COMMITTEE OF EXPERTS ON THE EVALUATION OF ANTI-MONEY LAUNDERING MEASURES AND THE FINANCING OF TERRORISM (MONEYVAL)

MONEYVAL(2012)27

Armenia

Progress report and written analysis by the Secretariat of Core Recommendations[1]

3 December 2012

[1] Second 3rd Round Written Progress Report Submitted to MONEYVAL

Armenia is a member of MONEYVAL. This progress report was adopted at MONEYVAL's 40th Plenary meeting (Strasbourg, 3-7 December 2012). For further information on the examination and adoption of this report, please refer to the Meeting Report of the 40th plenary meeting at http://www.coe.int/moneyval

© [2012] All rights reserved. Reproduction is authorised, provided the source is acknowledged, save where otherwise stated. For any use for commercial purposes, no part of this publication may be translated, reproduced or transmitted, in any form or by any means, electronic (CD-Rom, Internet, etc) or mechanical, including photocopying, recording or any information storage or retrieval system without prior permission in writing from the MONEYVAL Secretariat, Directorate General of Human Rights and Rule of Law, Council of Europe (F-67075 Strasbourg or moneyval@coe.int).

Table of contents

1. Written Analysis of progress made in respect of the FATF Core Recommendations 5

1.1 Introduction 5

1.2 Detailed review of measures taken by Armenia in relation to the Core Recommendations 6

1.3 Main conclusions 14

2. Information submitted by Armenia for the second 3rd progress report 16

2.1 General overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field 16

2.2 Core recommendations 31

2.3 Other Recommendations 44

2.4 Specific Questions 79

2.5 Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC) 81

2.6 Statistics 87

3. Appendices 100

APPENDIX I - Recommended Action Plan to Improve the AML / CFT System 100

APPENDIX II – Relevant EU texts 114

APPENDIX III – Draft legislation and other relevant documents 116

This is the second 3rd Round written progress report submitted to MONEYVAL by the country. This document includes a written analysis by the MONEYVAL Secretariat of the information provided by Armenia in accordance with the decision taken at MONEYVAL's 33rd plenary in respect of progress reports.

ACRONYMS

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CC	Criminal Code
CBA	Central Bank of Armenia
CDD	Customer Due Diligence
CPC	Criminal Procedure Code
DNFBP	Designated Non-Financial Businesses and Professions
EAG	Eurasian Group on Combating Money Laundering and Financing of Terrorism
FATF	Financial Action Task Force
FT	Financing of terrorism
FI	Financial institution
FIU	Financial Intelligence Unit
FMC	Financial Monitoring Centre
FSD	Financial Supervision Department
IMF	International Monetary Fund
LBS	Law on Banking Secrecy
Law on Gambling	Law on Games of Chance and Casinos
LEA	Law Enforcement Agency
LOSA	Law on Operational and Search Activities
Regulation	Regulation on the Minimal Requirements Stipulated for the FIs in the Area of Combating Money Laundering and Terrorist Financing and Declaration Form about Presence (Absence) of a Real Beneficiary in the Transaction
MER	Third Round Mutual Evaluation Report of Armenia on Anti-Money Laundering and Combating Financing of Terrorism
MoF	Ministry of Finance
MoJ	Ministry of Justice
MoU	Memorandum of Understanding
ML	Money Laundering
MLA	Mutual Legal Assistance
NSS	National Security Service
NPO	Non-Profit Organization
PEP	Politically-Exposed Person
RA	Republic of Armenia
GRBA	Guidance on Risk-Based Approach
SRC	State Revenue Committee
SRO	Self-Regulatory Organization
SRA	Strategic Risk Assessment
STR	Suspicious Transaction Report
TTR	Transaction Threshold Report
UN	United Nations Organization
UNSCR	United Nations Security Council Resolution
WB	World Bank

Armenia

Second 3rd round Written Progress Report
Submitted to MONEYVAL

1. Written Analysis of progress made in respect of the FATF Core Recommendations

1.1 Introduction

1. The purpose of this paper is to introduce Armenia's second progress report back to the Plenary concerning the progress that it has made to remedy the deficiencies identified in the third round mutual evaluation report (MER) on selected Recommendations.

2. Armenia was visited under the third evaluation round from 23 February to 10 March 2009 and the mutual evaluation report (MER) was examined and adopted by MONEYVAL at its 30rd Plenary (21-24 September 2009). According to the procedures, Armenia submitted its first year progress report to the September 2010 Plenary in accordance with Rule 42 of the Rules of Procedure. The first progress report was analysed and adopted by the 33rd plenary and as a result Armenia was requested to report back in December 2012.

3. This paper is based on the Rules of Procedure as revised in March 2010 which require a Secretariat written analysis of progress against the core Recommendations[1]. The full progress report is subject to peer review by the Plenary, assisted by the Rapporteur Country and the Secretariat (Rules 38-40). The procedure requires the Plenary to be satisfied with the information provided and the progress undertaken in order to proceed with the adoption of the progress report, as submitted by the country, and the Secretariat written analysis, both documents being subject to subsequent publication.

4. Armenia has provided the Secretariat and Plenary with a full report on its progress, including supporting material, according to the established progress report template. The Secretariat has drafted the present report to describe and analyse the progress made for each of the core Recommendations.

5. Armenia received the following ratings on the core Recommendations:

R.1 – Money laundering offence (LC)
SR.II - Criminalisation of terrorist financing (PC)
R.5 - Customer due diligence (PC)
R.10 – Record Keeping (LC)
R.13 - Suspicious transaction reporting (LC)
SR.IV - Suspicious transaction reporting related to terrorism (LC)

6. This paper provides a review and analysis of the measures taken by Armenia to address the deficiencies in relation to the core Recommendations (Section II) together with a summary of the main conclusions of this review (Section III). This paper should be read in conjunction with the Progress Report Questionnaire and annexes submitted by Armenia.

[1] The core Recommendations as defined in the FATF procedures are R.1, R.5, R.10, R.13, SRII and SRIV.

7. It is important to be noted that the present analysis focuses only on the core Recommendations and thus only a part of the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system is assessed. Furthermore, when assessing progress made, effectiveness was taken into account to the extent possible in a paper based desk review, on the basis of the information and statistics provided by Armenia, and as such the assessment made does not confirm full effectiveness.

1.2 Detailed review of measures taken by Armenia in relation to the Core Recommendations

A. Main changes since the adoption of the MER

8. Since the adoption of the mutual evaluation report (September 2009) and by the time of the first progress report (September 2010), Armenia had taken the following measures with a view to addressing the deficiencies identified in respect of the core Recommendations:

- adopted a specific Action Plan in 2009;
- adopted a National Strategy for Combating Money Laundering and Terrorism Financing for 2010-2013;
- prepared amendments to 17 laws on provisions relating to ML/FT (AML/CFT Law, Criminal Code, Criminal Procedure Code, Administrative Violations Code, Customs Code, Law on Bank secrecy, Law on insurance and insurance activities, Law on Licensing, Law on organising and conducting inspections, Law on accounting, Law on auditing activities, Law on advocacy, Law on the notarial system, Law on declaration of property and income of natural persons, Law on Games of Chance and Casino, Law on Lotteries, Law on State Registration of Property Rights, Law on Postal Communications) and submitted it late August to the Government with a request for expedited follow-up procedures;
- initiated a strategic assessment of ML/FT risks in the country;
- developed a methodology based on the FATF reference documents and similar initiatives in other countries defining the areas of risk, the necessary information that needs to be analysed in each area as well as the sources of reliable information. The methodology was approved by the Interagency Commission in March 2010;
- adopted on 6 August 2010 a number of Guidance notes for DNFBPs on the risk based approach;
- conducted a number of trainings for the judiciary, law enforcement officials and reporting entities;
- the authorities indicated that during the period from October 2009 to September 2010 11 ML criminal investigations were initiated, 3 indictments for alleged ML offences were raised and 2 convictions and 1 acquittal were issued on ML offences).

9. The following additional measures have been taken since the first progress report:

- The AML/CFT National Strategy for the period 2013-2015 has been elaborated and approved at the session of the Interagency Committee of October 25, 2012. The findings of the National Risk Assessment (published in 2010) have been considered for the new strategy;
- The package of amendments to the 17 laws mentioned above has been re-modified[2] and is now composed of a package of 15 draft laws (AML/CFT Law, Criminal Code, Criminal Procedure Code,

[2] The draft legal package was initially submitted to the Government of Armenia in late August 2010. The authorities clarified that at that time a new legislative requirement entered into force establishing that any legal act should be examined and assessed for consistency in terms of economic, social protection, anti-corruption, environmental and other impact before it could be endorsed by the National Assembly. Consequently, a new round of consideration of the legal package amongst all stakeholder agencies and institutions (including LEAs, supervisory authorities, SROs, and private sector) was initiated resulting in a large number of new comments/ recommendations for further enhancement of certain provisions of the draft legal acts. This explains the relatively long period (around 2.5 years) which the

Administrative Violations Code, Customs Code, Law on advertisement, Law on advocacy, Law on auditing activities, Law on Bank secrecy, Law on Games of Chance and Casino, Law on organizing and conducting inspections, Law on insurance and insurance activities, Law on Licensing, Law on Lotteries, Law on the notarial system), which has been submitted to the National Assembly on 1st of November 2012[3];

- A revised version of the Rules on Provision of Information on the Transactions Performed by the Cash Operation Department of the Central Bank to the FMC was issued on January 27, 2012;
- A revised version of the Regulation for Making Decision to Suspend Suspicious Transaction or Business relationship or to Freeze Terrorist Funds was issued on April 17, 2012;
- A revised version of the Manual on Cooperation between the FMC and the Financial Supervision Department of the Central Bank was issued on January 27, 2012.
- A revised version of the Manual on Internal Procedures of the FMC was issued on April 26, 2012;
- A Manual on the Assessment of Results of Analysis Conducted by the FMC of the Central Bank was issued on April 17 , 2012;
- The authorities conducted a number of trainings for the judiciary, law enforcement officials, the FIU, supervisory authorities and reporting entities;
- During the period from September 2010 to October 2012,18 ML criminal investigations were initiated, 18 indictments for alleged ML offences were raised, 6 convictions were issued on ML offences and a total amount of 801.475 EUR was confiscated in ML cases. Notably, the Cassation Court clarified in a 2011 ruling that a prior conviction for the predicate offence is not necessarily required in order to achieve a ML conviction.

10. Armenia has also taken additional measures to address deficiencies identified in respect of the key and other Recommendations, as reflected in the progress report, however these fall outside of the scope of the present report and thus are not analysed therein.

B. Review of measures taken in relation to the Core Recommendations

11. The review of measures taken in relation to the Core Recommendations should be read in conjunction with the analysis of the Core Recommendations outlined in the first 3rd round progress report. 4 The Secretariat analysis below is only focused on new developments since the last progress report and in particular on those deficiencies that do not appear to have been fully or adequately addressed.

Recommendation 1 - Money Laundering offence (rated LC in the MER)

12. *Deficiency 1 identified in the MER* (*It remains unclear whether to prove that property is proceeds of crime a conviction for a predicate offense is required).* A final conviction for a stand-alone ML case could be a very relevant indicator for the changing of the previous common understanding of the Armenian jurisprudence related with the requirement of a conviction for a predicate offence to prove that property is proceeds of crime. Unfortunately, since the 3rd round report, no conviction was rendered for ML in the absence of a prior or simultaneous conviction for the predicate offence.

---

authorities needed for developing and finalizing the package of draft laws aimed at implementing MONEYVAL's third round recommendations, as well as including aspects related to the revised FATF recommendations.

[3] At the time of this report, the package was under consideration of the Standing Committee for defense, National security and Internal Affairs of the National Assembly, which is responsible for the preliminary review of draft legislative acts. The authorities indicated that it is deemed to be included in the agenda for the first reading by the National Assembly sitting in December 2012.

[4] See MONEYVAL(2010)5 – First third round progress report of Armenia and written analysis by the Secretariat of Core Recommendations at www.coe.int/moneyval

13. However the authorities reported, and this is positively noted, that the Cassation Court has raised this issue in a verdict on a ML case (dated February 2011), though this case was not a stand-alone ML case. The court decision highlights - in the margin of a criminal case - that in ML cases is not necessary to have a court verdict with a conviction for the predicate offence. Given to the binding character of the above–mentioned reasoning on a court in the examination of a case with identical/similar factual circumstances the Armenian authorities conclude that the conviction for a predicate offense is no longer required to prove that property proceeds from crime.

14. The Armenian authorities also indicated that the practitioners' perception of the level of proof applied to the specific predicate offence has changed. In support of this statement, they have indicated that 4 cases of stand–alone ML were initiated since the 1st Progress Report and are currently under investigation. In 3 cases, the stand-alone ML offences were committed by a third party. In other 3 stand-alone ML cases the facts have not been disclosed yet to classify the cases of ML as committed by a third party. However, considering the limited number of stand alone ML investigations initiated in terms of the effects of the above mentioned steps, it is too early to consider that those are definitely illustrative of an essential change of the investigative approach of the ML phenomena.

15. Undoubtedly, the above mentioned decision of the Cassation Court and the reported recent approach of ML as a stand-alone offence in the investigative stage are welcomed steps ahead which are likely to produce a clearly new orientation of jurisprudence in respect of necessary standard of proof for the underlying predicate offence of money laundering. These developments remain to be confirmed by prosecuted cases and courts' practice.

16. *Deficiency 2 identified in the MER (The low number of ML criminal investigations compared to the number of criminal investigations for proceeds-generating crimes, as well as the high standard of proof applied by the courts to establish that assets originate from crime, indicate an issue of effectiveness in the implementation of the ML criminal provision*). From the outset, it should be pointed out that a desk based review is limited in its ability to assess effectiveness or the lack thereof. The third round MER had concluded that the money laundering criminal provision was largely in line with the material elements of the Vienna and Palermo Conventions though considering the results achieved, it recommended to undertake appropriate initiatives to assess what barriers exists for prosecuting and adjudicating money laundering cases.

17. As clarified in the first progress report, the Board of the Prosecutor's Office had undertaken a review to assess the practice in the implementation of the ML offence and related issues of concerns, and several training initiatives (training events, library with electronic and paper materials for ML/FT investigations) were organised to enhance the knowledge of judges, prosecutors and law enforcement officials in this area. It was then concluded that the training efforts will need to be pursued through a comprehensive approach to the initial and on-going training in this area for investigators, prosecutors and judges. It appears that there has not been a change on this point. Trainings organised in the reference period (2010-2012) for judges, prosecutors and law enforcement authorities covering AML/CFT issues include three training events, mostly delivered under foreign technical assistance. Findings of the first progress report analysis are thus reiterated on this issue. The practice and impact of these training measures, which are welcomed, cannot be assessed in the context of this review. It is also noted that a handbook "Combating Money Laundering was published in 2010 by the School of prosecutors.

18. The updated statistics show that since the first progress report, investigations were initiated in 18 cases and prosecutions in 18 cases. Convictions were issued in 6 cases[5]. The authorities advised that 6 stand-alone ML cases were initiated, out of which 2 are under investigation, 3 were suspended and 1 changed into a regular

[5] It is interesting to note that the full text of the convictions issued since 2006 is available in English on the CBA's website.

ML case with a charge concerning a predicate offence. There have not been no stand-alone ML prosecution cases. Compared with the statistics provided previously, the number of ML cases under investigation and ML prosecutions has slightly increased and it is positively noted that 5 out of the 6 ML convictions are final. Only in 1 case have proceeds been seized and confiscation was applied in all six cases totalling 801.0000 Euros. From a desk review based perspective, these results are encouraging in terms of improved effectiveness of implementation of the money laundering offence. These issues will need to be revisited in MONEYVAL's follow up evaluation.

Special Recommendation II - Criminalisation of terrorist financing (rated PC in the MER)

19. Shortcomings identified in respect of the TF incrimination had not yet been rectified at the time of the first progress report, though the authorities had initiated action in this respect through draft legislation as explained above. There do not appear to be any major substantial change to the previously reported situation, and the draft legislation is now pending before the National Assembly. Therefore it cannot be concluded at this stage that these deficiencies have been fully addressed.

20. *Deficiency 1 identified in the MER (Article 217.1. CC does not criminalize the financing of terrorist or terrorist organizations in situations where the property or funds are provided or collected without the intention or knowledge that the funds or property will be used in the commission a specific act of terrorism, as required under SR II)* There are no substantial changes to the draft presented for the first progress report. The new draft Article 217.1 CC paragraph 1 (draft of the Law on making changes and amendments in the Criminal Code) reads as follows: "*Financing of terrorism, that is the action of wilfully providing or collecting property by any means, directly or indirectly, with the unlawful intention that they should be used, or in the knowledge that they are to be used, in full or in part, to carry out a terrorist act or by a terrorist organisation or by an individual terrorist […]*"

21. The wording of the provision, if and when enacted (and subject to further verification for any potential changes that might have been made in the legislative adoption process) would address the deficiency identified and improve Armenia's compliance with the Recommendation.

22. *Deficiency 2 identified in the MER* (*Due to the inconsistent use of terminology in paragraph 1 "("financial means") and paragraph 3 ("objects of terrorist financing"), it is unclear whether Article 217.1. CC applies to all "funds" as defined by the TF Convention*).The new definition of ''financing of terrorism'' stipulated in the new drafted Article 217.1 CC replaced the term ''financial means'' with the term ''property''. Paragraph 3 of the redrafted Article 217.1 provides that '' for the purpose of this Article, property shall be the property specified under Part 4 of Article 103.1''. The redrafted Article 103.1 provides for a comprehensive definition of the term '' property'' which would apply to any article of the CC: '*'material goods of every kind, moveable or immoveable objects of civil rights, including monetary (financial) funds, securities and property rights, documents or other instruments evidencing title to or interest in property, as well as the interest, dividends, or other income accruing from or generated by such property*''.

23. These provisions, if and when adopted (and subject to further verification for any potential changes that might have been made in the legislative adoption process) would address the deficiency identified and improve Armenia's compliance with the Recommendation.

24. *Deficiency 3 identified in the MER* (*The purposive element required by Article 217 (terrorism) unduly restricts the application of the TF provision to most of the terrorism offenses stipulated in the nine Conventions and Protocols listed in the Annex to the TF Convention).*

25. The generic terrorism offence as defined in the current Article 217 CC has a special intent requirement namely that an act is committed "with the purpose of violation of the public security, intimidation of the

population or exerting pressure on decision making by a state official, or for the purpose of fulfilling another demand of the perpetrator," whereas most of the offences as defined in the nine Conventions and Protocols listed in the Annex to the TF Convention do not require such an intent.

26. The new draft Article 217 sets out a different approach for defining terrorism: "Terrorism, that is <u>any action provided for by the annexes to the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism</u>, as well as any other action, or the threat of action, intended to cause death or serious bodily injury to a civilian or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such action, by its nature or context, is to intimidate a population, or to exert pressure on a government body or an international organization or an official to make a decision or to do an act, or to abstain from these, shall be punished with imprisonment for a term of 5 to 10 years, with or without confiscation of property''. The Armenian authorities consider that this would address the identified shortcoming.

27. It remains to be verified whether this legal approach, which is rather innovative, would effectively expand the scope of the terrorism offence to all *actus reus* and correspondent *mens rea* required by the provisions of the nine Conventions and Protocols listed in the Annex to the TF Convention. If this reference to international acts (which as such are not defined offences in the domestic legislation), would establish a self executing character for these Conventions and Protocols' provisions, then the deficiency could indeed be considered has being addressed (if and when enacted, and subject to further verification for any potential changes that might have been made in the legislative adoption process).

28. <u>*Deficiency 4 identified in the MER*</u> *(The definition of "terrorism" referred to by the TF provision does not contain a reference to "international organizations", as required by the TF Convention).* A clear reference to that effect is proposed in the draft Article 217 (Article 7 of the draft law on making changes and amendments in the Republic of Armenia Criminal Code). This provision, if and when adopted (and subject to further verification for any potential changes that might have been made in the legislative adoption process) would address the deficiency identified.

29. <u>*Deficiency 5 identified in the MER*</u> *(There is no criminal liability of corporate entities).* The previous findings are reiterated, as the authorities have not taken any action nor do they plan to do so in the near future. The Armenian authorities maintained their view that this would be prevented by the principles set in the Constitution and the Criminal Code, although this view had been considered and dismissed in the mutual evaluation report.

30. Developments are noted as regards administrative corporate liability for ML/FT. Article 31 of the 2012 draft AML/CFT law provides for a range of administrative sanctions related to ML/FT offences for legal persons, differentiated for legal persons which are or which are not reporting entities. The sanctions could be fines[6] (for non reporting entities equal to the 2,000-fold amount of the minimum salary for involvement of legal person in ML and 10,000 for involvement of legal person in TF; for reporting entities equal to the 5,000-fold amount of the minimum salary for involvement of legal person in ML and 20,000 for involvement of legal person in TF), dissolving the legal person in the manner established by law, revoking, suspending or terminating the license. The Article 31 details when may arise the involvement of legal person in ML and TF, the prerequisites to hold liable a legal person for ML and TF and other issues related to proceedings for applying administrative sanctions. The administrative sanctioning regime envisaged by these modifications appears to be proportionate and dissuasive.

[6] 1 Euro is equal to AMD 500. The minimum salary is equal to AMD 1000, which means that 2000 fold of minimum salary is equal to 2000000 (approx. EUR 4000), 5000 fold of minimum salary is equal to 5.000.000 AMD (approx EUR 10.000) and 10.000 fold of minimum salary is equal to 10.000.000 AMD (approx. EUR 20.000).

Recommendation 5 - Customer due diligence regarding FIs (rated PC in the MER)

31. *Deficiency 1 identified in the MER (Availability of financial instruments in bearer forms, in some instances similar to anonymous accounts).* Reference is made here to the previous report as regards the findings of the authorities that no anonymous or fictitious accounts exist in Armenia. As regards financial instruments in bearer form, no changes have been made to the Civil Code provision by way of repealing or amending article 148. According to Article 148 part 2, the issuance of securities of a specific type, such as bearer (negotiable), nominal or in another form may be prohibited by a law. related with the issuance of the securities, which may be prohibited by a law, Article 15 , Part 1(3) of the new draft of the AML/CFT Law (like the previous draft) prohibits to open, issue, provide, and service the following:
    1) Anonymous accounts or accounts in fictitious names;
    2) Accounts with only numeric, alphabetic, or other conventional symbolic expression;
    3) Bearer securities. (" and payment instruments" from previous draft was eliminated)

32. The prohibition explicitly covered under the new draft of the AML/CFT Law, if and when adopted (and subject to further verification for any potential changes that might have been made in the legislative adoption process), will undoubtedly address the concerns raised in the mutual evaluation, if it will be accompanied by appropriate measures to deal with existing financial instruments in bearer form. The Armenian authorities would be expected to have a clear approach and set out an appropriate timeframe for the effective implementation of this provision, when adopted and verification that it is adequately applied.

33. *Deficiency 2 identified in the MER (Lack of requirements for financial institutions to a) adopt effective risk management procedures concerning conditions under which a customer is permitted to utilize the business relationship prior to CDD verification; and b) apply CDD measures to existing customers on the basis of materiality and risk and to conduct due diligence on such existing relationships at appropriate times).* The provisions related with the timing of the CDD verification and the measures stemming from peculiarities of risk-based due diligence of customer have been redrafted since the previous progress report. Article 16 paragraph 1 of the current draft amendments to the AML/CFT Law provides that reporting entities are required to verify the customer's identity based on the identification information, as provided by the law, also in the course of establishing the business relationship or conducting the occasional transaction, or thereafter within a reasonable timeframe *not to exceed 7 days, provided that the risk is effectively managed , and that this is essential not to interrupt the normal conduct of business relationships with the customer*. The new provisions actually reproduce, partially, the wording of the Essential criterion 5.14 of the Methodology.

34. Articles 18 (1) and 23 of the new draft AML/CFT Law require reporting entities to introduce adequate risk management procedures.

35. Considering the possible objective length in time of the CDD process for establishing the beneficial owner, the full complete information on the ownership and control structure of a legal person, as it was underlined also in the previous progress report, the time limit of 7 days may appear in some circumstances difficult to achieve.

36. Also the comments made in the previous analysis in respect of the definition of beneficial owner as well as regarding the circular issued in August 2010 by the FIU remain valid.

37. *Deficiency 3 identified in the MER (Low level of implementation/effectiveness of financial institutions (particularly for credit organizations and other non-bank financial institutions) with respect to the obligations established by the AML/CFT law and implementing regulations).* It is difficult in a desk review to make any assessment on the level of implementation by financial institutions of their CDD requirements. This matter could be adequately evaluated only during an on-site visit, on the basis of comprehensive information and meetings with relevant entities and supervisory authorities.

38. It is noted that the authorities have organised several training events for financial institutions, covering also specifically CDD related measures, in order to enhance their knowledge and contribute to a more effective implementation of the AML/CFT requirements and implementing regulations. Action has also been taken by the supervisory authority through complex or targeted examinations and a number of sanctions have been imposed specifically for CDD breaches.[7].

39. In conclusion, Armenia has prepared draft amendments to rectify the identified deficiencies and implement the recommendations of the MER, it undertook a number of trainings for financial institutions and verifications as regards the obliged entities' compliance with the requirements. Though it cannot be concluded at this stage that these deficiencies have been fully addressed based on draft legislation only, there is a clear process in train to address these deficiencies and this conclusion may change subject to the adoption of the draft legislation (and subsequent verification for any potential changes that might have been made in the legislative adoption process).

Recommendation 10 - Record keeping (rated LC in the MER)

40. *Deficiency 1 identified in the MER (Lack of guidance as to the notion of "main conditions of the transaction (business relationship)" subject to the recordkeeping requirements, in the cases which such transactions are not contracts).* The previous findings under the first progress report analysis remain valid.

41. Armenia decided to address this issue by amending the AML/CFT legislation. Record keeping provisions are set out in Article 22 of the new draft AML/CFT Law. The reference to the ''main conditions of the transactions (business relationship)'' has been removed and the provision now refers to ''all necessary records on transactions or business relationships, both domestic and international… which would be sufficient to permit full reconstruction of individual transaction or business relationship''.

42. Pending the adoption of the draft legislation (which would, when adopted, render this recommendation obsolete), no guidance has been issued as recommended. The Regulation on the Minimum Requirements stipulated for the Financial Institutions in the Field of Combating Money Laundering and Terrorism Financing, approved by the Decision of the Board of the Central Bank of Armenia from September 9, 2008 does not seem to cover this issue. The report indicates that sanctions have been applied for breaches of record-keeping requirements (in particular beneficial owner documentation).

43. The overall conclusion set out in respect of R.5 is repeated. The Armenian authorities need to address this recommendation further.

Recommendation 13 – STRs (rated LC in the MER)

44. *Deficiency 1 identified in the MER (Low level of suspicious transaction reports by FIs*). The MER had raised effectiveness concerns as regards the level of suspicious transactions reports by FIs, which was considered to be very low, despite a good understanding of the obligation to report and of the criteria that constitutes a suspicious transaction. It was thus recommended to provide additional training to reporting entities to ensure that staff is knowledgeable about the obligations imposed by law and that such trainings should specifically cover detection and reporting of suspicious transactions and should consider typologies and trends, especially for DNFBPs.

[7] For instance, as of the first half of 2010 the total amount of fines paid by banks for CDD related deficiencies exceeded 2 millions AMD, as compared to the total of 200.000 AMD imposed in 2009 and 300.000 AMD in 2008.

45. The consolidated tables below are aimed at providing an overall picture of the reporting regime in Armenia. The total number of reporting entities (including financial and non financial institutions as well as other types of reporting entities) is 6256, out of which 22 are banks.

Reporting of suspicious transaction reports by financial institutions

	Banks	Credit organisations	Foreign Exchange	Money transfer	Central Deposit/securities	Insurance
2009	70	-	-	1	-	-
2010	432	-	-	-	-	-
2011	184	-	-	-	-	-
2012 by 1/10	154	1	-	-	2	-

Reports received by the FIU and related action

	Reports about transactions above threshold	Reports about ML suspicious transactions	Reports about TF suspicious transaction	Cases[8]/ episodes analyzed by FIU ML	Cases/ episodes analyzed by FIU TF	Notifications to law enforcement/ prosecutors
2006	**53408**	**27**		**6**		**2**
2007	**77730**	**27**		**35**		**11**
2008	**93357**	**37**		**46**		**11**
2009	**102949**	**72**		**111**		**9**
2010	**136580**	**436**		**215**		**23**
2011	**150379**	**188**		**263**		**17**
2012 by 1/10	**120502**	**157**		**197**		**10**

46. Armenia reported that trainings for FIs were organized on a continuous basis (see progress report, over 10 training events were organised in the reference period) which also, inter alia, covered topics related to typologies, red flags and STR indicators. Twelve money laundering typologies have also been elaborated[9], based on the strategic analysis undertaken by Armenia, as well as the FIU's own analytical work and international typologies. All these undoubtedly are positive measures and should assist reporting entities to better understand when to report suspicious transactions.

47. Furthermore action has been taken in the context of on-site inspections. Armenia reports that in 12 cases, sanctions were applied for non compliance with the reporting obligations: in 9 instances for late submitting of reports, in 3 cases for non reporting and in 1 case for providing incorrect information in the report submitted.

[8] An episode is defined by the authorities as any preliminary analysis which has been carried out on the basis of information/signals received by the FIU (including the inquiries/referrals made by domestic and foreign counterparts) and which does not constitute for the FIU to carry out additional analysis / take further action.

[9] An English version of the published typologies is available on the CBA's website at : http://www.cba.am/en/sitepages/fmctypologies.aspx

48. The statistics reveal that with 3 exceptions, all STRs have been filed by banks. Following a drastic increase in STR reports in 2010, the figures have clearly decreased. The decrease is explained by the authorities as being attributed primarily to a change in the reporting approach: obliged entities are no longer filing separate STRs on several related transactions and are required to file one report several interrelated transactions. Secondly it is believed that the defensive reporting practice has been substantially reduced due as a result of the authorities' awareness raising measures. The low level of STR reporting is considered to reflect the identified low risks in other sectors as well as given the under-developed condition of the securities market and the absence of life insurance products in the sector. These considerations arise from the results of the national risk assessment conducted by the Armenian authorities, which concluded that the identified ML/TF risks and relevant schemes mainly concern the financial sector, whereby 93-96% of the assets are concentrated in the banking sector.

49. The assessment of the effectiveness of the reporting regime is limited in the context of a desk review. Armenia appears to have taken measures to assist financial institutions in implementing their reporting requirements and is closely monitoring this issue. Concerns remain about effectiveness in relation to the low level of reporting of suspicious ML related transactions, and in particular as regards the adequacy of reporting by non banking financial institutions. The Armenian authorities are advised to continue taking measures in order to be able to demonstrate concrete progress in the implementation of the reporting obligations by the non-banking financial institutions and other reporting entities in the context of the follow up visit.

Special Recommendation IV - Suspicious transactions reporting regarding FIs (rated LC in the MER)

50. *Deficiency 1 identified in the MER (Lack of guidance hampers the effective implementation of the reporting obligation).* The MER had raised effectiveness concerns regarding the implementation of the FT reporting obligation and had recommended that the authorities should provide guidance on the freezing obligations and on TF related typologies.

51. The reporting situation has remained unchanged – no STR has ever been filed by a reporting entity, whether based on a suspicion of TF or in respect of matches with the UNSCRs lists.

52. The typologies published by the FIU do not address any FT typology. No FT related guidance has been issued to date, the authorities indicating that they intend to do so after the adoption and enactment of the revised AML/CFT legislation.

53. The authorities' position as regards the issuing of guidance after the adoption of revised legislation is understandable, bearing in mind the FIU's human resources involved in such tasks. However, it has to be pointed out that the lapse of time for the adoption of the revised legislation has clearly been longer than anticipated (2.5 years). Consequently, one can only deplore the impact of this delay, and the absence of guidance thereof to reporting entities, particularly as three years have elapsed since the evaluation report's recommendation. The Secretariat's view is that the authorities should have nevertheless taken the time during this period to issue the recommended guidance, with the understanding that this guidance would be amended in due course, once the revised legislation would be adopted. Therefore, on this issue, with the exception of training measures, one cannot conclude that measures taken demonstrate concrete progress.

1.3 Main conclusions

54. Since the adoption of the mutual evaluation report, Armenia has continued to work on the basis of a specific action plan to address the deficiencies identified and the recommendations formulated in the mutual evaluation report.

55. As a result, a revised package of 15 draft laws, including to the AML/CFT Act and the Criminal Code, has been presented to the National Assembly for adoption. Many of the proposed draft amendments to existing legislation should address almost all of the deficiencies identified in the MER in respect of the recommendations analyzed above, once they are adopted and in force. Though it cannot be concluded at this stage that these deficiencies have been fully addressed based on draft legislation only, there is a clear process in train to address these deficiencies and this conclusion may change subject to the adoption of the draft legislation (and subsequent verification for any potential changes that might have been made in the legislative adoption process).

56. The statistics attached to the progress report show some improvements in respect of effectiveness, however effectiveness concerns remain as explained above. There have been positive steps on the implementation of R.1 and case law has gradually developed, which is positively assessed.

57. There is no progress on the issue of criminal liability of legal persons and Armenia has no current plans to address this shortcoming as they consider that the administrative sanctioning powers can achieve the same results in practice. The issue will need to be revisited in MONEYVAL's follow up evaluation. The other issue which needs further attention by Armenia, and possibly additional measures, including adequate guidance, relates to the effective implementation of the reporting obligations by reporting entities.

58. Armenian authorities are encouraged to pursue and monitor the implementation of the National AML/CFT Strategy and ensure that the above mentioned package of laws are adopted expeditiously. Once enacted, the Armenian authorities should ensure that the preventive legal framework overall (relevant by-laws, decisions, resolutions, orders, instructions and other) is adequately consolidated, harmonised and enforced.

59. These issues will need to be revisited in MONEYVAL's follow-up evaluation.

60. As a result of the discussions held in the context of the examination of this second progress report, the Plenary was satisfied with the information provided and the progress being undertaken and thus approved the progress report and the analysis of the progress on the core Recommendations. Pursuant to Rule 41 of the Rules of procedure, the progress report will be subject of an update in every two years between evaluation visits.

MONEYVAL Secretariat

2. *Information submitted by Armenia for the second 3rd progress report*

2.1 General overview of the current situation and the developments since the last evaluation relevant in the AML/CFT field

Position at date of first progress report (28 September 2010)

1. Action plans on implementation of recommendations

Since the adoption of the MER on September 22, 2009 Armenia has committed to implement the introduced recommendations so as to improve its AML/CFT framework.

The English and Armenian versions of MER were first translated into Armenian and posted on the FMC's web-site (www.cba.am / Financial Monitoring Centre), which due to proper notification enabled accession by all appropriate stakeholders from public and private sectors. In the capacity of the provision of secretariat support to the AML/CFT Interagency Commission, the FMC then categorized the recommendations put forward in the MER and grouped them into two categories as recommendations that: (a) required legislative / regulatory changes and amendments, and (b) involved enhancement of the practice/ effectiveness. On the basis of such breakdown, relevant Action Plans were developed highlighting recommendations raised, actions required as per each recommendation, envisaged timeframes for implementation, as well as appropriate authorities designated for implementing and coordinating every individual action. The Action Plans were discussed at the Working Group under the Interagency Commission and, having been agreed, were approved at the Commission session held on October 16, 2009.

The works which were consequently carried out pursuant to the Action Plans comprehensively targeted changes and amendments in the AML/CFT legal framework, efficiency enhancement measures, inclusive of activities aimed at improving domestic and international cooperation, as well as capacity building. A snap-shot of main activities is provided below:

Legislative / regulatory improvements

Package of AML/CFT legislative amendments

As mentioned above, one of the Action Plans approved and endorsed by the Interagency Commission set out a detailed description of the legislative/ regulatory improvements. The Action Plans specifically delineated the levels of required legal amendments as to whether such amendments would be made in the primary legislation, or in sub-legislative regulations / enforceable means.

The recommendations which required legislative changes were assigned to the Working Group under the Interagency Commission represented by competent authorities, which in due timeframes introduced proposals on relevant amendments. On these bases, the FMC composed a draft package on amendments in 17 laws, in particular:

- Law on Combating Money Laundering and Terrorism Financing (AML/CFT Law);
- Criminal Code (CC);
- Criminal Procedure Code (CPC);
- Code on Administrative Violations;
- Customs Code;
- Law on Accounting;
- Law on Auditing Activities;
- Law on Advocacy;
- Law on the Notarial System;
- Law on Bank Secrecy (LBS);
- Law on Insurance and Insurance Activities;
- Law on Games of Chance and Casino (Law on Gambling);
- Law on Lotteries;
- Law on Declaration of Income and Property by Natural Persons;
- Law on Licensing;

- Law on Organizing and Conducting Inspections;
- Law on State Registration of Property Rights.

It should be emphasized that given the large volume and profound nature of the proposed amendments to the AML/CFT Law, it was decided to introduce a new draft law, which would overall supplement the current one.

The draft legal package was introduced for the discussion of the Interagency Commission at its session of March 26, 2010. The Commission agreed on the substance of the legal package and decided to further it for official circulate on among appropriate authorities and SRO-s. The FMC arranged dissemination of the legal amendments, which resulted in certain proposals and comments received. Meanwhile, in the framework of a comprehensive, multi-component TA program, the IMF assumed reviewing the legal package and providing its feedback on it. Ultimately, the FMC summarized the received comments / views and fine-tuned the amendments. Following the established legal procedures, the legal package was then sent to the MoJ for legal expertise. Having received the positive conclusion on expertise, the package was introduced to the Government of Armenia in late August, 2010 with the request of expedited follow-up procedures. It is expected that the Government will approve the legal package in its upcoming session and will further it to National Assembly (Parliament) entailing expedited discussions and adoption procedures.

AML/CFT National Strategy

Due to the input of various national stakeholders an AML/CFT National Strategy for the years 2010 – 2013 was drafted and approved at the Interagency Commission March 26, 2010 session. The Strategy outlined the vision and milestones to be pursued by the AML/CFT national system, as well as strategic tasks, their outcomes, responsible authorities, and indicative timeframes of implementation.

Guidance to DNFBP-s

Pursuant to the respective MER recommendation, the FMC drafted the following GRBA-s based on the FATF Model Guidance papers on the risk-based approach in respect of different types of DNFBP-s:

- Guidance for Sole Practitioner Accountants, Accounting Firms and Sole Practitioner Auditors, Auditing Firms on Minimal Requirements for Assessing and Preventing Money Laundering and Terrorism Financing Risks;
- Guidance for Entities Organizing Games of Chance and Lotteries and Casinos, Including Entities Organizing Online Games of Chance on Minimal Requirements for Assessing and Preventing Money Laundering and Terrorism Financing Risks;
- Guidance for Attorneys, Sole Practitioner Lawyers and Firms Providing Legal Services on Minimal Requirements for Assessing and Preventing Money Laundering and Terrorism Financing Risks;
- Guidance for Entities Engaged in Realtor Activities on Minimal Requirements for Assessing and Preventing Money Laundering and Terrorism Financing Risks.

Draft GRBA-s were submitted for the review of respective authorities (MoF, MoJ, State Cadastre of Real Property) and SRO-s (Advocates Chamber, Association of Auditors and Accountants, Association of Gambling Business). Having accepted most of the received comments, the drafts were adopted by the decisions of the Chairman of the CBA on August 6, 2010 and were consequently posted on the FMC's web-site. They were respectively also disseminated to designated DNFBP-s directly or through other appropriate supervisory authorities.

a. Efficiency enhancement measures

Strategic assessment of ML/FT risks

Pursuant to the MER recommendations, the Armenian authorities initiated an exercise of strategic assessment of ML/FT risks (SRA) in the country, which was aimed at:

- Identifying vulnerable sectors / indicators or threats, which underlie ML/FT and affect effectiveness of the AML/CFT framework;
- Streamlining application of the AML/CFT requirements to those sectors, which were considered to be more vulnerable in terms of the ML/FT abuse.

For carrying out the SRA, the FMC developed a methodology drawing from both the FATF reference documents and from similar exercises of other countries, which defined the areas of risk assessment, the necessary information to be analyzed per each area, as well as the sources for obtaining reliable information and a toolkit for such analysis. The methodology was discussed and endorsed by the Interagency Commission at its March 26,

2010 session. It distinguished the following 6 areas of ML/FT risk assessment:

- vulnerable predicate offences underlying ML;
- legal risk (vulnerabilities in the AML/CFT legal framework);
- institutional risk (professional and functional incapability of the authorities in charge of AML/CFT);
- risks in the financial sector;
- risks in the DNFBP sector;
- risks connected with economic infrastructure, geographical distribution, and demographic environment.

The collected information from LEA-s, FIs, DNFBP-s and supervisory bodies was analyzed and compiled in a Summary Note on SRA in Armenia and posted on the FMC's web-site. Overall, the findings of the assessment appeared to be consistent with the authorities' vision and understanding of perceived ML/TF risks, both in terms of structural composition and sectoral distribution. The assessment is to be followed by designing and taking concrete measures under the auspices of the Interagency Commission aimed at deterring and mitigating the identified risks.

Progress in investigations, prosecutions and judiciary action

After the adoption of the MER there was a significant progress in the punitive practice relating to financial investigations and prosecutions. This was enforced by a high-level prioritization of financial investigations. In particular, a decision was made and an assignment was endorsed at the Prosecutor's Office Board meeting held in October 21, 2009, where all bodies conducting criminal prosecution were instructed to raise the efficiency of ML investigations and application of provisional measures thereto, as well as to investigate money trail generated from the commission of predicate offences and, where feasible, to initiate ML investigations thereupon.

