analysis of non-profit organizations registered in the Republic of Armenia, the elements of the legal framework governing the operations of legal persons and other indicators material from the perspective of FT risk assessment,
- ML/FT risks associated with new and emerging technologies, etc.

Key findings of the national assessment of ML/FT risks are available on the official website of the FMC:

[https://www.cba.am/Storage/EN/FDK/risk\\_assesment/NRA\\_Update\\_Executive\\_Summary\(Public\)\\_eng.pdf](https://www.cba.am/Storage/EN/FDK/risk_assesment/NRA_Update_Executive_Summary(Public)_eng.pdf)

Taking into consideration the findings of the national assessment of ML/FT risks, the 2019-2021 National Strategy for Combating Money Laundering and Terrorist Financing, as well as the Financing of Proliferation of Weapons of Mass Destruction, together with its Action Plan, was developed and approved by the Interagency Committee (for details refer to the part on Interagency Committee in the chapter on Domestic Cooperation of this report).

## Regulatory amendments

A regulatory framework, that is most harmonized with international standards and effectively mitigates ML/FT risks identified as a result of strategic analyses, has an important role in preventing potential ML/FT cases.

***On March 1, 2018, the National Assembly of the Republic of Armenia passed the proposed amendments to the AML/CFT Law, Criminal and Civil Codes of the Republic of Armenia***

For the purpose of continuous development and enhancement of the existing AML/CFT regulatory framework, on March 1, 2018, the National Assembly of the Republic of Armenia passed the regulatory amendments consisting of the Republic of Armenia Law on Making Amendments and Revisions to the Law on AML/CFT and adjacent relevant laws. Passing of the laws lead to important amendments to AML/CFT

framework. In particular:

- ML/FT risks arising from the large-scale use cash transactions in the real estate market were mitigated by means of introducing a requirement to use the non-cash method in transactions exceeding the threshold defined by the law,
- The degree of compliance with FATF Recommendations was improved by means of clear definition of the grounds for enforcing targeted financial sanctions.

Passing of regulatory amendments led to revisions and amendments to the secondary regulations of the AML/CFT legal framework.

In the reporting period works were performed towards drafting of legal documents governing other areas associated with ML/FT risks. In particular, considering the risks in obtaining customer identification data by money transfer services by means of using payment cards issued by foreign banks, discussions were held with money transfer service providers. As a result, draft regulatory amendments were developed in order to use payment cards issued by banks in the Republic of Armenia when identifying customers by means of bank cards as part of customer due diligence activities. After a round of discussions with relevant stakeholders, the draft regulatory amendments were approved by the Board of the Central Bank of the Republic of Armenia and sent to the state legal expert examination in the Ministry of Justice of the Republic of Armenia.

Besides the points above, works were performed towards drafting of the legal framework around the new online report submission system for filing reports with the FMC (for details refer to the part on Development of Information Systems in this report).

Implementation of international standards is in the focus of the FMC and other competent authorities involved in AML/CFT. As part of the mentioned efforts, in the reporting period extensive studies of international best practices were conducted with a view to progress further with international commitments ratified by the Republic of Armenia as part of the Warsaw Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, implementation of FATF Standards and the current practices in the Republic of Armenia in confiscation of illicit proceeds. As a result, proposals were drafted towards the introduction of non-conviction-based confiscation and transfer of the burden of proof onto the accused in demonstrating the legal origin of property in case of severe crimes. These proposals were presented to the discussion of the Interagency Committee (for details refer to the parts Interagency Committee and Other Initiatives with Law Enforcement Authorities in the chapter on Domestic and International Cooperation).

***Concept papers were drafted to improve the degree of implementing international commitments undertaken by the Republic of Armenia and of property confiscation practices***

### **Instructions (notifications) cascaded to reporting entities**

In the reporting period around 40 instructions (notifications) were cascaded to reporting entities directed towards ML/FT risks of certain transactions and business relationships and implementing preventive measures. Instructions (notifications) were related to the following situations:

- Cases with elements of fraud schemes,
- Inflows and outflows from geographies associated with high risk,
- Material ML risks related to providing of POS terminals to non-resident company websites, as mediated by legal persons, etc.