Due to such high-level commitment, punitive statistics developed on a progressive scale. In particular, since October, 2009 till September, 2010 the effectiveness has been demonstrated in the following figures:

- 11 ML criminal investigations (criminal cases) have been initiated;
- Property equivalent to 195932 EUR has been arrested/seized (as a provisional measure) in the course of ML investigations;
- 3 ML criminal investigations have passed to judiciary hearings;
- 2 convictions and 1 acquittal were issued on ML offences;
- Property equivalent to 1138085 EUR has been subject to confiscation based on ML convictions.

2. Domestic cooperation

a. Multilateral cooperation

Multilateral cooperation was promoted within the framework of the Interagency Commission. Since the adoption of the MER, the Commission summoned 2 sessions – on October 16, 2009 and March 26, 2010. At those sessions the Commission primarily discussed action plans/ performance in implementation of the MER recommendations, the methodology for conducting SRA, the annual outcomes of the operation of AML/CFT national regime, as well as performance status of the Commission's previous decisions.

b. Bilateral cooperation statistics

Besides the multilateral framework, national authorities have been carrying out cooperation in a bilateral dimension. Such cooperation was mainly mediated through the FMC as a nexus authority within the AML/CFT institutional framework. The cooperation with LEA-s was realized in the scope of the AML/CFT Law and the MoU-s between FMC and respective agencies (Prosecutor's Office, Police, National Security Service, and National Revenue Committee).

Since October, 2009 till September, 2010 the information exchanged with LEA-s generated the following statistics:

Request status	***Prosecutor's Office***	***Police***	***National Security Service***	***National Revenue Committee***
Requests received by FMC	22	7	15	7
Requests sent from FMC	0	5	1	6

All received / sent request were answered in due timeframes.

In the same time period, the FMC sent 9 notifications (financial disclosures) to the National Security Service (5 were also carbon-copied to the Prosecutor's Office) and 10 notifications (financial disclosures) to the National Revenue Committee (8 were also carbon-copied to the Prosecutor's Office). Based on these notifications (financial disclosures), 3 ML related criminal investigations were initiated. Also, pursuant to the criminal investigations based on FMC's financial disclosures either upon the FMC's initiative, or the LEA-s request, 4 ML convictions were issued.

FMC also cooperated with supervisory agencies aiming at assisting their efforts to ensure the compliance of FIs and DNFBP-s to AML/CFT requirements. In particular, the exchanged information with supervisory agencies on the matter of identified possible incompliance since October, 2009 till September, 2010 generated the following statistics:

Request status	***FSD***	***MoJ (relating to notaries)***	***MoF (relating to casinos, organizer of prize games and auditors)***	***Real Estate Cadastre (relating to real estate agents)***
FMC provided information valuable for supervision	7	21	4	2

The information on supervisory actions undertaken by relevant agencies is provided in the completed text of the questionnaire.

International cooperation

Within the reporting period, Armenia kept proactively engaging in AML/CFT international activities by means of initiating/ participating in various activities and projects. Such engagement was effectively demonstrated in the framework of various international organizations:

Council of Europe

Armenia's delegations participated in the 31st and 32nd plenary meetings of MONEYVAL. Armenian experts acted in the capacity of the financial evaluators of Bosnia and Herzegovina's and Serbia's Third Round Mutual Evaluations. They are also enrolled in the Fourth Round Mutual Evaluations Process - in Cyprus evaluation as a legal expert and in San Marino evaluation as a financial expert, respectively.

At the 31st Plenary meeting of MONEVAL and the 2nd meeting of the Conference of the Parties (Warsaw Convention) Armenian experts were also elected as Bureau members to those structures.

Egmont Group

As a member of the Egmont Group, the FMC kept exchanging information with foreign FIU-s through the Egmont Secure Web, which is illustrated in statistics below (for the period of October, 2009 till September, 2010):

Requests status	***FIU - Russia***	***FIU – Venezuela***	***FIU – Belgium***	***FIU – France***	***FIU – USA***	***FIU – Germany***	***FIU – Greece***
Requests received by FMC	8	3	2	1	1	1	1
	FIU – Estonia	***FIU - Bahrain***	***FIU - Albania***	***FIU – Bosnia and Herze-govina***	***FIU – Nigeria***	***Total***	
	1	1	1	1	1	22	
Requests status	***FIU - Russia***	***FIU – Latvia***	***FIU – Georgia***	***FIU – UK***	***FIU – USA***	***FIU – Canada***	***FIU – BVI***

Requests sent from FMC	6	3	3	1	1	1	1
	FIU – Lithua-nia	***FIU - Hungary***	***FIU – Czech Republic***	***FIU – Kyrgyzstan***	***FIU – Switzer-land***	***Total***	
	1	1	1	1	1	21	

All received request were answered in due timeframes.

FMC's delegations also participated in Plenary / Working Group meetings of the Egmont Group. At these meetings:

- The FMC led a project aimed at improving the effectiveness of information exchange practices within member FIU-s;
- The FMC introduced the progress in sponsoring the Iranian and Tajik FIU-s through their Egmont accession process;
- The Deputy Head of the Armenia's FIU was elected as a Vice-Chair of the Egmont Operational Working Group.

The FMC continued preparations for hosting the Egmont 2011 Plenary meeting in Armenia, through the ad-hoc committee in charge of coordination of all the arrangements and logistics.

Under the Egmont auspices, the FMC signed MoU-s with Romania, San Marino, Poland, the Republic of South Africa, the United Arab Emirates, Bermuda, Australia, and Canada. Also, agreement was reached for signing MoU-s with FIU-s of China, Thailand, and Saudi Arabia.

EAG

As an observer to EAG, Armenia's delegation participated in EAG the 11th and 12th Plenary / Working Group meetings of this international body. During the 12th Plenary meeting, Armenia's delegation presented its experience in building FIU-s automatic case management and data visualization software, and expressed willingness to assist other FIU-s from EAG countries in developing similar software.

IMF TA program

IMF has launched an overarching TA program for the improvement of Armenia's AML/CFT framework. Within the scope of this TA program, 3 missions were sent in April, July and September of 2010. During the missions, the following activities were undertaken:

- The National AML/CFT Strategy was reviewed and commented. It was agreed that the IMF observations will be considered in the follow-up revisions of the Strategy;
- A roundtable-seminar for DNFBP supervisors was organized during April mission, where IMF experts introduced the international best practice on DNFBP-s involvement in AML/CFT and the mechanisms for ensuring compliance. IMF experts also participated in FMC-s training seminars (see Section 4 "Trainings & capacity building") relating to DNFBP sectors.
- IMF reviewed the package of legislative changes and amendments and put forward certain comments and recommendations thereon, which were discussed in-depth with national authorities and accordingly integrated into the draft legal package;
- AML/CFT supervision manuals were developed for the authorities in charge of the supervision over gambling and real estate agents sectors, which are sought to be approved by the end of 2010.

US TA program

The following projects were accomplished / are underway in the framework of the US TA program on strengthening the country's AML / CFT framework:

- The FAFT Methodology was translated into Armenian and posted on FMC's web-site, as well as disseminated to all relevant stakeholders.
- The FMC's automatic case management and data visualization software was designed, tested, and put in commission.
- An action plan on designing and running of an integrated information system was prepared. This system is sought to unify administrative, commercial, and law enforcement databases relevant for ML/FT intelligence in an integrated digital environment, which will be accessible for the FMC's daily activities.
- US-funded trainings were arranged both on-site and abroad. In particular, the US funded trainings

organized for different types of DNFBP-s, as well as an on-the-job training visit of Armenian experts to the Bulgarian FIU held in July, 2010.

- US experts also assisted in amending gambling legislation in compliance with the AML/CFT standards and raising practical capacities of the sector to comply with these requirements.

EBRD TA program

With the EBRD assistance, qualification examination modules for internal monitoring units of reporting entities (both FIs and DNFBP-s) were developed and installed in examination tests.

3. <u>Trainings & capacity building</u>

In March, 2010 the FMC representatives participated in the Notaries' Conference organized by the MoJ. During the Conference, detailed presentations and discussions were arranged among FMC, MoJ and notaries on the matter of raising efficiency of the application of AML/CFT requirements in the course of notarial activities.

In the period of September – October, 2009 individual training and consultative meetings were held with all banks operating in Armenia, based on the assessment of their AML/CFT training and consultancy needs. The meetings involved clarification of pending compliance issues, as well as discussion of ways to improve the overall efficiency of the internal compliance function in banks.

From April till August, 2010 the FMC arranged a series of roundtable – seminars addressed to the majority of reporting entities aimed at introducing / discussing effective implementation of the requirements set out in the AML/CFT legal framework. Such seminars were organized for the following types of reporting entities (attended by internal compliance staff and other units engaged in prevention of ML/FT) and state authorities:

- Banks and relevant supervisory staff (from the FSD of the CBA);
- Credit organizations and relevant supervisory staff (from the FSD of the CBA);
- Insurance, investment firms and relevant supervisory staff (from the FSD of the CBA);
- Accounting and auditing firms, and relevant supervisory staff (from the MoF);
- Advocates and firms providing legal services, as well as Advocates Chamber (Bar Association);
- State body performing registration of legal persons (State Registry)
- Real estate agents, as well as Real Estate Cadastre (which is an authorized body maintaining the integrated state register of real estate);
- Casinos, organizers of games of chance, and relevant supervisory staff (from the MoF);
- SRC.

Brief information on each of these seminars is posted on the FMC's web-site.

Another seminar will be organized with the assistance of the WB and UNODC for the national LEA-s in the venue of the Prosecutor's School in September, 2010. This seminar will be attended by the FMC personnel, special investigators and investigators of different LEA-s in charge of financial investigations, as well as prosecutors, judges. The seminar will focus on the hands-on introduction / case analysis of international practice and various techniques allocated for effective financial investigation (evidence collection, application of provisional measures, etc), prosecution and trial of ML/FT offences.

New developments since the adoption of the first progress report

Since the adoption of the first progress report in September 2010 Armenia furthered implementation of the recommendations highlighted in the MER.

Along with legislative and institutional measures, certain steps have been undertaken to improve the practice of compliance with relevant international standards.

1. Legislative/ Regulatory Improvements

a) Package of AML/CFT legislative amendments

As of the adoption of the first progress report, a package of 18 draft laws (including the revised AML/CFT Law) were introduced to the Government for follow-up procedures assuming finalization of the package and its passage to the National Assembly for endorsement.

Since then, pursuant to established lawmaking practices on one hand and to certain changes in the formal procedures for the passage of legal acts in the country on the other hand, the package has undergone further changes/ improvements both in terms of structure and contents.

First, due to certain changes in the related legislative framework (concerning registration of legal entities and declaration of income of natural persons) two draft laws included in the first version of the package became obsolete, whereas one more draft law (the Law on Accounting) was integrated into a bigger legislative amendment made at that time. This resulted in the contraction of the number of draft laws in the package down to 15.

Second, a new legislative requirement entered into force establishing that any legal act should be examined and assessed for consistency in terms of economic (including the aspects of small and medium entrepreneurship, competition and budgetary framework), social protection, anti-corruption, environmental and other impact before it could be furnished to the National Assembly for endorsement. Consequently, the legislative package was submitted to the relevant authorities for the assessment of consistency. Hence, a new round of consideration of the legislative package amongst all stakeholder agencies and institutions (including LEAs, supervisory authorities, SROs, and private sector) was initiated resulting in around 70 new comments/ recommendations (in addition to around 130 comments/ recommendation received in the first-round consideration of the legal package) for further enhancement of certain provisions of the draft legal acts. Thereafter, extensive and in-depth discussions with all involved parties enabled integration of these comments and recommendations into the package to ensure full compliance with applicable regulations and practices.

Currently, the package has undergone all necessary procedures within the Government and has been submitted to the National Assembly for endorsement.

Within the last two years, the following new or amended regulatory acts were drafted and adopted to further improve AML/CFT legislative framework in the Republic of Armenia:

Regulatory act	Date, number
Rules on Provision of Information on the Transactions Performed by the Cash Operations Department of the Central Bank to the Financial Monitoring Center of the Central Bank	No 1/55A from 27.01.2012 *(revised version)*
Manual on Cooperation Between the Financial Monitoring Center and the Financial Supervision Department of the Central Bank of the Republic of Armenia	No 1/123A from 27.01.2012 *(revised version)*

The list of offshore territories	No 39N from 21.02.2012 *(revised version)*
Manual on Internal Procedures of the Financial Monitoring Center of the Central Bank of the Republic of Armenia	No 1/380L from 26.04.2012 *(revised version)*
Typology on Money Laundering by Means of Feint and Fictitious Transactions	*No 1-351A* from 18.04.2012
Regulation for Making Decision to Suspend Suspicious Transaction or Business Relationship or to Freeze Terrorist Funds	No *36COH A* from 17.04.2012
Manual on the Assessment of Results of Analysis Conducted by the Financial Monitoring Center of the Central Bank of the Republic of Armenia	*No 1-19COH L from* 17.04.2012

b) AML/CFT National Strategy

The national strategy has been elaborated for the period of 2013-2015 and approved at the session of the Interagency Committee of October 25, 2012. The findings of the Strategic Analysis on Money Laundering and Terrorism Financing Risk in the Republic of Armenia (National Risk Assessment, NRA), published in 2010, have also been considered for developing the strategy.

The document reflects on general provisions, vision, mission, and values of the strategy, the defined objectives and the actions necessary for attaining thereof, the expected outcomes and the involved agencies, as well as the rules for revising the strategy and controlling its implementation.

The Strategy provides for certain revision and control mechanisms by the Interagency Committee. Particularly, the Strategy shall be revised at least once in three years subject to prior agreement that the FMC, which provides secretariat services to the Committee, shall attain with member agencies and with self-regulated organizations of DNFBPs.

Based on the information and materials collected from member agencies, the Secretariat of the Interagency Committee shall regularly report to it on the actions aimed at attaining the objectives of the Strategy and on the factual performance thereof. Moreover, measures aimed at attaining the strategic objectives shall be included in the work plans of the Interagency Committee member agencies and self-regulated organizations of DNFBPs.

2. <u>Efficiency enhancement measures</u>

a) Progress in investigations, prosecutions and judiciary action

Since the adoption of the first progress report, consistent efforts have been made to ensure progress in investigation and prosecution of ML offences. There has also been a raise in the number of cases brought before the court resulting in convictions for ML offences (for further details see statistical data on the number of cases presented in the relevant part of the report). This is also indicative of the progress in the investigation, prosecution and judicial proceedings of ML cases.

The progress in judicial proceedings, among other factors, stemmed from the reasoning and conclusion of the Cassation Court provided as a part of a verdict on an ML case. In February 2011, the Cassation Court in the margins of a criminal case provided explanatory information on Article 190 of the CC in order to ensure even application of the law in criminal prosecutions.

According to the mentioned verdict of the Cassation Court, an action can be classified as legalization of illicit proceeds only in case of one of the offences specified under Part 5, Article 190 of the CC. At that, legalization of illicit proceeds should come after (in terms of timing) this offence, and the illicit proceeds should be the object of

the predicate offence. The absence of a predicate offence excludes the possibility of legalization of illicit proceeds; therefore, before issuing a conviction in such cases, the court should first establish the committal of a predicate offence and should verify that the object of ML has derived from the predicate offence. The Court of Cassation highlights the point that, in such cases, **it is not necessary to have a court verdict with a conviction for the predicate offence, and, equally, it is not necessary for the person accused of legalizing illicit proceeds to have any relation to the predicate offence**. In subjecting a person to criminal liability for legalizing illicit proceeds, there is no need to prove that the proceeds are illicitly acquired and that the person has acknowledged and foreseen the illicit nature of the proceeds. It is worth mentioning that since the 1st Progress Report 4 cases of stand-alone ML have been instigated and are currently under investigation.

Pursuant to Part 4, Article 55 (Confiscation of Property) of the CC, "Confiscation is mandatory with regard to illicit property, i.e. the property derived or acquired, directly or indirectly, from legalization of illicit proceeds and commission of offences defined by article 190 of this Code, including income or other benefits from the use of that property, the instruments used or intended for use in the commission of those offences, and, if the illicit property has not been discovered, other property of corresponding value. The property should be confiscated regardless of whether owned or controlled by an offender or a third party". Based on the provision presented in the said verdict, the Court of Cassation established that the property (considered objects of the crime specified under Article 190 of the CC) and the benefits gained from the use of this property shall be confiscated, regardless of whether owned or controlled by the offender or a third party.

It is worth mentioning that the above-mentioned reasoning is binding on a court in the examination of a case with identical/similar factual circumstances.

Thus, it is asserted that in the Armenian legal system the conviction for a predicate offense is not required to prove that property proceeds from crime.

3. Domestic co-operation

Request status	***Prosecutor's Office***	***Police***	***National Security Service***	***National Revenue Committee***
Requests received by FMC	40	35	51	32
Requests sent from FMC	0	24	9	21

The table above illustrates the statistical data describing performance of the FMC and other competent authorities involved in the fight against ML over the period of 2010 to 2012.

In the same period, the FMC sent 35 notifications (spontaneous disclosures) to the National Security Service (32 were also carbon-copied to the Prosecutor's Office), 12 notifications to the National Revenue Committee (6 were also carbon-copied to the Prosecutor's Office), 2 notifications to the Police and 1 notification to Prosecutor's Office. Based on these notifications, 6 ML related criminal investigations were initiated resulting in 2 ML convictions as of the moment.

Over the period of 2010-2012, within the framework of cooperation between the FMC and the supervisory authorities, the FMC documented and forwarded to relevant supervisory authorities notifications on the matter of identified possible incompliance.

Request status	***FSD***	***MoJ (relating to notaries)***	***MoF (relating to casinos,***	***Real Estate Cadastre (relating to***

			organizer of prize games and auditors)	***real estate agents)***
FMC provided information valuable for supervision	20	2	2	2

4. International co-operation

a) Council of Europe

The delegation of Armenia participated in regular plenary meetings of the Council of Europe's MONEYVAL Committee. The Armenian delegation to MONEYVAL took part in all the initiatives within the framework the Committee works.

Experts from Armenia were involved in the assessments of other countries' AML/CFT systems conducted by MONEYVAL.

b) Egmont Group

In the framework of the Egmont Group of Financial Intelligence Units, the representatives of the FMC continued their active participation in the plenary sessions and working group meetings of the Group.

FMC is acting as a sponsor country for the Egmont accession of Iran and Turkmenistan. A project on enhancement of information exchange between FIUs led by the FMC was recently accomplished within the Operational Working Group of the Egmont. The FMC is also involved in the recently launched project for the revision of incorporation documents of the Egmont. In addition, a new project on the information exchange enhancement among the Egmont member FIUs is led by the FMC.

The FMC has been exchanging information with foreign counterpart FIUs.[10]

Requests received by FMC	***FIU - Russia***	***FIU – Montenegro***	***FIU – Argentina***	***FIU – Croatia***	***FIU – Ukraine***	***FIU- Kazakhstan***	***FIU –Slovakia***
	12	***5***	***4***	***4***	***3***	***3***	***2***
	FIU – USA	***FIU - Moldova***	***FIU – Kyrgyzstan***	***FIU-United Arab Emirates***	***FIU- France***	***FIU – Finland***	***FIU-Cyprus***
	3	***2***	***2***	***2***	***1***	***1***	***1***
	FIU- Greece	***FIU- Norway***	***FIU- Venezuela***	***FIU-Poland***	***FIU – Germany***	***FIU- Lithuania***	***FIU –Egypt***
	3	***1***	***2***	***1***	***1***	***2***	***1***
	FIU- Saudi Arabia	***FIU-Sri Lanka***	***FIU- Jersey***	***FIU –Malta***	***FIU – Bahrain***	***FIU - Luxembourg***	***FIU –Curacao***
	1	1	1	1	2	1	1
	FIU – Belgium	***FIU- Albania***	***FIU- Bulgaria***	***Total***			
	2	***1***	***1***	***68***			

[10] The information on information exchange is provided as of October 8, 2012.

Requests sent from FMC	***FIU - USA***	***FIU – Russia***	***FIU – Latvia***	***FIU – UK***	***FIU – Iran***	***FIU – Georgia***	***FIU –Cyprus***
	8	8	7	6	6	6	4
	FIU – Switzer-land	***FIU –BVI***	***FIU – Ukraine***	***FIU-France***	***FIU-United Arab Emirates***	***FIU-China***	***FIU-Estonia***
	4	3	3	3	2	2	2
	FIU-Panama	***FIU-South Africa***	***FIU – Austria***	***FIU-Kazakhstan***	***FIU-Canada***	***FIU-Netherlands***	***FIU –Lithuani***
	2	2	2	2	1	1	1
	FIU – Germany	***FIU – Kyrgyzstan***	***FIU-Hungary***	***FIU-Luxembourg***	***FIU-Israel***	***FIU-Denmark***	***FIU-India***
	1	1	1	1	1	1	1
	FIU - Japan	***FIU – Czech Republic***	***FIU – Singapore***	***FIU-Saint Kitts and Nevis***	***FIU-Belarus***	***FIU-Belize***	***FIU-Mongolia***
	1	1	1	1	1	1	1
	FIU – Togo	***Total***					
	1	**90**					

c) EAG

The Armenian delegation participated in the plenary sessions of the EAG. Within the framework of technical assistance program, the FMC furthered its efforts aimed at providing technical assistance to foreign FIUs, particularly, to the FIUs of Kazakhstan, Tajikistan and Turkmenistan, aimed at exchange of experience in the field of IT and analytical systems and legislative developments.

Experts from Armenia were involved in the assessments of other countries' AML/CFT systems, as conducted by EAG.

d) Technical Assistance Received

IMF TA program

Under the technical assistance program provided by the IMF in the field of AML/CFT assistance has been provided in the following areas:

- Developing capacities for licensing and supervising casinos;
- Setting up a risk based AML/CFT supervisory regime for bank supervision;
- Training for the representatives of the judiciary and LEAs on AML/CFT investigations and prosecutions.

(for further details see Section 5 “Trainings” of the General Overview)

US Department of State TA program

A number of works were implemented within the framework of technical assistance provided by the US Department of State, including training programs (for further details see Section 5 “Trainings” of the General Overview)

In the scope of the technical assistance program, the Automated Case Management System of the FMC was designed and introduced in 2010.

The system enables automated management of documents and cases related to ML/FT, advanced searches in available databases, analysis of financial transactions and flows, identification of both apparent and hidden links between the subjects of analysis, as well as visualization of analysis outcomes in various graphical and application formats. It also provides data processing tools for the identification of ML/TF trends and development of ML/TF typologies.

In order to enhance the efficiency of information exchange with national stakeholders other than reporting entities, a new integrated IT/ communication system has been designed, which would enable integrating and managing all available and relevant information resources within a unified information network.

The system would have capacities to (automatically) gather, classify, analyze, and store information. Various keys, tools, and forms would be developed to authorize access and to exchange information within that system between relevant stakeholders.

Implementation of the above mentioned the project has been launched under the technical assistance program provided by the US Department of State.

e) *Technical Assistance Provided*

Within the framework of a technical assistance program provided to Tajikistan the FMC organized seminar discussions for the foreign colleagues, as well as provided assistance in legislative and IT areas.

The representatives of the FIU of Kazakhstan paid a visit to Armenia to exchange experience in the field of IT and analytical systems.

In the margins of the technical assistance program provided to Turkmenistan trainings and consultancy programs were organized on IT system development and analytical capacity improvement.

5. Trainings

For the purpose of enhancing the effectiveness of the AML/CFT system, a number of seminars and trainings were held for supervisory, LEAs and reporting entities throughout the reporting period.

a) Training for FMC, other CBA departments and competent authorities

Training program	Participants	Date
2010		
Training on information technologies and Financial Analysis in the FIU (JVI)	FMC	October 25-29
2011		
Seminar on specifics of AML/CFT supervision, delivered by IMF experts (under IMF technical assistance program)	FMC, CBA	February 1
Seminar on combating insurance fraud, delivered by the National Association of Insurance Commissioners, USA (under the US Department of the Treasury's	FMC, CBA	February 23-24

TA Program)		
Course on combating money laundering and asset recovery, delivered by the Basel Institute on Governance (under IMF technical assistance program) [11]	FMC, NS S, General prosecutor's Office, Police, Special Investigatory Service, Judicial Authorities (including judges)	March 17-24
Seminar on the experience of organizing works in combating money laundering and terrorist financing (under EurAsEs technical assistance program)	FMC, CBA	April 26-28
Joint seminar on tactical analysis, delivered by the WB and Egmont Group experts	FMC	May 3-6
MONEYVAL assessor training seminar	FMC	July 8-10
Joint regional seminar on combating terrorist financing, delivered by the UN Office on Drugs and Crime and by the EBRD	FMC	September 26-29
On-job training on combating money laundering and terrorist financing hosted by the Israeli national financial intelligence unit (under the US Department of the Treasury's TA Program)[12]	FMC, NSS, General prosecutor's Office, Police, SR C (tax and customs administration)	November 2-6
2012		
Study visit (organised by the Ministry of Finance of the Republic of Poland)	FMC, CBA, Police, NSS, SRC (tax and customs administration)	January 31-February 2
Workshop on AML/CFT (under IMF technical assistance program) [13]	FMC, General Prosecutor's office, NSS, Police, SRC (tax and customs administration), Judicial	March 20-21

[11] Topics covered under the training included investigation of ML cases, tracing funds, detecting evidences, mutual legal assistance, international asset recovery etc.

[12] Topics covered under the training included analytical techniques and tools, management system tools of various databases procedures, analytical software and technologies used for data processing, analytical software and technologies used for data processing, national legal framework for cooperation on ML/FT cases, international legal framework for cooperation on ML/FT cases, prerequisites for successful prosecution and conviction of ML/FT cases, cooperation with law enforcement agencies, methods and techniques for investigation of ML/FT criminal cases, criteria for recognizing assets (funds) as proceeds of crime, responsibilities of accusing and accused parties in relation to proving the origin of assets.

[13] Topics covered under the training included prosecuting ML offenders, legal and other challenges to an effective AML/CFT regime.

	Department and judges	
Seminar on AML/CFT (JVI)	FMC analysts	April 9-13
Seminar on risk Based Approach (Netherlands' Bank)	FMC, CB	April
Seminar on cooperation of supervisors and external auditors during planning and implementation of on-site examination, credit risk concentration, Interaction of market and credit risk	FMC, CB	May 8-10
On-job training on AML/CFT case analysis tools and technics (Financial Transactions and Reports Analysis Centre, Canada)	FMC	September 6-7
On-job training on AML/CFT regime regulation and supervision, case analysis tools and technics (Australian Transaction Report and Analysis Centre)	FMC, CB	September 10-14

b) Training programs and events for reporting entities and supervisory authorities

Training program	Participants	Date
2010		
Seminar on the prevention of money laundering and terrorist financing in FIs (delivered by the FMC)[14]	Internal monitoring departments, internal audit, customer service departments and other departments of Armenian FIs dealing with ML/FT internal risks	October
2011		
Seminar on the prevention of money laundering and	Compliance officers of banks	September 13-

[14] Topics covered under the training included AML/CFT national and international system, the role and functions of the FIUs, AML/CFT function in the FIs, internal legal acts of FIs, CDD, including simplified and enhanced CDD, AML/CFT risk based approach in FIs, suspicious transaction criteria, ML/TF typologies, suspension and freezing of transactions, rules on submission of STRs and TTRs.

terrorist financing in FIs (delivered by the FMC)[15]		20
Seminar on AML/CFT and financial supervision (delivered by the FMC and the FSD)[16]	Managers, customer support and other responsible staff of the branches of Armenian banks	October 13-14
Seminar on the fight against money laundering and terrorist financing (delivered by the EBRD)[17]	Compliance officers of Armenian banks, FSD, FMC	November 22-24
Meeting on proposed amendments in AML/CFT legislation, on reporting requirements, revision of terrorist lists and other issues (delivered by the FMC)	FMC, compliance officers of Armenian banks	December 8
Series of seminars on AML/CFT regulation in Armenia, international experience and legislative developments, delivered by the FMC (under the US Department of the Treasury's TA Program)[18]	MoF, State Registry of Legal Entities, organizers of casino and games of chance, auditors, accountants and lawyers, supervisory authorities	December 19-22
2012		
Seminar on the prevention of money laundering and terrorist financing in FIs (delivered by the FMC)[19]	Compliance officers of Armenian FIs	October 8-12
Seminar on the prevention of money laundering and terrorist financing delivered by IMF experts (under IMF technical assistance program)	DNFBPs, supervisory authorities	Scheduled for November

[15] For the topics covered under the training please see the footnote N 4.

[16] Topics covered under the training included AML/CFT Law, internal compliance function in banks, CDD measures in banks, AML/CFT risk based approach in banks, suspicious transaction criteria, ML/TF typologies,

[17] Topics covered under the training included the fight against financial crime and the need to develop effective AML/CFT systems, new AML/CFT requirements (new FATF standards), role of compliance officers in financial Institutions, risk based approach and compliance, politically exposed persons (PEPs) and other high risk relationships, supervision of AML/CFT issues from the point of view of the Central Bank in Armenia, role and functions of the FIU, anti-corruption measures and the role of FIs in preventing graft and corruption, terrorist financing and methodologies for proliferation finance, practical application of financial sanctions.

[18] Topics covered under the training included AML/CFT legislative requirements, reporting obligation for DNFBPs, development of internal legal acts, ML/TF red flags and typologies, STR indicators, high risk criteria

[19] Topics covered under the training included AML/CFT national and international system, submission of STRs and TTR, AML/CFT function in the FIs, internal legal acts of FIs, CDD, including simplified and enhanced CDD, AML/CFT risk based approach in FIs, suspicious transaction criteria, ML/TF typologies, New FATF Recommendations

2.2 Core recommendations

Please indicate improvements which have been made in respect of the FAFT Core Recommendations (Recommendations 1, 5, 10, 13; Special Recommendations II and IV) and the Recommended Action Plan (Appendix 1).

Recommendation 1 (Money Laundering offence)	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*Undertake appropriate initiatives (such as outreach or training, for example) to all authorities involved in investigating, prosecuting and adjudicating money laundering (ML) cases to: (1) assess what barriers exists for prosecuting ML, for example whether and to what extent the level of proof applied to show that property stems from the commission of a specific predicate offence poses an obstacle to obtaining convictions for stand-alone money laundering;*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	Such an assessment of barriers was undertaken at the Prosecutor's Office Board meeting held in October 21, 2009, when the previous practice of requiring high level of proof for the predicate offence was considered wrong and an assignment was endorsed to rectify the referred practical deficiency and to enable carrying out stand-alone ML investigations regardless of whether predicate offence resulted in conviction, or not.
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings on the offence of ML were organized on continuous basis (Section 5 "Trainings" of the General Overview), which, inter alia, also covered the specificities of the investigations of the cases of ML. The perception of the level of proof applied to the specific predicate offence has been changed by the practitioners, which is reflected in the statistics of the cases of ML in general, and on stand-alone ML cases in particular. Since the 1st Progress Report 4 cases of stand-alone ML have been instigated and are currently under investigation.
Recommendation of the MONEYVAL Report	*(2) to further raise the awareness on the statutory requirements of the ML provision.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The awareness of LEA-s on the statutory requirement of the ML provision was raised based on the following initiatives: - The above decision and assignment of the Prosecutor's Office Board meeting from October 21, 2009 was disseminated to all LEA-s performing financial investigations; - Based on that decision, the Department of Cases Investigated by National Security Bodies of the General Prosecutor's Office is currently in the process to establish a library with electronic and paper materials relevant for ML/FT investigations, which will be accessible for all LEA-s; - The Prosecutor's Office was assigned to prepare a manual on ML investigations, which was drafted by a group of experts and currently undergoes editorial review before the publication. - The seminar to be organized at the Prosecutor's School in September, 2010 will be attended by the relevant staff of all relevant LEA-s and judges, aimed at raising professional capacities on AML/CFT punitive actions.
Measures taken to implement the recommendations	The trainings mentioned in the response to the previous recommendation served also to raising awareness on the statutory requirements of the ML provision. In the meantime, a comprehensive handbook titled Combatting Money Laundering was published in 2010 by the School of Prosecutors.

since the adoption of the first progress report	
(Other) changes since the last evaluation	

Recommendation 5 (Customer due diligence) **I. Regarding FIs**	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Prohibit bearer bank books and certificates of deposit or other bearer securities, by way of repealing/changing articles of the Civil Code and any other regulations that make available these instruments in bearer form or regulate them.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 14, Part 1). At that, the Civil Code (Article 148, Part 2) states that issuance of securities of a specific type such as bearer (negotiable), nominal, or in an order form may be prohibited by a law (which is done by the referred provision of the draft AML/CFT Law).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 15, Part 1 (3)). The note on the Civil Code is still valid.
Recommendation of the MONEYVAL Report	*Provide additional guidance to FIs with respect to adequate timeframes for updating customer data to ensure consistent and effective implementation.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 16, Part 2). The FMC also issued a circular (posted on FMC's web-site under Frequently Asked Questions) providing guidance to FIs on appropriate timeframes for updating customer data. This circular specifies that data gathered within the CDD framework should be updated at least once a year. The same guidance was also addressed to reporting entities during the training seminars (see Section 4 "Trainings & capacity building" of the General Overview). Besides, the analysis of internal legal acts of FIs indicated that normally the timeframe prescribed for updating customer data is once a year at the most.
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 17, Part 2). The note on the circular is still valid.
Recommendation of the MONEYVAL Report	*Provide additional guidance to specify a reasonable timeframe that FIs should follow when obtaining identification information and checking the veracity of such information in the course of establishing a business relationship.*
Measures reported	The recommendation has been implemented by the draft AML/CFT Law (Article 15, Part

as of 28 September 2010 to implement the Recommendation of the report	1). The FMC also provided the definition of "reasonable timeframe" through the circular (posted on FMC's web-site under Frequently Asked Questions) to reporting entities (both FIs and DNFBPs), according to which the timeframe envisaged for the customer identity verification should not exceed 7 days, provided that the ML/FT risk is effectively prevented.
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 16, Part 1). The note on the circular is still valid.
Recommendation of the MONEYVAL Report	*Establish a direct requirement for FIs to adopt effective risk management procedures concerning conditions under which a customer is permitted to utilize the business relationship prior to CDD verification*.
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure above.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to the recommended measure above.
Recommendation of the MONEYVAL Report	*Establish a direct requirement for FIs to apply CDD measures to existing customers on the basis of materiality and risk and to conduct due diligence on such existing relationships at appropriate times.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 17, Part 9). The FMC has also issued a circular (posted on FMC's web-site under Frequently Asked Questions) providing guidance to FIs on the obligation to conduct due diligence also with respect to existing customers, at appropriate periodicity and in relevant cases, on the basis of materiality and risk pertinent to such customers.
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 18, Part 6). The note on the circular is still valid.
Recommendation of the MONEYVAL Report	*Ensure FIs are implementing more effectively the obligations imposed by the AML/CFT and implementing regulations with respect to CDD measures, by way of training or other types of outreach.*
Measures reported as of 28 September	The recommendation has been implemented through a series of trainings provided to FIs (see Section 4 "Trainings & capacity building" of the General Overview), which also

2010 to implement the Recommendation of the report	covered CDD-related issues.
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings for FIs were organized on continuous basis (Section 5 "Trainings" of the General Overview), which, inter alia, also covered CDD related measures.
(Other changes since the last evaluation)	
Recommendation 5 (Customer due diligence) II. Regarding DNFBP[20]	
Recommendation of the MONEYVAL Report	*Remove the threshold that limits CDD in relation to the acquisition or sales of stocks or shares - for attorneys, persons providing legal services, notaries, independent auditors and auditing firms, independent accountants and accounting firms.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 15, Part 3; Article 5, Part 4).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 6, Part 4, Article 16, Part 3)
Recommendation of the MONEYVAL Report	*Provide guidance to casinos and prizing games operators to ensure that CDD requirements are undertaken for transactions that in the aggregate equal or exceeding the threshold.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by: - The draft AML/CFT Law (Article 15, Part 3, in conjunction with Article 3, Part 1, Paragraph 11); - GRBA for Gambling (Chapter 9, Paragraph 25).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBA is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 16, part 3, in conjunction with Article 3, Part 1, Paragraph 11).
Recommendation of	*Establish a direct requirement for DNFBPs to obtain information on the purpose and*

[20] I.e. part of Recommendation 12.

the MONEYVAL Report	*intended nature of the business relationship regardless of whether the transaction is considered high risk or not.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by: - The draft AML/CFT Law (Article 15, Part 7); - GRBA for Accountants & Auditors (Chapter 10, Paragraph 28); - GRBA for Gambling (Chapter 10, Paragraph 28); - GRBA for Attorneys (Advocates) (Chapter 10, Paragraph 29); - GRBA for Realtors (Real Estate Agents) (Chapter 10, Paragraph 28).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 16, part 7)
Recommendation of the MONEYVAL Report	*Develop guidance for DNFBPs to ensure that there is a consistent system for conducting ongoing due diligence taking into account the threats and vulnerabilities of the nature, scope and operation of the DNFBPs and establish the frequency for updating customer information.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by: - The draft AML/CFT Law (Articles 15 - 17); - GRBA for Accountants & Auditors (Chapter 10, Paragraphs 28 & 29); - GRBA for Gambling (Chapter 10, Paragraphs 28 & 29); - GRBA for Attorneys (Advocates) (Chapter 10, Paragraph 29 & 30); - GRBA for Realtors (Real Estate Agents) (Chapter 10, Paragraphs 28 & 29).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Articles 16-18)
Recommendation of the MONEYVAL Report	*Establish requirements and guidance in relation to conducting enhanced due diligence for higher risk customers, business relationships or transactions and the application of simplified/reduced CDD measures for low risk customers, including for non-resident customers.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by: - The draft AML/CFT Law (Article 17); - GRBA for Accountants & Auditors (Chapters 11 & 12); - GRBA for Gambling (Chapters 11 & 12); - GRBA for Attorneys (Advocates) (Chapters 11 & 12); - GRBA for Realtors (Real Estate Agents) (Chapters 11 & 12).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 18)
Recommendation of the MONEYVAL	*Explicitly prohibit the application of reduced CDD measures when suspicions of ML/FT exist or in the event of high risk scenarios.*

Report	
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 17, Part 8).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 18, Part 5)
Recommendation of the MONEYVAL Report	*Provide guidance to DNFBPs on the determination of what constitutes a "reasonable timeframe" to follow when verifying the identity of the customer during the establishment of the business relationship.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by: - The draft AML/CFT Law (Article 15, Part 1); - GRBA for Accountants & Auditors (Chapter 9, Paragraph 27); - GRBA for Gambling (Chapter 9, Paragraph 27); - GRBA for Attorneys (Advocates) (Chapter 9, Paragraph 28); - GRBA for Realtors (Real Estate Agents) (Chapter 9, Paragraph 27). See the response to the recommended measure 3 under R. 5 (for FIs).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 16, Part 1). See the response to the recommended measure 3 under R. 5 (for FIs).
Recommendation of the MONEYVAL Report	*Establish a direct requirement to adopt effective risk management procedures concerning conditions under which a customer is permitted to utilize the business relationship prior to CDD verification*.
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by: - The draft AML/CFT Law (Article 15, Part 1); - GRBA for Accountants & Auditors (Chapter 9, Paragraph 27); - GRBA for Gambling (Chapter 9, Paragraph 27); - GRBA for Attorneys (Advocates) (Chapter 9, Paragraph 28); - GRBA for Realtors (Real Estate Agents) (Chapter 9, Paragraph 27).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 16, Part 1).
Recommendation of the MONEYVAL Report	*Establish a direct requirement to apply CDD measures to existing customers on the basis of materiality and risk and to conduct due diligence on such existing relationships at appropriate times.*
Measures reported	The recommendation has been implemented by:

as of 28 September 2010 to implement the Recommendation of the report	- The draft AML/CFT Law (Article 17, Part 9); - GRBA for Accountants & Auditors (Chapter 9, Paragraph 25); - GRBA for Gambling (Chapter 9, Paragraph 25); - GRBA for Attorneys (Advocates) (Chapter 9, Paragraph 26); - GRBA for Realtors (Real Estate Agents) (Chapter 9, Paragraph 25).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 18, Part 6).
(Other) changes since the last report	

Recommendation 10 (Record keeping) I. Regarding FIs	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*Clarify in the Regulation on Minimal Requirements or in other enforceable guidance the notion of "main conditions of the transaction (business relationship)" subject to the record keeping requirements, in the cases which such transactions are not contracts.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 21, Part 1), by means of completely redefining the scope and contents of the data to be maintained.
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 22, Part 1).
(Other) changes since the last evaluation	
Recommendation 10 (Record keeping) II. Regarding DNFBP[21]	
Recommendation of the MONEYVAL Report	*Bolster the record keeping requirements and practices of DNFBPs to ensure that it is effective and meaningful and practiced as to not hamper any investigations as given the importance of records relate to business relationships and transactions, the standard and quality of record keeping needs to be considered by the authorities in line with the mitigation of risks and also have a tangible effect in providing law enforcement agencies and supervisory authorities with reliable data to be used in their AML/CFT investigations.*
Measures reported as of 28 September 2010 to implement	The recommendation has been implemented by: - The draft AML/CFT Law (Article 21); - GRBA for Accountants & Auditors (Chapter 12);

[21] i.e. part of Recommendation 12.

the Recommendation of the report	- GRBA for Gambling (Chapter 13); - GRBA for Attorneys (Advocates) (Chapter 13); - GRBA for Realtors (Real Estate Agents) (Chapter 13).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 22).
(Other) changes since the last evaluation	

Recommendation 13 (Suspicious transaction reporting) I. Regarding FIs	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*Provide additional training to reporting entities to ensure that staff is knowledgeable about the obligations imposed by law. Training should specifically cover detection and reporting of suspicious transactions and should consider typologies and trends (differentiated along the types of activities, especially for DNFBPs).*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented through a series of trainings provided to reporting entities (see Section 4 "Trainings & capacity building" of the General Overview), which also covered STR-related issues.
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings for FIs were organized on continuous basis (Section 5 "Trainings" of the General Overview), which also, inter alia, covered topics related to typologies, red flags and STR indicators.
(Other) changes since the last evaluation	
Recommendation 13 (Suspicious transaction reporting) II. Regarding DNFBP[22]	
Recommendation of the MONEYVAL Report	*Clarifying the ambiguities of the confidentiality and privilege regime for notaries, advocates, persons providing legal services, independent auditors and auditing firms and accountants to remove any possibility of arbitrage as noted elsewhere in this report, particularly to the obligation to provide additional information and introduce measures that could provide for systemic checking in order to put at rest the concerns stemming from the uncertainty in the relevant laws.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 4, Part 2), as well as the draft amendments to the Laws on Advocacy (Article 2), Notarial System (Article 1), Accounting (Article 1) and Auditing Activities (Article 1)**.**

[22] I.e. part of Recommendation 16.

Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 5), the 2012 draft Law on Accounting (Article 15, Part 2), as well as the 2012 draft amendments to the Laws on Advocacy (Article 2), Notarial System (Article 1), and Auditing Activities (Article 1)**.**
Recommendation of the MONEYVAL Report	*Provide additional training to reporting entities to ensure that staff is knowledgeable about the obligations imposed by law. Training should specifically cover detection and reporting of suspicious transactions and should consider typologies and trends (differentiated along the types of activities, especially for DNFBPs).*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented through a series of trainings provided to reporting entities (see Section 4 "Trainings & capacity building" of the General Overview).
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings for DNFBPs were organized on continuous basis (Section 5 "Trainings" of the General Overview), which, inter alia, also covered topics related to typologies, red flags and STR indicators.
Recommendation of the MONEYVAL Report	*Implementing requirement for screening of personnel such as fitness and proprietary requirements.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	Screening, i.e. fitness and proprietary requirements were set forth: (a) for managers, operators, owners and beneficial owners of organizers of games of chance, casinos and lotteries (draft amendments to the Law on Gambling (Article 3), draft amendments to the Law on Lotteries (Article 2) and the GRBA for Gambling (Part 21)); (b) for the staff of other reporting entities pursuant to their internal legal acts (draft AML/CFT Law (Article 22, Part 1, Paragraph 9)).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. The recommendation has been implemented by the following legal provisions: - for managers, operators, owners and beneficial owners of organizers of games of chance, casinos and lotteries (2012 draft amendments to the Law on Gambling (Article 3), 2012 draft amendments to the Law on Lotteries (Article 2) -2012 draft AML/CFT Law (Article 23, Part 1, Paragraph 9)
Recommendation of the MONEYVAL Report	*Issuing guidelines on the manner of reporting for dealers in precious stones or precious metals and relevant typologies of STs for DNFBPs.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The reporting guideline for dealers in precious stones or precious metals was issued by the CBA Board Decision of February 16, 2010. After the MER, the FMC has additionally issued four other typologies, in particular relating to ML schemes through credit card fraud, real estate transactions, insurance operations, and cross border conveyance of goods (posted on the FMC web-site). Among other reporting entities, these typologies are intended for DNFBPs such as attorneys, firms providing legal services, sole practitioner auditors and accountants, audit and accounting firms, realtors, notaries and the State Cadastre of Real Estate.

Measures taken to implement the recommendations since the adoption of the first progress report	The FMC has additionally issued a typology related to ML by means of feint and fictitious transactions (contracts). The scope of this typology, among others, includes DNFBPs.
Recommendation of the MONEYVAL Report	*Instigating outreach by way of supervision, training or other means to ensure that a clear differentiation is in place between TR and ST reporting obligations including no thresholds for STR obligations, ST for attempted transactions and those suspicious with respect to tax matters.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented through a series of trainings provided to reporting entities (see Section 4 "Trainings & capacity building" of the General Overview). Also see "EBRD TA program" section of the General Overview.
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings for DNFBPs were organized on continuous basis (Section 5 "Trainings" of the General Overview), which, inter alia, also covered topics related to provision of reports on STs, as well as overthreshold transactions.
Recommendation of the MONEYVAL Report	*Facilitating training for DNFBPs, including compliance personnel, through channels such as direct or through certified courses held by service providers including SROs and ensure ongoing training requirements are embodied in law, rules or regulations.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented through a series of trainings provided to reporting entities (see Section 4 "Trainings & capacity building" of the General Overview). Also see Section 4 "EBRD TA program" section of the General Overview.
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 11, Part 1, Paragraph 16) Trainings for DNFBPs were organized on continuous basis (Section 5 "Trainings" of the General Overview).
(Other) changes since the last evaluation	

Special Recommendation II (Criminalisation of terrorist financing)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Amend the definition of "terrorism" pursuant to Article 217 CC (1) to cover all terrorism offenses as defined in the nine Conventions and Protocols listed in the Annex to the FT Convention;*
Measures reported as of 28 September 2010 to implement	The recommendation has been implemented by the draft amendment to CC (Article 3).

the Recommendation of the report	
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft amendment to CC (Article 7).
Recommendation of the MONEYVAL Report	*and (2) to include a reference to "international organizations", as required by Article 2 of the FT Convention*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendment to CC (Article 3).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft amendment to CC (Article 7).
Recommendation of the MONEYVAL Report	*Amend Article 217.1. CC to cover situations in which the property or funds are provided or collected generally for use by an individual terrorist or a terrorist organization when there is no intention or knowledge that the funds or property will be used in the commission a specific act of terrorism.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendment to CC (Article 4).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft amendment to CC (Article 8).
Recommendation of the MONEYVAL Report	*Harmonize the terms used in paragraph 1 ("financial means") and paragraph 3 ("objects of terrorism financing") to clarify that Article 217.1. CC applies to all "funds" as provided for in the FT Convention*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendment to CC (Article 1, Part 2).

Measures taken to implement the recommendations since the adoption of the first progress report	The articles providing for the implementation of the recommendation in question were redrafted; please refer to 2012 draft amendment to CC (Article 3, Part 4, Article 8, Part 3).
Recommendation of the MONEYVAL Report	*Amend the law to provide for criminal liability of corporate entities.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation on introducing corporate criminal liability was in-depth discussed at the Interagency Commission March 26 session and also at the follow-up meetings with the General Prosecutor's Office (represented by experts from LEA-s and Law Schools). The discussions revealed a unanimous consensus on the matter that the concept of corporate liability contradicts with the concept of assumption of innocence as envisaged by the Constitution of Armenia, which, in turn, requires application of the concept of mens rea. In particular, Article 21 of the Constitution requires that everyone charged with a criminal offence shall be presumed innocent until proved guilty by court judgement lawfully entered into force as prescribed by law. Besides, the CC (Article 23) establishes that only natural persons can be subject to criminal liability (a principle of the personal character of criminal sanctions and on the *adagium "nullum crimen sine culpa"* (no crime without guilt)). Due to the referred fundamental principles of Armenia's legislation, any drafts for introducing corporate criminal liability were rejected or disregarded in Armenia being suspended from official circulation. Instead, both the current (Article 28) (see annexed to the MER) and draft (Article 30) AML/CFT Laws envisage administrative corporate liability for ML/FT.
Measures taken to implement the recommendations since the adoption of the first progress report	The note on fundamental principles of Armenia's legislation is still valid. The article providing for administrative corporate liability for ML/FT was redrafted; please refer to 2012 draft AML/CFT Law (Article 31)
(Other) changes since the last evaluation	

Special Recommendation IV (Suspicious transaction reporting) I. Regarding FIs	
Rating: Largely compliant	
Recommendation of the MONEYVAL Report	*The authorities should provide guidance on the freezing obligations and on FT-related typologies.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The FMC has drafted a formal guidance on freezing obligation basing on the provisions of the draft AML/CFT Law. Given that freezing provisions undergo extensive changes in the referred draft, the guidance will be issued after the adoption and enactment of the draft AML/CFT law. Besides, an FT typology was also drafted and introduced for comments to relative authorities. The typology is expected to be issued within 2-3 months.
Measures taken to	Given that freezing provisions restrict the rights of citizens, a decision was made to cover

implement the recommendations since the adoption of the first progress report	all the issues on freezing in the AML/CFT Law; thus the article providing for the implementation of the recommendation in question was redrafted. Please refer to the 2012 draft AML/CFT Law (Article 28). The guidance on requesting exclusion from the lists will be issued after the adoption and enactment of the 2012 draft AML/CFT law.
(Other) changes since the last evaluation	
Special Recommendation IV (Suspicious transaction reporting) **II. Regarding DNFBP**	
Recommendation of the MONEYVAL Report	*Provide additional training to reporting entities to ensure that staff is knowledgeable about the obligations imposed by law. Training should specifically cover detection and reporting of suspicious transactions and should consider typologies and trends (differentiated along the types of activities, especially for DNFBPs).*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	As provided in Section 4 "Trainings & capacity building" of the General Overview, the FMC arranged a series of roundtable – seminars addressed to DNFBP-s, which, *inter alia*, covered sector specific STR criteria, typologies and methods of detecting suspicion.
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings for DNFBPs were organized on continuous basis (Section 5 "Trainings" of the General Overview), which, inter alia, also covered topics related to provision of reports on STs, typologies, red flags and STR indicators.
(Other) changes since the last evaluation	

2.3 Other Recommendations

In the last report the following FAFT recommendations were rated as "partially compliant" (PC) or "non compliant" (NC) (see also Appendix 1). Please, specify for each one what measures, if any, have been taken to improve the situation and implement the suggestions for improvements contained in the evaluation report.

Recommendation 3 (Confiscation and provisional measures)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*With respect to all predicate offenses not covered by Articles 55(3) CC, measures should be put in place to allow for the confiscation of proceeds from and instrumentalities used or intended to be used for the commission of the offenses as well as of legitimate assets equivalent in value to such property.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendment to CC (Articles 1, 2, 8 and 9).
Measures taken to implement the recommendations since the adoption of the first progress report	The articles providing for the implementation of the recommendation in question were redrafted; please refer to 2012 draft amendment to CC (Article 3).
Recommendation of the MONEYVAL Report	*Article 55(3) CC should be amended to allow for the confiscation of property regardless of whether it is held or owned by the defendant or a third party.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendment to CC (Article 1, Part 1).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft amendment to CC (Article 3).
Recommendation of the MONEYVAL Report	*Put in place measures to allow for the seizing of legitimate assets equivalent in value to proceeds from or instrumentalities used or intended for use in the commission of ML, FT or predicate offences.*
Measures reported as of 28 September 2010 to implement	The recommendation has been implemented by the draft amendment to CPC (Article 3).

the Recommendation of the report	
Measures taken to implement the recommendations since the adoption of the first progress report	The article providing for the implementation of the recommendation in question was redrafted; please refer to 2012 draft amendment to CPC (Articles 4, 5, and 6).
Recommendation of the MONEYVAL Report	*Harmonize Article 10 of the LBS with Article 20 of the LOSA and Article 13.1 of the LBS with Article 13 of the AML/CFT Law so that they provide the same conditions with respect to access to information covered by financial secrecy and to ensure that law enforcement authorities may effectively identify and trace property that is/may become subject to confiscation or is suspected of being the proceeds of crime, including in cases where a "suspect" has not yet been identified.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure 1 under R. 4.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to the recommended measure 1 under R. 4.
Recommendation of the MONEYVAL Report	*The law enforcement authorities should ensure that provisional measures with respect to property that may become subject to confiscation are implemented effectively in the context of inquests/investigations/pre-trials for ML and FT.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendment to CPC (Article 3). As per the statistics of applied provisional measures in cases of ML investigations, see "Progress in investigations, prosecutions and judiciary action" section of the General Overview.
Measures taken to implement the recommendations since the adoption of the first progress report	The article providing for the implementation of the recommendation in question was redrafted; please refer to 2012 amendment to CPC (Article 6). The effective implementation of current recommendation is shown in relevant tables under Section 6 of this report.
Recommendation of the MONEYVAL Report	*Armenian authorities should reconsider their approach to confiscation with a view to increasing the number of confiscation actions and to encourage a more frequent use of the confiscation provisions.*
Measures reported as of 28 September	The draft amendment to CC (Articles 1, 2, 8 and 9) envisage compulsory confiscation to be applied as a sanction for ML/FT and predicate offences.

2010 to implement the Recommendation of the report	As per the statistics of applied confiscations by ML related convictions, see "Progress in investigations, prosecutions and judiciary action" section of the General Overview.
Measures taken to implement the recommendations since the adoption of the first progress report	Articles implementing the recommendation were redrafted to provide for confiscation as a non-sanction measure; please refer to 2012 amendment to CC (Article 3). The effective implementation of current recommendation is shown in relevant tables under Section 6 of this report. It is worth mentioning that even the current legislation has enabled the frequent application of confiscation provisions.
Recommendation of the MONEYVAL Report	*The authorities should consider assessing the criminal law framework to determine whether it would be appropriate to introduce civil forfeiture, or confiscation of property with a reverse burden of proof or the confiscation of assets of criminal organizations other than those directly related to an offense for which a conviction has been obtained.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation was discussed at the Interagency Commission October 16, 2009 session, where it was agreed that civil forfeiture, or confiscation of property with a reverse burden of proof contradicts the fundamental principles of domestic legal framework and tradition (given that forfeiture is imposed as a result of committing an offence, which, in turn, entails solely criminal procedural actions): hence, the authorities refrained from initiatives to introduce such principles.
Measures taken to implement the recommendations since the adoption of the first progress report	No additional changes.
(Other) changes since the last evaluation	

Recommendation 4 (Secrecy laws consistent with the Recommendations)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Harmonize Article 10 of the LBS with Article 29 of the LOSA and Article 13 of the AML/CFT Law with Article 13.1. of the LBS so that they provide the same conditions with respect to access to information covered by financial secrecy.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation of harmonization of Article 13.1 of the LBS with Article 13 of the AML/CFT Law, in terms of insuring access to the banking secrecy relating to corporate entities, is implemented by Article 3 of the draft amendment to the LBS (Article 3). As far as the co-relation between Article 10 of the LBS (as well as Article 172 of the CPC) and Article 29 of the LOSA is concerned, no legal contradiction between the conditions of their application exists given the fact that they regulate two separate avenues (mechanisms) of the access to banking secrecy. This is certified by the fact that Article 10 of the LBS envisages the access of criminal prosecution bodies to bank secrecy, while Article 29 of the LOSA envisages the access of bodies performing operative-search activities to financial data (inclusive of banking secrecy). These two categories of LEA-s are different given their respective legal definitions. In particular, according to Article 6, Part 22 of the CPC criminal prosecution bodies are the prosecutor, investigator and the body of inquest (but not

	bodies performing operative-search activities). Hence, bodies performing operative-search activities under the LOSA are not limited with the precondition of accessing banking secrecy in respect of the suspect or accused given their covert activities are usually performed before the instigation of a criminal case (investigation) and aim at timely disclosing the details on crime (inclusive of criminals) and, if possible, preventing the criminal activity. On the contrary, criminal prosecution bodies are guided by the CPC (Article 172) and the LBS (Article 10), which requires that banking secrecy is accessed with regard to suspect or accused, since this category of LEA-s conduct their activities in the framework of formal investigation (where criminals should exclusively retain status of being suspected or accused) and the aim of their activities is to collect formal evidence for the sake of investigation / trial. The above interpretation is already proven in practice, given in 2 cases the request of bodies performing operative-search activities (in particular the NSS) to access banking secrecy under the LOSA other than the suspect or accused was satisfied by the court. Hence, there are two complementary avenues (mechanisms) for criminal prosecution bodies to obtain information containing financial secrecy: the one is by application of the CPC (Article 172) and the LBS (Article 10), whereas the second one is through the FMC in accordance with the AML/CFT Law (Article 13) and the LBS (Article 13.1)[23].
Measures taken to implement the recommendations since the adoption of the first progress report	For further harmonization of Article 13.1 of the LBS with Article 13 of the AML/CFT Law, please refer to 2012 draft Law on amendment to the LBS (Article 1). According to the current AML/CFT Law (Article 13), at the request of LEAs the FMC provided information constituting banking secrecy on 481 persons (202 legal entities and 279 natural persons) over the period of October, 2010- September, 2012.
Recommendation of the MONEYVAL Report	*Ensure that access by law enforcement authorities (particularly the NSS) to information covered by financial secrecy is not conditioned on the identification of a "suspect" or "criminally charged" person, as this condition undermines the proper performance of the NSS as the competent authority to investigate ML/FT and prevents access to such information in cases relating to legal persons or regarding any person other than the "suspect" or the "accused".*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure above.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to the recommended measure above.
Recommendation of the MONEYVAL Report	*Amend the LBS to allow FIs to share information covered by financial secrecy where it is required by R.7, R.9 or SR.VII.*

[23] At the request of LEA-s the FMC provided information constituting banking secrecy on 132 persons (80 legal entities and 52 natural persons) over the period of October, 2009 - September, 2010.

Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendments to the LBS (Article 4).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft amendments to the LBS (Article 2).
(Other) changes since the last evaluation	

Recommendation 9 (Third parties and introduced business)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Amend the regulation on Minimal Requirements to establish the obligations for FIs relying on intermediaries or third parties to immediately obtain from the third party the necessary information concerning certain elements of the CDD process (Criteria 5.3. to 5.6);*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 15, Part 8).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 16, Part 8).
Recommendation of the MONEYVAL Report	*Amend the regulation on Minimal Requirements to establish the obligations for FIs relying on intermediaries or third parties to take adequate steps to satisfy themselves that copies of identification data and other relevant documentation relating to CDD requirements will be made available from the third party upon request without delay.*
Measures reported as of 28 September 2010 to implement the Recommendation	The recommendation has been implemented by the draft AML/CFT Law (Article 15, Part 8).

of the report	
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 16, Part 8).
Recommendation of the MONEYVAL Report	*Amend the regulation on Minimal Requirements to establish the obligations for FIs relying on intermediaries or third parties to satisfy themselves that the third party is regulated and supervised (in accordance with Recommendation 23, 24, and 29), and has measures in place to comply with, the CDD requirements set out in R.5 and R.10.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 15, Part 8).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 16, Part 8).
Recommendation of the MONEYVAL Report	*Define the notion of "specialized intermediaries or persons empowered to represent third parties" in a manner that is consistent with the FAFT standard, in particular to limit the requirement to "third parties" that are FIs or DNFBPs only and not to "persons empowered to represent third parties".*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 3, Part 1, Paragraph 41).
Measures taken to implement the recommendations since the adoption of the first progress report	The articles providing for the implementation of the recommendation in question were redrafted; please refer to 2012 draft AML/CFT Law (Article 3, Part 1, Paragraphs 5 and 6 and Article 16, Part 8).
Recommendation of the MONEYVAL Report	*The authorities are also recommended to take into account information available on whether the countries in which the third party that meets the conditions can be based adequately apply the FAFT Recommendations; and to establish an obligation that the ultimate responsibility for customer identification and verification should remain with the FI relying on the third party.*

Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 15, Part 8, Paragraph 3).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 16, Part 8).
(Other) changes since the last evaluation	

Recommendation 12 (DNFBP – R. 6, 8-11)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Provide through law, rules or other enforceable measures with respect to CDD requirements for PEPs at the establishment of the business relationship and during the course of such relationship.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by: - The draft AML/CFT Law (Article 3, Part 1, Paragraph 21; Article 17, Part 2); - GRBA for Accountants & Auditors (Chapters 3 & 11); - GRBA for Gambling (Chapters 3 & 11); - GRBA for Attorneys (Advocates) (Chapters 3 & 11); - GRBA for Realtors (Real Estate Agents) (Chapters 3 & 11).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 3, Part 1, Paragraph 21 and Article 18, Part 2).
Recommendation of the Report	*Set forth requirements to ensure that the findings of examinations of the background and purpose of transactions identified as complex, unusually large or transactions involving unusual patterns with no apparent or other legitimate purpose are detailed in writing and to ensure that outreach to the sector by published typologies or other measure on developing trends of ML and FT is effective and relevant*.
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 21, Part 1, Paragraph 4). The recommendation has been also implemented through a series of trainings provided to reporting entities (see Section 4 “Trainings & capacity building” of the General Overview), where, *inter alia*, guidance was provided on the current and developing ML/FT trends pertaining to different sectors of DNFBP-s operation.

Measures taken to implement the recommendations since the adoption of the first progress report	The articles providing for the implementation of the recommendation in question were redrafted; please refer to 2012 draft AML/CFT Law (Article 3, Part 1, Paragraphs 21 and 22, Article 22, Part 1). Trainings for DNFBPs were organized on continuous basis (Section 5 "Trainings" of the General Overview), which, inter alia, also covered topics related to typologies, red flags and STR indicators.
Recommendation of the MONEYVAL Report	*Establish a specific framework when DNFBPs may rely on third parties or intermediaries to perform CDD measures*.
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 15, Part 8).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 16, Part 8).
Recommendation of the MONEYVAL Report	*Undertake an analysis on the risks and impact of the disapplication of Article 21 (internal legal acts) and external audit of systems and controls for compliance with the AML/CFT Law (Article 23.2) for DNFBPs with less than 10 employees.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	Such an analysis was undertaken by the SRA (see Section 6 of the Summary Note), which reveals that the ML/FT risk of the DNFBP sector in whole and of disapplication of the referred provisions in particular is essentially low. Hence, given the preamble of R. 15, the application of internal legal acts, as well as the audit function to DNFBP sector based on ML/FT risks and the size of the business is well-grounded and justified.
Measures taken to implement the recommendations since the adoption of the first progress report	No additional changes.
Recommendation of the MONEYVAL Report	*Bolster the record keeping requirements and practices of DNFBPs to ensure that it is effective and meaningful and practiced as to not hamper any investigations as given the importance of records relate to business relationships and transactions, the standard and quality of record keeping needs to be considered by the authorities in line with the mitigation of risks and also have a tangible effect in providing law enforcement agencies and supervisory authorities with reliable data to be used in their AML/CFT investigations.*
Measures reported as of 28 September 2010 to implement	The recommendation has been implemented by: - The draft AML/CFT Law (Article 21); - GRBA for Accountants & Auditors (Chapter 13);

the Recommendation of the report	- GRBA for Gambling (Chapter 13); - GRBA for Attorneys (Advocates) (Chapter 13); - GRBA for Realtors (Real Estate Agents) (Chapter 13).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 22).
(Other) changes since the last evaluation	

Recommendation 15 (Internal controls, compliance and audit)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Ensure that FIs establish and maintain internal procedures, policies, and controls having regard to the risk of ML and FT and the size of the business.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Articles 22 & 23), as well as envisaged by the Regulation (see annexed to the MER) (Chapters 3 & 4). Pursuant to this recommendation both off-site and no-site supervision manuals for FIs were designed and approved, which also envisaged checking compliance over the requirements on having internal procedures, policies, and controls. As regards supervision actions undertaken over FIs, see also the response to the recommended measure 1 under R. 30.
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective manuals and Regulation is still valid. The recommendation has been implemented by the 2012 AML/CFT Law (Articles 23 and 24). See also the response to the recommended measure 1 under R. 30.
Recommendation of the MONEYVAL Report	*Amend the regulations to introduce an explicit and direct provision highlighting the ability of the internal unit/designated compliance officer to have access in a timely manner to all necessary CDD information, transactions records, and other relevant information.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 23, Part 4), as well as envisaged by the Regulation (Chapter 3).
Measures taken to implement the recommendations since the adoption	The note on respective Regulation is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 24, Part 4).

of the first progress report	
Recommendation of the MONEYVAL Report	*Put in place formal procedures to screen all staff by FIs, particularly for staff in areas that are relevant to AML/CFT. These formal procedures should be aimed at ensuring high standards when hiring/recruiting employees.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 22, Part 1, Paragraph 9).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 23, Part 1, Paragraph 9).
Recommendation of the MONEYVAL Report	*Ensure FIs maintain an independent and adequately resourced internal audit function, particularly when audit is assigned/ delegated to staff other that the internal auditor.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	Pursuant to the FMC's analysis, only 1 bank has delegated its internal compliance function to the internal audit unit (entailing further assignment of the audit over such internal compliance to other departments). In such cases, this audit function is assigned to the internal security department, which in all cases is independent and adequately resourced. In the meantime, the draft AML/CFT Law (Article 3, Part 1, Paragraph 29), while giving the definition of the internal monitoring unit, specifies an exception that the functions of such unit cannot be delegated to certain units or employees as determined by the Authorized Body. Hence, this provides a possibility to forbid delegation of such function on the internal audit, where there is a risk that the internal audit function would then be carried out improperly.
Measures taken to implement the recommendations since the adoption of the first progress report	Relevant amendments were made to the Regulation according to which the internal monitoring function in banks cannot be delegated to a service division, as well as to an internal audit staff member (head). Please refer to Regulation (Paragraph 13).
Recommendation of the MONEYVAL Report	*Provide additional training to staff in all aspects of AML/CFT, and particularly with respect to the requirements of R.11.*
Measures reported as of 28 September 2010 to implement the Recommendation	The recommendation has been implemented through a series of trainings provided to reporting entities (see Section 4 "Trainings & capacity building" of the General Overview).

of the report	
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings for FIs were organized on continuous basis (Section 5 "Trainings" of the General Overview).
Recommendation of the MONEYVAL Report	*Ensure that FIs are effectively implementing the requirements of the AML/CFT and implementing regulations.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented through a series of trainings provided to reporting entities (see Section 4 "Trainings & capacity building" of the General Overview). See also the response to the recommended measure 1 under R. 30.
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings for FIs were organized on continuous basis (Section 5 "Trainings" of the General Overview). See also the response to the recommended measure 1 under R. 30.
(Other) changes since the last evaluation	

Recommendation 16 (DNFBP – R.14-15 & 21)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Implementing risk management controls to ensure that the compliance function is properly staffed and any conflict that may arise by the compliance function holding a compliance role and an operational role are managed.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See also the response to the recommended measure 4 under R. 15. The draft AML/CFT Law (Article 23) specifies that the internal monitoring unit shall be independent and shall have the status of senior management of the reporting entity (which is not typical for an operational role). Besides, the GRBA-s (in accordance with their respective Chapter 7) list the competence of the internal monitoring unit, which also differs its mandate from operational functions.
Measures taken to implement the recommendations since the adoption of the first progress	The note on respective GRBAs is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 24).

report	
Recommendation of the MONEYVAL Report	*Raising awareness of DNFBPs in relation to the current published list of offshore jurisdictions and further, develop measures to advise DNFBPs of concerns about weaknesses in the AML/CFT systems of other countries.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by: - GRBA for Accountants & Auditors (Chapter 2); - GRBA for Gambling (Chapter 2); - GRBA for Attorneys (Advocates) (Chapter 2); - GRBA for Realtors (Real Estate Agents) (Chapter 2). The recommendation is also implemented through a series of trainings provided to reporting entities (see Section 4 "Trainings & capacity building" of the General Overview), where, *inter alia*, guidance on risks emanating from off-shore jurisdictions and non-compliant countries was provided.
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. Trainings for DNFBPs were organized on continuous basis (Section 5 "Trainings" of the General Overview), which, inter alia, also covered topics on high-risk criteria, including off-shore jurisdictions and non-compliant countries or territories.
Recommendation of the MONEYVAL Report	*Establishing requirements for DNFBPs to ensure that the internal legal acts are relevant to compliance systems and controls and not a reproduction of the AML/CFT Law.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The FMC conducted a review of internal legal acts of DNFBP-s (in particular: for 5 casinos, 3 accounting firms and 6 auditing firms) and prescribed several comments aiming at ensuring their effective application based on pertinent ML/FT risks and the size of the business. Certain key comments on common deficiencies of internal legal acts through the sectors were also addressed during a series of trainings provided to reporting entities (see Section 4 "Trainings & capacity building" of the General Overview), where, *inter alia*, guidance on risks emanating from off-shore jurisdictions and non-compliant countries was provided. In the meantime, the FMC has initiated drafting of model internal procedures for every DNFBP sector specific to their size, which is envisaged to be an effective instrument for ensuring their relevance to existing compliance systems. The model procedures will be ready and will be publicized for the sectors within 2-3 months: afterwards, the FMC would start reviewing internal legal acts of all relevant DNFBP-s on the basis of such models.
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings for DNFBPs were organized on continuous basis (Section 5 "Trainings" of the General Overview), which, inter alia, also covered topics on development of internal legal acts.
Recommendation of the MONEYVAL Report	*Establishing a direct requirement for DNFBPs to examine, as far as possible, the background and purpose of transactions with persons from or in countries which do not apply or insufficiently apply the FAFT Recommendations and to document the findings; and to make the written findings available to assist competent authorities and auditors.*

Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by: - The draft AML/CFT Law (Article 17, Parts 3 & 4); - GRBA for Accountants & Auditors (Chapters 11 & 13); - GRBA for Gambling (Chapters 11 & 13); - GRBA for Attorneys (Advocates) (Chapters 11 & 13); - GRBA for Realtors (Real Estate Agents) (Chapters 11 & 13).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid. The articles providing for the implementation of the recommendation in question were redrafted; please refer to 2012 draft AML/CFT Law (Article 3, Part 1, Paragraphs 21, 22, Articles 18 and 22)
(Other) changes since the last evaluation	

Recommendation 20 (Other DNFBP and secure transaction techniques)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Undertaking a risk assessment in order to determine if other DNFBPs are at risk of being misused for ML or FT.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The risk assessment of other DNFBP-s which are at risk of being misused for ML or FT has been undertaken by SRA, which revealed (see Section 6 of the Summary Note) that, except for those envisaged by the AML/CFT Law, there are no DNFBPs vulnerable to abuse in ML/FT.
Measures taken to implement the recommendations since the adoption of the first progress report	No additional changes
Recommendation of the MONEYVAL Report	*Take measures to reduce the use of cash and encourage more activity within the formal sector.*
Measures reported as of 28 September 2010 to implement the Recommendation	The draft AML/CFT Law (Article 5, Part 3, Paragraph 1) provides for a reporting obligation in relation to cash-related transactions at an amount above AMD 5 million, which is aimed at conducting more precise control over cash-flows and to promote gradual reduction of the use of cash in the economy. Besides, promotion of non-cash transactions and payments is envisaged in the CBA vision (posted on CBA's web-site) for the years of 2009 – 2011. Based on the vision an action

of the report	plan has been designed, which includes measures for facilitating non-cash transactions, as well as introduction and regulation of new instruments for non-cash payments, provision of new payment and settlement services / products.
Measures taken to implement the recommendations since the adoption of the first progress report	For reducing the use of cash, amendments were made to the new Law on Cash Desk Operations (Article 6). Please also refer to 2012 draft AML/CFT Law (Article 6, Part 3, Paragraph 1). Besides, provisions on promotion of non-cash transactions and payments are also envisaged in the CBA vision for the years 2012-2014 and in the action plan of implementation of the vision as follows: • **Raise financial intermediation through new financial institutions, financial infrastructures, instruments and services:** -Work on introducing non-cash and electronic financial services and their gradual development.
(Other) changes since the last evaluation	

Recommendation 24 (DNFBP - Regulation, supervision and monitoring)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Designating competent authorities or SROs monitoring and ensuring compliance with the AML/CFT obligations for independent lawyers and firms providing legal services, independent accountants and accounting firms; dealers in precious metals; and dealers in precious stones for effective monitoring and compliance on a risk sensitive basis.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 28, Part 1).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 29, Part 1).
Recommendation of the MONEYVAL Report	*Implementing a supervisory regime for advocates (attorneys).*
Measures reported as of 28 September 2010 to implement the Recommendation	The recommendation has been implemented by the amendments to the Law on Advocacy (Articles 1, 3)

of the report	
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft Law on Advocacy (Articles 1, 3).
Recommendation of the MONEYVAL Report	*Introducing for casinos and operators of prize games fitness and propriety requirements for managers, owners, and beneficial owners including fit and proper checks for management, owners or beneficial owners.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by: - The amendments to the Law on Gambling (Articles 3, 4); - GRBA for Gambling (Chapter 7, Part 21).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBA is still valid. The articles providing for the implementation of the recommendation in question were redrafted; please refer to 2012 draft amendments to the Law on Gambling (Articles 3, 4).
Recommendation of the MONEYVAL Report	*Implementing, by way of law, rules or regulations, requirements that would prevent criminals or their associates from holding or being beneficial owners of a significant or controlling interest, holding a management function in, or being an operator of a casino or operator of a prize game*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure above.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to the recommended measure above.
Recommendation of the MONEYVAL Report	*Staffing levels and technical abilities focused on ML and FT of the supervisory bodies.*
Measures reported as of 28 September	According to draft AML/CFT Law (Article 28, Part 1) the FMC shall exercise supervision over those types of reporting entity, for which there is no legally defined supervisory

2010 to implement the Recommendation of the report	authority or a legislative regulatory framework for the supervisory authority to perform the functions assigned to it in the field of combating money laundering and terrorist financing. Hence, the staff of the FMC has been increased by additional staff (9 new recruits), 3 of whom will be engaged in supervision. For the sake of raising professional abilities of the supervisory authorities over the DNFBP sector, a roundtable – seminar was organized by the IMF for the staff of such authorities (see "IMF TA program" Section of the General Overview). Besides, the staff of respective supervisors attended a series of trainings provided to reporting entities (see Section 4 "Trainings & capacity building" of the General Overview).
Measures taken to implement the recommendations since the adoption of the first progress report	Under the technical assistance program provided by the IMF in the field of AML/CFT, assistance has been provided to the MoF relevant departments for developing capacities of for licensing and supervising casinos. Also, training programs for supervisory authorities were organized (Section 5 "Trainings" of the General Overview).
(Other) changes since the last evaluation	

Recommendation 25 (Guidelines and Feedback)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Issuing guidelines for DNFBPs to assist with the full implementation and compliance of the applicable obligation set forth in the AML/CFT Law.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by: - GRBA for Accountants & Auditors; - GRBA for Gambling; - GRBA for Attorneys (Advocates); - GRBA for Realtors (Real Estate Agents).
Measures taken to implement the recommendations since the adoption of the first progress report	The note on respective GRBAs is still valid.
Recommendation of the MONEYVAL Report	*Developing relevant feedback processes on number of disclosures and results, current techniques, methods and trends, or money laundering cases that have been sanitized relevant to DNFBPs.*
Measures reported as of 28	Relevant feedback to reporting entities has been provided by means of FMC's annual reports (posted on FMC's web-site), which include information on the number of disclosures and

September 2010 to implement the Recommendation of the report	their results. Current techniques, methods and trends have been introduced to reporting entities through, *inter alia*, respective seminars (see Section 4 "Trainings & capacity building" of the General Overview), typologies and circulars (posted on the FMC's web-site).
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings for DNFBPs were organized on continuous basis (Section 5 "Trainings" of the General Overview), which, inter alia, also covered topics related to typologies, red flags and STR indicators.
Recommendation of the MONEYVAL Report	*Provide additional guidance/guidelines to FIs, particularly in the area of determining the appropriate timeframe for updating customer data or information.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to recommended action 2 under R.5 (regarding FIs).
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to recommended action 2 under R.5 (regarding FIs).
Recommendation of the MONEYVAL Report	*Provide additional guidance/guidelines to FIs, particularly in the area of conducting ongoing CDD throughout the course of the business relationship for regular customers and enhanced ongoing monitoring on a PEP business relationship*.
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented through a series of trainings provided to FIs (see Section 4 "Trainings & capacity building" of the General Overview), which also covered CDD procedures for regular and high risk customers, inclusive of enhanced ongoing monitoring for PEP-s**.**
Measures taken to implement the recommendations since the adoption of the first progress report	Trainings for FIs were organized on continuous basis (Section 5 "Trainings" of the General Overview), which, *inter alia*, also covered CDD related measures.
(Other) changes	

since the last evaluation	

Recommendation 28 (Powers of competent authorities)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*The CPC should be amended to provide for a general power of the law enforcement authorities or the courts to compel the production of documents and information in ML and FT cases, including also in cases where the information is requested from a witness or a person other than the injured, or the plaintiff, suspect or accused.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation is met by the CPC with regard to each party and participant of criminal procedure. In particular, the authority to compel the production of documents and information by the prosecutor, investigator and body of inquest are provided for correspondingly by Article 53, Part 3, Paragraph 3, Article 55, Part 4, Paragraph 4, and Article 57, Part 2, Paragraph 14 of the CPC. In the meantime, the CPC envisages the obligation of each party and participant of criminal procedure to submit documents and items (for civil respondents Article 75, Part 3, Paragraph 2, for witnesses Article 86, Part 3, Paragraph 3, for legal representatives of the injured, plaintiff, suspect or accused Article 77, Part 6, Paragraph 3, for representatives of the injured, plaintiff, respondent Article 79, Part 5, Paragraph 4).
Measures taken to implement the recommendations since the adoption of the first progress report	No additional changes.
Recommendation of the MONEYVAL Report	*Harmonize Articles 10 of the LBS with Article 29 of the LOSA and Articles 13.1 of the LBS with 13 of the AML/CFT Law so that they provide the same conditions with respect to access to information covered by financial secrecy. Ensure that law enforcement authorities have adequate powers to access and compel production of information, transaction records, account files and other documents or information that is covered by financial secrecy, especially in cases where a suspect has not yet been identified or where the information is* sought *with respect to persons other than the suspect.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure 1 under R.4.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to the recommended measure 1 under R.4.

Recommendation of the MONEYVAL Report	*Staff of the NSS' investigative department as well as the custom's inquest and investigation departments should receive AML/CFT specific training to ensure effectiveness of ML and FT investigations.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	A special investigator from the NSS participated in the on-the-job training visit to the Bulgarian FIU (see "US TA program" Section of the General Overview), where, *inter alia,* the Bulgarian experience on ML/FT investigations was introduced and discussed. A separate training for the SRC staff (see Section 4 "Trainings & capacity building" of the General Overview), also participated by the Custom's inquest and investigation departments was held in July, 2010, where, *inter alia,* cross-border ML/FT schemes and investigation techniques were discussed. Designated investigative personnel from the NSS and Custom's will also participate in the September, 2010 seminar on financial investigations to be held in Prosecutor's School (see Section 4 "Trainings & capacity building" of the General Overview).
Measures taken to implement the recommendations since the adoption of the first progress report	As mentioned in the measures taken under Recommendation 1 trainings were organized for LEAs, including for the investigators of NSS and Customs (Section 5 "Trainings" of the General Overview).
(Other) changes since the last evaluation	

Recommendation 30 (Resources, integrity, and training)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Identify and recruit additional resources to provide for an adequate level of AML/CFT supervision for both off-site surveillance activities and on-site inspections.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The general practice of conducting AML/CFT supervision (both off-site and on-site) over FIs is that the FSD relies on the FMC human resources and engages FMC analysts within the periodic or ad-hoc supervision activities under the Manual on Cooperation between the FMC and the FSD. For these purposes, the FMC recruited 3 new analysts, who will be primarily in charge of supervision. As for the FSD, after the third round evaluation the number of the staff reached from 75 to 83. One of the practical features of the jurisdiction-level SRA was the introduction of evidential data (i.e. financial market share, types and volumes of transactions, number of matches with ML/FT typologies, number of STRs filed, residency pattern of ownership and clientele, etc.) which illustrated that non-banking FIs are exposed to 6% of the aggregate ML/FT threat in the financial sector, whereas banks take the rest - 94%. This comes to support the implementation of risk-based approach framework, where major portion of AML/CFT supervision and effort is channelled to the most vulnerable segment (banking) of the financial sector. Indeed, considering the above estimates and the relatively large number of non-banking FIs, FSD has distributed its human resources proportionally for the non-/banking institutions. This provides

adequate human resources for AML/CFT supervision over both segments of the financial sector. For added extensiveness to the scope of examinations that include the AML/CFT component, the following table is presented to illustrate the number of examinations of financial (bank and non-bank) institutions for year 2009 and the first half of 2010.

Table 1.Total number of examinations (both complex and targeted) at FIs

Type of Institution	Number of Examinations	
	2009	First half of 2010
Banks	24	27
Credit Organizations	6	6
Insurance Companies	7	4
Pawnshops	39	41
Foreign Exchange Offices	444	205
Securities Firms	5	3
Money Remitters	1	2

For added intensiveness to the depth of examinations that include the AML/CFT component, the following table is presented to illustrate the number of AML/CFT related sanctions imposed as a result of on-site and off-site surveillance, as well as information provided by the FMC for year 2009 and the first half of 2010.

Table 2. Total number of sanctions imposed for violations of AML/CFT legislation and internal regulations

Type of Institution	Warnings, Instructions		Fines		License Temporary Suspension	
	2009	2Q 2010	2009	2Q 2010	2009	First half of 2010
Banks	10	3	2	10[24]	0	0
Credit Organizations	6	0	1	0	0	0
Insurance Companies	3	4	1	0	0	0
Pawnshops	0	0	0	0	2	0
Securities Firms	3	0	0	1	0	0
Foreign Exchange Offices	1	4	1	0	0	0

Additionally, the CBA Board approved both the AML/CFT examination component embedded into the manual for on-site inspections at banks (for examinations at credit organizations the same on-site manual is applied), as well as separate on-site examination manuals for carrying out inspections (including AML/CFT compliance) at insurance companies and securities firms. This will ensure eliminating the human factor dependency and enhance the efficiency of on-site AML/CFT examinations.