Besides the points above, feedback was provided to reporting entities on the progress and results of analyses conducted based on alerts provided by the latter.

***Around 90 transactions and business relationships with high ML risks were refused or terminated***

Worth mentioning that in the reporting period around 90 transactions with high ML risks were refused and business relationships with customers terminated by significant banks in the financial sector. In particular, 20 refusals and terminations were initiated upon the instructions cascaded to banks by the FMC, while the rest were initiated as a result of banks' own analyses.

***Armenia continues to have a very low level of FT risk***

In order to mitigate FT risks arising from the increasing international threat of terrorism, continued efforts were invested into adequate and dynamic efforts, including in the context of international cooperation, towards the identification of potential sources of funding, patterns, schemes and persons involved in FT. In particular, works continued towards the collection of information from reporting entities on financial transactions to and from geographies associated with high FT risk, as well as the analysis of such information and provision of results to domestic and international counterparts.

In order to effectively mitigate FT risks and enforce targeted financial sanctions, continuous efforts were invested in the reporting period to implement restrictive measures imposed by international organizations and raise awareness among relevant stakeholders. In particular, the following information was published on the FMC website and notified to reporting entities:

- Updates in the lists published by or in accordance with the UN Security Council Resolutions that stipulate for the freezing of assets of persons under, inter alia, UN Security Council Resolutions 1267/1989/2253 designations on ISIL (DA'ESH) and Al-Qaeda, UN Security Council Resolutions 1988 designations on the Taliban, and UN Security Council Resolutions 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.

Worth mentioning that in the reporting period Republic of Armenia continued to have a very low level of FT risk.

### **DEVELOPMENT OF INFORMATION SYSTEMS**

Continued efforts towards the development of information systems of the FMC and reporting entities are an important part of the effective AML/CFT system.

In this context, works were performed in the reporting period, in particular to continuously improve the information systems required to support the analytical function of the FMC. The new online report submission system was designed following the analogy in the FISMM model of the Egmont Group and moved to testing phase. Among other advantages, the final implementation of the new system will make it possible for reporting entities to automatically submit transactions subject to mandatory reporting to the FMC within minutes.

The new system will significantly cut down the burden of internal monitoring units at reporting entities in submitting reports subject to mandatory reporting, which will make it possible to redirect relieved resources towards the analysis of ML/FT suspicious transactions and business relationships. The system is planned for launch at the end of 2019.

# DOMESTIC AND INTERNATIONAL COOPERATION

## DOMESTIC COOPERATION

Domestic cooperation for AML/CFT purposes can be conditionally divided into two areas:

- Cooperation for policy development and coordination in the context of the Interagency Committee,
- Cooperation among the FMC, supervisory and law enforcement authorities in the context of information exchange, implementation of preventive measures and detection of potential cases of ML/FT.

### Interagency Committee

***Proposals were discussed for enhancing the degree of implementation of international commitments undertaken by the Republic of Armenia and of the confiscation practices***

The Interagency Committee always focuses on enhancing domestic cooperation in the area of AML/CFT, challenging issues related to AML/CFT, as well as the progress and results of implementing the action plan for closing the deficiencies and gaps identified in the Mutual Evaluation Report.

In this context, year 2018 was notable for the fact that member authorities of the Interagency Committee discussed and approved the proposals for non-conviction-based confiscation and transfer of the

burden of proof onto the accused in demonstrating the legal origin of property in case of severe crimes. Following the decision of the Interagency Committee, the proposals were forwarded to the Staff of the Prime Minister of the Republic of Armenia to initiate corresponding decisions.

***2019-2021 National Strategy for Combating ML/FT and Proliferation Financing was approved***

The Interagency Committee approved the 2019-2021 National Strategy for Combating Money Laundering and Terrorist Financing, as well as the Financing of Proliferation of Weapons of Mass Destruction (hereinafter referred to as: the Strategy).

The new Strategy is materially different from previous versions in both contextual and structural ways. The format, logic and contents of the Strategy were defined based on

the FATF Methodology (2013), which is the implementation instrument for FATF Recommendations (2012) as the accepted international standards for AML/CFT.

With a view to monitor the effectiveness of the Strategy realization, the implementation Action Plan was approved as an integral part of the Strategy, together with the clearly defined measures for reaching the strategic objectives, priorities, deadlines, responsible agencies, required resource calculations, and the monitoring procedure for the action plan.

High strategic priority was assigned to the following:

- Measures directed towards enhancing the effectiveness in ML/FT investigations,
- Measures directed towards defining liability for presenting fake or incorrect information on beneficial owners of legal persons,
- Measures directed towards introducing alternative methods of criminal justice, including non-conviction-based property confiscation, etc.

The Strategy is available on the official website of the FMC:

[https://www.cba.am/Storage/AM/downloads/FDK/Strategy/AMLCFT\\_Strategy\\_\(2019-2021\)\\_Arm.pdf](https://www.cba.am/Storage/AM/downloads/FDK/Strategy/AMLCFT_Strategy_(2019-2021)_Arm.pdf)

By virtue of 2015 Constitutional Amendments in the Republic of Armenia and derivatives requirements in the Republic of Armenia Law on Normative Legal Acts, the Interagency Committee discussed in its next regular meeting and approved the following points related to the organization of its own activities:

- Update to the membership of the Interagency Committee, which will welcome the Advisor to the Prime Minister of the Republic of Armenia and the Head of the Special Investigative Service of the Republic of Armenia as its member,
- Approval of the membership of the Interagency Committee by the Prime Minister of the Republic of Armenia.

### **Cooperation with law enforcement authorities**

Domestic cooperation between the FMC and law enforcement authorities is mainly around information exchange on ML/FT hypotheses.

The table below presents statistical data for 2017-2018 on disseminations made to law enforcement authorities resulting from analyses with ML hypotheses, as well as on requests made by the FMC to law enforcement authorities and vice-versa.

|                                                               | 2017 | 2018 |
|---------------------------------------------------------------|------|------|
| <b>Disseminations from FMC to law enforcement authorities</b> | 37   | 44   |
| <b>Requests from FMC to law enforcement authorities</b>       | 5    | 1    |
| <b>Requests from law enforcement authorities to FMC</b>       | 58   | 84   |
| <b>Criminal cases instigated</b>                              | 2    | 8    |

As a result of FMC analyses, disseminations made to law enforcement authorities with ML hypotheses were related to the following most common schemes.

- Attempts to legalize proceeds of crimes committed through the use of various mass marketing schemes,
- Transit flow of funds through the Armenian banking system, where the funds are originating from outside of the Republic of Armenia in other countries with unknown (potentially criminal) sources,
- Financial transactions potentially aimed at tax evasion, illegal entrepreneurship and unreported economic activity,
- Transactions towards legalization of proceeds received from abuse of formal responsibilities by officials of commercial or other organizations,
- Other cases with similarities to the schemes described in the typologies published by the Central Bank of Armenia.

Worth mentioning that the increase in the number of requests made by law enforcement authorities to the FMC in 2018 was driven by the higher number of cases detected involving potential legalization of proceeds received from crimes with elements of corruption.

***Four criminal cases with ML offence were instigated based on disseminations made by the FMC***

As for criminal cases instigated in 2018, four out of eight cases were based on disseminations made by the FMC to law enforcement authorities. At the

same time, in the scope of cooperation and exchange of information with law enforcement authorities around the other four criminal cases, the FMC conducted extensive analyses based on requests received from law enforcement authorities and shared the results accordingly.

In general, both the STRs received and disseminations made to law enforcement authorities based on the analyses of the STRs, as well as the underlying hypotheses of the criminal cases instigated, are all comparable in nature, which is an important indicator of effective cooperation between the FMC and law enforcement authorities on one hand, and between the FMC and reporting entities on the other hand.

The increased effectiveness in cooperation is also driven by the launch and full exploitation of the Integrated Information System of the Central Bank of the Republic of Armenia, which allows for secure online exchange of information among law enforcement authorities on suspicions or cases of ML/FT.

In parallel to information exchange, discussions were held both around separate criminal cases and for training purposes. In particular, for the purpose of raising the effectiveness in investigating criminal cases with elements of ML offence, around 50 separate discussions and meetings were held with subject matter officials of law enforcement authorities investigating the criminal case under consideration.