Measures taken to implement the

In addition to the steps presented in the 1st progress report, the CBA is working on a new framework for comprehensive risk-based supervision of banks based on the RAST/FIRM model

[24] In the first half of 2010, total amount of fines paid by banks for deficiencies in CDD practices exceeded 2 million drams, as compared to total of 200 thousand drams of fines imposed on banks in 2009 and 300 thousand drams in 2008 respectively.

recommendations since the adoption of the first progress report

used by De Netherlandsche Bank.

In October 2011 the CBA introduced a pilot project of bank risk scoring system designed to develop bank inspection programs focusing on risk. It is an analytical supervisory tool aiming to form a composite risk rating of banks by means of analyzing the bank‘s risks and the quality of their management/ mitigation.
For risk assessment, the bank’s activities are classified into similar business sectors and functional categories. Then, the actual risks and the quality of their management/ mitigation are assessed for each business sector and functional category. The composite risk rating is attained by consolidating the assessed risk for each business sector and functional category.
A separate section under BRRS is dedicated to the assessment of the ML/FT risks of the bank, its customers, and counterparties.

Table 1. Total number of examinations (both complex and targeted) at FIs

Type of Institution	Number of examinations		
	2010	2011	2012[25]
Banks	34	20	9
Credit Organizations	8	7	3
Insurance Companies	12	39	15
Pawnshops	64	42	51
Foreign Exchange Offices	258	95	94
Money Remitters	1	0	0
Investment companies	4	4	0

Table 2. Total number of sanctions imposed for violations of AML/CFT legislation and internal regulations

Type of Institution	Warnings, instructions			Fines			Temporary suspension of license		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Banks	28	67	14	AMD 3.750.000	AMD 950.000	AMD 100.000	-	-	-
Credit Organizations	1	8	-	AMD 150.000	AMD 200.000	AMD 100.000	-	-	-
Insurance Companies	4	-	13	-	-	-	-	-	-
Foreign Exchange Offices	6	5	3	AMD 2.000.000	AMD 2.000.000	AMD 2.000.000	-	-	2
Investment companies	1	1	-	AMD 50.000	-	-	-	-	-

[25] The information on number of examinations and sanctions imposed for violations of AML/CFT legislation and internal regulations is provided as of September 1, 2012.

Recommendation of the MONEYVAL Report	*Consider additional resources for the FMC.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	Human Resources: By virtue of the CBA Board Decision No 45A, of March 16, 2010, an amendment was made to the FMC Statute wherein the structure of the FMC was revised in order to provide stronger functionality and segregation of duties. Thus, after the date of the MER, Legal Compliance and International Relations divisions became separate units, and the total number employees working for the FMC reached to 24. Now the FMC staff comprises the Head, the Deputy Head, the Secretary-Assistant, Legal Compliance Division (5 employees), International Relations Division (1 employee and 2 vacancies to be filled), Information Systems Design and Development Division (5 employees and 1 vacancy to be filled), the Analyses Division (5 employees and 3 vacancies to be filled), as well as 5 contractual employees who are assigned to different divisions. Financial Resources: Financial needs for additional human resources and advancing qualification of FMC employees are met under budget forecasts for years 2010 and 2011. In particular, budget forecasts for wages and bonuses are set at AMD 80 and 90 million for 2010 and 2011 respectively. The increasing levels of budget expenditures, compared to year 2009, are justified accordingly by considering the number of additional employees already hired and the available vacant positions to be staffed in 2010-2011. As for administrative costs (seminars, trainings, business trips, literature etc.), budget forecasts are set at AMD 25 and 26 million for 2010 and 2011 respectively. These figures are a considerable jump compared to the average yearly administrative expenditure figures for previous years and illustrate the commitment of the FMC towards continuously advancing the level of professional qualification of the staff. Functional Resources: Upon the initiative of the FMC an advanced software system responsible for improving case management procedures and processing in-coming and stored data into practical findings was designed and implemented. Case management software is meant for exploitation by the Analyses Division and is used to take analysing and monitoring function capabilities of analysts to a more efficient level.
Measures taken to implement the recommendations since the adoption of the first progress report	Human Resources: Currently the FMC staff comprises the Head, the Deputy Head, the Secretary-Assistant, Legal Compliance Division (5 employees), International Relations Division (3 employees), Information Systems Design and Development Division (6 employees), the Analyses Division (9 employees), as well as 3 contractual employees assigned to different divisions/ tasks. Some 5 new vacancies are scheduled for the next year. Financial Resources: A budgetary increase has been made for 2012 and the budget for 2012 equals to AMD 117 million. AMD 25 million is set for administrative costs (business trips and training) for 2012. Functional Resources: In 2011, the FMC Case Management System was put into operation. The system is intended to significantly increase the effectiveness of analyses conducted by the FMC. The system enables automated management of documents and cases related to ML and terrorist financing, advanced searches in available databases, analysis of financial transactions and flows, identification of both apparent and hidden links between the subjects of analysis, as well as

	visualization of analysis outcomes in various graphical and application formats. It also provides data processing tools for the identification of ML/TF trends and development of ML/TF typologies
Recommendation of the MONEYVAL Report	*Provide AML/CFT specific training for officials of the NSS's investigative department and the custom's inquest and investigation departments.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure 3 under R. 28.
Measures taken to implement the recommendations since the adoption of the first progress report	As mentioned in the measures taken under Recommendation 1 trainings were organized for LEAs, including for the investigators of NSS and Customs (Section 5 "Trainings" of the General Overview).
(Other) changes since the last evaluation	

Recommendation 32 (Statistics)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Maintain accurate statistics.(see MER paragraphs 1055-1057)*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	Pursuant to the recommendation periodically updated statistics on the number of AML/CFT examinations and their results is maintained by the FSD (see also the response under R. 30) and is shared with the FMC on periodical basis in accordance with Chapter 5 of the Manual on Cooperation Between the FMC and the FSD. Statistics on instigation and investigation outcomes of ML cases is kept in the centralized database with the Police Information Center. Referring to ML cases instigated by other LEA-s and forwarded to the NSS, this can be done only through the assignment / permission of the supervising prosecutor (in ML cases – by the Department for the Cases Investigated by National Security Bodies of the General Prosecutor's Office). Hence, such statistics is kept up-to-date by the Prosecutor's Office. Supervisors of DNFBP-s are obliged to keep statistics on their AML/CFT supervisory actions, which according to the current (Article 13, Part 7) and draft (Article 12, Part 7) AML/CFT Laws should be shared with the FMC.
Measures taken to implement the recommendations since the adoption of the first progress report	No additional changes. Currently statistics on the number of AML/CFT examinations and their results is maintained according to the revised Manual on Cooperation Between the FMC and the FSD (Chapter 4). As for sharing statistics between Supervisors of DNFBP-s and the FMC, please refer to 2012 draft AML/CFT Law (Article 13, Part 7).

(Other) changes since the last evaluation	

Recommendation 35 (Conventions)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Provide for criminal liability of legal persons.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to recommended measure 5 under SR II.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to recommended measure 5 under SR II.
Recommendation of the MONEYVAL Report	*Put in place confiscation measures for all offenses as defined in the Palermo Convention.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendment to the CC (Articles 8 and 9).
Measures taken to implement the recommendations since the adoption of the first progress report	The articles providing for the implementation of the recommendation in question were redrafted; please refer to 2012 draft amendment to the CC (Article 3).
Recommendation of the MONEYVAL Report	*Provide for the seizing of legitimate property intermingled with proceeds from or instrumentalities used or intended for use in the commission of crimes as defined in the Vienna and Palermo Conventions.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendment to the CPC (Article 3).
Measures taken to implement the recommendations since the adoption of the first progress report	The article providing for the implementation of the recommendation in question was redrafted; please refer to 2012 draft amendment to the CPC (Article 6).
Recommendation of the	*Provide law enforcement authorities or the courts with a general power to compel the*

MONEYVAL Report	*production of financial records, including in cases where the information is requested from a witness or a person other than the injured, the plaintiff, suspect or accused.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure 1 under R 28.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to the recommended measure 1 under R 28.
Recommendation of the MONEYVAL Report	*Harmonize Articles 10 of the LBS with Article 29 of the LOSA and Articles 13.1 of the LBS with 13 of the AML/CFT Law so that they provide the same conditions with respect to access to information covered by financial secrecy and to ensure that law enforcement authorities can effectively access and compel production of information, transaction records, account files and other documents or information that is covered by financial secrecy, especially in cases where a suspect has not yet been identified or where the information is sought with respect to persons other than the suspect.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure 1 under R 4.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to the recommended measure 1 under R 4.
Recommendation of the MONEYVAL Report	*Apply the declaration system for the physical cross border transportation of currency and bearer negotiable instruments also to outgoing transportation by way of mail or cargo.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure 1 under SR. IX.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to the recommended measure 1 under SR. IX.
Recommendation of the MONEYVAL Report	*Officials of the National Security Service's investigation department should receive more specific AML/CFT training specifically on AML/CFT.*

Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure 3 under R. 28.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to the recommended measure 3 under R. 28.
(Other) changes since the last evaluation	

Recommendation 36 (Mutual legal assistance)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Harmonize Article 10 of the LBS with Article 29 of the LOSA and Article 13.1 of the LBS with Article 13 of AML/CFT Law so that they provide the same conditions with respect to access to information covered by financial secrecy and to ensure that request for assistance in gaining access to such information can be fully complied with.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure 1 under R 4.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to the recommended measure 1 under R 4.
(Other) changes since the last evaluation	

Special Recommendation I (Implementing UN instruments)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Define the FT offence in line with the definition of the offense in the SFT Convention.*
Measures reported as of 28 September 2010 to implement the	See the responses to the recommended measures 3 and 4 under SR. II.

Recommendation of the report	
Measures taken to implement the recommendations since the adoption of the first progress report	See the responses to the recommended measures 3 and 4 under SR. II.
Recommendation of the MONEYVAL Report	*Put in place adequate measures to fully address the requirements under UNSCR 1267 and 1373.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the responses to the recommended measures under SR. III.
Measures taken to implement the recommendations since the adoption of the first progress report	See the responses to the recommended measures under SR. III.
(Other) changes since the last evaluation	

Special Recommendation III (Freeze and confiscate terrorist assets)	
Rating: Non compliant	
Recommendation of the MONEYVAL Report	*Armenia should review the freezing mechanisms set forth in Article 25 AML/CFT law that are meant to implement obligations under UNSCR 1267, UNSCR 1373 and SRIII. In particular, Armenian law should provide for meeting the designation and freezing responsibilities set forth in the UN Resolution in all instances regardless of whether it is possible to instigate an investigation or prosecution of a terrorist offence. It should provide an indefinite freezing mechanism that is available regardless of the initiation or outcome of a domestic criminal proceeding and does not allow for any discretion in implementing a freeze in case of a match with the UN Security Council lists.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 27 and Article 3, Part 1, Paragraphs 33, 37).
Measures taken to implement the recommendations since the adoption	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 28 and Article 3, Part 1, Paragraphs 33, 37).

of the first progress report	
Recommendation of the MONEYVAL Report	*Put in place a mechanism to give effect to freezing actions initiated under the freezing mechanisms of other jurisdictions beyond the 10 days which are currently provided by the law. The freezing measures should be available in all instances for property owned jointly by a designated person or entity as well as with respect to funds merely controlled but not legally owned by designated entities or individuals.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 27, Part 7 and Article 3, Part 1, Paragraph 37).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 28, Part 7 and Article 3, Part 1, Paragraph 37).
Recommendation of the MONEYVAL Report	*The freezing measures should apply not only to funds but also to any financial assets and property of every kind, as defined in the FAFT standards and the Interpretative Note to Special Recommendation III.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 3, Part 1, Paragraph 37) and the draft amendments to CC (Article 1, Part 2).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 3, Part 1, Paragraphs 1 and 37) and the 2012 draft amendments to CC (Article 3, part 4).
Recommendation of the MONEYVAL Report	*The FMC should issue formal guidance to reporting entities and other persons or entities that may be holding targeted funds or other assets concerning their obligations in taking freezing actions pursuant to UNSCR 1373 and Article 25 AML/CFT Law.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measure under SR. IV (regarding FIs).
Measures taken to implement the recommendations	See the response to the recommended measure 1 under SR. IV (regarding FIs).

since the adoption of the first progress report	
Recommendation of the MONEYVAL Report	*The FMC should issue guidance or procedures on how entities or persons listed by the Central Bank could challenge this decision and apply for delisting, should the situation arise.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 27, Part 3). See also the response to the recommended measure under SR. IV (regarding FIs).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 28, Part 3). See also the response to the recommended measure 1 under SR. IV (regarding FIs).
Recommendation of the MONEYVAL Report	*Article 25 AML/CFT Law should make provision for the protection of bona fide third parties caught in the initial freezing process.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft AML/CFT Law (Article 27, Part 9).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 28, Part 9)
(Other) changes since the last evaluation	

Special Recommendation V (International co-operation)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Clarify whether dual criminality is required for the provision of mutual legal assistance to determine whether the deficiencies identified with respect to the ML and FT offences as outlined under Recommendations 1, 2 and Special Recommendation II may limit Armenia's ability to provide assistance in certain situations, and in particular the ability to provide mutual legal assistance for proceedings against legal persons.*
Measures reported as of 28 September	The issue of application of dual criminality relating to MLA was discussed at the Interagency Commission March 26, 2010 session, when it was agreed that the MoJ would

2010 to implement the Recommendation of the report	provide legal opinion on the matter. Based on that arrangement, the MoJ made legal analysis and concluded that Chapter 54 of the CPC (MLA) does not envisage any grounds for application of dual criminality in respect of MLA requests (also acknowledged in the MER (paragraphs 956 & 969)). The exception is only provided for the extradition related requests, i.e. Article 487 of the CPC clearly requires existence of dual criminality as a precondition for satisfying such requests. Such conclusion was officially circulated to all relevant stakeholders.
Measures taken to implement the recommendations since the adoption of the first progress report	No additional changes.
Recommendation of the MONEYVAL Report	*Remedy the deficiencies in the FT offences to ensure that the dual criminality requirement does not limit Armenia's ability to extradite persons in FT cases.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to the recommended measures 3 and 4 under SR. II.
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to the recommended measures 3 and 4 under SR. II.
Recommendation of the MONEYVAL Report	*Clarify the provisions of professional secrecy, which may hamper FMC's ability to have access/compel information.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	See the response to recommended measure 1 under R. 13 (Regarding DNFBP-s).
Measures taken to implement the recommendations since the adoption of the first progress report	See the response to recommended measure 1 under R. 13 (Regarding DNFBP-s).
(Other) changes since the last evaluation	

Special Recommendation VIII (Non-profit organisations)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Ensuring that periodic assessments are undertaken by reviewing new information on the sector's potential vulnerabilities to terrorist activities.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	Such an assessment was conducted by the SRA. Based on the analysis thereof the Summary Note concluded that the NPO sector does not pose significant FT risk.
Measures taken to implement the recommendations since the adoption of the first progress report	No additional changes.
Recommendation of the MONEYVAL Report	*Establishing outreach to NPOs in relation to the risks of FT abuse and available measures to protect against FT abuse.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	Such outreach measures are underway. During the seminar for the State Registry held on July 8, 2010, it was agreed that the FMC jointly with the Registry would develop FT typologies and awareness guidance for NPO-s and will further disseminate such papers to NPO-s. These typologies and guidance have been drafted by the FMC and are currently forwarded to the State Registry for their review and amendments. As an outreach measure these typologies and guidance are expected to be forwarded to the sector within coming 1-2 months.
Measures taken to implement the recommendations since the adoption of the first progress report	No additional changes.
Recommendation of the MONEYVAL Report	*Applying appropriate resources and technical capacity to the NPO sector with a focus on FT risks.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	An agreement was reached with the State Registry that this agency would dedicate appropriate staff and ensure technical capacity for carrying out outreach and monitoring functions over NPO sector (focused on FT abuse). Given the fact that such allocation of resources and capacities should be planned a year ahead through extensive bureaucratic arrangements, it is anticipated to accomplish in 2011.
Measures taken to implement the recommendations since the adoption	A special department on legal supervision has been created in the MoJ the functions of which include, *inter alia*, supervision of NPO sector, checking compliance of their activities with applicable laws and regulations; demanding suspension or liquidation of such entities in the cases and the manner established by the law.

of the first progress report	NPOs are obligated to file reports on their activities, and administrative sanctions are envisaged for non-compliance with this requirement.
(Other) changes since the last evaluation	

Special Recommendation IX (Cross Border declaration and disclosure)	
Rating: Partially compliant	
Recommendation of the MONEYVAL Report	*Extend the declaration requirements in the case of out bound transportation through mail or cargo.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the Law on Postal Communication and the draft amendment to CBA Board Decision on Rules for Transportation, Delivery, Import, Export and Declaration of Currency Values. According to Article 20 of the referred law, transportation of cash (AMD and foreign currency) by mail is banned. The above amendment, in turn, envisages declaration regime for outbound transportation of bearer instruments through mail or cargo transportation. Under Clause 2.1 of the above referred CBA Board Decision export of Armenian dram and currency in amounts exceeding the defined value (5 million AMD) are completed by non cash method. Only banks, credit organizations and collecting organizations are entitled to export, transport and deliver cash from the RA without a restriction of amount. They are required to complete customs cargo declaration, according to customs clearance procedures. The draft amendment has been submitted to the SRC and ArmPost (National Post Operator) for their review. It is envisaged that the amendment will be adopted and enforced within 1-2 months.
Measures taken to implement the recommendations since the adoption of the first progress report	The draft amendment to CBA Board Decision on Rules for Transportation, Delivery, Import, Export and Declaration of Currency Values mentioned under the implementing measures for the above recommendation was adopted on October 12, 2010 and enacted on December 11, 2010.
Recommendation of the MONEYVAL Report	*Provide Customs authorities with the power to stop or restrain currency where there is a suspicion of money laundering or terrorist financing.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendments to the Customs Code (Article 7).
Measures taken to implement the recommendations since the adoption of the first progress report	Article 7 of the draft amendments to the Customs Code was redrafted to provide further regulation of the stopping and restraining power of customs authorities; please, refer to 2012 draft amendments to the Customs Code (Article 6).
Recommendation of	*Increase the level of sanctions.*

the MONEYVAL Report	
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The articles (190, 194) specifying sanctions referred in the MER (paragraph 426) are not relevant in terms of the requirements of SR. IX.8. Instead, Articles 202 and 203 of the Customs Code should be referred, which envisage effective, proportionate and dissuasive sanctions (equal to an amount of customs value of the given goods and transportation means) for non-declaration or false declaration of goods and transportation means.
Measures taken to implement the recommendations since the adoption of the first progress report	No additional changes.
Recommendation of the MONEYVAL Report	*Introduce freezing requirements envisaged by SRIII and the UNSCRs in the case of persons who are carrying out a physical cross-border transportation of currency or bearer negotiable instrument that are related to FT.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendments to the Customs Code (Article 5) and the draft AML/CFT Law (Articles 27 and 3, Part 1, Paragraphs 33, 37).
Measures taken to implement the recommendations since the adoption of the first progress report	Article 5 of the draft amendments to the Customs Code was slightly redrafted to provide for freezing for uncertain period, instead of unlimited period; please refer to 2012 draft amendments to the Customs Code (Article 4), as well as 2012 draft AML/CFT Law (Article 28 and 3, paragraphs 33, 37).
Recommendation of the MONEYVAL Report	*Avenues to increase the public awareness of the need to declare imports and exports of cash and payable securities that exceed the specified threshold.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	In the context of implementing this recommendation, placards have been posted on all customs borders of Armenia.
Measures taken to implement the recommendations since the adoption of the first progress report	No additional changes.
(Other) changes since the last	

evaluation	
Recommendation of the MONEYVAL Report	*Align the explanations of the requirements for declarations on imports and exports contained in the utilized declarations to clearly also cover payable securities.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommended change has been inserted in the declaration forms.
Measures taken to implement the recommendations since the adoption of the first progress report	No additional changes.
Recommendation of the MONEYVAL Report	*The effectiveness of the current level of fines to encourage declarations and to include in the sanctions regime specific penalties for ML or FT.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendments to the Customs Code (Article 8).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft amendments to the Customs Code (Article 8).
Recommendation of the MONEYVAL Report	*The authority of Customs, in laws, rules or regulations, to request information on the origin of the currency or payable securities and their intended use.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented the draft amendments to the Customs Code (Article 3).
Measures taken to implement the recommendations since the adoption of the first	Article 3 was redrafted; please refer to 2012 draft amendments to the Customs Code (Article 2).

progress report	
Recommendation of the MONEYVAL Report	*By way of law, rules or regulations, notification to other countries' competent authorities in relation to unusual cross- border movement of gold, precious metals or stones.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	The recommendation has been implemented by the draft amendments to the Customs Code (Article 4).
Measures taken to implement the recommendations since the adoption of the first progress report	The recommendation has been implemented by the 2012 draft amendments to the Customs Code (Article 3).
Recommendation of the MONEYVAL Report	*Analyze the information collected under the declaration requirements to develop AML/CFT intelligence.*
Measures reported as of 28 September 2010 to implement the Recommendation of the report	An assignment was issued to a relevant department of the SRC in May, 2010 to conduct periodic analyses of the collected information under the declaration regime from the perspective of AML/CFT. In the result of this, 3 ML cases were developed by the Committee and forwarded to the FMC for further analyses within the period of September 2009 till September 2010.
Measures taken to implement the recommendations since the adoption of the first progress report	22 ML cases were developed by the Committee and forwarded to the FMC for further analyses within the period of January 2010 till October 2012.
(Other) changes since the last evaluation	

2.4 Specific Questions

Answers from the first progress report

1. Has the CBA increased the frequency of on-site inspections of the FIs it supervises?
Yes, see the response (statistical data) to the recommended measure 1 under R. 30.
2. What are the developments concerning dealers in precious metals and stones (guidance and reporting forms, designation of a supervisor, outreach to the sector, inspections)?
See the response to the recommended measure 4 under R. 13 (regarding DNFBP). The draft AML/CFT Law (Article 28, Part 1) envisages that the FMC will exercise supervision over those types of reporting entity, for which there is no legally defined supervisory authority or a legislative regulatory framework for the supervisory authority to perform the functions assigned to it in AML/CFT. Dealers in precious metals and stones fall under this category: hence, the AML/CFT supervision over such persons will pass to the FMC following the enactment of the draft law.
3. What are the measures introduced to prohibit the issuance/use of financial instruments in bearer form?
See the response to the recommended measure 1 under R. 5 (regarding FIs)
4. Please describe any measures taken since the evaluation which demonstrate that other important and risky sectors (securities, insurance, foreign exchange offices, money remitters) have been implementing the preventive/regulatory requirements and that specific action has been taken to check compliance.
See the response to the recommended measure 1 under R. 30.
5. Please provide a summary of sanctions taken by supervisory authorities specifically for AML/CFT infringements since the evaluation (please indicate the main types of AML/CFT infringements and distinguish between FIs and DNFBPs.
Through October, 2009 till September, 2010 the following DNFBP-s where sanctioned (in the form of warnings) for the infringement of the AML/CFT Law provisions: - 21 notaries for the failure to file reports (TTR-s and STR-s); - 4 independent auditors and auditing firms for the failure to register with the FMC; - 4 casinos and entities organizing games of chance for the failure to register with the FMC; - 2 real estate agents for the failure to register with the FMC.

Additional questions since the first progress report

1) How many on-site inspections of financial institutions and DNFBPs have been undertaken by the CBA and other designated supervisory bodies since the adoption of the MER: *• solely for AML/CFT supervisory issues;* *• which include an AML/CFT component as part of general supervisory activity?* *(NB: please provide figures with a breakdown per supervisory authority/ institutions).*
Regarding on-site inspections of FIs, please see the response to the recommended measure 1 under Recommendation 30. As for the on-site inspections of DNFBPs, 218 on-site inspections were conducted in casinos by the MoF since October 2009, which inter alia covered AML/CFT component.
2) Have sanctions been imposed (whether administrative or criminal) specifically for AML/CFT infringements, at the instigation of financial sector supervisors, since the adoption of the 3rd report? If so, please indicate the main types of AML/CFT infringement detected by financial sector supervisors since the adoption of the 3rd

report. (NB It is not necessary for these purposes to provide full detailed statistics, but an overview).

Since the adoption of the 3rd round MER a number of infringements were detected by the FSD, and sanctions were applied with regard to FIs, as specified under the response to the recommended measure 1 under Recommendation 30.

As for the infringement of the AML/CFT legislation, the main types of violations identified during supervisory activities concern certain CDD elements (e.g. classification of high and low risk customers/ transactions), record keeping procedures (e.g. obtaining beneficial ownership information), and reporting (e.g. filing TTRs within the deadlines specified by relevant regulations).

3) Please report on the international co-operation requests received and sent (between 2008 - to date) regarding ML/FT (covering FIU to FIU cooperation, mutual legal assistance requests, exchange of information and cooperation between supervisory authorities). If there are cases of refusal please describe the reasons of that.

Regarding FIU to FIU cooperation please see Section 3 of the General Overview and Section 4 of the General Overview of the first and second progress reports, respectively.

In the framework of the cooperation between supervisory authorities, FSD has received one request regarding ML.

As for the mutual legal assistance cases, the information on received and sent requests by the respective Armenian authorities are presented below:

	Mutual legal assistance applications from foreign countries	**Mutual legal assistance applications to foreign countries**
Since the adoption of the first progress report	5	27

All received applications on MLA have been completed, except for one case, when the request was rejected because it could injure on-going judicial proceedings with regard the accomplices.

2 MLA requests are now under consideration by competent authorities.

4) Please provide an overview of the most relevant steps which have been taken since the adoption of the MER to increase the effectiveness of LEA's with respect to the instigation of ML investigations (without prior notification from the FMC) and of seizure and confiscation of the proceeds of crime in ML cases. What were the results of these measures and how is the efficiency of them assessed?

Training on ML investigations was provided to LEAs on continuous basis (see Section 5 "Trainings & capacity building" of the General Overview). The deeper knowledge on ML investigations resulted in considerable number of instigated ML cases on the initiative of law inforcement bodies. (Please see the statistical data provided under Section 6).

In the meantime, a comprehensive handbook titled *Combatting Money Laundering* was published in 2010 by the School of Prosecutors.

Apart from the said, a new interpretation of the law was adopted at the Prosecutor's Office Board meeting held in October 21, 2009, on the standard of proof in terms of predicate offences. In particular, it was explained that the previous practice of requiring high level of proof for the predicate offence was wrong and a lower standard would thereafter apply to the predicate offence.

5) Have there been convictions for money laundering since the 3rd round report was adopted in the absence of a prior or simultaneous conviction for the predicate offence? If so, please indicate, if you have not already done so, how many investigations, prosecutions and convictions there have been since the adoption of the 3rd round report for 3rd party/autonomous money laundering and what were/are the predicate offences in these cases?

If there have been no investigations, prosecutions or convictions for 3rd party/autonomous money laundering please explain why this has not occurred.
Since the 3rd round report no conviction was rendered for ML in the absence of a prior or simultaneous conviction for the predicate offence. Nevertheless, 6 stand-alone ML cases were instigated, out of which 2 are under investigation, 3 were suspended and 1 changed into a regular ML case with a charge concerning a predicate offence. In 3 occasions the stand-alone ML cases were committed by a third party. In the other 3 stand-alone ML cases the facts have not been disclosed yet to classify the cases of ML as committed by a third party. Taking into account that the investigation of the abovementioned cases has not revealed much about circumstances yet, no hypothesis were put forward concerning predicate offences.

2.5 Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC)

Implementation / Application of the provisions in the Third Directive and the Implementation Directive	
Please indicate whether the Third Directive and the Implementation Directive have been fully implemented / or are fully applied and since when.	Third EU Directive and the Implementation Directive have been largely implemented in accordance with the draft legal package.
Please indicate whether the Third Directive and the Implementation Directive have been fully implemented / or are fully applied and since when.	Third EU Directive and the Implementation Directive have been largely implemented in accordance with the 2012 draft legal package.

Beneficial Owner	
Please indicate whether your legal definition of beneficial owner corresponds to the definition of	In line with the FATF Glossary and the Third Directive, the definition of beneficial owner is provided in Article 3 of both the current and draft AML/CFT Laws. These definitions refer to natural person(s) who ultimately owns or controls a customer and/or the person on whose behalf a transaction is being conducted (also those persons who exercise ultimate effective control over a legal person or legal arrangement). In the meantime, the definitions establish a minimum criterion (over 25 % shareholding) for identifying beneficial owners.

beneficial owner in the 3rd Directive[26] (please also provide the legal text with your reply)	
Please indicate whether your legal definition of beneficial owner corresponds to the definition of beneficial owner in the 3rd Directive (please also provide the legal text with your reply)	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 3, Part 1 (14)).

Risk-Based Approach	
Please indicate the extent to which FIs have been permitted to use a risk-based approach to discharging certain of their AML/CFT obligations.	Application of the risk-based approach for FIs is envisaged in the draft AML/CFT Law (Article 17) and is also embedded by the GRBA for financial institutions.
Please indicate the extent to which FIs have been permitted to use a risk-based approach to discharging certain of their AML/CFT obligations.	The note on respective GRBAs is still valid. The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 18).

Politically Exposed Persons	
Please indicate whether criteria for identifying PEPs in accordance with the	In accordance with the FATF Glossary and the Third Directive, the definition of PEP-s is provided in Article 3 of both the current and draft AML/CFT Laws. These definitions are not limited to the one year period as allowed under Art. 2.4 of the Third Directive.

[26] Please see Article 3(6) of the 3rd Directive reproduced in Appendix II.

provisions in the Third Directive and the Implementation Directive[27] are provided for in your domestic legislation (please also provide the legal text with your reply).	
Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive and the Implementation Directive are provided for in your domestic legislation (please also provide the legal text with your reply).	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 3, Part 1 (25)).

"Tipping off"	
Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or FT investigations.	Article 27 of the Third Directive is implemented by both the current (Article 12) and the draft (Article 11) AML/CFT laws.
Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or FT investigations.	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 12).

[27] Please see Article 3(8) of the 3rd Directive and Article 2 of Commission Directive 2006/70/EC reproduced in Appendix II.

With respect to the prohibition of "tipping off" please indicate whether there are circumstances where the prohibition is lifted and, if so, the details of such circumstances.	The draft AML/CFT law (Article 5, Part 5 relating to "tipping off") does not envisage circumstances where the prohibition is lifted.
With respect to the prohibition of "tipping off" please indicate whether there are circumstances where the prohibition is lifted and, if so, the details of such circumstances.	The recommendation has been implemented by the 2012 draft AML/CFT Law (Article 6, Part 5).

"Corporate liability"	
Please indicate whether corporate liability can be applied where an infringement is committed for the benefit of that legal person by a person who occupies a leading position within that legal person.	See the response to the recommended measure 5 under SR II.
Please indicate whether corporate liability can be applied where an infringement is committed for the	See the response to the recommended measure 5 under SR II.

benefit of that legal person by a person who occupies a leading position within that legal person.	
Can corporate liability be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person.	Yes, both the current and the draft AML/CFT laws apply corporate administrative liability for the corporate involvement in ML/FT, or for the breaches of legal requirements, which also cover the instances where infringements are committed for the benefit of legal persons as a result of lack of supervision or control by persons who occupy leading positions within such legal persons.
Can corporate liability be applied where the infringement is committed for the benefit of that legal person as a result of lack of supervision or control by persons who occupy a leading position within that legal person.	No additional changes

DNFBPs	
Please specify whether the obligations apply to all natural and legal persons trading in all goods where payments are made in cash in an amount	Yes, both the current and the draft AML/CFT laws go beyond the FATF and the Third Directive lists of professionals and categories of undertakings by bringing other enterprises, such as auctioneers and pawnshops, under the scope of the AML/CFT Law.

of € 15 000 or over.	
Please specify whether the obligations apply to all natural and legal persons trading in all goods where payments are made in cash in an amount of € 15 000 or over.	According to the conducted National Risk Assessment in comparison to other participants of the financial system, the risk level of designated non-financial business and professions involved in AML/CFT is significantly lower. In relation to the assessment of ML/FT risk inherent to designated non-financial businesses and professions, the estimated financial turnover rates for different segments and the possibility of involvement in suspicious ML/FT schemes were taken into consideration. At that, no new category of designated non-financial businesses and professions is considered of high importance in terms of ML/FT risks.

2.6 Statistics

Statistics provided in the first progress report:

2005												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	5	6	3	4	-	-	-	-	-	-	-	-
FT	-	-	-	-	-	-	-	-	-	-	-	-

2006												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	4	4	2	2	1	1	-	-	-	-	-	-
FT	-	-	-	-	-	-	-	-	-	-	-	-

2007												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	3	3	2	2	-	-	-	-	-	-	-	-
FT	-	-	-	-	-	-	-	-	-	-	-	-

2008												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	6	11	5	8	-	-	-	-	3	112758	-	-
FT	-	-	-	-	-	-	-	-	-	-	-	-

2009						
	Investigations	**Prosecutions**	**Convictions (final)**	**Proceeds frozen**	**Proceeds seized**	**Proceeds confiscated**

	cases	persons	cases	persons	cases	persons	cases	amount (in EUR)	cases	amount (in EUR)	cases	amount (in EUR)
ML	10	8	7	7	7	7	-	-	5	1140942 and other property	6	124307
FT	-	-	-	-	-	-	-	-	-	-	-	-

2010 [until 01.09.2010]												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	8	10	6	10	2	2	-	-	1	198407	2	1105432
FT	-	-	-	-	-	-	-	-	-	-	-	-

<u>Statistics provided for the second progress report:</u>

2010 [01.09.2010-31.12.2010]												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	3	3	3	3	-	-	-	-	-	-	-	-
FT												

2011												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	8	9	8	9	5	14			1	5257	5	801.000
FT												

2012 (1/1/12 to 01/10/12)												
	Investigations		**Prosecutions**		**Convictions (final)**		**Proceeds frozen**		**Proceeds seized**		**Proceeds confiscated**	
	cases	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)	**cases**	**amount** (in EUR)
ML	7	8	7	8	1	1						475
FT												

b. STR/CTR

Explanatory note:
The statistics under this section should provide an overview of the work of the FIU.
The list of entities under the heading "*monitoring entities*" is not intended to be exhaustive. If your jurisdiction covers more types of monitoring entities than are listed (e.g. dealers in real estate, supervisory authorities etc.), please add further rows to these tables. If some listed entities are not covered as monitoring entities, please also indicate this in the table.

The information requested under the heading "*Judicial proceedings*" refers to those cases which were initiated due to information from the FIU. It is not supposed to cover judicial cases where the FIU only contributed to cases which have been generated by other bodies, e.g. the police.

"C*ases opened*" refers only to those cases where an FIU does more than simply register a report or undertakes only an IT-based analysis. As this classification is not common in all countries, please clarify how the term "cases open" is understood in your jurisdiction (if this system is not used in your jurisdiction, please adapt the table to your country specific system).

2005															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		Cases/ episodes analyzed by FIU[28]		notifications to law enforcement/ prosecutors		indictments				convictions			
								ML		FT		ML		FT	
		ML	FT	ML	FT	ML	FT	cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	-	-	-	6	-	1	-	-	-	-	-	-	-	-	-
Insurance Companies	-	-	-												
Notaries	-	-	-												
Currency Exchange	-	-	-												
Broker Companies	-	-	-												
Securities' Registrars	-	-	-												
Lawyers	-	-	-												
Accountants/Auditors	-	-	-												
Company Service Providers	-	-	-												
Others (please specify and if necessary add further rows)	-	-	-												
Total	-	-	-												

[28] For the purpose of this document an episode shall mean any preliminary analysis which has been carried out on basis of the information/ signals received by the FMC (including the inquiries/referrals made by domestic and foreign counterparts), and which does not constitute for the FMC to carry out additional analysis/ take further actions.

2006															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		Cases/ episodes analyzed by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
								ML		FT		ML		FT	
		ML	FT	ML	FT	ML	FT	cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	52006	27	-												
Credit organizations	112	-	-												
Persons engaged in dealer-broker foreign currency trading, foreign currency trading	386	-	-												
Licensed persons Providing cash (money) transfers	-	-	-												
Persons rendering investment services in accordance with the RA Law on Securities market	739	-	-												
Central Depositary for regulated market securities in accordance with the RA Law on Securities market	-	-	-	6	-	2	-	-	-	-	-	-	-	-	-
Insurance (including reinsurance) companies and insurance (including reinsurance) brokers	16	-	-												
Pawnshop	-	-	-												
Realtors (real estate agents)	-	-	-												
Notaries	148	-	-												
Attorneys, as well as independent lawyers and firms providing legal services	-	-	-												
Independent auditors and auditing firms	-	-	-												
Independent accountants and accounting firms	-	-	-												
Dealers in precious metals	-	-	-												
Dealers in precious stones	-	-	-												
Dealers in art works	-	-	-												
Organizers of auctions	-	-	-												
Persons and casinos organizing prize games and lotteries, including persons organizing internet prize games	-	-	-												
Trust and company service providers	-	-	-												

Credit bureaus	-	-	-												
The Authorized Body Responsible for maintaining the integrated state cadastre of real estate	-	-	-												
The state body performing Registration of legal persons (the State Registry)	-	-	-												
Charity organizations	1	-	-												
Total	**53,408**	**27**	**-**												

2007															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**Cases/ episodes analyzed by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial Banks	74090	27	-	35	-	11	-	-	-	-	-	-	-	-	-
Credit organizations	382	-	-												
Persons engaged in dealer-broker foreign currency trading, foreign currency trading	269	-	-												
Licensed persons Providing cash (money) transfers	-	-	-												
Persons rendering investment services in accordance with the RA Law on Securities market	976	-	-												
Central Depositary for regulated market securities in accordance with the RA Law on Securities market	-	-	-												
Insurance (including reinsurance) companies and insurance (including reinsurance) brokers	69	-	-												
Pawnshop	2	-	-												
Realtors (real estate agents)	-	-	-												
Notaries	1546	-	-												
Attorneys, as well as independent lawyers and firms providing legal services	-	-	-												
Independent auditors and auditing firms	-	-	-												

Independent accountants and accounting firms	-	-	-												
Dealers in precious metals	-	-	-												
Dealers in precious stones	-	-	-												
Dealers in art works	-	-	-												
Organizers of auctions	-	-	-												
Persons and casinos organizing prize games and lotteries, including persons organizing internet prize games	1	-	-												
Trust and company service providers	-	-	-												
Credit bureaus	-	-	-												
The Authorized Body Responsible for maintaining the integrated state cadastre of real estate	390	-	-												
The state body performing Registration of legal persons (the State Registry)	-	-	-												
Charity organizations	5	-	-												
Total	**77,730**	**27**													

2008															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**Cases/ episodes analyzed by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial Banks	89588	36	-	46	-	11	-	-	-	-	-	-	-	-	-
Credit organizations	498	-	-												
Persons engaged in dealer-broker foreign currency trading, foreign currency trading	71	1	-												
Licensed persons Providing cash (money) transfers	-	-	-												
Persons rendering investment services in accordance with the RA Law on Securities market	250	-	-												
Central Depositary for regulated market securities in accordance with the RA Law on Securities market	-	-	-												

Insurance (including reinsurance) companies and insurance (including reinsurance) brokers	167	-	-												
Pawnshop	-	-	-												
Realtors (real estate agents)	-	-	-												
Notaries	1232	-	-												
Attorneys, as well as independent lawyers and firms providing legal services	-	-	-												
Independent auditors and auditing firms	-	-	-												
Independent accountants and accounting firms	-	-	-												
Dealers in precious metals	-	-	-												
Dealers in precious stones	-	-	-												
Dealers in art works	-	-	-												
Organizers of auctions	-	-	-												
Persons and casinos organizing prize games and lotteries, including persons organizing internet prize games	-	-	-												
Trust and company service providers	-	-	-												
Credit bureaus	-	-	-												
The Authorized Body Responsible for maintaining the integrated state cadastre of real estate	1546	-	-												
The state body performing Registration of legal persons (the State Registry)	-	-	-												
Charity organizations	5	-	-												
Total	**93,357**	**37**	**-**												

2009															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**Cases/ episodes analyzed by FIU**		**notifications to law enforcement / prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial Banks	100416	70		111	-	9	-	-	-	-	-	-	-	-	-
Credit organizations	218	-	-												
Persons engaged in dealer-broker foreign currency	50	-	-												

trading, foreign currency trading			
Licensed persons providing cash (money) transfers	-	1	-
Persons rendering investment services in accordance with the RA Law on Securities market	246	-	-
Central Depositary for regulated market securities in accordance with the RA Law on Securities market	-	-	-
Insurance (including reinsurance) companies and insurance (including reinsurance) brokers	1229	-	-
Pawnshop	7	-	-
Realtors (real estate agents)	-	-	-
Notaries	350	-	-
Attorneys, as well as independent lawyers and Firms providing legal services	-	-	-
Independent auditors and auditing firms	-	-	-
Independent accountants and accounting firms	-	-	-
Dealers in precious metals	-	-	-
Dealers in precious stones	-	-	-
Dealers in art works	-	-	-
Organizers of auctions	-	-	-
Persons and casinos organizing prize games and lotteries, including persons organizing internet prize games	-	-	-
Trust and company service providers	-	-	-
Credit bureaus	-	-	-
The Authorized Body Responsible for maintaining the integrated state cadastre of real estate	335	-	-
The state body performing registration of legal persons (the State Registry)	98	1	-
Total	**102,949**	**72**	-

2010 as of August 27															
Statistical Information on reports received by the FIU								Judicial proceedings							
Monitoring entities, e.g.	reports about transactions above threshold	reports about suspicious transactions		Cases/ episodes analyzed by FIU		notifications to law enforcement/ prosecutors		indictments				convictions			
								ML		FT		ML		FT	
		ML	FT	ML	FT	ML	FT	cases	persons	cases	persons	cases	persons	cases	persons
Commercial Banks	97321	381	-	79	-	13	-	1	1	-	-	-	-	-	-
Credit organizations	126	-	-												
Persons engaged in dealer-broker foreign currency trading, foreign currency trading	23	-	-												
Licensed persons Providing cash (money) transfers	-	-	-												
Persons rendering investment services in accordance with the RA Law on Securities market	74	-	-												
Central Depositary for regulated market securities in accordance with the RA Law on Securities market	-	-	-												
Insurance (including reinsurance) companies and insurance (including reinsurance) brokers	885	-	-												
Pawnshop	-	-	-												
Realtors (real estate agents)	-	-	-												
Notaries	761	-	-												
Attorneys, as well as independent lawyers and Firms providing legal services	-	-	-												
Independent auditors and auditing firms	-	-	-												
Independent accountants and accounting firms	-	-	-												
Dealers in precious metals	-	-	-												
Dealers in precious stones	-	-	-												
Dealers in art works	-	-	-												
Organizers of auctions	-	-	-												
Persons and casinos organizing prize games and lotteries, including persons organizing internet prize games	-	-	-												
Trust and company service providers	-	-	-												

Credit bureaus	-	-	-												
The Authorized Body Responsible for maintaining the integrated state cadastre of real estate	334	-	-												
The state body performing registration of legal persons (the State Registry)	79	1	-												
Total	**99,603**	**382**													

2010															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**Cases/ analysed by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial Banks	133030	432		215		23		1	1	-	-	-	-	-	-
Credit organizations	190	-													
Persons engaged in dealer-broker foreign currency trading, foreign currency trading	-	-													
Licensed persons Providing cash (money) transfers	-	-													
Persons rendering investment services in accordance with the RA Law on Securities market	131	-													
Central Depositary for regulated market securities in accordance with the RA Law on Securities market	222	-													
Insurance (including reinsurance) companies and insurance (including reinsurance) brokers	1318	-													
Pawnshop	-	-													
Realtors (real estate agents)	-	-													
Notaries	1001	-													
Attorneys, as well as independent lawyers and Firms providing legal services	-	-													
Independent auditors and auditing firms	-	-													
Independent accountants and accounting firms	-	-													
Dealers in precious metals	-	-													

Dealers in precious stones	-	-													
Dealers in art works	-	-													
Organizers of auctions	-	-													
Persons and casinos organizing prize games and lotteries, including persons organizing internet prize games	-	-													
Trust and company service providers	-	-													
Credit bureaus	-	-													
The Authorized Body Responsible for maintaining the integrated state cadastre of real estate	547	-													
The state body performing registration of legal persons (the State Registry)	141	4													
Total	**136580**	**436**													

2011															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**Cases analysed by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial Banks	146577	184		263		17		-	-	-	-	-	-	-	-
Credit organizations	145	-													
Persons engaged in dealer-broker foreign currency trading, foreign currency trading	-	-													
Licensed persons Providing cash (money) transfers	-	-													
Persons rendering investment services in accordance with the RA Law on Securities market	153	-													
Central Depositary for regulated market securities in accordance with the RA Law on Securities market	144	2													
Insurance (including reinsurance) companies and insurance (including reinsurance) brokers	1628	-													
Pawnshop	6	-													
Realtors (real estate agents)	-	-													

Notaries	983	-													
Attorneys, as well as independent lawyers and Firms providing legal services	-	-													
Independent auditors and auditing firms	-	-													
Independent accountants and accounting firms	-	-													
Dealers in precious metals	-	-													
Dealers in precious stones	-	-													
Dealers in art works	-	-													
Organizers of auctions	-	-													
Persons and casinos organizing prize games and lotteries, including persons organizing internet prize games	-	-													
Trust and company service providers	-	-													
Credit bureaus	-	-													
The Authorized Body Responsible for maintaining the integrated state cadastre of real estate	610	-													
The state body performing registration of legal persons (the State Registry)	133	2													
Total	**150379**	**188**													

2012 (1/1/12 to 01/10/12)															
Statistical Information on reports received by the FIU								**Judicial proceedings**							
Monitoring entities, e.g.	**reports about transactions above threshold**	**reports about suspicious transactions**		**Cases analysed by FIU**		**notifications to law enforcement/ prosecutors**		**indictments**				**convictions**			
								ML		**FT**		**ML**		**FT**	
		ML	**FT**	**ML**	**FT**	**ML**	**FT**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**	**cases**	**persons**
Commercial Banks	117725	154		197		10		-	-	-	-	-	-	-	-
Credit organizations	156	1													
Persons engaged in dealer-broker foreign currency trading, foreign currency trading	6	-													
Licensed persons Providing cash (money) transfers	-	-													
Persons rendering investment services in accordance with the RA Law on Securities market	113	-													
Central Depositary for regulated market securities in accordance with the	77	2													

RA Law on Securities market															
Insurance (including reinsurance) companies and insurance (including reinsurance) brokers	1285	-													
Pawnshop	2	-													
Realtors (real estate agents)	-	-													
Notaries	606	-													
Attorneys, as well as independent lawyers and Firms providing legal services	-	-													
Independent auditors and auditing firms	-	-													
Independent accountants and accounting firms	-	-													
Dealers in precious metals	-	-													
Dealers in precious stones	-	-													
Dealers in art works	-	-													
Organizers of auctions	-	-													
Persons and casinos organizing prize games and lotteries, including persons organizing internet prize games	11	-													
Trust and company service providers	-	-													
Credit bureaus	-	-													
The Authorized Body Responsible for maintaining the integrated state cadastre of real estate	514	-													
The state body performing registration of legal persons (the State Registry)	7	-													
Total	**120502**	**157**													

3. Appendices

APPENDIX I - Recommended Action Plan to Improve the AML / CFT System

AML/CFT System	Recommended Action (in order of priority within each section)
1. General	
2. Legal System and Related Institutional Measures	
2.1 Criminalization of Money Laundering (R.1 & 2)	• Undertake appropriate initiatives (such as outreach or training, for example) to all authorities involved in investigating, prosecuting and adjudicating money laundering (ML) cases to: (1) assess what barriers exists for prosecuting ML, for example whether and to what extent the level of proof applied to show that property stems from the commission of a specific predicate offence poses an obstacle to obtaining convictions for stand-alone money laundering; and (2) to further raise the awareness on the statutory requirements of the ML provisions; • Amend the law to provide for criminal liability of corporate entities.
2.2 Criminalization of Terrorist Financing (SR.II)	• Amend the definition of "terrorism" pursuant to Article 217 CC (1) to cover all terrorism offenses as defined in the nine Conventions and Protocols listed in the Annex to the FT Convention and (2) to include a reference to "international organizations", as required by Article 2 of the FT Convention; • Amend Article 217.1. CC to cover situations in which the property or funds are provided or collected generally for use by an individual terrorist or a terrorist organization when there is no intention or knowledge that the funds or property will be used in the commission a specific act of terrorism; • Harmonize the terms used in paragraph 1 ("financial means") and paragraph 3 ("objects of terrorism financing") to clarify that Article 217.1. CC applies to all "funds" as provided for in the FT Convention; • Amend the law to provide for criminal liability of corporate entities.

2.3 Confiscation, freezing, and seizing of proceeds of crime (R.3)	• With respect to all predicate offenses not covered by Articles 55(3) CC, measures should be put in place to allow for the confiscation of proceeds from and instrumentalities used or intended to be used for the commission of the offenses as well as of legitimate assets equivalent in value to such property; • Article 55(3) CC should be amended to allow for the confiscation of property regardless of whether it is held or owned by the defendant or a third party; • Put in place measures to allow for the seizing of legitimate assets equivalent in value to proceeds from or instrumentalities used or intended for use in the commission of ML, FT or predicate offenses; • Harmonize Article 10 of the LBS with Article 20 of the LOSA and Article 13.1 of the LBS with Article 13 of the AML/CFT Law so that they provide the same conditions with respect to access to information covered by financial secrecy and to ensure that law enforcement authorities may effectively identify and trace property that is/may become subject to confiscation or is suspected of being the proceeds of crime, including in cases where a "suspect" has not yet been identified; • The law enforcement authorities should ensure that provisional measures with respect to property that may become subject to confiscation are implemented effectively in the context of inquests/investigations/pre-trials for ML and FT; • Armenian authorities should reconsider their approach to confiscation with a view to increasing the number of confiscation actions and to encourage a more frequent use of the confiscation provisions; • The authorities should consider assessing the criminal law framework to determine whether it would be appropriate to introduce civil forfeiture, or confiscation of property with a reverse burden of proof or the confiscation of assets of criminal organizations other than those directly related to an offense for which a conviction has been obtained.

2.4 Freezing of funds used for terrorist financing (SR.III)	• Armenia should review the freezing mechanisms set forth in Article 25 AML/CFT law that are meant to implement obligations under UNSCR 1267, UNSCR 1373 and SRIII. In particular, Armenian law should provide for meeting the designation and freezing responsibilities set forth in the UN Resolution in all instances regardless of whether it is possible to instigate an investigation or prosecution of a terrorist offence. It should provide an indefinite freezing mechanism that is available regardless of the initiation or outcome of a domestic criminal proceeding and does not allow for any discretion in implementing a freeze in case of a match with the UN Security Council lists; ○ Put in place a mechanism to give effect to freezing actions initiated under the freezing mechanisms of other jurisdictions beyond the 10 days which are currently provided by the law. The freezing measures should be available in all instances for property owned jointly by a designated person or entity as well as with respect to funds merely controlled but not legally owned by designated entities or individuals; ○ The freezing measures should apply not only to funds but also to any financial assets and property of every kind, as defined in the FAFT standard and the Interpretative Note to Special Recommendation III; ○ The FMC should issue formal guidance to reporting entities and other persons or entities that may be holding targeted funds or other assets concerning their obligations in taking freezing actions pursuant to UNSCR 1373 and Article 25 AML/CFT Law; ○ The FMC should issue guidance or procedures on how entities or persons listed by the Central Bank could challenge this decision and apply for delisting, should the situation arise; • Article 25 AML/CFT Law should make provision for the protection of bona fide third parties caught in the initial freezing process.
2.5 The Financial Intelligence Unit and its functions (R.26)	• Amend the Statute of the FMC to reflect the new responsibilities envisaged by the new AML/CFT law; • Increase the number of staff, particularly of the Analysis division; • Consider establishing a unit (or a sub-unit in the Analysis division) to deal specifically with the analysis of TRs; • Outreach to DNFBPs protected by professional secrecy (in particular lawyers, accountants and auditors) to clarify the ambit of application of Article 4, paragraph 3 of the AML law and, if needed, modify the text of the law to ensure that the reference to professional secrecy does not hamper ability of FMC to request additional

	information; • Provide guidance to and issue reporting form for dealers in precious metals and stones (and dealers in artworks and organizers of auctions) all DNFBPs regarding the manner of reporting.
2.6 Law enforcement, prosecution and other competent authorities (R.27 & 28)	• The CPC should be amended to provide for a general power of the law enforcement authorities or the courts to compel the production of documents and information in ML and FT cases, including also in cases where the information is requested from a witness or a person other than the injured, or the plaintiff, suspect or accused. • Harmonize Articles 10 of the LBS with Article 29 of the LOSA and Articles 13.1 of the LBS with 13 of the AML/CFT Law so that they provide the same conditions with respect to access to information covered by financial secrecy and to ensure that law enforcement authorities have adequate powers to access and compel production of information, transaction records, account files and other documents or information that is covered by financial secrecy, especially in cases where a suspect has not yet been identified or where the information is sought with respect to persons other than the suspect; • Staff of the NSS' investigative department as well as the custom's inquest and investigation departments should receive AML/CFT specific training to ensure effectiveness of ML and FT investigations.
2.7 Cross-Border Declaration & Disclosure (SR IX)	• Extend the declaration requirements in the case of out bound transportation through mail or cargo; • Provide Customs authorities with the power to stop or restrain currency where there is a suspicion of money laundering or terrorist financing; • Increase the level of sanctions; • Introduce freezing requirements envisaged by SRIII and the UNSCRs in the case of persons who are carrying out a physical cross-border transportation of currency or bearer negotiable instrument that are related to FT; • Avenues to increase the public awareness of the need to declare imports and exports of cash and payable securities that exceed the specified threshold; • Align the explanations of the requirements for declarations on imports and exports contained in the utilized declarations to clearly also cover payable securities; • The effectiveness of the current level of fines to encourage declarations and to include in the sanctions regime specific penalties for ML or FT; • The authority of Customs, in laws, rules or regulations, to request information on the origin of the currency or

	payable securities and their intended use; • By way of law, rules or regulations, notification to other countries' competent authorities in relation to unusual cross-border movement of gold, precious metals or stones; • Analyze the information collected under the declaration requirements to develop AML/CFT intelligence.
3. Preventive Measures–FIs	
3.1 Risk of money laundering or terrorist financing	
3.2 Customer due diligence, including enhanced or reduced measures (R.5-8)	• Prohibit bearer bank books and certificates of deposit or other bearer securities, by way of repealing/changing articles of the Civil Code and any other regulations that make available these instruments in bearer form or regulate them; • Provide additional guidance to FIs with respect to adequate timeframes for updating customer data to ensure consistent and effective implementation; o Provide additional guidance to specify a reasonable timeframe that FIs should follow when obtaining identification information and checking the veracity of such information in the course of establishing a business relationship; o Establish a direct requirement for FIs to adopt effective risk management procedures concerning conditions under which a customer is permitted to utilize the business relationship prior to CDD verification; o Establish a direct requirement for FIs to apply CDD measures to existing customers on the basis of materiality and risk and to conduct due diligence on such existing relationships at appropriate times; o Ensure FIs are implementing more effectively the obligations imposed by the AML/CFT and implementing regulations with respect to CDD measures, by way of training or other types of outreach; o Provide additional guidance/training to FIs in relation to the enhanced ongoing monitoring procedures required by law when establishing a business relationship with a PEP; • Provide through regulation or guidance a physical presence requirement when establishing a business relationship. Also, review the Basel Committee on Banking Supervision Customer Due Diligence Paper, section 2.2.6 dealing with "Non Face-to-Face Customers, which provides additional measures for FIs to consider to mitigate risk when accepting business from non face-to-face customers, to complement the two additional measures in place.
3.3 Third parties and introduced	o Amend the regulation on Minimal Requirements to establish the obligations for FIs relying on

business (R.9)	intermediaries or third parties to: ○ immediately obtain from the third party the necessary information concerning certain elements of the CDD process (Criteria 5.3. to 5.6); ○ take adequate steps to satisfy themselves that copies of identification data and other relevant documentation relating to CDD requirements will be made available from the third party upon request without delay; and ○ satisfy themselves that the third party is regulated and supervised (in accordance with Recommendation 23, 24, and 29), and has measures in place to comply with, the CDD requirements set out in R.5 and R.10. • Define the notion of "specialized intermediaries or persons empowered to represent third parties" in a manner that is consistent with the FAFT standard, in particular to limit the requirement to "third parties" that are FIs or DNFBPs only and not to "persons empowered to represent third parties"; ○ The authorities are also recommended to take into account information available on whether the countries in which the third party that meets the conditions can be based adequately apply the FAFT Recommendations; and to establish an obligation that the ultimate responsibility for customer identification and verification should remain with the FI relying on the third party.
3.4 FI secrecy or confidentiality (R.4)	• Harmonize Article 10 of the LBS with Article 29 of the LOSA and Article 13 of the AML/CFT Law with Article 13.1. of the LBS so that they provide the same conditions with respect to access to information covered by financial secrecy; • Ensure that access by law enforcement authorities (particularly the NSS) to information covered by financial secrecy is not conditioned on the identification of a "suspect" or "criminally charged" person, as this condition undermines the proper performance of the NSS as the competent authority to investigate ML/FT and prevents access to such information in cases relating to legal persons or regarding any person other than the "suspect" or the "accused"; • Amend the LBS to allow FIs to share information covered by financial secrecy where it is required by R.7, R.9 or SR.VII.
3.5 Record keeping and wire transfer rules (R.10 & SR.VII)	○ Clarify in the Regulation on Minimal Requirements or in other enforceable guidance the notion of "main conditions of the transaction (business relationship)" subject to the record keeping requirements, in the cases which such transactions are not contracts;

	• Provide requirements by law or regulations for establishing the threshold for customer identification when a wire transfer is involved to the equivalent of €/$ 1,000. In this way**,** given the floating of the exchange rate, reporting entities can ensure that the threshold remains consistent with the standard.
3.6 Monitoring of transactions and relationships (R.11 & 21)	• Establish a clear and direct requirement for FIs to examine as far as possible the background and purpose of complex, unusual large transactions and all unusual patters of transactions which have no apparent economic or visible lawful purpose as required by this recommendation; • Extend the requirement to keep the findings of the examination of complex and unusual large transactions also available to auditors for at least five years; • Provide additional training, particularly to non-bank FIs to ensure that attention is given to all transactions that fall into the unusual, large, and complex categories, regardless of any offshore and UN lists; • Establish a requirement for FIs to: i) examine as far as possible the background and purpose of transactions with persons from or in countries which do not apply or insufficiently apply the FAFT Recommendations; ii) to document the findings; and iii) to make the written findings available to assist competent authorities and auditors.
3.7 Suspicious transaction reports and other reporting (R.13, 14, 19, 25, & SR.IV)	○ Provide additional training to reporting entities to ensure that staff is knowledgeable about the obligations imposed by law. Training should specifically cover detection and reporting of suspicious transactions and should consider typologies and trends (differentiated along the types of activities, especially for DNFBPs); • The authorities should provide guidance on the freezing obligations and on FT-related typologies.
3.8 Internal controls, compliance, audit and foreign branches (R.15 & 22)	○ Ensure that FIs establish and maintain internal procedures, policies, and controls having regard to the risk of ML and FT and the size of the business; ○ Amend the regulations to introduce an explicit and direct provision highlighting the ability of the internal monitoring unit/designated compliance officer to have access in a timely manner to all necessary CDD information, transactions records, and other relevant information; ○ Put in place formal procedures to screen all staff by FIs, particularly for staff in areas that are relevant to AML/CFT. These formal procedures should be aimed at ensuring high standards when hiring/recruiting employees; ○ Ensure FIs maintain and independent and adequately resourced internal audit function, particularly when audit

	is assigned/delegated to staff other that the internal auditor; ○ Provide additional training to staff in all aspects of AML/CFT, and particularly with respect to the requirements of R.11; • Ensure that FIs are effectively implementing the requirements of the AML/CFT and implementing regulations.
3.9 Shell banks (R.18)	• Clarify the definition of "shell bank" in a way that is consistent with the FAFT standard.

3.10 The supervisory and oversight system– competent authorities and SROs Role, functions, duties and powers (including sanctions) (R.23, 29, 17 & 25)	• Strengthen AML/CFT supervision through the incorporation of risk elements to the overall supervisory cycle and in particular update the supervisory examination procedures to incorporate the; risk-based approach to supervision and the requirements of the new (2008) AML/CFT Law;
	• Ensure that FIs, particularly, credit organizations, insurance, securities, foreign exchange offices and money remitters are adequately complying with the requirements to combat money laundering and terrorist financing;
	○ Conduct frequent and ongoing AML/CFT inspections of banks organizations, money transfers services (money remitters) and securities/investment firms;
	• Update the AML/CFT examination procedures for all sectors in line with the requirements of the new AML/CFT Law (2008);
	• Provide additional guidance/guidelines to FIs, particularly in the following areas:
	  • Determining the appropriate timeframe for updating customer data or information; and
	  • Conducting ongoing CDD throughout the course of the business relationship for regular customers and enhanced ongoing monitoring on a PEP business relationship.

3.11 Money value transfer services (SR.VI)	• Follow up on the money remitter that appears to be informally operating in the financial system without CBA registration and approval.
4. Preventive Measures– Nonfinancial Businesses and Professions	
4.1 Customer due diligence and record-keeping (R.12)	• Remove the threshold that limits CDD in relation to the acquisition or sales of stocks or shares - for attorneys, persons providing legal services, notaries, independent auditors and auditing firms, independent accountants and accounting firms; • Provide guidance to casinos and prizing games operators to ensure that CDD requirements are undertaken for transactions that in the aggregate equal or exceeding the

	threshold; ○ Establish a direct requirement for DNFBPs to obtain information on the purpose and intended nature of the business relationship regardless of whether the transaction is considered high risk or not; • Develop guidance for DNFBPs to ensure that there is a consistent system for conducting ongoing due diligence taking into account the threats and vulnerabilities of the nature, scope and operation of the DNFBPs and establish the frequency for updating customer information; • Establish requirements and guidance in relation to conducting enhanced due diligence for higher risk customers, business relationships or transactions and the application of simplified/reduced CDD measures for low risk customers, including for non-resident customers; • Explicitly prohibit the application of reduced CDD measures when suspicions of ML/FT exist or in the event of high risk scenarios; • Provide guidance to DNFBPs on the determination of what constitutes a "reasonable timeframe" to follow when verifying the identity of the customer during the establishment of the business relationship; ○ Establish a direct requirement to adopt effective risk management procedures concerning conditions under which a customer is permitted to utilize the business relationship prior to CDD verification; ○ Establish a direct requirement to apply CDD measures to existing customers on the basis of materiality and risk and to conduct due diligence on such existing relationships at appropriate times; ○ Provide through law, rules or other enforceable measures with respect to CDD requirements for PEPs at the establishment of the business relationship and during the course of such relationship; ○ Set forth requirements to ensure that the findings of examinations of the background and purpose of transactions identified as complex, unusually large or transactions involving unusual patterns with no apparent or other legitimate purpose are detailed in writing and to ensure that outreach to the sector by published typologies or other measure on developing trends of ML and FT is effective and relevant; • Establish a specific framework when DNFBPs may rely on third parties or intermediaries to perform CDD measures; • Undertake an analysis on the risks and impact of the disapplication of Article 21 (internal legal acts) and external audit of systems and controls for compliance

	with the AML/CFT Law (Article 23.2) for DNFBPs with less than 10 employees; • Bolster the record keeping requirements and practices of DNFBPs to ensure that it is effective and meaningful and practiced as to not hamper any investigations as given the importance of records relate to business relationships and transactions, the standard and quality of record keeping needs to be considered by the authorities inline with the mitigation of risks and also have a tangible effect in providing law enforcement agencies and supervisory authorities with reliable data to be used in their AML/CFT investigations.
4.2 Suspicious transaction reporting (R.16)	• Clarifying the ambiguities of the confidentiality and privilege regime for notaries, advocates, persons providing legal services, independent auditors and auditing firms and accountants to remove any possibility of arbitrage as noted elsewhere in this report, particularly to the obligation to provide additional information and introduce measures that could provide for systemic checking in order to put at rest the concerns stemming from the uncertainty in the relevant laws; • Implementing requirement for screening of personnel such as fitness and proprietary requirements; • Issuing guidelines on the manner of reporting for dealers in precious stones or precious metals and relevant typologies of STs for DNFBPs; • Instigating outreach by way of supervision, training or other means to ensure that a clear differentiation is in place between TR and ST reporting obligations including no thresholds for STR obligations, ST for attempted transactions and those suspicious with respect to tax matters; • Facilitating training for DNFBPs, including compliance personnel, through channels such as direct or through certified courses held by service providers including SROs and ensure ongoing training requirements are embodied in law, rules or regulations; • Implementing risk management controls to ensure that the compliance function is properly staffed and any conflict that may arise by the compliance function holding a compliance role and an operational role are managed; • Raising awareness of DNFBPs in relation to the current published list of offshore jurisdictions and further, develop measures to advise DNFBPs of concerns about weaknesses in the AML/CFT systems of other countries; • Establishing requirements for DNFBPs to ensure that the internal legal acts are relevant to compliance systems and controls and not a reproduction of the AML/CFT Law;

	• Establishing a direct requirement for DNFBPs to examine, as far as possible, the background and purpose of transactions with persons from or in countries which do not apply or insufficiently apply the FAFT Recommendations and to document the findings; and to make the written findings available to assist competent authorities and auditors.
4.3 Regulation, supervision, monitoring, and sanctions (R.17, 24, & 25)	• Designating competent authorities or SROs monitoring and ensuring compliance with the AML/CFT obligations for independent lawyers and firms providing legal services, independent accountants and accounting firms; dealers in precious metals; and dealers in precious stones for effective monitoring and compliance on a risk sensitive basis; • Implementing a supervisory regime for advocates (attorneys); • Introducing for casinos and operators of prize games fitness and propriety requirements for managers, owners, and beneficial owners including fit and proper checks for management, owners or beneficial owners. Further, implementing, by way of law, rules or regulations, requirements that would prevent criminals or their associates from holding or being beneficial owners of a significant or controlling interest, holding a management function in, or being an operator of a casino or operator of a prize game; • Staffing levels and technical abilities focused on ML and FT of the supervisory bodies; • Issuing guidelines for DNFBPs to assist with the full implementation and compliance of the applicable obligation set forth in the AML/CFT Law; • Developing relevant feedback processes on number of disclosures and results, current techniques, methods and trends, or money laundering cases that have been sanitized relevant to DNFBPs.
4.4 Other designated non-financial businesses and professions (R.20)	• Undertaking a risk assessment in order to determine if other NFBPs are at risk of being misused for ML or FT; • Take measures to reduce the use of cash and encourage more activity within the formal sector.
5. Legal Persons and Arrangements & Nonprofit Organizations	
5.1 Legal Persons–Access to beneficial ownership and control information (R.33)	• Ensure that Article 23.2. Law on State Registration of Legal Entities is implemented effectively; • Amend Article 157 Civil Code to eliminate any reference to bearer shares; • The authorities should consider putting in place an electronic live-time database linking all regional offices of the State Registry and thus providing the public as

	well as FIs and law enforcement authorities with quick access to all information maintained at the Registry.
5.2 Legal Arrangements – Access to beneficial ownership and control information (R.34)	***NA***
5.3 Nonprofit organizations (SR.VIII)	• Ensuring that periodic assessments are undertaken by reviewing new information on the sector's potential vulnerabilities to terrorist activities; • Establishing outreach to NPOs in relation to the risks of FT abuse and available measures to protect against FT abuse; • Applying appropriate resources and technical capacity to the NPO sector with a focus on FT risks.
6. National and International Cooperation	
6.1 National cooperation and coordination (R.31)	○ Undertaking ongoing analysis of the risk of ML/FT to streamline its AML/CFT strategy; ○ Additional or alternative outreach mechanisms for consultation with regulated entities either by way of the existing arrangements or by other means; • Follow up on the effectiveness of decisions made and the full implementation of policies emanating from these decisions.
6.2 The Conventions and UN Special Resolutions (R.35 & SR.I)	• Provide for criminal liability of legal persons; • Put in place confiscation measures for all offenses as defined in the Palermo Convention; • Provide for the seizing of legitimate property intermingled with proceeds from or instrumentalities used or intended for use in the commission of crimes as defined in the Vienna and Palermo Conventions; • Provide law enforcement authorities or the courts with a general power to compel the production of financial records, including in cases where the information is requested from a witness or a person other than the injured, the plaintiff, suspect or accused; • Harmonize Articles 10 of the LBS with Article 29 of the LOSA and Articles 13.1 of the LBS with 13 of the AML/CFT Law so that they provide the same conditions with respect to access to information covered by financial secrecy and to ensure that law enforcement authorities can effectively access and compel production of information, transaction records, account files and other documents or information that is covered by financial secrecy, especially in cases where a suspect has not yet been identified or where the information is sought with respect to persons other than the suspect. • Apply the declaration system for the physical cross

	border transportation of currency and bearer negotiable instruments also to outgoing transportation by way of mail or cargo; • Officials of the National Security Service's investigation department should receive more specific AML/CFT training specifically on AML/CFT; • Define the FT offense in line with the definition of the offense in the SFT Convention; • Put in place adequate measures to fully address the requirements under UNSCR 1267 and 1373.
6.3 Mutual Legal Assistance (R.36, 37, 38 & SR.V)	• The shortcomings identified with respect to the provisional and confiscation measures available under Armenian law should be remedied as they may limit Armenia's ability to take such measures based on foreign requests. For example, the authorities should be able to confiscate proceeds of, instrumentalities used or intended to be used for the commission of all predicate offenses and to seize property equivalent in value to proceeds of or instrumentalities relating to the commission of ML, FT or predicate offenses; • Harmonize Article 10 of the LBS with Article 29 of the LOSA and Article 13.1 of the LBS with Article 13 of AML/CFT Law so that they provide the same conditions with respect to access to information covered by financial secrecy and to ensure that request for assistance in gaining access to such information can be fully complied with; • Clarify whether dual criminality is required for the provision of mutual legal assistance to determine whether the deficiencies identified with respect to the ML and FT offenses as outlined under Recommendations 1, 2 and Special Recommendation II may limit Armenia's ability to provide assistance in certain situations, and in particular the ability to provide mutual legal assistance for proceedings against legal persons.
6.4 Extradition (R. 39, 37 & SR.V)	• Remedy the deficiencies in the FT offenses to ensure that the dual criminality requirement does not limit Armenia's ability to extradite persons in FT cases.
6.5 Other Forms of Cooperation (R. 40 & SR.V)	• Clarify the provisions of professional secrecy, which may hamper FMC's ability to have access/compel information; • Harmonize Articles 10 of the LBS with Article 29 of the LOSA and Articles 13.1 of the LBS with Article 13 of the AML/CFT Law so that they provide the same conditions with respect to access to information covered by financial secrecy and to ensure that law enforcement authorities can effectively access and compel production of information, transaction records, account files and other documents or information that is covered by

	financial secrecy, especially in cases where a suspect has not yet been identified or where the information sought with respect to persons other than the suspect.
7. Other Issues	
7.1 Resources and statistics (R. 30 & 32)	• Identify and recruit additional resources to provide for an adequate level of AML/CFT supervision for both off-site surveillance activities and on-site inspections; • Consider additional resources for the FMC; • Provide AML/CFT specific training for officials of the NSS's investigative department and the custom's inquest and investigation departments; • Maintain accurate statistics.
7.2 Other relevant AML/CFT measures or issues	
7.3 General framework – structural issues	

APPENDIX II – Relevant EU texts

Excerpt from Directive 2005/60/EC of the European Parliament and of the Council, formally adopted 20 September 2005, on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing

Article 3 (6) of EU AML/CFT Directive 2005/60/EC (3rd Directive):

(6) "beneficial owner" means the natural person(s) who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction or activity is being conducted. The beneficial owner shall at least include:
(a) in the case of corporate entities:
(i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership or control over a sufficient percentage of the shares or voting rights in that legal entity, including through bearer share holdings, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Community legislation or subject to equivalent international standards; a percentage of 25 % plus one share shall be deemed sufficient to meet this criterion;
(ii) the natural person(s) who otherwise exercises control over the management of a legal entity:
(b) in the case of legal entities, such as foundations, and legal arrangements, such as trusts, which administer and distribute funds:
(i) where the future beneficiaries have already been determined, the natural person(s) who is the beneficiary of 25 % or more of the property of a legal arrangement or entity;
(ii) where the individuals that benefit from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates;
(iii) the natural person(s) who exercises control over 25 % or more of the property of a legal arrangement or entity;

Article 3 (8) of the EU AML/CFT Directive 2005/60EC (3rd Directive):

(8) "politically exposed persons" means natural persons who are or have been entrusted with prominent public functions and immediate family members, or persons known to be close associates, of such persons;
Excerpt from Commission directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

Article 2 of Commission Directive 2006/70/EC (Implementation Directive):

Article 2

Politically exposed persons

1. For the purposes of Article 3(8) of Directive 2005/60/EC, "natural persons who are or have been entrusted with prominent public functions" shall include the following:
(a) heads of State, heads of government, ministers and deputy or assistant ministers;
(b) members of parliaments;
(c) members of supreme courts, of constitutional courts or of other high-level judicial bodies whose decisions are not subject to further appeal, except in exceptional circumstances;
(d) members of courts of auditors or of the boards of central banks;

(e) ambassadors, chargés d'affaires and high-ranking officers in the armed forces;
(f) members of the administrative, management or supervisory bodies of State-owned enterprises.
None of the categories set out in points (a) to (f) of the first subparagraph shall be understood as covering middle ranking or more junior officials.
The categories set out in points (a) to (e) of the first subparagraph shall, where applicable, include positions at Community and international level.

2. For the purposes of Article 3(8) of Directive 2005/60/EC, "immediate family members" shall include the following:
(a) the spouse;
(b) any partner considered by national law as equivalent to the spouse;
(c) the children and their spouses or partners;
(d) the parents.

3. For the purposes of Article 3(8) of Directive 2005/60/EC, "persons known to be close associates" shall include the following:
(a) any natural person who is known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a person referred to in paragraph 1;
(b) any natural person who has sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the benefit de facto of the person referred to in paragraph 1.

4. Without prejudice to the application, on a risk-sensitive basis, of enhanced customer due diligence measures, where a person has ceased to be entrusted with a prominent public function within the meaning of paragraph 1 of this Article for a period of at least one year, institutions and persons referred to in Article 2(1) of Directive 2005/60/EC shall not be obliged to consider such a person as politically exposed.

APPENDIX III – Draft legislation and other relevant documents

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE IN THE REPUBLIC OF ARMENIA LAW ON COMBATING MONEY LAUNDERING AND TERRORISM FINANCING **118**

REPUBLIC OF ARMENIA LAW ON MAKING CHANGES AND AMENDMENTS IN THE REPUBLIC OF ARMENIA CRIMINAL CODE **147**

REPUBLIC OF ARMENIA LAW ON MAKING CHANGES AND AMENDMENTS IN THE REPUBLIC OF ARMENIA CRIMINAL PROCEDURE CODE **150**

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE IN THE REPUBLIC OF ARMENIA ADMINISTRATIVE VIOLATIONS CODE **152**

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE AND AMENDMENTS IN THE REPUBLIC OF ARMENIA CUSTOMS CODE **154**

REPUBLIC OF ARMENIA LAW ON MAKING CHANGES AND AN AMENDMENT IN THE REPUBLIC OF ARMENIA LAW ON ADVERTISEMENT **156**

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE AND AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON ADVOCACY **157**

REPUBLIC OF ARMENIA LAW ON MAKING AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON AUDITING ACTIVITIES **158**

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE AND AN AMENDMENT IN THE REPUBLIC OF ARMENIA LAW ON BANK SECRECY **159**

REPUBLIC OF ARMENIA LAW ON MAKING CHANGES AND AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON GAMES OF CHANCE AND CASINO **160**

REPUBLIC OF ARMENIA LAW ON MAKING AN AMENDMENT AND A CHANGE IN THE REPUBLIC OF ARMENIA LAW ON ORGANIZING AND CONDUCTING INSPECTIONS IN THE REPUBLIC OF ARMENIA **166**

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE AND AN AMENDMENT IN THE REPUBLIC OF ARMENIA LAW ON INSURANCE AND INSURANCE ACTIVITIES **167**

REPUBLIC OF ARMENIA LAW ON MAKING AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON LICENSING **168**

REPUBLIC OF ARMENIA LAW ON MAKING CHANGES AND AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON LOTTERIES **169**

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE AND AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON THE NOTARIAL SYSTEM **174**

EXTRACT REPUBLIC OF ARMENIA LAW ON ACCOUNTING **175**

EXTRACT FROM LAW ON CASH OPERATIONS **176**

MANUAL On Cooperation between the Financial Monitoring Center and the Financial Supervision Department of the Central Bank of Armenia (Extract) **178**

REGULATION ON THE MINIMUM REQUIREMENTS STIPULATED FOR THE FINANCIAL INSTITUTIONS IN THE FIELD OF COMBATING MONEY LAUNDERING AND TERRORISM FINANCING 179

2013-2015 NATIONAL STRATEGY FOR COMBATING MONEY LAUNDERING AND TERRORISM FINANCING 194

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE IN THE REPUBLIC OF ARMENIA LAW ON COMBATING MONEY LAUNDERING AND TERRORISM FINANCING

ARTICLE 1: To set forth the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing, HO-80-N of May 26, 2008, in the following revision:

REPUBLIC OF ARMENIA LAW ON COMBATING MONEY LAUNDERING AND TERRORISM FINANCING

The purpose of this Law shall be protecting the public safety, as well as the economic and financial system of the Republic of Armenia from the risks related to money laundering and terrorism financing, through the establishment of a legislative framework to counter money laundering and terrorism financing.

CHAPTER 1
GENERAL PROVISIONS

ARTICLE 1: SUBJECT OF LAW

This Law shall regulate the relationships pertaining to the fight against money laundering and terrorism financing, establish the framework of the authorized bodies, institutions, and entities involved in the fight against money laundering and terrorism financing, the rules and procedures for the cooperation of thereof, as well as the issues related to the supervision exercised and responsibility measures applied in the field of combating money laundering and terrorism financing.

ARTICLE 2: LEGAL REGULATION OF FIGHT AGAINST MONEY LAUNDERING AND TERRORISM FINANCING

The fight against money laundering and terrorism financing shall be regulated by the international treaties of the Republic of Armenia, this Law, other laws of the Republic of Armenia, as well as, in the cases provided for under this Law, other legal statutes.

ARTICLE 3: BASIC DEFINITIONS USED IN LAW

1. In the meaning of this Law:
   1) ***Property*** shall be the property defined under Part 4 of Article 103.1 of the Republic of Armenia Criminal Code;
   2) ***Money laundering*** shall be the action defined under Article 190 of the Republic of Armenia Criminal Code;
   3) ***Terrorism financing*** shall be the action defined under Article 217.1 of the Republic of Armenia Criminal Code;
   4) ***Reporting entities*** shall be*:*
      a. banks;
      b. credit organizations;

c. entities engaged in foreign currency broker-dealer transactions, foreign currency exchange;

d. entities engaged in money (currency) transfer services;

e. entities providing investment services, as defined under the Republic of Armenia Law on the Securities Market;

f. the central depositary of regulated market securities, as defined under the Republic of Armenia Law on the Securities Market;

g. insurance (including reinsurance) companies and entities providing intermediary insurance (including reinsurance) services;

h. corporate investment funds and managers of contractual investment funds;

i. pawnshops;

j. entities engaged in realtor activities;

k. notaries;

l. attorneys, as well as sole practitioner lawyers and legal firms;

m. sole practitioner accountants and accounting firms;

n. sole practitioner auditors and auditing firms;

o. dealers in precious metals;

p. dealers in precious stones;

q. dealers in works or art;

r. organizers of auctions;

s. organizers of casino, games of chance, including online games of chance, and lotteries;

t. entities providing trust management and company registration services;

u. credit bureaus, to which this Law shall apply only to the extent of the obligation to report on suspicious transactions or business relationships as provided for under Articles 6-8, the obligation to register as provided for under Part 5 of Article 9, and the responsibility established under Clauses 1, 3 and 4, Part 4 of Article 30;

v. the authorized body in charge of maintaining the integrated state cadastre of real estate, to which this Law shall apply only to the extent of the obligation to report as provided for under Articles 6-8, the obligation to register as provided for under Part 5 of Article 9, and the responsibility established under Part 9 of Article 30;

w. the state authority in charge of registering legal persons (the State Registry), to which this Law shall apply only to the extent of the obligation to report as provided for under Articles 6-8 for the cases specified under Part 4 of Article 6, as well as the obligations as provided for under Parts 1 and 4 of Article 9, and the responsibility established under Part 9 of Article 30;

5) ***Financial institutions*** shall be the reporting entities defined under Sub-Clauses “a” to “i”, Clause 4 of this Part;

6) ***Non-financial institutions or entities*** shall be the reporting entities defined under Sub-Clauses “j” to “t”, Clause 4 of this Part;

Articles 23 and 25 of this Law shall apply only to those non-financial institutions or entities, which have more than 10 employees;

7) ***Authorized Body*** shall be the Central Bank of the Republic of Armenia;

8) ***Supervisory authority*** shall be the relevant body authorized to license (appoint, qualify, or otherwise permit the activities) and supervise the reporting entity;

9) ***Transaction*** shall be a deal between the reporting entity and the customer or the authorized person, as well as between the customer or the authorized person and another person, which is concluded through the reporting entity or is a subject of review (monitoring) by the reporting entity. A transaction may also include any action resulting in the emergence, alteration or termination of rights and obligations on the basis of, or issuing from, a specific transaction.