***A conference was held dedicated to the cooperation between the FMC and law enforcement authorities, as well as to implementation of international commitments ratified by the Republic of Armenia related to the confiscation of property***

Continuous measures were undertaken by the FMC in 2018 for raising the effectiveness of ML/FT investigations. In this context, a conference was held for around 30 representatives from the FMC, Academy of Justice of the Republic of Armenia, law enforcement and judicial systems, Chamber of Attorneys, and state competent authorities contributing to AML/CFT policy-making effort, carrying the title of Cooperation between the FMC and Criminal Prosecution Authorities: Implementations of

Select Provisions Related to Property Confiscation

Specified by International Agreements Ratified by the Republic of Armenia.

Various topics were discussed during the conference, including the peculiarities in using the data provided by administrative-type FIUs as intelligence information, the grounds

and triggers for instigating ML criminal cases under the laws of the Republic of Armenia, the procedures followed and analyses conducted by the FMC, etc.

At the same time, the implementation of provisions around confiscation of property, as specified by international agreements ratified by the Republic of Armenia, was discussed during the conference. Resulting from the conference, it was decided to investigate the international experience, develop proposals for the improvement of property confiscation practices and present them to the discussion of the Interagency Committee (for details refer to the part on Preventive Measures in the chapter on Regulatory Amendments of this report).

### **Supervision and examinations**

In the reporting period, the FMC continued cooperating with supervisory authorities of financial institutions and designated non-financial businesses and professions to promote adequate compliance with AML/CFT regulatory requirements, as well as to identify training needs among reporting entities and supervisory authorities.

Examinations and other supervisory measures resulted in penalties imposed on reporting entities, 16 financial institutions and 3 designated non-financial businesses and professions, in the form of warnings and fines.

The violations of AML/CFT regulatory requirements by financial institutions were mainly related to incompliance with requirements on customer due diligence, competencies of the internal compliance service, reporting by internal compliance service to senior management, submission of transactions subject to mandatory reporting to the competent authority, etc.

The violations by designated non-financial businesses and professions were mainly related to incompliance with requirements specified under the AML/CFT Law, related to internal procedures, internal compliance service and reporting.

Worth mentioning that the trainings and conferences held for the purpose of building AML/CFT capacities and raising awareness in AML/CFT developments were attended by both reporting entities and their supervisory authorities.

## INTERNATIONAL COOPERATION

In the context of AML/CFT, the FMC continues cooperation both with foreign FIUs (in terms of information exchange) and international organizations involved in AML/CFT (in terms of joint implementation of various projects). Republic of Armenia, represented by the FMC, participates in the mandate of international organizations involved in the development of AML/CFT international standards, as well as in the introduction and implementation of standards at individual country level. Such organizations include the MONEYVAL Committee, the Egmont Group, the Eurasian Group, and the Council of Heads of CIS FIUs.

### **MONEYVAL Committee**

In the reporting period, the FMC participated in the implementation of MONEYVAL's work plan as part of the Armenian delegation. Worth mentioning that in the context of the fifth round mutual evaluations of AML/CFT systems conducted by the MONEYVAL Committee, representatives of the FMC participated as financial and law enforcement

*According to the progress report of the fifth round mutual evaluation of Armenia's AML/CFT system, the country demonstrated significant progress in implementation of FAFT Recommendations 1, 7 and 8*

evaluators in the assessment of national systems for combating ML/FT and PF in the Latvia, Lithuania, Malta and Czech Republic.

During the 56<sup>th</sup> plenary session of the MONEYVAL Committee the progress report of the fifth round mutual evaluation of Armenia's AML/CFT system was approved. According to conclusion reached, the Republic of Armenia demonstrated significant progress in

implementation of FAFT Recommendation 1 (Assessing risks & applying a risk-based approach), Recommendation 7 (Targeted financial sanctions related to proliferation) and Recommendation 8 (Non-profit organizations).

### **Egmont Group**

The FMC continued exchanging information with foreign FIUs through Egmont Group's secure information network. The FMC representatives attended the meetings of the Working Groups and Committee of the Egmont Group in Buenos Aires, Argentina, as well as in the meetings of the Heads of FIUs in Egmont Group. Among other topics of the agenda, the meetings reflected on legalization of proceeds from corruption-related crimes, including on the special importance and role of FIUs in fighting corruption.