10) ***Occasional transaction*** shall be a transaction, which does not result in an obligation to provide regular services, and (or) imply the establishment of a business relationship;

11) ***Interrelated occasional transactions*** shall be occasional transactions with the same party having the same nature and occurring within 24 hours;

12) ***Business relationship*** shall be the services provided by the reporting entity to the customer on a regular basis, which are not limited to one or several occasional transactions. A business relationship does not include those activities of the reporting entity, which are conducted by the reporting entity for its own needs and are different from the activities stipulated by the law for the given type of reporting entity;

13) ***Customer*** shall be the person establishing or making use of an established business relationship with the reporting entity, as well as the person, who (which) offers the reporting entity to conduct, or conducts, an occasional transaction;

14) ***Beneficial owner*** shall be the natural person, on behalf or for the benefit of whom the customer in reality acts, and (or) who in reality controls and (or) owns the customer that is a legal person, or the person on behalf or for the benefit of whom the transaction or the business relationship is conducted. With respect of legal persons, the beneficial owner is also the natural person who exercises actual (real) control over the legal person or the transaction or the business relationship, and (or) for the benefit of whom the transaction or the business relationship is conducted. The beneficial owner of a legal person may also include the natural person, who:

    a. Owns, with voting rights, 20 or more percent of the voting shares (stocks, equities, hereinafter: shares) of the legal person involved (except for the listed issuers (public companies) as defined under the Republic of Armenia Law on the Securities Market), or has the ability to predetermine its decisions due to the shares held by him or to the agreement concluded with the legal person; or
    b. Acts in the capacity of a member of the executive and (or) governance body of the legal person involved; or
    c. Acts in concert with the legal person involved, on basis of common economic interests;

15) ***Authorized person*** shall be the person authorized, by the order or on behalf of the customer, to conduct a transaction or to take certain legal or factual actions in a business relationship, including the authorization to represent the customer through a power of attorney or in any other manner stipulated by the law, as well as the person who (which) does not have a duly granted authorization, but factually acts on behalf and by the order of the customer, or takes factual actions at the expense or for the benefit of the customer;

16) ***Legal person*** shall be an institution or organization with legal personality under the Republic of Armenia law and (or) foreign law, as well as, for the purposes of this Law, a legal formation without legal personality under foreign law;

17) ***Customer business profile*** shall be the totality of information (perceptions) held by the reporting entity concerning the customer's nature of activities, influence and importance; existing and expected dynamics, volumes, and areas of business relationships and occasional transactions; existence, identity, and interrelations of authorized persons and beneficial owners; as well as other facts and circumstances regarding the customer's activities;

18) ***Other party to the transaction*** shall be the other participant in the transaction conducted by the customer, who (which) provides (transfers) or to whom (to which) are channeled the funds or other property arising from the transaction;

19) ***Customer due diligence*** shall be a process whereby the reporting entity through applying the risk-based approach obtains and analyzes information (including documents) concerning the identity and business profile of the customer, with a view to form an appropriate opinion about the customer, including:

    a. Identification and verification of identity of the customer (including that of the authorized person and the beneficial owner),
    b. Understanding the purpose and intended nature of the business relationship;
    c. Performing ongoing due diligence of the business relationship;

20) ***Risk*** shall be a circumstance indicating the threat and likelihood of money laundering and terrorism financing, which may be defined in terms of countries or geographic locations, type of customer, type of transaction or business relationship, type of service, or any other parameter;

21) ***High-risk criterion*** shall be a criterion established under this Law, the legal statutes of the Authorized Body, as well as the internal regulatory acts of the reporting entity, which indicates a high likelihood of money laundering or terrorism financing; such criteria include politically exposed persons, their family members or persons otherwise interrelated to them (father, mother, grandmother, grandfather, sister, brother, children, spouse's parents), who are existing or potential customers or beneficial owners; persons (including financial institutions), which are domiciled or residing in or are from non-compliant countries or territories; all complex or unusual large transactions, or unusual patterns of transactions or business relationships, which have no apparent economic or other lawful purpose. At that, the Authorized Body may determine the existence of a high risk criterion in a transaction or business relationship by combination of the established criteria;

22) ***Enhanced customer due diligence*** shall be a process involving advanced application of customer due diligence by the reporting agency, whereby, in addition to the established due diligence measures, it is also necessary to, at minimum:

    a. Receive the approval of the senior management prior to establishing a business relationship with the customer, to continue the business relationship, as well as in the event when later on it is found out that the customer or the beneficial owner are characterized by high-risk criteria, or that the transaction or the business relationship comprise such criteria;
    b. Take necessary measures to establish the customer's source income and wealth;
    c. Examine, as far as possible, the background and purpose of the transaction or business relationship;
    d. Conduct enhanced ongoing monitoring in cases with the involvement of a politically exposed person.

23) ***Low-risk criterion*** shall be a criterion established under this Law or the legal statutes of the Authorized Body, which indicates a low likelihood of money laundering or

terrorism financing; such criteria include financial institutions effectively supervised for compliance to the requirements to combat money laundering and terrorism financing, government bodies, local self-government bodies, state-owned non commercial organizations, public administration institutions, except for the bodies or organizations operating in non-compliant countries or territories. At that, the Authorized Body may determine the existence of low risk criteria in a transaction or business relationship by combination of the established criteria.

24) ***Simplified customer due diligence*** shall be a process involving limited application of customer due diligence by the reporting agency, whereby the following information is gathered in the course of identification and verification of identity:

a. For a natural person – forename, surname, and identification document data;
b. For a legal person – company name and individual identification number (state registration, individual record number etc);
c. For a government body and local self-government body – full official name;

25) ***Politically exposed person*** shall be an individual, who is or has been a high-level public official entrusted with prominent public, political, or social functions in a foreign country or territory. At that, the definition of politically exposed persons does not cover the individuals having been entrusted middle and low ranking public functions. In particular, the following shall be politically exposed persons:

a. Heads of State, Heads of Government, Ministers and Deputy Ministers;
b. Members of the Parliament;
c. Members of the Supreme Court, Constitutional Court, or any other high-level court, whose decisions are not subject to appeal except for the cases of appellation under special circumstances;
d. Members of the Auditors' Court or members of the Board of the Central Bank;
e. Ambassadors, chargés d'affaires, and high-level military officers;
f. Prominent members of political parties;
g. Members of administrative, governance, or supervisory bodies of state-owned organizations.

26) ***Non-compliant country or territory*** shall mean a foreign state or territory that, according to the lists published by the Authorized Body, is in non-compliance or inadequate compliance with the international requirements on combating money laundering and terrorism financing;

27) ***Core of vital interests*** shall be the domicile of a person's family or economic interests. The family or economic interest may be domiciled in the place of dwelling (residence) of the person and (or) his family, the place of his (his family's) main personal or family property, or the place of conduct of his main economic (professional) activity;

28) ***Senior management*** shall be a body or employee of the reporting entity authorized to make decisions and take action on behalf of the reporting entity on matters relating to the prevention of money laundering and terrorism financing;

29) ***Internal monitoring unit*** shall be a division or employee of the reporting entity involved in the prevention of money laundering and terrorism financing as provided for under this Law and the legal statutes of the Authorized Body, except for the divisions or employees as determined by the Authorized Body, as well as a reporting entity, which acts as a sole functionary. In the cases and manner determined by the Authorized Body, the functions of the internal monitoring unit of the reporting entity may be delegated to a specialized entity.

30) ***Suspicious transaction or business relationship*** shall be a transaction or business relationship, whereby it is suspected or there are reasonable grounds to suspect that the funds or other property involved are proceeds of crime or are related to terrorism, terrorist acts, terrorist organizations or individual terrorists or those who finance terrorism, or were used in or are intended to be used for terrorism, or by terrorist organizations or individual terrorists or those who finance terrorism;

31) ***Criterion for a suspicious transaction or business relationship*** shall be a situation or signal alerting to the likelihood of money laundering or terrorism financing, as defined under the legal statutes of the Authorized Body, as well as the internal regulatory acts of the reporting entity;

32) ***Typology*** shall be a possible scheme articulating the logic and sequence of actions and (or) steps aimed at money laundering and terrorism financing, as defined under the legal statutes of the Authorized Body, as well as the internal regulatory acts of the reporting entity;

33) ***Terrorism-related person*** shall be any individual terrorist, including the persons suspected in, accused in, or convicted for committed or attempted terrorism (including accomplices of any type), or any terrorist organization, the persons interrelated with them, other persons acting in their name, on their behalf, or under their direction, or directly or indirectly belonging to or controlled by them, which have been included in the lists published by or in accordance with the United Nations Security Council resolutions, or by the Authorized Body;

34) ***Suspension of a transaction or business relationship*** shall be imposing a provisional prohibition on the factual and legal movement of funds or other property subject to a suspicious transaction or business relationship;

35) ***Refusal of a transaction or business relationship*** shall be non-performing of the actions stipulated for conducting a transaction or establishing a business relationship;

36) ***Termination of a transaction or business relationship*** shall be disrupting the conduct of a transaction or business relationship;

37) ***Freezing of funds or other property*** shall be imposing for an indefinite term a prohibition on the factual or legal movement of funds or other property directly or indirectly belonging to or controlled by terrorism-related persons; this includes prohibition on direct or indirect possession, use, or disposal of the funds or other property, as well as on establishment of any business relationship (including provision of financial services) or conduction of occasional transactions;

38) ***Securities*** shall be the securities defined under the Republic of Armenia Civil Code, including bonds, cheques (cheque books), bills of exchange (payment notes), shares, bills of lading, bank records (bank books, bank certificates), warehouse certificates and other securities as defined under other laws;

39) ***Shell bank*** shall be a bank that, while founded, registered, licensed or otherwise incorporated in a certain country, has no mind and management, physical presence or factual activities on its territory, and is unaffiliated with a regulated group of financial institutions subject to effective consolidated supervision;

40) ***Payable-through account*** shall be a correspondent account opened with a financial institution and used directly by the customers of the respondent financial institution to transact business on their own behalf;

41) ***Financial group*** shall be a group comprising a legal person, which exercises control and coordinates functions over the members of the group (including the branches and (or) representations that are subject to anti-money laundering and counter terrorism

financing policies and procedures at the group level) involved in activities stipulated by Sub-Clauses “a”, “e”, “f”, or ”g”, Clause 4, Part 1 of Article 3 of this Law, for the application of effective consolidated supervision at the group level.

CHAPTER 2
PREVENTION OF MONEY LAUNDERING AND TERRORISM FINANCING

ARTICLE 4: APPLICATION OF RISK-BASED APPROACH BY REPORTING ENTITIES

1. Financial institutions and non-financial institutions and entities should identify and assess their potential and existing money laundering and terrorism financing risks, and should have policies, controls, and procedures enabling them to effectively manage and mitigate the risks that have been identified.
2. When assessing risk, financial institutions and non-financial institutions and entities should consider all the relevant risk factors before determining the level of overall risk and the appropriate level of mitigation to be applied; thereafter, they may differentiate the extent of applied measures, depending on the type and the level of risk.
3. Financial institutions and non-financial institutions and entities should regularly, but at least once in a year, review their potential and existing money laundering and terrorism financing risks.
4. Among other money laundering and terrorism financing risks, financial institutions and non-financial institutions and entities should identify and assess those potential and existing risks, which may arise in relation to the development of new products and new business practices, as well as to the use of new or developing technologies.
5. In the case of financial institutions, identification and assessment of money laundering and terrorism financing risks as stipulated under Part 4 of this Article should take place prior to the launch of the new products, business practices, or the use of new or developing technologies.

ARTICLE 5: SUBMISSION OF CLASSIFIED INFORMATION

1. Reporting entities shall be obligated to submit to the Authorized Body information on money laundering and terrorism financing as prescribed by this Law and the legal statutes adopted on the basis thereof, including classified information as defined by the law.
2. Notaries, attorneys, as well as sole practitioner lawyers and legal firms, sole practitioner accountants and accounting firms, sole practitioner auditors and auditing firms shall submit to the Authorized Body the information defined by this Law only in the cases when doing so does not contradict to the confidentiality requirements as established under the laws regulating their activities. Legally defined confidentiality requirements for non-financial institutions or entities shall be applicable only to the information received from the customer in connection with his defense or representation of his interests in court, administrative, arbitration, or mediation proceedings.

ARTICLE 6: TRANSACTION OR BUSINESS RELATIONSHIP SUBJECT TO REPORTING

1. Reporting entities shall file reports with the Authorized Body on suspicious transactions or business relationships and (or) on transactions subject to mandatory reporting.
2. Reports on suspicious transactions or business relationships shall be filed by all reporting entities, in accordance with the types of transaction or business relationship determined for each reporting entity, regardless of the amounts involved, except for the cases defined under Clause 5, Part 4 of this Article.
3. Reports on transactions subject to mandatory reporting shall be filed by the following reporting entities, in accordance with certain types of transaction and thresholds, as follows:

1) For financial institutions – non-cash transactions at an amount above AMD 20 million, as well as cash-related transactions at an amount above AMD 5 million;
2) For notaries, organizers of casino, games of chance, including online games of chance, and lotteries, the state authority in charge of registering legal persons (the State Registry), as well as the authorized body in charge of maintaining the integrated state cadastre of real estate – transactions at an amount above AMD 20 million, except for transactions of buying and selling real estate, which shall be reported if concluded at an amount above AMD 50 million. Transactions defined under this Part, when made in cash, shall be reported if concluded at an amount above AMD 5 million.

4. Reporting requirement under Parts 2 and (or) 3 of this Article shall apply to the reporting entities specified under Clauses 1-5 of this Part in the following cases:
   1) For notaries, attorneys, as well as sole practitioner lawyers and legal firms, sole practitioner accountants and accounting firms, sole practitioner auditors and auditing firms – only in connection with the following types of transaction or business relationship:
      a. buying and selling of real estate;
      b. managing of client money, securities, or other property;
      c. management of bank and securities accounts;
      d. provision of funds or other property for the establishment, operation, or management of legal persons;
      e. provision of services for the establishment, operation, or management of legal persons, as well as for the alienation (acquisition) of stocks (equities, shares and the like) in the statutory (equity and the like) capital of legal persons, or for the alienation (acquisition) of stock issues (stocks, shares and the like) of legal persons at a nominal or market value;
   2) For organizers of casino, games of chance, including online games of chance, and lotteries – only in the following cases:
      a. purchasing of tokens (lottery tickets);
      b. making stakes;
      c. paying out or providing prizes;
      d. making financial transactions related to the Sub-Clauses “a” to “c” of this Clause.
   3) For entities providing trust management and company registration services – only when they:
      a. act as a formation agent (representative) of legal persons in rendering company registration services;
      b. act (arrange for another person to act) as a director (executive body) of a company, a partner of a partnership, or perform similar functions of a legal person’s management;
      c. provide accommodation (operational, correspondence, or administrative address) to a legal person;
      d. act (arrange for another person to act) as a trust manager of an express trust or perform the equivalent function for another form of legal arrangement;
      e. act (arrange for another person to act) as a nominee shareholder for another legal person;
   4) For the state authority in charge of registering legal persons (the State Registry) – only with regard to the state registration of the alienation (acquisition) of stocks

(equities, shares and the like) in the statutory (equity and the like) capital of legal persons, or of the formation of, or changes in, the statutory (equity and the like) capital thereof;

5) For dealers in precious metals and dealers in precious stones – only with regard to cash transactions at an amount above AMD 5 million.

5. Reporting entities, their employees, and representatives shall be prohibited from informing the person, on whom a report or other information is being filed with the Authorized Body, as well as other persons, about the fact of filing such report or information.
6. The Authorized Body shall determine the cases of releasing from the transaction reporting obligation under Part 3 of this Article – by types of transaction, by cases, and (or) by thresholds.

ARTICLE 7: RECOGNITION OF SUSPICIOUS TRANSACTION OR BUSINESS RELATIONSHIP

1. Reporting entities should recognize a transaction or business relationship, including an attempted transaction or business relationship, as suspicious and file with the Authorized Body a report on suspicious transaction or business relationship as stipulated under Article 8 of this Law, if it is suspected or there are reasonable grounds to suspect that the funds or other property involved are proceeds of crime or are related to terrorism, terrorist acts, terrorist organizations or individual terrorists or those who finance terrorism, or were used in or are intended to be used for terrorism, or by terrorist organizations or individual terrorists or those who finance terrorism.
2. Reporting entities should consider recognizing a transaction or business relationship as suspicious and filing with the Authorized Body a report on suspicious transaction or business relationship as stipulated under Article 8 of this Law, if the circumstances of the case under consideration fully or partially comply with the criteria or typologies of suspicious transactions or business relationships, or if it becomes clear for the reporting entity that, although there is no suspicion arising from a specific criterion or typology of a suspicious transaction or business relationship, the logic, pattern (dynamics) of implementation or other characteristics of the performed or proposed transaction or business relationship give the grounds to assume that it may be carried out for the purpose of money laundering or terrorism financing.
3. In the cases stipulated by Part 2 of this Article, if relevant consideration does not result in recognizing a transaction or business relationship as suspicious and filing with the Authorized Body a report on suspicious transaction or business relationship as stipulated under Article 8 of this Law, then the grounds for non-recognition of the transaction or business relationship as suspicious, the respective conclusions, the process of conducted analysis and its findings shall be documented and maintained in the manner and timeframe established by this Law.

ARTICLE 8: CONTENT AND RULES FOR SUBMISSION OF REPORT ON TRANSACTION SUBJECT TO MANDATORY REPORTING AND ON SUSPICIOUS TRANSACTION OR BUSINESS RELATIONSHIP

1. The report on a transaction subject to mandatory reporting and on a suspicious transaction or business relationship shall contain the following:
   1) Data on the customer, the authorized person, the other party to the transaction; whereas in case of a suspicious transaction – also the beneficial owner, including:
      a. For natural persons and sole practitioners – forename, surname, citizenship, registration address, year, month, and date of birth, serial and numerical number of the identification document, and year, month, and date of its issuance; whereas

for sole practitioners – also the number of registration certificate and the taxpayer identification number;

b. For legal persons – company name, domicile, individual identification number (state registration, individual record number etc) and, if available, the taxpayer identification number;

c. In case of reporting by financial institutions – also the bank account number of the customer;

2) Description of the subject of the transaction or business relationship;

3) Amount of the transaction;

4) Date of conducting the transaction or establishing the business relationship.

2. The report on a suspicious transaction or business relationship shall also contain a description of the suspicion and, if available, the criteria and (or) typology used for recognizing the transaction or business relationship as suspicious, as well as an indication of whether the transaction or business relationship has been suspended, refused, or terminated, or whether the funds or other property of terrorism-related persons have been frozen.

3. Submitted reports shall have an assigned sequential number and bear the signature of the internal monitoring unit – in case of financial institutions and non-financial institutions or entities, or of the responsible official – in case of reporting entities specified under Sub-Clauses "u" to "w" of Clause 4, Part 1, Article 3 of this Law (hard copies should also bear the seal, if available). The report shall indicate the registration number of the reporting entity with the Authorized Body.

4. Where a government body or a local self-government body acts as the customer, the authorized person, or the other party to the transaction or business relationship, the report shall indicate only the full official name of such body and its country.

5. The Authorized Body shall establish the forms, rules, and timeframes of reporting for each type of reporting entity, as well as exclusions from the information to be included in the reports under this Article.

ARTICLE 9: PROCEDURES FOR STATE REGISTRATION OF LEGAL PERSONS, REGISTRATION OF CHANGES, AND LICENSING OF FINANCIAL INSTITUTIONS, AS WELL AS OBLIGATION OF REPORTING ENTITIES TO REGISTER

1. In case of registering a legal person, making changes in the statutory (equity and the like) capital or in the composition of the founders, participants, members, shareholders, or stockholders of the legal person, the founders (participants, members, shareholders, stockholders etc.) shall be obligated to file a declaration on the beneficial owners of the legal person with the state authority in charge of registering legal persons (the State Registry) in the manner, form, and timeframes established by the Authorized Body. Upon request, the state authority in charge of registering legal persons (the State Registry) shall provide the Authorized Body with a copy of the mentioned declaration.

2. Legal persons shall be subject to responsibility stipulated by the law for the failure to submit the data on beneficial owners under Part 1 of this Article, and for submitting incorrect (including false or unreliable) or incomplete data.

3. In the course of licensing (appointing, qualifying, or otherwise permitting the activities) a financial institution, the supervisory body shall be obligated to require information (including documents), as determined by the Authorized Body, and to check veracity of such information.

4. Within 15 days after licensing (appointing, qualifying, or otherwise permitting the activities) a reporting entity or terminating its license (appointment, qualification, or

otherwise permission of the activities), the supervisory body shall be obligated to notify the Authorized Body on that matter.

5. Within 1 month after being licensed (appointed, qualified, or otherwise permitted to have activities), reporting entities (except for financial institutions) shall be obligated to register with the Authorized Body in the manner established by the Authorized Body.
6. Financial institutions shall be obligated to register with the Authorized Body in the manner established by the Authorized Body.

CHAPTER 3
AUTHORIZED BODY

ARTICLE 10: AUTHORIZED BODY TO COMBAT MONEY LAUNDERING AND TERRORISM FINANCING

1. The Authorized Body shall have the following authorities:
   1) Receive reports and other information (including documents) from reporting entities; receive information (including documents) from state bodies;
   2) Analyze the received reports and information (including documents);
   3) Submit a notification to criminal prosecution authorities in the cases defined under Article 13 of this Law;
   4) Request and receive from reporting entities other information (including documents) relevant to the purposes of this Law, including classified information as defined by the law;
   5) Request from state bodies, including supervisory and criminal prosecution authorities, information (including documents) relevant to the purposes of this Law, including classified information as defined by the law;
   6) Give assignments with a view to ensure the reporting entities' proper implementation of the obligations under this Law and the legal statutes adopted on the basis thereof (in case if non-financial institutions or entities have supervisory bodies – through such bodies), including assignments to recognize as suspicious, to suspend a suspicious transaction or business relationship, to refuse or terminate a transaction or business relationship based on identification data, criteria, or typologies of suspicious transactions or business relationships as provided by the Authorized Body;
   7) Adopt legal statutes, as defined by this Law, in the field of combating money laundering and terrorism financing, including approval of guidelines expounding implementation procedures of such statutes, inclusive of those on the criteria and typologies of suspicious transactions or business relationships;
   8) Supervise the reporting entities in the cases and manner provided for under this Law; assist supervision activities of other supervisory authorities, including the solicitation to apply responsibility measures;
   9) Determine the cases and the periodicity of conducting internal audit by financial institutions aimed at preventing money laundering and terrorism financing; require conduction of external audit;
   10) For the involvement in money laundering or terrorism financing, apply responsibility measures under this Law and the Republic of Armenia Code of Administrative Violations to legal persons, as well as to the reporting entities, for which there is no legally defined supervisory authority or a legislative regulatory framework for the supervisory authority to perform the functions assigned to it in the field of combating money laundering and terrorism financing;

11) Suspend a suspicious transaction or business relationship; freeze funds or other property of terrorism-related persons;

12) Develop, review, and publish the lists of terrorism-related persons as defined under Part 2 of Article 28 of this Law;

13) Regularly provide the reporting entities with information (feedback) on the reports submitted by the reporting entities, in the manner established by the Authorized Body;

14) Organize trainings in the field of combating money laundering and terrorism financing, as well as award qualifications to the officers of internal monitoring units of financial institutions as defined under Part 2 of Article 24 of this Law;

15) Publish annual reports on its activities;

16) Raise public awareness on combating money laundering and terrorism financing;

17) Conclude agreements of cooperation with international structures and foreign financial intelligence bodies as defined under Article 14 of this Law; exchange information (including documents) relevant to the purposes of this Law, including classified information as defined by the law;

18) Publish the lists of non-compliant countries or territories, based on data published by international structures active in the field of combating money laundering and terrorism financing and (or) by foreign countries, with the consent of the body authorized in the area of foreign affairs of the Republic of Armenia;

19) Give assignments to reporting entities on taking relevant measures with regard to persons (including financial institutions), which are domiciled or residing in or are from non-compliant countries or territories;

20) Exercise other authorities as provided for under this Law.

2. For the purposes of this Law, a responsible structural unit – the Financial Monitoring Center – shall operate within the Authorized Body which, pursuant to its Charter approved by the supreme management body of the Authorized Body and to other legal statutes, shall exercise the authorities as provided for the Authorized Body under Part 1 of this Article, except for the authorities reserved for the supreme management body and the highest-level official of the Authorized Body.

3. The supreme management body of the Authorized Body shall approve the statute, the annual operations plan, and the budget of the Financial Monitoring Center, and shall exercise the authorities defined under Clause 9, Part 1 of this Article.

4. The authority defined under Clause 7, Part 1 of this Article shall be exercised by the supreme management body and the highest-level official of the Authorized Body in the manner established by the legislation; and the authority defined under Clauses 10 and 11, Part 1 of this Article shall be exercised by the supreme management body of the Authorized Body.

5. The supreme management body of the Authorized Body shall appoint and dismiss the head and the officers of the Financial Monitoring Center.

6. The Financial Monitoring Center shall present reports on its activities to the supreme management body of the Authorized Body at the periodicity and in the manner established by that body.

7. The Financial Monitoring Center should ensure the conditions necessary for safekeeping the information received, analyzed, and disseminated under this Law. Such information may only be accessed by relevant bodies or persons, as defined by the law.

8. Employees of the Financial Monitoring Center with access to received, analyzed, and disseminated information shall maintain confidentiality of classified information as defined by the law and the legal statutes of the Authorized Body, both in the course of performing their duties and after termination thereof, as well as shall be subject to responsibility under law for unauthorized disclosure of information. Such information may be used only for the purposes of this Law.

ARTICLE 11: NORMATIVE LEGAL STATUTES ADOPTED BY AUTHORIZED BODY

1. For the purposes of this Law, normative legal statutes adopted by the Authorized Body may establish the following in the field of combating money laundering and terrorism financing:
   1) Minimum requirements with regard to the rules for implementing the functions of the management bodies of reporting entities, including the internal monitoring unit;
   2) Minimum requirements with regard to customer due diligence (including enhanced and simplified due diligence) conducted by the reporting entity; to the collection, recording, maintenance, and updating of information (including documents);
   3) Minimum requirements with regard to the periodicity and the cases of due diligence of existing customers conducted by the reporting entity;
   4) Rules for the approval and revision of internal regulatory acts of the reporting entity; minimum requirements with regard to internal regulatory acts;
   5) Cases and periodicity of internal audits of the reporting entity, as well as rules for commissioning external audit;
   6) Cases for the reporting entities to submit the electronic version of the reports on transactions subject to mandatory reporting and on suspicious transactions or business relationships; reporting forms, rules and timeframes – by types of reporting entity, as well as exclusions from the information to be included in the reports under Article 8 of this Law;
   7) Rules of registration of the reporting entity with the Authorized Body;
   8) Information (including documents) required by the supervisory body in the process of licensing (appointing, qualifying, or otherwise permitting the activities) a financial institution;
   9) Form, rules, and timeframes for filing the declaration on beneficial owners with the state authority in charge of registering legal persons (the State Registry);
   10) Criteria and rules for recognizing high and low risk of money laundering and terrorism financing;
   11) Content, forms, rules, and timeframes for filing information to the Authorized Body by customs authorities in case of the import, export, or transit of currency and payment instruments;
   12) Minimum requirements with regard to the process of review (conducted analysis) by the reporting entity to recognize transactions or business relationships as suspicious;
   13) Qualification rules and professional competence criteria for the officers of the internal monitoring unit of reporting entities; exclusions with regard to delegating the functions of the internal monitoring unit to other units or officers of non-financial institutions or entities, as well as the cases and manner for delegating the functions of the internal monitoring unit to a specialized entity;
   14) Rules for collection of statistical information from state bodies; forms and timeframes for collection thereof;
   15) Rules for considering petitions on delisting the persons included in the lists stipulated under Part 2 of Article 28 of this Law; rules for unfreezing the funds or other property of terrorism-related persons;

16) Minimum requirements with regard to the selection, training, and qualification of the respective staff of reporting entities involved in the prevention of money laundering and terrorism financing;
17) Other provisions, as determined by this Law.

2. Normative legal statutes regulating activities of non-financial institutions or entities shall be agreed with the respective supervisory authorities.

ARTICLE 12: PROTECTION OF INFORMATION

1. The Authorized Body shall be prohibited from publishing any information received, analyzed or disseminated by it, including the information on the persons having filed with the Authorized Body a report on a suspicious transaction or business relationship, or any other information, and (or) having participated in the filing of such information, or having been involved in the submission of notification by the Authorized Body to criminal prosecution authorities. This prohibition shall apply to the publishing of information either verbally or in writing, by making it known to third parties through the mass media or through other means, or allowing direct or indirect access of third parties to such information, except for the cases stipulated by this Law.
2. The information received and maintained by the Authorized Body relevant to the purposes of this Law, as well as other data accessible to the Authorized Body cannot be provided or used for any purpose unrelated to the fight against money laundering and terrorism financing. Notifications and other information submitted by the Authorized Body to criminal prosecution authorities shall be considered as intelligence data and can be used only in the manner established by the legislation.

CHAPTER 4
COOPERATION FOR PURPOSES OF LAW

ARTICLE 13: RELATIONS BETWEEN AUTHORIZED BODY AND OTHER BODIES

1. In order to effectively combat money laundering and terrorism financing, the Authorized Body shall cooperate with other state bodies in the manner and within the framework established by this Law, including cooperation with supervisory and criminal prosecution authorities, by means of concluding bilateral agreements, or without doing so.
2. The Authorized Body shall cooperate with supervisory authorities in the manner established by Article 28 of this Law, to ensure compliance of the reporting entities with the requirements of this Law and the legal statutes adopted on the basis thereof.
3. The Authorized Body shall submit a notification to criminal prosecution authorities, when, based on the analysis of a report filed by a reporting entity or of other information in the manner established by this Law, it arrives at a conclusion on the presence of reasonable suspicions of money laundering or terrorism financing. Along with the notification or later on, in addition to it, the Authorized Body may on its own initiative submit to criminal prosecution authorities further data related to the circumstances described in the notification. The notification or the additionally submitted data may contain classified information as defined by the law.
4. Upon the request of criminal prosecution authorities, the Authorized Body shall provide the available information, including classified information as defined by the law, provided that the request contains sufficient justification of a suspicion or a case of money laundering or terrorism financing. Such information shall be provided within a 10-day period, unless a different timeframe is specified in the request or, in the substantiated opinion of the Authorized Body, a longer period is necessary for responding to the request.
5. Where information under Clauses 4 and 5, Part 1 of Article 10 of this Law is requested, reporting entities, state bodies, including supervisory and criminal prosecution authorities, should provide such information to the Authorized Body within a 10-day

period, unless a different timeframe is specified in the request or, in the substantiated opinion of the state body, a longer period is necessary for responding to the request. Criminal prosecution authorities shall provide information constituting preliminary investigation secrecy, provided that the request of the Authorized Body contains sufficient justification of a suspicion or a case of money laundering or terrorism financing.

6. Criminal prosecution authorities shall inform the Authorized Body about the decisions taken as a result of review of notifications specified under Part 3 of this Article and information specified under Part 4 of this Article, as well as about the decisions taken as a result of preliminary investigation when a criminal case is instigated, within a 10-day period after taking such decisions.

7. State bodies involved in combating money laundering and terrorism financing should summarize and, in the manner, form, and timeframes established by the Authorized Body, submit to the Authorized Body regular statistics, to include:

   1) The number and description of criminal cases on money laundering and terrorism financing, as well as on the offences predicate to money laundering as per the list developed by the Authorized Body and agreed with the Republic of Armenia Prosecutor's Office;

   2) The value of the property seized or arrested in the course of investigation of criminal cases on money laundering and terrorism financing, on a case-by-case basis;

   3) The number of criminal cases on money laundering and terrorism financing, criminal prosecution of which has been terminated, as well as the grounds for such termination;

   4) The number and description of criminal cases on money laundering and terrorism financing under judicial review;

   5) The number of court decisions (convictions and acquittals) regarding criminal cases on money laundering and terrorism financing, and regarding those on other related crimes; the penalties imposed, as well as the value of confiscated property;

   6) Information on the requests received and sent within international legal assistance regarding criminal cases on money laundering and terrorism financing;

   7) Information on inspections of reporting entities that are not supervised by Authorized Body, on their compliance with the legislation on combating money laundering and terrorism financing, as well as on responsibility measures for non-compliance or inadequate compliance with the legislation.

ARTICLE 14: INTERNATIONAL COOPERATION

1. The Authorized Body and relevant state bodies shall cooperate with international structures and relevant bodies of foreign states (including foreign financial intelligence bodies) involved in combating money laundering and terrorism financing within the framework of international treaties or, in the absence of such treaties, in accordance with international practice.

2. Based on reciprocity, the Authorized Body shall, on its own initiative or upon request, exchange information (including documents), including classified information as defined by the law, with foreign financial intelligence bodies, which, based on bilateral agreements or commitments due to membership in international structures, ensure an adequate level of confidentiality of the information and use it exclusively for the purposes of combating money laundering and terrorism financing.

3. The Authorized Body shall not be authorized to disclose to any third party the information received within the framework of international cooperation, as well as to

use it for criminal prosecution, administrative, or judicial purposes, without the prior consent of the foreign structure or body having provided such information.

4. For the purposes of this Article, the Authorized Body shall be authorized to conclude agreements of cooperation with foreign financial intelligence bodies.

CHAPTER 5
CUSTOMER DUE DILIGENCE, RELATED RESPONSIBILITIES, AND MAINTENANCE OF INFORMATION

ARTICLE 15: BAN ON TRANSACTIONS OR BUSINESS RELATIONSHIPS AND SECURITIES IMPEDING CUSTOMER DUE DILIGENCE, AS WELL AS ON SHELL BANKING ACTIVITY

1. In the Republic of Armenia, it shall be prohibited to open, issue, provide, and service the following:
   1) Anonymous accounts or accounts in fictitious names;
   2) Accounts with only numeric, alphabetic, or other conventional symbolic expression;
   3) Bearer securities.
2. It shall be prohibited to establish and run a shell bank in the Republic of Armenia.

ARTICLE 16: CUSTOMER DUE DILIGENCE

1. Reporting entities may establish a business relationship or conduct an occasional transaction with a customer only upon obtaining identification information (including documents) on the customer as defined under Part 4 of this Article, and verifying the customer's identity. Reporting entities may verify the customer's identity based on the identification information, as provided for by this Law, also in the course of establishing the business relationship or conducting the occasional transaction, or thereafter within a reasonable timeframe not to exceed 7 days, provided that the risk is effectively managed, and that this is essential not to interrupt the normal conduct of business relationships with the customer.
2. Reporting entities should undertake customer due diligence, when:
   1) Establishing a business relationship;
   2) Carrying out an occasional transaction or interrelated occasional transactions, including domestic or international wire transfers, at an amount equal or above the 400-fold of the minimal salary, unless stricter provisions are established by the legislation;
   3) Suspicions arise with regard to the veracity or adequacy of previously obtained customer identification data (including documents);
   4) Suspicions arise with regard to money laundering or terrorism financing.
3. Reporting entities specified under Part 4 of Article 6 of this Law shall undertake customer due diligence, as defined by this Article, in the cases provided for under Part 4 of Article 6 of this Law; at that, organizers of casino, games of chance, including online games of chance, and lotteries shall undertake it in connection with any transaction (interrelated occasional transactions) referred to in the same part and exceeding AMD 1 million (except when there are suspicions with regard to money laundering or terrorism financing, in which case customer due diligence shall be undertaken irrespectively of the amount involved), whereas entities engaged in realtor activities shall undertake it in connection with transactions or business relationships related to buying and selling real estate, unless stricter provisions are established by the legislations.
4. Reporting entities shall identify the customers and verify their identity using reliable and valid documents issued by competent state authorities, and other relevant data. At that:
   1) For natural persons or sole practitioners, information obtained on the basis of the identification document or of another valid official document without failure bearing a photograph of the person shall at least contain the forename and surname of the person, citizenship, registration address, year, month, and date of birth, serial and

numerical number of the identification document, and year, month, and date of its issuance; whereas for sole practitioners – also the number of registration certificate and the taxpayer identification number, as well as other data defined by the law.

2) For legal persons, information obtained on the basis of the state registration document, as well as of other official documents shall at least contain the company name of the legal person, domicile, individual identification number (state registration, individual record number etc), forename and surname of the chief executive officer and, if available, the taxpayer identification number, as well as other data defined by the law.

3) For government bodies or local self-government bodies, the obtained information shall at least contain the full official name and the country of the government body or local self-government body.

5. Reporting entities should establish whether the customer acts on its own behalf or on behalf and (or) for the benefit of another person. Reporting entities should:
   1) Establish the existence of an authorized person and, if applicable, identify the authorized person, verify his identity and his authority to act on behalf of the customer, as prescribed by Parts 1 to 4 and Part 8 of this Article
   2) Establish the existence of a beneficial owner and, if applicable, identify the beneficial owner and verify his identity as prescribed by Parts 1 to 4 and Part 8 of this Article.
6. To establish the existence of a beneficial owner of the customer that is a legal person, reporting entities should obtain complete information on the ownership and control structure of that legal person (except for the listed issuers (public companies) as defined under the Republic of Armenia Law on the Securities Market).
7. Reporting entities should establish the business profile of the customer, as well as the purpose and intended nature of the business relationship.
8. When taking the measures specified under Sub-Clauses “a” and “b”, Clause 19, Part 1, Article 3 of this Law, reporting entities may rely on information obtained through customer due diligence undertaken by another financial institution or non-financial institution or entity, provided that the following conditions are met:
   1) The ultimate responsibility for customer due diligence should remain with the reporting entity;
   2) The reporting entity should immediately obtain from the other financial institution or non-financial institution or entity the information specified under Parts 1 to 7 of this Article;
   3) The reporting entity should take adequate measures to ascertain that the other financial institution or non-financial institution or entity:
      a. Is authorized and has the capacity to provide, immediately upon request, the information obtained through customer due diligence, including the copies of documents;
      b. Is subject to proper regulation and supervision in terms of combating money laundering and terrorism financing, as well as has effective procedures to conduct customer due diligence and to maintain relevant information, as provided for under this Law and the legal statutes adopted on the basis thereof;
      c. Is not domiciled or residing in, or is not from a non-compliant country or territory.

ARTICLE 17: ONGOING DUE DILIGENCE OF BUSINESS RELATIONSHIP

1. Reporting entities should conduct ongoing due diligence throughout the whole course of the business relationship. Ongoing due diligence of the

business relationship shall include the scrutiny of the transactions with the customer so as to ascertain the veracity of the information regarding the customer, its business and risk profile, the consistency of that information with the activities of the customer and, where necessary, also the source of the customer's income and wealth.

2. At a periodicity determined by their own, reporting entities should update the data gathered within the framework of customer due diligence (including enhanced and simplified due diligence) so as to ensure that it is up to date and relevant. The periodicity determined for updating data obtained through identification and verification of identity of the customers should be at least once in a year.

ARTICLE 18: MEASURES STEMMING FROM PECULIARITIES OF RISK-BASED DUE DILIGENCE OF CUSTOMER

1. In conducting customer due diligence, reporting entities should introduce risk management procedures so as to enable disclosure and assessment of potential and existing risks, and to take measures proportionate to the risk.
2. In the presence of high risk criteria, reporting entities should conduct enhanced customer due diligence. Enhanced due diligence shall be conducted also when a criteria of high risk is revealed or comes forth in the course of the transaction or business relationship.
3. Reporting entities should develop and implement policies and procedures to counter the risks associated with non-face to face transactions or business relationships, including the procedures of identification and verification of identity. These policies and procedures should be applied when establishing business relationships and when conducting ongoing due diligence.
4. If the customer is a foreign legal person, or a foreign natural person, or a person without legal personality under foreign law, reporting entities shall also be obligated to establish and record the core of vital interests of that person.
5. In the presence of low risk criteria, reporting entities may conduct simplified due diligence. Simplified due diligence shall not be permitted in the presence of high risk criteria in terms of money laundering or terrorism financing, or in case of a suspicious transaction or business relationship.
6. Reporting entities shall be obligated to conduct due diligence also with respect to existing customers, at appropriate periodicity and in relevant cases, on basis of materiality and risk pertinent to such customers.

ARTICLE 19: CORRESPONDENT OR OTHER SIMILAR RELATIONS WITH FOREIGN FINANCIAL INSTITUTIONS

1. Financial institutions, in the course of correspondent or other similar relations with foreign financial institutions, should, in addition to the requirements defined under this Law with regard to customer due diligence, also undertake the following:
    1) Gather sufficient information about the respondent institution so as to fully understand the nature of the respondent's business and, based on publicly available and other reliable information, determine the reputation of the respondent institution and the quality of its supervision, including whether it has been or is subject to a criminal investigation or other proceeding related to money laundering or terrorism financing.
    2) Assess the respondent institution's procedures for combating money laundering and terrorism financing so as to ascertain that they are adequate and effective;
    3) Prior to establishing a correspondent or other similar relationship, obtain the approval of the senior management;
    4) Document the respective responsibilities of each institution with regard to combating money laundering and terrorism financing, if such responsibilities are not apparently known;

5) Ascertain that, in connection with payable-through accounts, the respondent institution:
   a. Has conducted due diligence of customers having direct access to the accounts of the financial institution and is able to provide upon request relevant data regarding the due diligence of these customers;
   b. Does not allow the use of its accounts by shell banks.

2. Financial institutions shall be prohibited from entering into or continuing correspondent or other similar relations with shell banks.

ARTICLE 20: OBLIGATIONS RELATED TO WIRE TRANSFERS

1. Financial institutions ordering a wire transfer should obtain and maintain the following information:
   1) Forename and surname or company name of the originator;
   2) Account numbers of the originator and the beneficiary (in their absence, the unique reference number accompanying the transfer);
   3) Details of the identification document for natural persons, or individual identification number (state registration, individual record number etc) for legal persons.
2. For all wire transfers, the ordering financial institution should include the information specified under Part 1 of this Article in the payment order accompanying the transfer. Where more than one wire transfers are bundled in a batch file, the ordering financial institution may choose to include in each individual transfer only the originator information as specified under Clause 1, Part 1 of this Article, provided that the batch file contains full information required under Part 1 of this Article.
3. All intermediary financial institutions involved in the processing of wire transfers should ensure that the information specified under Part 1 of this Article and accompanying a wire transfer is retained with it. Where technical limitations prevent the intermediary financial institution to provide that the information specified under Part 1 of this Article and accompanying a cross-border wire transfer remains with the related domestic wire transfer, the intermediary financial institution should maintain that information in the manner and timeframes established by this Law.
4. Obligations under this Article shall not apply to:
   1) Transfers and settlements between financial institutions on their own behalf;
   2) Transactions carried out through the use of credit, debit or prepaid cards, provided that the card number is available in all messages (accompanying correspondence) flowing from carrying out and documenting (recording) the transaction. Such exclusion shall apply to the transactions related to withdrawals or cash advances through an ATM machine, payments for goods and services; and it shall not apply to the cases, when credit, debit or prepaid cards are used in a payment system for effecting wire transfers.
5. Intermediary and beneficiary financial institutions should have effective risk-based policies and procedures for identifying and taking relevant measures (including refusal or suspension) with regard to the wire transfers lacking the information specified under Part 1 of this Article. In the case of a wire transfer lacking the information specified under Part 1 of this Article, a financial institution should consider terminating correspondent or other similar relationships with the financial institutions involved in the given wire transfer.

ARTICLE 21: REQUIREMENTS WITH REGARD TO REPORTING ENTITY'S BRANCHES AND REPRESENTATIONS OPERATING IN FOREIGN COUNTRIES AND TERRITORIES

Reporting entities shall be obligated to ensure that their subsidiaries, branches and representations operating in foreign countries or territories, including in non-compliant countries and territories,

observe the measures determined under this Law and the legal statutes adopted on the basis thereof, if this Law and the legal statutes adopted on the basis thereof establish stricter norms as compared with the laws and other legal statutes of the country or territory, where the subsidiary, branch or representation is domiciled. If the laws and other legal statutes of the country or territory, where the subsidiary, branch or representation is domiciled, prohibit or do not make possible implementing the requirements under this Law and the legal statutes adopted on the basis thereof, then the subsidiary, branch or representation should inform the reporting entity on that matter, and the reporting entity in turn should inform the Authorized Body.

ARTICLE 22: MAINTAINING RECORDS

1. Reporting entities should maintain the information (including documents) required under this Law, including the information (documents) obtained in the course of customer due diligence, regardless of the fact, whether the transaction or business relationship is ongoing, or has been terminated, inclusive of:
    1) Customer identification data, including the data on the account number and turnover, as well as business correspondence data;
    2) All necessary records on transactions or business relationships, both domestic and international (including the name and the domicile (residence) of the customer (and the other party to the transaction), the nature, date, amount, and currency of transaction and, if available, type and number of the account), which would be sufficient to permit full reconstruction of individual transaction or business relationship;
    3) Information on suspicious transactions or business relationships as specified under Article 7 of this Law, as well as information concerning the process of review (conducted analysis) and findings of transactions or business relationships not recognized as suspicious;
    4) Findings of the assessment of their potential and existing money laundering and terrorism financing risks stipulated by Article 4 of this Law;
    5) Information specified under Article 20 of this Law;
    6) Other information stipulated by this Law.
2. Information (including documents) specified under Part 1 of this Article should be maintained for at least 5 years following the termination of the business relationship or completion of the transaction, or for a longer period if required by the law.
3. Information (including documents) required under this Law and maintained by reporting entities should be sufficient to enable submission of comprehensive and complete data on customers, transactions, or business relationships if requested by the Authorized Body or, in the cases established by the law, by criminal prosecution authorities.
4. Information (including documents) specified under this Article should be made accessible to relevant supervisory and criminal prosecution authorities, as well as to auditors, on a timely basis and in the manner established by the law.

CHAPTER 6
INTERNAL REGULATORY ACTS AND INTERNAL MONITORING UNIT OF REPORTING ENTITY, CONDUCTION OF AUDIT

ARTICLE 23: INTERNAL REGULATORY ACTS OF REPORTING ENTITY

1. Reporting entities should have in place and apply internal regulatory acts (policies, concepts, rules, regulations, procedures, instructions or other instruments) aimed at the prevention of money laundering and terrorism financing, having regard to the size and nature of the reporting entity's activities, as well as the risks pertinent thereof. Financial groups should have in place and apply group-wide internal regulatory acts aimed at the

prevention of money laundering and terrorism financing. Internal regulatory acts referred to in this Part should establish, at minimum:

1) Procedures to enable customer due diligence (including enhanced and simplified due diligence), and maintenance of information;
2) List of required documents and other information to conduct customer due diligence (including enhanced and simplified due diligence);
3) Rules and conditions for the conduction of internal audit to check compliance with the procedures and requirements under this Law, the legal statutes adopted on the basis thereof, and the internal regulatory acts of the reporting entity, in the presence of a requirement defined by the law to conduct internal audit;
4) Operational procedures of the Internal Monitoring Unit;
5) Procedures for the collection, recording, and maintenance of information on transactions and business relationships;
6) Procedures for recognizing a transaction or business relationship as suspicious;
7) Procedures for the suspension of suspicious transactions or business relationships, for the refusal or termination of transactions or business relationships, and for the freezing of funds or other property of terrorism-related persons;
8) Procedures for reporting to the Authorized Body;
9) Requirements with regard to hiring, training, and professional development of the staff members of the Internal Monitoring Unit and other employees in connection with the obligations under the legislation on combating money laundering and terrorism financing and other legal statutes (including customer due diligence and reporting on suspicious transactions or business relationships), as well as in connection with potential and existing risks and typologies;
10) Adequate procedures to counter (manage) the potential and existing risks of money laundering or terrorism financing, which may arise in relation to the development of new products and new business practices, to the use of new or developing technologies, as well as to non-face to face transactions or business relationships;
11) Procedures for effective risk management to establish the presence of high risk criteria, including the circumstance whether the customer is a politically exposed person, or a family member of, or otherwise interrelated with such person;
12) Procedures for effective risk management in case of establishing a business relationship or conducting an occasional transaction without a prior verification of identity;
13) Procedures for cooperation between the Internal Monitoring Unit and the units or employees involved in customer service;
14) Rules for implementing the requirements established under this Law in case of correspondent or other similar relations with foreign financial institutions;
15) For financial groups – the procedures for sharing information within the group for anti-money laundering and counter terrorism financing purposes;
16) Procedures ensuring implementation of other requirements established under this Law and the legal statutes of the Authorized Body.

2. Reporting entities shall provide a copy of each internal regulatory act specified under Part 1 of this Article to the Authorized Body within one week after their approval, as well as after making amendments or changes to them.

Upon the request of the Authorized Body, reporting entities shall be obligated to make relevant changes or amendments to their internal regulatory acts within a one-month period and to submit them to the Authorized Body within the timeframe specified under the first paragraph of this Part.

ARTICLE 24: INTERNAL MONITORING UNIT OF REPORTING ENTITY

1. Reporting entities shall be obligated to have an Internal Monitoring Unit.
2. Staff members of the Internal Monitoring Unit should have an appropriate qualification, awarded on basis of qualification rules and professional competence criteria defined by the Authorized Body.
3. The Internal Monitoring Unit shall make the final decision on recognizing a transaction or business relationship as suspicious, suspending, refusing, or terminating a transaction or business relationship, and freezing the funds or other property of terrorism-related persons; it shall also ensure submission of the reports to the Authorized Body as prescribed by this Law, and implementation of other functions by the reporting entity as established under this Law and the legal statutes adopted on the basis thereof.
4. The Internal Monitoring Unit should have direct and timely access to the information (including documents) obtained and maintained by the reporting entity under this Law.
5. The Internal Monitoring Unit shall, on a regular basis, but no later than semi-annually, review the compliance of the transactions conducted and business relationships established by the reporting entity, as well as of the activities of its structural and territorial units and employees with this Law and the legal statutes adopted on the basis thereof. The Internal Monitoring Unit shall present a report to the supreme management body of the reporting entity (in banks – to the Board) on the findings of the review, as well as on other issues proposed by the Authorized Body.
6. In performing its functions under this Law and the legal statutes adopted on the basis thereof, the Internal Monitoring Unit shall be independent and shall have the status of senior management of the reporting entity.
7. The Internal Monitoring Unit should have the authority to immediately report to the reporting entity's authorized body as determined by the Authorized Body (in banks – to the Board) on the reporting entity's problems with regard to money laundering and terrorism financing, as well as to participate in the discussion of the issues related to the efforts of that body towards preventing money laundering and terrorism financing.

ARTICLE 25: CONDUCTION OF AUDIT BY REPORTING ENTITY

1. Reporting entities should conduct internal audit in the cases and at the periodicity established by the Authorized Body, to check adequate implementation of the obligations and functions established under this Law.
2. In the manner established by the Authorized Body, upon the request of the Authorized Body or by their own initiative, reporting entities shall commission external audit to check implementation of the legislation on combating money laundering and terrorism financing, and its effectiveness.

CHAPTER 7
SUSPENSION OF SUSPICIOUS TRANSACTION OR BUSINESS RELATIONSHIP, REFUSAL OR TERMINATION OF TRANSACTION OR BUSINESS RELATIONSHIP, AND FREEZING OF FUNDS OR OTHER PROPERTY OF TERRORISM-RELATED PERSONS

ARTICLE 26: SUSPENSION OF SUSPICIOUS TRANSACTION OR BUSINESS RELATIONSHIP

1. In the presence of a suspicion of money laundering, financial institutions shall be authorized to suspend the transaction or business relationship for up to 5 days, whereas in case of having received the assignment specified under Clause 6, Part 1 of Article 10 of this Law they shall be obligated to suspend the transaction or business relationship for 5 days and immediately file a report with the Authorized Body on suspicious transaction or business relationship as stipulated by Article 8 of this Law.

2. The Authorized Body may suspend transactions or business relationships for up to 5 days, based on filed reports, requests from foreign financial intelligence bodies, analysis of information provided by supervisory and criminal prosecution authorities, or of other information. The decision of the Authorized Body to suspend a transaction or business relationship should be implemented immediately upon its receipt by the financial institution.
3. Within 5 days from the notice by the financial institution to the Authorized Body on the suspension of a transaction or business relationship, or from the suspension of a transaction or business relationship by the Authorized Body, the Authorized Body shall make a decision either to extend the suspension period for an additional 5 days (in exceptional cases – 10 days) so as to establish the grounds for submitting a notification to criminal prosecution authorities, or to repeal the decision on suspension. In the event that the decision of the Authorized Body is not communicated to the financial institution within the period specified under this Part, the decision on suspension shall be considered as repealed.
4. The decision of the financial institution or the Authorized Body on suspending a transaction or business relationship may be repealed prior to the completion of the suspension term only by the Authorized Body upon its own initiative or upon the request of the financial institution, if it has been determined that the suspicion of money laundering or terrorism financing is groundless.

ARTICLE 27: REFUSAL OR TERMINATION OF TRANSACTION OR BUSINESS RELATIONSHIP

1. In the event that the requirements under Parts 1 to 7 of Article 16 of this Law cannot be implemented, or in case of having received the assignment on refusing a transaction or business relationship as specified under Clause 6, Part 1 of Article 10 of this Law, the reporting entity should refuse the transaction or business relationship and consider recognizing it as suspicious under Article 7 of this Law.
2. In the event that, after having established a business relationship under Part 1 of Article 16 of this Law, the requirements under Parts 1 to 7 of that Article cannot be implemented, or in case of having received the assignment on terminating a transaction or business relationship as specified under Clause 6, Part 1 of Article 10 of this Law, the reporting entity should terminate the transaction or business relationship and consider recognizing it as suspicious under Article 7 of this Law.
3. Ordering financial institutions should refuse any cross-border wire transfer equal or above the 400-fold amount of the minimum salary, which lack the information specified under Part 1 of Article 20 of this Law, as well as any cross-border wire transfer below the 400-fold amount of the minimum salary, which lack the information specified under Clauses 1 and 2, Part 1 of Article 20 of this Law, and should consider recognizing them as suspicious under Article 7 of this Law.

ARTICLE 28: FREEZING OF FUNDS OR OTHER PROPERTY OF TERRORISM-RELATED PERSONS

1. Funds or other property owned or controlled, directly or indirectly, by terrorism-related persons included in the lists published by or in accordance with the United Nations Security Council resolutions, as well as in the lists specified under Part 2 of this Article shall be subject to freezing without delay and without prior notice to the persons involved, by the Authorized Body, customs authorities and reporting entities. The state bodies or persons, which have legally defined powers to restrict (arrest, block, freeze, suspend) the possession, use and (or) disposal of the funds or other property stipulated under this Part, shall exercise their power in the manner established by the law where they disclose such funds or other property.

2. The Authorized Body, on its own initiative or upon the request of competent foreign bodies, shall develop, review, and publish lists of terrorism-related persons. Posting such lists on the website of the authorized Body shall equal to their publication. In case of having information on persons matching the definition of terrorism-related persons as defined under Article 3 of this Law, the involved state bodies, including supervisory and criminal prosecution authorities, as well as reporting entities shall provide to the Authorized Body information on such persons for their inclusion in the lists specified under this Part.
3. Any person included in the lists of terrorism-related persons published by the United Nations Security Council resolutions may apply to the United Nations requesting exclusion from the lists. Any person included in the lists of terrorism-related persons published by the Authorized Body may apply to the Authorized requesting exclusion from the lists, where such request shall be considered in the manner established by the Authorized Body
4. Freezing shall be revoked only by the Authorized Body, if the funds or other property have been frozen by mistake, as well as when the criminal prosecution body arrests the frozen funds or other property. Freezing of funds or other property of the persons specified under Part 2 of this Article shall also be revoked, if it is established that the person with frozen property has been removed from the list of terrorism-related persons.
5. A person shall be entitled to request from the Authorized Body access to frozen funds or other property to pay for his family, medical, and other expenses as defined under the resolutions of the United Nations Security Council. D decisions on such payments shall be made in accordance with the United Nations Security Council resolutions, if the name of the person is included in the lists of terrorism-related persons published by the United Nations Security Council resolutions.
6. Upon freezing the funds or other property of terrorism-related persons, the reporting entity shall without delay proceed to recognize the transaction or business relationship as suspicious under Article 7 of this Law, and to file a report on suspicious transaction or business relationship. In case of freezing (arresting, blocking, or suspending) funds or other property of terrorism-related persons, the state bodies and persons specified under Part 1 of this Article shall without delay notify the Authorized Body on that matter.
7. In the event of receiving an inquiry from foreign financial intelligence bodies or other foreign bodies on freezing funds or other property, the Authorized Body shall consider within the same day the grounds for the freezing request. Upon establishing sufficiency of the grounds for the freezing request, the Authorized Body shall make a decision, in the manner specified under this Article, on the freezing of funds or other property.
8. Within 5 days of being notified about the freezing, the Authorized Body shall submit a notification to criminal prosecution authorities in the manner specified under Article 13 of this Law, except for the cases when the Authorized Body makes a decision on de-freezing in the manner established by the law.
9. For the purposes of this Article, funds or other property of bona fide third parties, that is the persons, who (which), when passing the funds or other property to another person, did not know or could not have known that they would be used or are intended for use for the purposes of terrorism or terrorism financing, as well as the persons, who (which), when acquiring the funds or other property, did not know or could not have known that they proceed from crime, shall not be subject to freezing.

CHAPTER 8
SUPERVISION OVER COMPLIANCE WITH REQUIREMENTS OF LAW AND LEGAL STATUTES ADOPTED ON BASIS THEREOF; RESPONSIBILITY FOR NON-COMPLIANCE OR INADEQUATE COMPLIANCE WITH SUCH REQUIREMENTS

ARTICLE 29: SUPERVISION OVER REPORTING ENTITIES AND NON-COMMERCIAL ORGANIZATIONS

1. Supervision over reporting entities for their compliance with the requirements of this Law and the legal statutes adopted on the basis thereof shall be exercised by relevant supervisory authorities. The Authorized Body shall exercise supervision over those types of reporting entity, for which there is no legally defined supervisory authority or a legislative regulatory framework for the supervisory authority to perform the functions assigned to it in the field of combating money laundering and terrorism financing.
2. In the manner established by the law, as well as upon the request of the Authorized Body, supervisory authorities shall conduct on-site inspections of reporting entities to review their compliance with the requirements to prevent money laundering and terrorism financing, and to assess the risks.
3. Bodies with supervision authority over non-commercial organizations shall, upon the request of the Authorized Body, take measures to prevent the involvement or usage of non-commercial organizations in money laundering or terrorism financing. Non-commercial organizations shall be obligated to maintain, in the manner and timeframe established by this Law:
   1) Information (including documents) on domestic and international transactions in such detail as to allow ascertaining whether the property subject to these transactions were expended in accordance with the purposes of the organization;
   2) Identification data of the members of management bodies, in accordance with Article 16 of this Law;
   3) Foundation documents and decisions of management bodies;
   4) Documents on financial and economic activities.
4. The Authorized Body and, in the cases stipulated by the law, also criminal prosecution authorities may request information (including documents) related to money laundering or terrorism financing from non-commercial organizations or from their supervisory authorities.

ARTICLE 30: RESPONSIBILITY FOR NON-COMPLIANCE OR INADEQUATE COMPLIANCE WITH REQUIREMENTS OF LAW OR LEGAL STATUTES ADOPTED ON BASIS THEREOF

1. Reporting entities or their employees (managers) cannot be subject to property responsibility in case of duly performing their obligations under this Law, as well as to criminal, administrative or other responsibility in case of duly performing their obligations stipulated under Article 6 of this Law. The Authorized Body or its employees cannot be subject to criminal, administrative or other responsibility in case of duly performing their obligations under this Law.
2. Non-compliance or inadequate compliance with the requirements of this Law or the legal statutes adopted on the basis thereof by financial institutions shall result in responsibility measures, as established by the legislation regulating their activities, in the manner provided for under such legislation.
3. Financial institutions operating within a legislative and regulatory framework, which does not provide for any responsibility measures for non-compliance or inadequate compliance with the requirements of this Law and the legal statutes adopted on the basis thereof, shall be subject to responsibility measures specified under Part 4 of this Article for legal persons that are non-financial institutions or entities.
4. Non-compliance or inadequate compliance with the requirements of this Law or the legal statutes adopted on the basis thereof by legal persons that are non-financial institutions or entities shall result in the application of the following responsibility measures:

1) Non-compliance or inadequate compliance with the requirements under Article 4 of this Law shall result in a warning or a fine equal to the 200-fold amount of the minimum salary;
2) Failure to file reports under Part 2 of Article 6 of this Law (including failure to recognize a transaction or business relationship as suspicious in cases stipulated under Part 1, Article 7 of this Law), or late filing shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 600-fold amount of the minimum salary;
3) Failure to file reports under Part 3 of Article 6 of this Law, or late filing, as well as entering incorrect (including false or unreliable) or incomplete data in the reports, or making structural alterations in the reporting forms shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 200-fold amount of the minimum salary;
4) Non-compliance or inadequate compliance with the requirement under Part 5 of Article 6 of this Law shall result in a warning or a fine equal to the 600-fold amount of the minimum salary;
5) Non-compliance or inadequate compliance with the requirement under Part 3 of Article 7 of this Law shall result in a warning or a fine equal to the 300-fold amount of the minimum salary;
6) Non-compliance or inadequate compliance with the requirement under Parts 5 and 6 of Article 9 of the Law shall result in a warning or a fine equal to the 200-fold amount of the minimum salary;
7) Non-compliance or inadequate compliance with the requirement under Clauses 4 and 6, Part 1 of Article 10 of this Law on providing information or executing assignments shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 600-fold amount of the minimum salary;
8) Non-compliance or inadequate compliance with the requirements under Article 16 of this Law shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 600-fold amount of the minimum salary;
9) Non-compliance or inadequate compliance with the requirements under Article 17 of this Law shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 200-fold amount of the minimum salary;
10) Non-compliance or inadequate compliance with the requirements under Article 18 of this Law shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 200-fold amount of the minimum salary;
11) Non-compliance or inadequate compliance with the requirements under Article 21 of this Law shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 600-fold amount of the minimum salary;
12) Non-compliance or inadequate compliance with the requirements under Article 22 of this Law shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 600-fold amount of the minimum salary;
13) Non-compliance or inadequate compliance with the requirements under Article 23 of this Law shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 200-fold amount of the minimum salary;
14) Non-compliance or inadequate compliance with the requirements under Article 24 of this Law shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 600-fold amount of the minimum salary;
15) Non-compliance or inadequate compliance with the requirements under Article 25 of this Law shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 200-fold amount of the minimum salary;

16) Non-compliance or inadequate compliance with the requirements under Article 26 of this Law shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 600-fold amount of the minimum salary;
17) Non-compliance or inadequate compliance with the requirements under Article 27 of this Law shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 600-fold amount of the minimum salary;
18) Non-compliance or inadequate compliance with the requirements under Article 28 of this Law shall result in a warning and an assignment to eliminate the violation, or a fine equal to the 2,000-fold amount of the minimum salary.

5. Non-compliance or inadequate compliance with the requirements of this Law or the legal statutes adopted on the basis thereof by natural persons that are non-financial institutions or entities shall result in responsibility established under the Republic of Armenia Code of Administrative Violations.
6. Responsibility measures with regard to non-financial institutions or entities licensed (appointed, qualified, or otherwise permitted to have activities) by a supervisory authority shall be applied by the respective supervisory authority, in the manner established by the law.
7. The Authorized Body shall apply responsibility measures in the manner established by the law with regard to the types of reporting entities, for which there is no legally defined supervisory authority or a legislative regulatory framework for the supervisory authority to perform the functions assigned to it in the field of combating money laundering and terrorism financing, as well as with regard to legal or natural persons that are not reporting entities.
8. Unauthorized disclosure of classified information in the possession of the Authorized Body as defined by this Law or the legal statutes adopted on the basis thereof, as well as of information constituting commercial and official secrecy, by employees of the Authorized Body shall result in responsibility established by the law.
9. Non-compliance or inadequate compliance with the requirements of this Law or the legal statutes of the Authorized Body by the officials of state bodies shall result in responsibility established under the Republic of Armenia Code of Administrative Violations.

ARTICLE 31: RESPONSIBILITY FOR LEGAL PERSONS INVOLVEMENT IN MONEY LAUNDERING OR TERRORISM FINANCING

1. Involvement of legal persons (except for those that are reporting entities) in money laundering shall result in a fine equal to the 2,000-fold amount of the minimum salary, and may also result in bringing a suit to the court for dissolving the legal person in the manner established by the law.
2. Involvement of legal persons that are reporting entities in money laundering shall result in a fine equal to the 5,000-fold amount of the minimum salary, and may also result in revoking or suspending or terminating the person’s license, or in bringing a suit to the court for dissolving the legal person in the manner established by the law.
3. Involvement of legal persons (except for those that are reporting entities) in terrorism financing shall result in a fine equal to the 10,000-fold amount of the minimum salary, as well as in bringing a suit to the court for dissolving the legal person in the manner established by the law.
4. Involvement of legal persons that are reporting entities in terrorism financing shall result in a fine equal to the 20,000-fold amount of the minimum salary, as well as in revoking or terminating the person’s license, or in bringing a suit to the court for dissolving the legal person in the manner established by the law.
5. Involvement of legal persons in money laundering may arise when:

1) The action, or the failure to act, by any representative of the legal person for the benefit or on behalf of the legal person results in a deed stipulated under Article 190 of the Republic of Armenia Criminal Code, for which a conviction has been passed by the court with regard to the said person; or
2) The representative of the legal person has not been sentenced to criminal penalty due to circumstances not excluding criminal proceedings or criminal prosecution, except for the cases of withdrawing or terminating criminal prosecution due to an amnesty act or the person's decease; or
3) In the substantiated opinion of the supreme management body of the Authorized Body, money laundering has taken place due to the action, or the failure to act, by any representative of the legal person on behalf of the legal person.

6. Involvement of legal persons in terrorism financing may arise when:
   1) The action, or the failure to act, by any representative of the legal person on behalf of the legal person results in a deed stipulated under Article 217.1 of the Republic of Armenia Criminal Code, for which a conviction has been passed by the court with regard to the said person; or
   2) The representative of the legal person has not been sentenced to criminal penalty due to circumstances not excluding criminal proceedings or criminal prosecution, except for the cases of withdrawing or terminating criminal prosecution due to an amnesty act or the person's decease; or
   3) In the substantiated opinion of the supreme management body of the Authorized Body, terrorist financing has taken place due to the action, or the failure to act, by any representative of the legal person on behalf of the legal person.
7. When substantiating involvement of a legal person in money laundering and terrorism financing, the supreme management body of the Authorized Body may ground its decision on the circumstance that the action, or the failure to act, by the representative of the legal person fully or partially complies with the typologies.
8. Responsibility measures defined under this Article may be applied to legal persons registered or operating in the territory of the Republic of Armenia.
9. Responsibility measures defined under this Article shall be applied by the Authorized Body, in the manner established under the legislation. At that, in the cases stipulated by Clause 3 of Part 5 and Clause 3 of Part 6 of this Article, responsibility measures defined under this Article shall be applied by the supreme management body of the Authorized Body.
10. Within 5 days from initiating the proceedings to apply responsibility measures defined under this Article to non-financial institutions, the Authorized Body shall notify the relevant supervisory authority on that matter.
11. In the cases stipulated by Clause 1 of Part 5 and Clause 1 of Part 6 of this Article, responsibility measures defined under this Article may be applied within one year from passing the relevant conviction by the court with regard to the representative of the legal person.
12. When criminal penalty has not been imposed due to an amnesty act or the person's decease, the Authorized Body may apply responsibility measures defined under this Article within one year from the moment it came to know or might have known about the emergence of such circumstances.
13. In the cases of legal persons' involvement in money laundering and terrorism financing other than those stipulated by Parts 11 and 12 of this Article, responsibility measures defined under this Article may be applied within ten years from the committal of money laundering and terrorism financing.

CHAPTER 9
TRANSITIONAL PROVISIONS

ARTICLE 32: TRANSITIONAL PROVISIONS

1. This Law shall enter into force on the 90th day after its official publication.
2. In connection with sole practitioner lawyers and legal firms, sole practitioner accountants and accounting firms, dealers in precious metals, dealers in precious stones, dealers in works or art, organizers of auctions, and entities providing trust management and company registration services, the registration requirement under Part 5 of Article 9 of this Law shall take effect only upon their licensing (appointment, qualification, or otherwise permission of the activities) in the manner established by the law, and upon the definition of relevant supervision requirements.

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING CHANGES AND AMENDMENTS IN THE REPUBLIC OF ARMENIA CRIMINAL CODE

ARTICLE 1: To make the following changes in Article 55 of the Republic of Armenia Criminal Code (HO-528-N of April 18, 2003) (hereinafter: the Code):

1. In Part 3, remove the words "except for the cases stipulated by Parts 4 and 5, as well as by Part 5.1";
2. Repeal Parts 4, 5, 5.1 and 7;
3. In Part 6, remove the words "as well as the property of bona fide third parties stipulated by Parts 4 and 5 of this Article".

ARTICLE 2: Under Section 6 of the Code, to replace the title "Measures of Medical Enforcement" with the title "Other Legal and Penal Measures".

ARTICLE 3: To amend the Code with Chapter 15.1 with the wording as follows:

"Chapter 15.1
FORFEITURE
Article 103.1: Forfeiture

1. The property derived from or obtained, directly or indirectly, through the commission of crime, the income or other types of benefit gained through the use of such property; the instrumentalities and means used in or intended for use in the commission of crime; the property allocated for use in the financing of terrorism, the income or other types of benefit gained through the use of such property; the objects of smuggling transported through the customs border of the Republic of Armenia stipulated under Article 215 of this Code and, in case of non-disclosure thereof, other property of corresponding value, except for the property of bona fide third parties, shall be subject to forfeiture for the benefit of the state. Forfeiture of such property shall be exercised only after compensation of the damage inflicted by the crime on the aggrieved party and the civil claimant.
2. In the meaning of this Code, a bona fide third party shall be the person, who (which), when passing the property to another person, did not know or could not have known that the property would be used or was intended to be used for criminal purposes, as well as the person who (which), when acquiring the property from another person, did not know or could not have known that the property derives from crime.
3. When there is a dispute between the aggrieved party and the bona fide third party over the property subject to forfeiture, such forfeiture may be exercised only after the dispute has been solved through civil trial proceedings.
4. In the meaning of this Article, as well as, in the cases stipulated by other articles of this Code, in the meaning of such other articles property shall mean material goods of every kind, moveable or immoveable objects of civil rights, including monetary (financial) funds, securities and property rights, documents or other instruments evidencing title to or interest in property, as well as the interest, dividends, or other income accruing from or generated by such property.

ARTICLE 4: To replace in Part 1 of Article 131 of the Code the word "Article 218" with the word "Article 217".

ARTICLE 5: In Article 190 of the Code:

1. To replace in the title the word "income" with the word "property";
2. To remove in Part 1 the words "with confiscation of the property specified under Part 4 of Article 55 of this Code".
3. To replace in Parts 2 and 3 the words "with confiscation of the property specified under Part 4 of Article 55 of this Code" with the words "with or without confiscation of property".
4. To set forth Part 5 in the following revision:

   "For the purposes of this Article, property representing proceeds of crime shall be the property specified under Part 4 of Article 103.1 of this Code, directly or indirectly derived from or obtained through the commission of crimes as stipulated under this Code".

ARTICLE 6: To remove in Part 1 of Article 215 of the Code the words "with confiscation of the property specified under Part 5.1 of Article 55 of this Code".

ARTICLE 7: In Article 217 of the Code:

1. To set forth Part 1 in the following revision:

   "1. Terrorism, that is any action provided for by the annexes to the 1999 United Nations International Convention for the Suppression of the Financing of Terrorism, as well as any other action, or the threat of action, intended to cause death or serious bodily injury to a civilian or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such action, by its nature or context, is to intimidate a population, or to exert pressure on a government body or an international organization or an official to make a decision or to do an act, or to abstain from these, shall be punished with imprisonment for a term of 5 to 10 years, with or without confiscation of property".
2. To repeal Clause 2 of Part 2 and Clause 2 of Part 3.
3. To amend Parts 2 and 3 with the words "with or without confiscation of property" after the word "years".

ARTICLE 8: To set forth Article 217.1 in the following revision:

"**217.1: Financing of Terrorism**

1. Financing of terrorism, that is the action of willfully providing or collecting property by any means, directly or indirectly, with the unlawful intention that they should be used, or in the knowledge that they are to be used, in full or in part, to carry out a terrorist act or by a terrorist organization or by an individual terrorist, shall be punished with imprisonment for a term of 3 to 7 years, with or without confiscation of property.
2. The same action committed by a group of persons with prior agreement, or by an organized group shall be punished with imprisonment for a term of 8 to 12 years, with or without confiscation of property".
3. For the purposes of this Article, property shall be the property specified under Part 4 of Article 103.1 of this Code".

ARTICLE 9: To repeal Article 218 of the Code.

ARTICLE 10: To remove the words “aircraft, ship or” from the title and Part 1 of Article 221 of the Code.

ARTICLE 11: To remove the word “nuclear” from Part 2 of Article 238 of the Code.

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING CHANGES AND AMENDMENTS IN THE REPUBLIC OF ARMENIA CRIMINAL PROCEDURE CODE

ARTICLE 1: To amend Article 107 of the Republic of Armenia Criminal Procedure Code (HO-248-N of July 1, 1998) (hereinafter: the Code) with Clause 7 with the wording as follows:
"7) Where there is a property subject to forfeiture under Article 103.1 of the Republic of Armenia Criminal Code, the circumstances which substantiate that the property has derived from the commission of crime, or has been used or intended for use as an instrumentality or mean for the commission of crime, or has been allocated for use in the financing of terrorism, or is an object of smuggling stipulated under Article 215 of the Republic of Armenia Criminal Code".

ARTICLE 2: To set forth Part 3.2 of Article 172 of the Code in the following revision:
"Criminal prosecution bodies may obtain information regarding persons involved as a suspect or accused under a criminal case and constituting bank secrecy, information regarding securities transactions by the Central Depository as defined under the Republic of Armenia Law on Securities Market and constituting official secrecy, as well as information constituting insurance secrecy on basis of a court decree for search or seizure".

ARTICLE 3: To amend Part 1 of Article 228 of the Code with the words ", as well as insurance" after the word "notarial".

ARTICLE 4: To amend Part 1 of Article 232 of the Code with the word "forfeiture" after the word "confiscation".

ARTICLE 5: To amend Article 232 of the Code with Part 2.1 with the following wording:
"2.1. Arrest on property subject to forfeiture under Article 103.1 of the Republic of Armenia Criminal Code shall be imposed regardless of whether it is owned or possessed by a criminal defendant or by a third party".

ARTICLE 6: To set forth Part 1.1 of Article 233 of the Code in the following revision:
"1. The body in charge of criminal proceedings shall without delay impose arrest on any property derived from or obtained, directly or indirectly, through the commission of crime, the income or other types of benefit gained through the use of such property; the instrumentalities and means used in or intended for use in the commission of crime; the property allocated for use in the financing of terrorism, the income or other types of benefit gained through the use of such property; the objects of smuggling transported through the customs border of the Republic of Armenia stipulated under Article 215 of the Republic of Armenia Criminal Code and, in case of non-disclosure thereof, other property of corresponding value".

ARTICLE 7: To amend Article 279 with the words "as well as searches and seizures for obtaining information constituting bank, insurance, notarial secrecy", after the word "actions".

ARTICLE 8: To amend Part 1 of Article 360 of the Code with Clause 16 with the following wording:
"16) Whether it has been proven that that the property subject to forfeiture has derived from the commission of crime, or has been used or intended for use as an instrumentality or mean for the

commission of crime, or has been allocated for use in the financing of terrorism, or is an object of smuggling stipulated under Article 215 of the Republic of Armenia Criminal Code".

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE IN THE REPUBLIC OF ARMENIA ADMINISTRATIVE VIOLATIONS CODE

ARTICLE 1: To set forth Part 1 of Article 165.9 of the Republic of Armenia Administrative Violations Code (December 6, 1985) (hereinafter: the Code) in the following revision:
"Non-compliance or inadequate compliance with the requirements of the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing (hereinafter in this Article: the Law) or of the legal statutes adopted on the basis of the Law by natural persons, that are non-financial institutions or entities, shall result in the following responsibility measures:

1) Non-compliance or inadequate compliance with the requirements under Article 4 of the Law shall result in a warning or a fine equal to the 100-fold amount of the minimum salary;
2) Failure to file reports under Part 2 of Article 6 of the Law (including failure to recognize a transaction or business relationship as suspicious in cases stipulated under Part 1 of Article 7 of the Law), or late filing shall result in a warning or a fine equal to the 300-fold amount of the minimum salary;
3) Failure to file reports under Part 3 of Article 6 of the Law, or late filing, as well as entering incorrect (including false or unreliable) or incomplete data in the reports, or making structural alterations in the reporting forms shall result in a warning or a fine equal to the 100-fold amount of the minimum salary;
4) Non-compliance or inadequate compliance with the requirement under Part 5 of Article 6 of the Law shall result in a warning or a fine equal to the 300-fold amount of the minimum salary;
5) Non-compliance or inadequate compliance with the requirement under Part 3 of Article 7 of the Law shall result in a warning or a fine equal to the 150-fold amount of the minimum salary;
6) Non-compliance or inadequate compliance with the requirement under Part 5 of Article 9 of the Law shall result in a warning or a fine equal to the 100-fold amount of the minimum salary;
7) Non-compliance or inadequate compliance with the requirement under Clauses 4 and 6, Part 1 of Article 10 of the Law on providing information or executing assignments shall result in a warning and or a fine equal to the 300-fold amount of the minimum salary;
8) Non-compliance or inadequate compliance with the requirements under Article 16 of the Law shall result in a warning or a fine equal to the 300-fold amount of the minimum salary;
9) Non-compliance or inadequate compliance with the requirements under Article 17 of the Law shall result in a warning or a fine equal to the 100-fold amount of the minimum salary;
10) Non-compliance or inadequate compliance with the requirements under Article 18 of the Law shall result in a warning or a fine equal to the 100-fold amount of the minimum salary;
11) Non-compliance or inadequate compliance with the requirements under Article 21 of the Law shall result in a warning or a fine equal to the 300-fold amount of the minimum salary;
12) Non-compliance or inadequate compliance with the requirements under Article 22 of the Law shall result in a warning or a fine equal to the 300-fold amount of the minimum salary;

13) Non-compliance or inadequate compliance with the requirements under Article 23 of the Law shall result in a warning or a fine equal to the 100-fold amount of the minimum salary;
14) Non-compliance or inadequate compliance with the requirements under Article 24 of the Law shall result in a warning or a fine equal to the 300-fold amount of the minimum salary;
15) Non-compliance or inadequate compliance with the requirements under Article 25 of the Law shall result in a warning or a fine equal to the 100-fold amount of the minimum salary;
16) Non-compliance or inadequate compliance with the requirements under Article 26 of the Law shall result in a warning or a fine equal to the 300-fold amount of the minimum salary;
17) Non-compliance or inadequate compliance with the requirements under Article 27 of the Law shall result in a warning or a fine equal to the 300-fold amount of the minimum salary;
18) Non-compliance or inadequate compliance with the requirements under Article 28 of the Law shall result in a warning or a fine equal to the 1000-fold amount of the minimum salary".

ARTICLE 2: To set forth the second sentence in Part 1 of Article 244.12 of the Code in the following revision:
"In the absence of a legally defined supervisory body for the natural persons, that are non-financial institutions or entities, or in the absence of a legislative regulatory framework for the supervisory body to perform the functions assigned to it in the field of combating money laundering and terrorist financing, the Central Bank shall consider violations of the requirements of the Law on Combating Money Laundering and Terrorism Financing and of the legal statutes adopted on the basis thereof, and the Board of the Central Bank shall determine administrative penalties on behalf of the Central Bank.

ARTICLE 3: This Law shall enter into force on the 90th day after its official publication.

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE AND AMENDMENTS IN THE REPUBLIC OF ARMENIA CUSTOMS CODE

ARTICLE 1: To add Clause "f" to Article 2 of the Republic of Armenia Customs Code (HO-83 of July 6, 2000) (hereinafter: the Code) with the wording as follows:
z) Property – the property defined under Part 4 of Article 103.1 of the Republic of Armenia Criminal Code".

ARTICLE 2: To add a new sentence to Clause 2 of Article 128 of the Code with the wording as follows:
"When declaring Armenian or foreign cash currency or bearer securities, information shall be included also on the origin of their acquisition. Declaration of bearer securities shall be made according to the rules established by the Central Bank and agreed with the authorized body of the Republic of Armenia Government".

ARTICLE 3: To add a new paragraph to Article 155 of the Code with the wording as follows:
"In the event of unusual transportation of gold, other precious metals or precious stones through the customs border of the Republic of Armenia, customs authorities should, on the basis of international treaties or, in their absence, of reciprocity, on their own initiative or upon request, notify customs or other competent authorities of the country of export of such goods to the Republic of Armenia and (or) of the country of export of such goods from the Republic of Armenia, as well as cooperate with those authorities so as to find out the source of acquisition, the country of export, and the purpose of transportation of the goods, and to take respective measures".

ARTICLE 4: To add Article 155.1 to the Code with the wording as follows:
"**Article 155.1: Freezing of Funds or Other Assets of Terrorism-Related Persons**
In the event of finding matches in the names of persons carrying out transportation of currency or bearer securities through the customs border of the Republic of Armenia with the names of terrorism-related persons included in the lists published by or in accordance with the resolutions of the United Nations Security Council or by Authorized Body as defined under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing, the customs authority should without delay make a decision on freezing, for an indefinite term, of the funds or other assets of such persons in the manner established by the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing".

ARTICLE 5: To add Clauses 3 and 4 to Article 156 of the Code with the wording as follows:
"3. In the event of import, export, or transit transportation of currency or bearer securities through the customs border of the Republic of Armenia, customs authorities should submit information to the Authorized Body as defined under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing, in the manner established by the Authorized Body.
4. Customs authorities should at least for 5 years maintain data on transportation of currency or bearer securities, as well as identification data on the persons involved, in cases when, with regard to import, export, or transit transportation:

1) A declaration is filed with customs authorities;
2) A declaration containing inaccurate data is filed, or requirements concerning the ban on transportation are violated;

3) Suspicions arise with regard to money laundering and (or) terrorist financing".

ARTICLE 6: To add Article 156.1 to the Code with the wording as follows:
"**Article 156.1: Ban or Restriction of Transportation of Currency or Payment Instruments"**
1. In order to find out factual data on cases of money laundering or terrorism financing in relation to the persons included in the lists provided by the Authorised Body as defined under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing, or on cases matching the criteria provided by the Authorized Body, customs authorities shall be entitled to ban or restrict, for a period up to 5 days, transportation of currency or bearer securities in the following cases:

1) Presence of money laundering or terrorist financing suspicions;

2) Inaccurate declaration or failure to file a declaration on currency or bearer securities.

2. Customs bodies shall without delay notify the authorized body specified in Clause 1 of this Article on banning or restricting transportation of currency or bearer securities.
3. In exceptional cases, in order to find out additional factual data on a money laundering or terrorism financing case, the term of banning or restricting transportation of currency or bearer securities may be prolonged for another 5 days by the order of the superior customs body, at its own initiative or pursuant to the proposal of the authorized body specified in Clause 1 of this Article".