### **Eurasian Group**

In the reporting period, the FMC representatives attended the plenary session of the Eurasian Group and the meetings of Working Groups. During the plenary session of the Eurasian Group, among other topics of the agenda, the mutual evaluation reports for Tajikistan and Kyrgyzstan were discussed and approved, where an FMC representative participated as a law enforcement evaluator.

### **Council of Heads of CIS FIUs**

In the reporting period, the FMC representatives attended the plenary sessions of the Council of Heads of CIS FIUs (hereinafter referred to as Council), which reflected on the results of joint measures implemented towards identification of persons related to international terrorist organizations. Upon the initiative of the FMC, continuous efforts were invested towards assessing ML risks in the region, proposals were developed towards prevention of abuse in electronic payment systems for ML/FT purposes, the circle of participants to the information exchange system of the Council was expanded, and issues related to improving the effectiveness of AML/CFT in the region were discussed.

### **Foreign FIUs**

The FMC continued cooperation with foreign FIUs, leading to 29 information requests received and 54 sent in 2018. The highest number of information requests were sent to the FIUs in USA, Latvia, Russia, France, Great Britain, Cyprus, Germany, while the highest number of request were received from FIUs in Moldova, Russia, Uzbekistan and Latvia. Complete information on memoranda of understanding signed with foreign FIUs is presented in Annex 3 of this report

## ANNEXES

### Annex 1. Reporting entities and filing of reports

| Reporting entities                                                 | Registered at FMC | Reports filed with FMC           |                                |
|--------------------------------------------------------------------|-------------------|----------------------------------|--------------------------------|
|                                                                    |                   | Mandatory Reporting Transactions | Suspicious Transaction Reports |
| <u>Financial institutions</u>                                      |                   |                                  |                                |
| Banks                                                              | 17                | 473 321                          | 262                            |
| Credit organizations                                               | 36                | 2 689                            | 10                             |
| Traders in foreign exchange                                        | 175               | 200                              | -                              |
| Broker-dealers in foreign exchange                                 | 1                 | 417                              | -                              |
| Licensed money (currency) transfer services                        | 6                 | 212                              | 7                              |
| Investment firms                                                   | 11                | 699                              | -                              |
| Investment fund managers                                           | 3                 | 10                               | -                              |
| Central depository                                                 | 1                 | -                                | 12                             |
| Insurance (reinsurance) companies                                  | 8                 | -                                | -                              |
| Insurance (reinsurance) agents                                     | 3                 | -                                | -                              |
| Corporate investment funds                                         | 2                 | 37                               | -                              |
| Non-public contractual investment funds without a licensed manager | 17                | -                                | -                              |
| Pawn shops                                                         | 106               | 544                              | -                              |
| <u>Non-financial institutions</u>                                  |                   |                                  |                                |
| Realtors                                                           | 205               | -                                | -                              |
| Notaries                                                           | 116               | 9 840                            | -                              |
| Attorneys, independent lawyers and law firms                       | 1 510             | -                                | -                              |
| Independent accountants and accounting firms                       | 10                | -                                | -                              |
| Independent auditors and audit firms                               | 29                | -                                | -                              |
| Dealers in precious metals                                         | -                 | -                                | -                              |
| Dealers in precious stones                                         | 22                | -                                | -                              |
| Dealers in art work                                                | -                 | -                                | -                              |
| Action houses                                                      | -                 | -                                | -                              |
| Organizers of games of chance and casinos                          | 5                 | 14                               | -                              |
| Organizers of lotteries                                            | 4                 | 77                               | 3                              |
| Organizers of internet games of chance                             | 3                 | 164                              | -                              |
| Trust and company service providers                                | -                 | -                                | -                              |
| <u>Others</u>                                                      |                   |                                  |                                |
| Credit bureaus                                                     | 1                 | -                                | -                              |
| TOTAL                                                              | 2291              | 488 224                          | 294                            |

## Annex 2. Trainings for reporting entities

| Financial Institutions                                                                                                    |                                                      |                  |
|---------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|------------------|
| <u>Topic</u>                                                                                                              | <u>Reporting Entities</u>                            | <u>Attendees</u> |
| • <i>Refusal/termination of transactions/business relationships and relevant FMC instructions</i>                         | Banks                                                | 20               |
|                                                                                                                           | Credit organizations                                 | 20               |
| • <i>Risks arising from non-face-to-face business relationships and ways of mitigation (where relevant)</i>               | Money transfer services                              | 5                |
| • <i>Management of correspondent or similar relationships (where relevant)</i>                                            | Insurance companies                                  | 5                |
|                                                                                                                           | Investment service providers                         | 7                |
| • <i>Amendments and revisions to the Republic of Armenia Law on money Laundering and Terrorism Financing</i>              | Pawn shops                                           | 22               |
| • <i>New online report submission system</i>                                                                              | Traders in foreign exchange                          | 18               |
| Designated non-financial businesses and professions                                                                       |                                                      |                  |
| • <i>Amendments and revisions to the Republic of Armenia Law on money Laundering and Terrorism Financing</i>              | Attorneys                                            | 55               |
| • <i>Requirements and methods for identification of beneficial owners of legal persons</i>                                | Notaries                                             | 109              |
| • <i>Advocate Secrecy. Michaud vs. France 01.06.2012 European Court of Human Rights Judgment (where relevant)</i>         |                                                      |                  |
| • <i>Presentation of suspicious criteria relevant to the operation of audit and accounting companies (where relevant)</i> | Audit companies                                      | 26               |
| • <i>Presentation of suspicious criteria relevant to the operation of internet games of chance (where relevant)</i>       | Organizers of games of chance, lotteries and casinos | 16               |
| <b>Total of 303 attendees</b>                                                                                             |                                                      |                  |

## **Annex 3. Memoranda of understanding**

### **Memoranda of understanding between the FMC and domestic competent authorities**

#### Law enforcement authorities

- General Prosecutor's Office (updated on 28.11.2016)
- National Security Service (updated on 24.01.2017)
- Police (updated on 18.11.2016)
- State Revenues Committee (updated on 25.09.2017)
- Investigative Committee (signed on 16.11.2016)

#### Other competent authorities

- Academy of Justice (signed on 12.11.2016)
- Ministry of Economic Development and Investments (signed on 19.01.2017)
- Ministry of Finance (signed on 10.10.2017)

**Memoranda of understanding between the FMC and foreign FIUs**

| Country                                                                                           | Date       | Country                                                                                                  | Date       |
|---------------------------------------------------------------------------------------------------|------------|----------------------------------------------------------------------------------------------------------|------------|
|  Australia       | 26.08.2009 |  Montenegro             | 12.07.2011 |
|  Belarus         | 04.02.2008 |  Panama                 | 03.07.2013 |
|  Bermuda         | 21.10.2009 |  Poland                 | 22.09.2009 |
|  Canada          | 21.12.2009 |  Romania                | 27.05.2009 |
|  China           | 08.06.2011 |  Russia                 | 09.06.2015 |
|  Croatia         | 11.07.2012 |  San Marino             | 15.03.2010 |
|  Cyprus          | 11.07.2012 |  Saudi Arabia           | 12.07.2011 |
|  Georgia         | 26.02.2008 |  Serbia                 | 12.07.2011 |
|  Israel          | 03.11.2011 |  South African Republic | 22.05.2009 |
|  Iran            | 26.05.2010 |  Taiwan                 | 12.07.2011 |
|  Japan           | 29.10.2012 |  Tajikistan             | 19.05.2011 |
|  Kazakhstan      | 11.11.2015 |  Thailand               | 29.11.2010 |
|  Kyrgyzstan    | 19.02.2014 |  Turkmenistan         | 24.10.2017 |
|  Latvia        | 28.10.2017 |  Ukraine              | 13.03.2008 |
|  Lichtenstein  | 04.06.2014 |  United Arab Emirates | 28.05.2009 |
|  FYR Macedonia | 13.07.2011 |  United Kingdom       | 27.09.2012 |
|  Moldova       | 12.07.2011 |  Vatican              | 14.04.2017 |