ARTICLE 7: To amend the Code with Article 156.2 with the wording as follows:
"**Article 156.2: Bases for Releasing Customs Bodies and Officials from Responsibility**
Customs bodies and officials cannot be subject to criminal, administrative, or other responsibility in case of duly performing their obligations stipulated under this Code in relation to combating money laundering and terrorist financing".

ARTICLE 8: To amend the Code with Article 202.1 with the wording as follows:
"**Article 202.1: Cross Border Transportation of Currency or Bearer Securities Allocated for Use in Financing of Terrorism or Representing Proceeds of Crime**
Transportation of currency or bearer securities allocated for use in the financing of terrorism or representing proceeds of crime in the meaning of Article 190 of the Republic of Armenia Criminal Code, in the absence of indications of crime, shall result in imposition of penalty in the amount of the currency or the face value of bearer shares".

ARTICLE 9: This Law shall enter into force on the 90th day after its official publication.

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING CHANGES AND AN AMENDMENT IN THE REPUBLIC OF ARMENIA LAW ON ADVERTISEMENT

ARTICLE 1: In Article 15 of the Republic of Armenia Law on Advertisement (HO-55 of April 30, 1996) (hereinafter: the Law):

1. To remove the words "of games of chance, casino" in Part 10.
2. To remove the words "of games of chance or casino" in Parts 12 and 13.
3. To add a new Part 15 with the wording as follows:

"Advertisement of games of chance or casino or gaming halls or the organizers thereof shall be prohibited, except those within or on the buildings, premises, or halls of casino or games of chance".

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE AND AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON ADVOCACY

ARTICLE 1: In Clause 4, Paragraph 2 of Article 7 of the Republic of Armenia Law on Advocacy (HO-29-N of December 14, 2004) (hereinafter: the Law), after the word "maintenance" to add the words "as well as implementation of the requirements of the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and the normative legal statutes adopted on the basis thereof".

ARTICLE 2: To add Clause 3 to Part 3 of Article 25 of the Law with the wording as follows:
"If it is necessary for providing information stipulated under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and constituting legal professional secrecy to the Authorized Body specified by that Law, in the presence of suspicions on prepared money laundering or terrorist financing or upon the request of the Authorized Body, in the cases and manner established by that Law".

ARTICLE 3: In Article 39 of the Law:
1. To remove the word "disciplinary" from the title.
2. In Part 1, after the words "of this Law and of the Advocate's Code of Conduct" to add the words "as well as to disciplinary penalties and to responsibility stipulated under the Republic of Armenia Administrative Violations Code for the violation of the requirements of the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and the normative legal statutes adopted on the basis thereof".

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON AUDITING ACTIVITIES

ARTICLE 1: To add Clause "d^1" to Part 2 to Article 18 of the Republic of Armenia Law on Auditing Activities (HO-512-N of December 26, 2002) (hereinafter: the Law) with the wording as follows:
"d^1. To provide information stipulated under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and constituting commercial secrecy to the Authorized Body specified by that Law, in the presence of suspicions on money laundering or terrorist financing or upon the request of the Authorized Body, in the cases and manner established by that Law".

ARTICLE 2: Add Article 31.4 to the Law with the wording as follows:

"**ARTICLE 31.4: RESPONSIBILITY OF AUDITING FIRM AND INDIVIDUAL AUDITOR FOR NON-COMPLIANCE OR INADEQUATE COMPLIANCE WITH REPUBLIC OF ARMENIA LAW ON COMBATING MONEY LAUNDERING AND TERRORISM FINANCING AND WITH NORMATIVE LEGAL STATUTES ADOPTED ON BASIS THEREOF**
In the event that the Authorized Body, due to supervision exercised by it or on the basis of information available to it, establishes an auditing firm or individual auditor non-compliance or inadequate compliance with the requirements of the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and of the normative legal statutes adopted on the basis thereof, it shall apply responsibility measures with regard to the auditing firm as defined under that law, and with regard to individual auditor as defined under the Republic of Armenia Code of Administrative Violations".

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE AND AN AMENDMENT IN THE REPUBLIC OF ARMENIA LAW ON BANK SECRECY

ARTICLE 1: To set forth Article 13.1 of the Republic of Armenia Law on Bank Secrecy (HO-80 of October 7, 1996) (hereinafter: the Law in the following revision:

"**ARTICLE 13.1: PROVISION OF INFORMATION CONSTITUTING BANK SECRECY IN THE FRAMEWORK OF COMBATING MONEY LAUNDERING AND TERRORISM FINANCING**

The authorized body as defined under the Republic of Armenia Law on Combating Money Laundering and Terrorist Financing (in the meaning of this Article, the Authorized Body) shall submit a notification to criminal prosecution authorities, when, based on the analysis of the data provided for under that law, including data constituting bank secrecy, it arrives at a conclusion on the presence of reasonable suspicions of money laundering or terrorism financing. Along with the notification or later on, in addition to it, the Authorized Body may on its own initiative submit to criminal prosecution authorities further data related to the circumstances described in the notification.

In accordance with the Republic of Armenia Law on Combating Money Laundering and Terrorist Financing, upon the request of criminal prosecution authorities, the Authorized Body shall provide the available information, including information constituting bank secrecy, provided that the request contains sufficient justification of a suspicion or a case of money laundering or terrorism financing.

In the manner established by the Republic of Armenia Law on Combating Money Laundering and Terrorist Financing, the Authorized Body may exchange with foreign financial intelligence bodies information (including documents) constituting bank secrecy".

ARTICLE 2: In Part 1 of Article 14 of the Law, after the words "for the purpose of ensuring safety of their activities, and recoverability of loans and other investments thereof" to add the words "as well as of combating money laundering and terrorism financing".

ARTICLE 3: This Law shall enter into force on the 90th day after its official publication.

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING CHANGES AND AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON GAMES OF CHANCE AND CASINO

ARTICLE 1: To add a new Paragraph 4 to Part 3 of Article 1 of the Republic of Armenia Law on Games of Chance and Casino (HO-1-N of December 13, 2003) (hereinafter: the Law) with the wording as follows:

"4. An automated game providing a chance to win, which depends exceptionally on the actions of the participant(s) of the game and, at any stage of gaming, is not out of the control or influence of the participant(s) of the game, provided that the automated game in question may not have any influence on the chance of the participant(s) of the game to win, and the wining is among goods pertaining to the code 9503 41 000, 9503 49 100, 9503 49 300 of the Title List of Goods for External Economic Activities (TLGEEA) classifier, shall not be considered a game of chance".

ARTICLE 2: In Article 2 of the Law:

1. To set forth the definition of "automated game" with the wording as follows:

"Automated game shall mean a programmed or mechanical game conducted by means of devices (including lotto machines, bingo machines and other devices programmed for mechanical raffle), where the winner is determined by the special program built into the gaming machine, with or without direct participation of the participant of the game".

2. To add new definitions with the wording as follows:

"Organization of games of chance activities shall refer to a gambling hall or halls, where a maximum of twenty gaming machines are operated;

Managerial positions shall refer to the head of the Organizer's executive body, the manager of gambling hall, the head or responsible officer of the internal monitoring unit for combating money laundering and terrorism financing;

Gaming machine shall mean a programmed or mechanical gaming machine or other similar device enabling one player to participate in a game of chance. In the event that the gaming machine enables more than one player to participate in a game or games of chance, the number of programmed or mechanical gaming machines or other similar devices shall be calculated according to the maximum number of potential participants of the game on such programmed or mechanical gaming machines or other similar devices;

Entrance hall shall mean a separated hall adjacent to the main entrance of the gaming hall, where the customers are identified, and the data is entered into the database;

Beneficial owner shall refer to the beneficial owner as defined under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing".

ARTICLE 3: After Article 4 of the Law, to add Articles 4.1 and 4.2 with the wording as follows:

"**ARTICLE 4.1: REQUIREMENTS WITH RESPECT TO SHAREHOLDERS, STAKEHOLDERS OR PARTICIPANTS, THEIR BENEFICIAL OWNERS, AND**

PERSONS HOLDING MANAGERIAL POSITIONS OF ORGANIZERS OF GAMES OF CHANCE AND CASINO

1. A natural person cannot be the shareholder, stakeholder or participant of an Organizer, or its beneficial owner, if that person:

1) Has criminal record for deliberately committed crime, and the respective conviction has not been expunged or cancelled;
2) Has been deprived by a court verdict, legally entered into force, of the right to hold positions in financial, commercial, economic, and legal areas;
3) Has been recognized as bankrupt and has outstanding (non-forgiven) liabilities;
4) Has previously lead to the bankruptcy of a casino, organizer of games of chance, or other entity;
5) Has not presented sufficient and comprehensive justification (documents, information etc) on the sources of invested funds;
6) Within the past three years has been subject, as a shareholder of a legal entity, to termination of license for organizing a game of chance or casino as a responsibility measure.

2. A legal entity cannot be the shareholder, stakeholder or participant of an Organizer, if that entity:

1) Has a shareholder, stakeholder or participant or a head of executive body non-compliant with the conditions and requirements as defined under Part 1 of this Article;
2) Undergoes a bankruptcy proceeding;
3) Has previously had operations, which lead to the bankruptcy of a casino, organizer of games of chance, or other entity;
4) Within the past three years has had its license for organizing games of chance or casino terminated as a responsibility measure;
5) Has not presented sufficient and comprehensive justification (documents, information etc) on the sources of invested funds.

3. A person specified under Clauses 1 to 4 of Part 1 of this Article, as well as a person, who does not have the qualification in the manner established by this Law, cannot hold the positions of the head of executive body of an Organizer (hereinafter: the Director), the manager of a gambling hall (hereinafter: the Manager), the head or responsible officer of the internal monitoring unit for combating money laundering and terrorism financing (hereinafter: the Responsible Official).

4. The Government of the Republic of Armenia may establish other conditions and requirements, in terms of combating money laundering and terrorist financing, with respect to the shareholder, stakeholder or participant, their beneficial owner, the Director, the Manager, and the Responsible Official of the Organizer.

ARTICLE 4.2: ACQUISITION OF SHARE IN STATUTORY CAPITAL OF AND HOLDING MANAGERIAL POSITIONS WITH ORGANIZER

1. A person may acquire a share in the statutory capital of or hold managerial positions with an Organizer only with the preliminary consent of the Authorized Body.

2. In order to obtain the preliminary consent for acquiring a share in the statutory capital of or holding managerial positions with an Organizer, a person shall submit to the Authorised Body, through the intermediation of the Organizer, information and documents in the manner and form established by the Government of the Republic of Armenia.

3. The Authorized Body shall examine the complete set of the documents as required by this Article, within one month after receiving them. The consent shall be considered to be given, if, within one month, the request is not refused, or the period for examining the request is not prolonged.

The period specified under this Part may be prolonged for one month by the decision of the Authorized Body, if submitted documents contain data needing further examination. The decision on such prolongation shall be duly communicated to the Organizer.

4. A person's request for acquiring a share in the statutory capital of or holding managerial positions with an Organizer shall be refused by a decision of the authorized body, if it fails to comply with the conditions and requirements as defined by this Law and other legal statutes, or if the Authorized Body has reasonable suspicions that the funds to be invested in the statutory capital are proceeds of crime.

The decision on refusal specified under this Part may be appealed judicially".

ARTICLE 4: After Article 5 of the Law, to add Article 5.1 with the wording as follows:

"A**RTICLE 5.1: QUALIFICATION OF PERSONS HOLDING MANAGERIAL POSITIONS WITH ORGANIZER OF CASINO AND GAMES OF CHANCE**

1. Qualification of the Director, the Manager, and the Responsible Official shall be conducted by the qualification committee (hereinafter: the Qualification Committee) established by the Authorized Body. The Qualification Committee shall comprise at least five members with at least half of them being representatives of the Authorized Body. Representatives of specialized structures may be included into the membership of the Qualification Committee.

The rules established under the Republic of Armenia Law on Licensing shall be applied in constituting the membership of the Qualification Committee and in conducting qualification examinations.

2. Qualification of the Director, the Manager, or the Responsible Official shall be a process devised for awarding a qualification, which meets the requirements established under this Law, whereby professional knowledge of the natural person having applied to Qualification Committee is examined in the manner established under this Law and, based on the results of examination, a qualification certificate (hereinafter: Certificate) is awarded to the Director, the Manager, or the Responsible Official.

The process of qualification of the Director, the Manager, or the Responsible Official shall be carried out by means of qualification examinations organized by respective Qualification Committees, within the framework of the laws, other normative legal statutes, and internationally recognized rules for organizing games of chance.

The respective Qualification Committees shall issue Certificates for a term of five years.

3. The Authorized Body shall approve the membership and the charter of the Qualification Committee, whereas the Government of the Republic of Armenia shall, at the submission of the Authorized Body, approve the rules for qualification and examinations programs the qualification of the Director, the Manager, or the Responsible Official.

The rules for qualification shall define the terms for examining qualifications, the list of documents required for applying to examination, the deadlines for their submission, the number of questions and tasks used for examination, the rules for assessment, the form and proposed duration of examination, the rules for using technical aids, the amount of points to be awarded a

qualification certificate, the rules for appealing examination results, as well as other provisions aimed at appropriate arrangement of qualification. The Authorized Body shall draft the questions for qualification examinations.
4. A state duty shall be collected for participation in qualification examinations, at the amount established by law.
Citizens of the Republic of Armenia, foreign citizens, and persons without citizenship may take part in qualification examinations.
5. A natural person having received the qualification of the Director, the Manager, or the Responsible Official cannot simultaneously hold a relevant position with or, based on a civil-legal contract, provide services to another Organizer of games or chance or casino.
6. Persons having been deprived of the qualification of Director, Manager, or Responsible Official shall not be allowed to participate in a qualification examination for three years from the day of such deprivation".

ARTICLE 5: In Article 6 of the Law:
1. To add a new paragraph to Part 1 with the wording as follows:
"The Government of the Republic of Armenia may establish a requirement for the availability and application of certification and coding mechanisms of game programs of gaming machines, as well as of technical devices in gaming machines, to enable the Authorized Body to verify gaming procedures and to ascertain observance of pertinent rules".
2. After Clause 'b' of Part 2, add new Clauses 'b.1' and 'b.2' with the wording as follows:
"b.1) Shall ensure availability of an entrance hall, in compliance with the criteria established by the authorized body, providing entry into the gambling hall or halls;
b.2) Shall implement works for identification of customers carrying out transactions above 1 million Armenian drams, creation and maintenance of a database in the manner established by the Government of the Republic of Armenia.
3. After Clause 'k' of Part 2, add a new Clause 'l' and 'm' with the wording as follows:
"l) In the absence of the Director, shall ensure the presence of an authorized person holding a managerial position and substituting the Director in the gaming hall";
m) Shall be obligated not to run advertisement for the game of chance, the gambling house, or the gambling hall, including advertisement on television or radio, except for the advertisement exhibited within or on the buildings, premises, or halls of the gambling house".

ARTICLE 6: In Article 8 of the Law:
1. After Part 1, to add a new Part 1.1 with the wording as follows:
"1.1: The license for organizing games of chance and casino shall be issued within 30 days.
The term established under this Part may be prolonged for another 30 days, if submitted documents contain data needing further examination. The decision on such prolongation shall be duly communicated to the applicant".
2. After Clause 'c' of Part 2, add new Clauses 'c.1' and 'c.2' with the wording as follows:
"c.1) The request is not accompanied by copies of qualification certificates of the persons holding managerial positions, or the requirement established under Part 5 of Article 5.1 of this Law is violated;

c.2) The shareholder is a person specified under Article 4.1 of this Law, or the study stipulated under Article 4.2 reveals reasonable suspicions concerning the legality of invested funds".

ARTICLE 7: After Part 1 of Article 9, to add a new paragraph with the wording as follows:
"The Authorized Body shall exercise supervision over compliance of organizers of games of chance and casino with the requirements of the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and the legal statutes adopted on the basis thereof, by means of on-site inspections or off-site surveillance and, in case of uncovering non-compliance or inadequate compliance due to such supervision, apply responsibility measures as prescribed by law".

ARTICLE 8: To set forth Part 1 of Article 10 of the Law in the following revision:
"1. The Organizer of games of chance or casino shall submit to the Authorized Body monthly reports on financial flaws, and the Government of the Republic of Armenia shall establish the rules, timeframes, contents, and form for their submission".

ARTICLE 9: In Article 11 of the Law:
1. In Clause 'd', to replace the words "apply to the court for termination" with the word "termination".
2. Add a new Clause 'e' with the wording as follows:
"e) Deprivation of persons, which hold managerial positions of casino and games of chance, of qualification".
3. Add a new paragraph with the wording as follows:
"The responsibility measure for the violation of the requirement specified under Clause 'b.2', Part 2 of Article 6 of this Law shall be applied in accordance with the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing".

ARTICLE 10: In Part 2 of Article 13 of the Law, to add a new Clause 'b.1' with the wording as follows:
"b.1) The requirement established under Clause 'm', Part 2 of Article 6 of this Law is violated – 2 million drams for each case of violation".

ARTICLE 11: In Clause 'a' of Part 1, Article 14 of the Law to replace the words "by Clauses 'a' or 'h', Part 2 of Article 6" with the words "by Article 4.2; Part 5 of Article 5.1; Clauses 'a', 'h', or 'l', Part 2 of Article 6".

ARTICLE 12: To add a new Article 15.1 after Article 15 of the Law with the wording as follows:
"Article 15.1: RESPONSIBILITY MEASURES WITH REGARD TO QUALIFIED PERSONS
1. The authorized body shall apply a warning, as a responsibility measure, with regard to a qualified person, if his/ her actions have hindered the inspections of the Organizer by the authorized body.
2. The authorized body shall deprive a person of qualification, if that person:

1) Within one year after application of the warning stipulated under Part 1 of this Article has made a violation providing grounds for application of warning;
2) Appears to be a person stipulated under Clauses 1, 2, 3 or 4 of Part 1, Article 4.1 of the Law;
3) Failed to meet with the requirements stipulated under Part 5 of Article 5.1;
4) Has taken intentional actions, which have or might have resulted financial or other losses for third parties".

ARTICLE 13: TRANSITIONAL PROVISIONS

1. Entities having received from the Authorized Body licenses for organizing games of chance or casino before this Law enters into force shall, within 6 months after the entry into force of this Law, submit to the Authorized Body the required documents as deriving from this Law.
2. In the event that entities having received licenses for organizing games of chance or casino fail to submit to the Authorized Body, within the timeframe specified under Part 1 of this Article, the required documents as established under the legal statutes based on this Law, their license for organizing games of chance or casino shall be suspended until elimination the said violation.
3. Where the examination of the required documents as established under this Law and submitted within the timeframe specified under Part 1 of this Article uncovers any of the grounds stipulated under Article 3 or Parts 1 and 2 of the amended Article 4.1, or when the Authorized Body has reasonable suspicions that invested funds constitute proceeds of illegal activity, the Authorized Body shall suspend the license for organizing games of chance or casino until the Organizer submits the required and sufficient substantiations as stipulated under this Law.

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING AN AMENDMENT AND A CHANGE IN THE REPUBLIC OF ARMENIA LAW ON ORGANIZING AND CONDUCTING INSPECTIONS IN THE REPUBLIC OF ARMENIA

ARTICLE 1: To amend Clause 6 of Article 1 of the of the Republic of Armenia Law on Organizing and Conduction Inspections in the Republic of Armenia (HO-60 of April 17, 2000) (hereinafter: the Law) with the words "and to the cases stipulated under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing" after the words "This Law shall not regulate relations pertaining to the inspection of activities of banks, as well as of the entities having received a license from the Central Bank of Armenia".

ARTICLE 2: To replace the word "inspections" in Clause 6 of Article 1 with the word "supervision".

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE AND AN AMENDMENT IN THE REPUBLIC OF ARMENIA LAW ON INSURANCE AND INSURANCE ACTIVITIES

ARTICLE 1: To add Part 3 to Article 111 of the Republic of Armenia Law on Insurance and Insurance Activities (HO-177-N of April 9, 2007) (hereinafter: the Law) with the wording as follows:

"3. Information stipulated under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and constituting insurance secrecy shall be provided to the Authorized Body defined under that Law, in the presence of suspicions on money laundering or terrorist financing or upon the request of the Authorized Body, in the cases and manner established by that Law".

ARTICLE 2: To repeal Article 116 of the Law.

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON LICENSING

ARTICLE 1: In Part 5 of Article 37 of the Republic of Armenia Law on Licensing (HO-193 of May 30, 2001), to add the words "except for the cases stipulated by the law" after the words "the validity of license".

ARTICLE 2: In the table under Part 2 of Article 43 (hereinafter: the Table), to add the letter "Q" in Column 8 of Clauses 1, 2, 3, and 4 of Section 15.

ARTICLE 3: TRANSITIONAL PROVISIONS

1. This Law shall enter into force on the tenth day after its official publication, except for Article 2, which shall enter into force in six months after its official publication.
2. Licensing of the types of activity subject to licensing as defined under Clauses 1, 2, 3, and 4 of Section 15 of the Table shall be carried out without implementing that requirement, until the rules and the program for conducting qualification examinations in the manner established by law are approved.
3. Until the rules and the program for conducting qualification examinations referred to in Part 2 of this Article are approved, licenses issued for the types of activity subject to licensing in the manner established by law shall be in force in compliance with the requirements of the Law.

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING CHANGES AND AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON LOTTERIES

ARTICLE 1: In Article 2 of the Republic of Armenia Law on Lotteries (HO-3-N of December 17, 2003) (hereinafter: the Law);

1. In Clause 5, to remove the words "with the exception of interactive gaming conducted by means of data communication and/or short message services provided through mobile terrestrial networks".

2. To add new Clauses 7.1 and 7.2 with the wording as follows:

"7.1. ***Managerial positions*** shall refer to the head of the Organizer's executive body, the head or responsible officer of the internal monitoring unit for combating money laundering and terrorism financing;

7.2. ***Beneficial owner*** shall refer to the beneficial owner as defined under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing".

ARTICLE 2: After Article 4 of the Law, to add Articles 4.1, 4.2, and 4.3 with the wording as follows:

"**ARTICLE 4.1: REQUIREMENTS WITH RESPECT TO SHAREHOLDERS, STAKEHOLDERS OR PARTICIPANTS, THEIR BENEFICIAL OWNERS, AND PERSONS IN MANAGERIAL POSITIONS OF ORGANIZERS OF LOTTERIES**

1. A natural person cannot be the shareholder, stakeholder or participant of an Organizer, or its beneficial owner, if that person:

7) Has criminal record for deliberately committed crime, and the respective conviction has not been expunged or cancelled;
8) Has been deprived by a court verdict, legally entered into force, of the right to hold positions in financial, commercial, economic, and legal areas;
9) Has been recognized as bankrupt and has outstanding (non-forgiven) liabilities;
10) Has previously caused the bankruptcy of an activity organized in the gaming business;
11) Has not presented sufficient and comprehensive justification (documents, information etc) on the sources of invested funds;
12) Within the past three years has been subject, as a shareholder of a legal entity, to termination of license for organizing a lottery as a responsibility measure.

2. A legal entity cannot be the shareholder, stakeholder or participant of an Organizer, if that entity:

6) Has a shareholder, stakeholder or participant or a head of executive body non-compliant with the conditions and requirements as defined under Part 1 of this Article;
7) Undergoes a bankruptcy proceeding;
8) Has previously had operations, which lead to the bankruptcy of an organizer of lottery or other entity;
9) Has had its license for organizing lottery judicially terminated within the past three years as a responsibility measure;

10) Has not presented sufficient and comprehensive justification (documents, information etc) on the sources of invested funds.

3. A person specified under Clauses 1 to 4 of Part 1 of this Article, as well as a person, who does not have the qualification in the manner established by this Law, cannot hold the positions of the head of executive body of an Organizer (hereinafter: the Director) and the head or responsible officer of the internal monitoring unit for combating money laundering and terrorism financing (hereinafter: the Responsible Official).

4. The Government of the Republic of Armenia may establish other conditions and requirements, in terms of combating money laundering and terrorist financing, with respect to the shareholder, stakeholder or participant, their beneficial owner, the Director and the Responsible Official of the Organizer.

ARTICLE 4.2: ACQUISITION OF SHARE IN STATUTORY CAPITAL OF AND HOLDING MANAGERIAL POSITIONS WITH ORGANIZER

1. A person may acquire a share in the statutory capital of or hold managerial positions with an Organizer only with the preliminary consent of the Authorized Body.

2. In order to obtain the preliminary consent for acquiring a share in the statutory capital of or holding managerial positions with an Organizer, a person shall submit to the Authorised Body, through the intermediation of the Organizer, information and documents in the manner and form established by the Government of the Republic of Armenia.

3. The Authorized Body shall examine the complete set of the documents as required by this Article, within one month after receiving them. The consent shall be considered to be given, if, within one month, the request is not refused, or the period for examining the request is not prolonged.

The period specified under this Part may be prolonged for one month by the decision of the Authorized Body, if submitted documents contain data needing further examination. The decision on such prolongation shall be duly communicated to the Organizer.

4. A person's request for acquiring a share in the statutory capital of or holding managerial positions with an Organizer shall be refused by a decision of the authorized body, if it fails to comply with the conditions and requirements as defined by this Law and other legal statutes, or if the Authorized Body has reasonable suspicions that the funds to be invested in the statutory capital are proceeds of crime

The decision on refusal specified under this Part may be appealed judicially".

ARTICLE 4.3: QUALIFICATION OF PERSONS HOLDING MANAGERIAL POSITIONS WITH ORGANIZER OF LOTTERY

1. Qualification of the Director and the Responsible Official shall be conducted by the qualification committee (hereinafter: the Qualification Committee) established by the Authorized Body. The Qualification Committee shall comprise at least five members with at least half of them being representatives of the Authorized Body. Representatives of specialized structures may be included into the membership of the Qualification Committee.

The rules established under the Republic of Armenia Law on Licensing shall be applied in constituting the membership of the Qualification Committee and in conducting qualification examinations.

2. Qualification of the Director or the Responsible Official shall be a process devised for awarding a qualification, which meets the requirements established under this Law, whereby professional knowledge of the natural person having applied to Qualification Committees is examined in the manner established under this Law and, based on the results of examination, a qualification certificate (hereinafter: Certificate) is awarded to the Director or the Responsible Official.

The process of qualification of the Director or the Responsible Official shall be carried out by means of qualification examinations organized by respective Qualification Committees, within the framework of the laws, other normative legal statutes, and internationally recognized rules for lottery.

The respective Qualification Committees shall issue Certificates for a term of five years.

3. The Authorized Body shall approve the membership and the charter of the Qualification Committee, whereas the Government of the Republic of Armenia shall, at the submission of the Authorized Body, approve the rules for qualification and examinations programs the qualification of the Director or the Responsible Official.

The rules for qualification shall define the terms for examining qualifications, the list of documents required for applying to examination, the deadlines for their submission, the number of questions and tasks used for examination, the rules for assessment, the form and proposed duration of examination, the rules for using technical aids, the amount of points to be awarded a qualification certificate, the rules for appealing examination results, as well as other provisions aimed at appropriate arrangement of qualification. The Authorized Body shall draft the questions for qualification examinations.

4. A state duty shall be collected for participation in qualification examinations, at the amount established by law.

Citizens of the Republic of Armenia, foreign citizens, and persons without citizenship may take part in qualification examinations.

5. A natural person having received the qualification of the Director or the Responsible Official cannot simultaneously hold a relevant position with or, based on a civil-legal contract, provide services to another Organizer of lottery".

ARTICLE 3: In Article 9 of the Law:

1. After Part 1, to add a new Part 1.1 with the wording as follows:

"1.1: The license for activities of lottery shall be issued within 30 days after its duly submission to the authorized body.

The term established under this Part may be prolonged for another 30 days, if submitted documents contain data needing further examination. The decision on such prolongation shall be duly communicated to the applicant".

2. After Clause 'c' of Part 2, add new Clauses 'c.1' and 'c.2' with the wording as follows:

"c.1) The request is not accompanied by copies of qualification certificates of the persons holding managerial positions, or the requirement established under Part 5 of Article 4.3 of this Law is violated;

c.2) The shareholder is a person specified under Article 4.1 of this Law, or the study stipulated under Article 4.2 reveals reasonable suspicions concerning the legality of invested funds".

ARTICLE 4: In Article 10 of the Law:
1. In Part 1, to remove the words "specified under Article 11".
2. After Paragraph 1 of Part 1 to add a new paragraph with the wording as follows:
"The Authorized Body shall exercise supervision over compliance of organizers of lotteries with the requirements of the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and the legal statutes adopted on the basis thereof, by means of on-site inspections or off-site surveillance and, in case of uncovering non-compliance or inadequate compliance due to such supervision, apply responsibility measures as prescribed by law".
3. In Part 3, to add a new sentence with the wording as follows:
"The Government of the Republic of Armenia shall establish the rules, timeframes, and form for the submission of the report specified under this Part".

ARTICLE 5: In Clause 'd' of Article 12, to replace the words "apply to the court for termination" with the word "termination".

ARTICLE 6: In Clause 'a', Part 1 of Article 15 of the Law, to replace the words "by Clauses 'h', 'i', or 'j', Part 1 of Article 5" with the words "by Article 4.2; Part 5 of Article 4.3; Clauses 'h', 'i', or 'j', Part 1 of Article 5".

ARTICLE 7: To add a new Article 16.1 to the Law with the wording as follows:
"Article 15.1: RESPONSIBILITY MEASURES WITH REGARD TO QUALIFIED PERSONS
1. The authorized body shall apply a warning, as a responsibility measure, with regard to a qualified person, if his/ her actions have hindered the inspections of the Organizer by the authorized body.
2. The authorized body shall deprive a person of qualification, if that person:
1) Within one year after application of the warning stipulated under Part 1 of this Article has made a violation providing grounds for application of warning;
2) Appears to be a person stipulated under Clauses 1, 2, 3 or 4 of Part 1, article 4.1 of the Law;
3) Failed to meet with the requirements stipulated under Part 5 of Article 4.3;
4) Has taken intentional actions, which have or might have resulted financial or other losses for third parties".

ARTICLE 8: TRANSITIONAL PROVISIONS
1. Entities having received from the Authorized Body licenses for organizing lottery before this Law enters into force shall, within 6 months after the entry into force of this Law, submit to the Authorized Body the required documents as deriving from this Law.
2. In the event that entities having received licenses for organizing lottery fail to submit to the Authorized Body, within the timeframe specified under Part 1 of this Article, the required documents as established under the legal statutes based on this Law, their license for organizing lottery shall be suspended until elimination the said violation.
3. Where the examination of the required documents as established under this Law and submitted within the timeframe specified under Part 1 of this Article uncovers any of the grounds stipulated under Article 2 or Parts 1 and 2 of the amended Article 4.1, or when the Authorized Body has

reasonable suspicions that invested funds constitute proceeds of illegal activity, the Authorized Body shall suspend the license for organizing games of chance or casino until the Organizer submits the required and sufficient substantiations as stipulated under this Law.

DRAFT

REPUBLIC OF ARMENIA LAW ON MAKING A CHANGE AND AMENDMENTS IN THE REPUBLIC OF ARMENIA LAW ON THE NOTARIAL SYSTEM

ARTICLE 1: To set forth Clause 9 of Article 5 of the Republic of Armenia Law on the Notarial System (HO-274-N of December 4, 2001) (hereinafter: the Law) in the following revision:
"9. Information provided for under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and constituting notarial secrecy shall be provided to the Authorized Body defined under that Law, in the presence of suspicions on money laundering or terrorist financing or upon the request of the Authorized Body, in the cases and manner established by that Law".

ARTICLE 2: In Clause 1 of Article 19 of the Law, after the words "implementation of notarial or other actions" to add the words "as well as implementation of the requirements of the Republic of Armenia Law on Combating Money Laundering and Terrorist Financing and of the legal statutes adopted on the basis thereof".

ARTICLE 3: Add Article 27.1 to the Law with the wording as follows:
"**ARTICLE 27.1: RESPONSIBILITY OF NOTARY FOR NON-COMPLIANCE OR INADEQUATE COMPLIANCE WITH THE REPUBLIC OF ARMENIA LAW ON COMBATING MONEY LAUNDERING AND TERRORISM FINANCING OR WITH LEGAL STATUTES ADOPTED ON BASIS THEREOF**
In case of a notary's non-compliance or inadequate compliance with the requirements of the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing or of the legal statutes adopted on the basis thereof, the notary shall be subject to responsibility as defined under Part 5 of Article 30 of that Law".

DRAFT

EXTRACT REPUBLIC OF ARMENIA LAW ON ACCOUNTING

Article 15: Confidentiality of Accounting Data

1. Data contained in original recording documents, journals, and reports for internal use shall be considered commercial secrecy, which can be accessed in the cases and the manner established under the law or under the association documents and internal legal acts of the organization.
2. Persons and organizations having received access to data considered commercial secrecy shall be obliged to keep such data in confidence. They shall be subject to responsibility in case of publicizing or otherwise disclosing such data, except for the cases stipulated under the law. Provision of data in the cases stipulated under the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing shall not amount to publication or disclosure of commercial secrecy.
3. Data contained in financial statements shall not be considered commercial secrecy.

EXTRACT FROM LAW ON CASH OPERATIONS

ARTICLE 6: LIMITATIONS ON CASH PAYMENTS

1. The following limitations shall be applied to cash payments:

a) For one-time procurement of goods, services, and works, the maximum allowed amount for cash payment shall be:

Date of applying limitation (starting from)	Amount of limitation (thousand drams)
01.07.2003	500
01.01.2004	300
01.01.2005	300

b) For goods (fixed assets, intangible and other assets), services, and works procured within one month, the maximum allowed amount for cash payment shall be:

Date of applying limitation (starting from)	Amount of limitation (million drams)
01.07.2003	5
01.01.2004	3
01.01.2005	3

c) For one-time transactions with goods (fixed assets, intangible and other assets), services, and works, the maximum allowed amount for cash payment (except for payments against one-time transactions below 3 million drams received from natural persons which are not individual entrepreneurs involved in retail trade and provision of services) shall be:

Date of applying limitation (starting from)	Amount of limitation (thousand drams)
01.01.2012	300

d) For goods (fixed assets, intangible and other assets), services, and works procured within one month, the maximum allowed amount for cash payment (except for payments received from natural persons which are not individual entrepreneurs involved in retail trade and provision of services) shall be:

Date of applying limitation (starting from)	Amount of limitation (million drams)
01.01.2012	3

2. For the purposes of applying the limitations specified under this Article, cash payments shall comprise all payments against procurements, including advances and payments made from cash withdrawn as a receivable amount.

3. The limitations stipulated under this Article shall not apply to wages and payments equaled to them, benefits, scholarships, pensions and similar payments, travel and field allowances, payments for representation expenses, payments for services provided to and works implemented for organizations under written civil-legal contracts concluded with natural persons, payments to natural persons unrelated to their entrepreneurial activities, payments made to farming households by companies involved in the collection of agricultural products on basis of written contracts, payments against special-purpose goods, services, and works within the limits established by the Government, as well as payments for urgent needs in the cases established by the Government.

(Article 6 has been changed by HO-195-N from December 24, 2004 and HO-329-N from December 7, 2011)

Approved by the Decision of the
Governor of the Central Bank of Armenia
No 1-54A from January 27, 2012

MANUAL On Cooperation between the Financial Monitoring Center and the Financial Supervision Department of the Central Bank of Armenia (Extract)

Chapter 4: Cooperation for Maintaining and Summarizing Statistics

1. The FMC and the FSD shall cooperate for maintaining and summarizing statistics on supervisory measures and outcomes related to the fight against ML/FT.

2. To provide for maintaining and summarizing of statistics, staff members determined in agreement with the heads of the FMC and the FSD shall receive access to the closed information resource in the "Domain" system of the Central Bank.

3. Relevant data shall be uploaded to the information resource by dedicated staff members of the FMC and the FSD when they:

1) Discover facts on possible violation of AML/CFT legislation by reporting entities defined under the law (in the form of a reference);
2) Compile materials on examination and assessment of internal AML/CT systems in the course of off-site surveillance and on-site inspections (in the form an extract from the examination report);
3) Take measures on basis of the findings of supervision (in the form of a notification to the supervised entity, summary reference on violation, examination records, and conclusions);
4) Take responsibility measures with regard to reporting entities defined under the law (in the form of decisions of the Governor of the Central Bank).

4. The FSD shall maintain annual summarized statistics on supervisory measures and outcomes related to the fight against ML/FT, which shall include:

1) The number of notifications submitted by the FMC, categorized by the types of reporting entities;
2) Data on the outcomes of off-site surveillance and on-site inspections, as well as on implied responsibility measures (the number of disclosed violations, the amount on imposed penalties etc).

Approved by the Decision No269 of the
Board of the Central Bank of Armenia
from September 9, 2008

REGULATION ON THE MINIMUM REQUIREMENTS STIPULATED FOR THE FINANCIAL INSTITUTIONS IN THE FIELD OF COMBATING MONEY LAUNDERING AND TERRORISM FINANCING

Chapter 1: Subject Matter

1. This regulation is based on Law of the Republic of Armenia on Combating Money Laundering and Terrorism Financing (hereinafter referred to as Law).

2. The following regulations stipulate the requirements, rules and criteria in the field of money laundering and terrorism financing (hereinafter referred to as ML/TF) prevention:

a) minimum requirements to financial institutions management bodies, as well as to internal monitoring body functions and order of their implementation;

b) order of approving and changing the internal legal acts, the minimal requirements put forward for the internal legal acts;

c) ML/TF high and low risks' criteria and order of determining them;

d) minimal rules to identify the customer;

e) minimal rules for decent study of the customer (including additional and simplified);

f) minimal rules for the collection, registration and upgrading of the documents (information) for the financial institutions in the field of ML/TF prevention;

g) minimal rules for the financial institution for determining the suspiciousness of the transactions and in that regard consideration of the matter by the authorized body;

h) rules presented for the audit of financial institutions audit in the field of ML/TF prevention;

i) minimal rules for the selection, training and qualification of the authorized staff in the field of ML/TF prevention.

3. The provisions of this regulation are extended to the following bodies providing with reports (hereinafter referred to as financial institutions):

1) banks;

2) credit organizations;

3) bodies performing currency dealership-brokerage sale and purchase and currency sale and purchase;

4) licensed bodies performing monetary transfers;

5) bodies providing with investment services according to the Republic of Armenia Law on Securities Market;

6) central depository of the securities of the regulated market according to the Republic of Armenia Law on Securities Market;

7) insurance (including reinsurance) companies and insurance (including reinsurance) mediation bodies;

8) pawn shops.

Chapter 2: Minimal requirements for financial institutions' management bodies functions and order for their executions

4. The board of the financial institution (hereinafter referred to as Board) and executive body are responsible for the formation of an effective internal system of ML/TF prevention; ensure its current activities and supervision.

5. In case the Board is missing in the management structure of the financial institution the functions stipulated by the paragraph 8 of this Chapter shall be performed by the executive body.

6. In case the Board and executive bodies are missing in the structure of the financial institution the functions stipulated by the paragraphs 8 and 9 of this Chapter are performed by the management bodies stipulated by the internal legal acts.

7. If the reporting body is an individual entrepreneur, then the functions stipulated by the paragraphs 8 and 9 of this Chapter are performed by the individual entrepreneur or his/her authorized body.

8. In the field of ML/TF prevention the Board of the financial institution shall:

1) stipulate the policy of the financial institution to combat ML/TF;

2) approve the annual programs for internal monitoring body and internal audit in the field of ML/TF prevention, the reports about their execution, as well as oversee the implementation of those programs;

3) in case of necessity initiate studies of ML/TF prevention internal monitoring body; approve the measures aimed at the elimination of shortcomings identified as a result of audit or other supervisions and oversee their implementation;

4) approve internal legal acts of ML/TF prevention (hereinafter referred to as internal legal acts);

5) receive and discuss internal monitoring body and (or) internal audit reports about the state of implementation of internal legal acts by frequency stipulated by it;

6) approve the reports submitted to the top management body (boards in the bank) by the internal monitoring body and

7) oversee the efficiency of ML/TF prevention internal system.

9. The executive body of the financial institution (hereinafter referred to as executive body) in the field of ML/TF prevention shall:

1) ensure the complete and effective application of internal legal acts;

2) be held responsible for the introduction of combating ML/TF policy and procedures stipulated by the top management body, as well as for their current enforcement;

3) appoint and dismiss the head (staff member) of the internal monitoring body upon the approval of the Board;

4) makes sure that the staff of the financial institution is fluent in internal legal acts of combating ML/TF, as well as code of ethics;

5) together with the internal monitoring body ensure the appropriate education and training of the proper staff in combating ML/TF;

6) ensures the performance of customer due diligence measures, including the simplified or additional due diligence, current monitoring, as well as information registration, collection and upgrading;

7) organize the material-technical provision necessary for the internal monitoring body;

8) implement measures aimed at the elimination of the shortcomings identified as a result of examinations, audit or other controls carried out by the internal monitoring body and
9) perform other functions stipulated by this regulation and internal legal acts.

Chapter 3: ML/TF prevention internal monitoring function and the body

10. The head (staff member) of the internal monitoring body shall be appointed and dismissed by the executive body – upon approval of the Board.

10.1. The head (staff member) of a bank internal monitoring body shall have higher education, or professional (financial sector) qualification certificate recognized in the Republic of Armenia or internationally and professional work experience of at least one year (in financial sector or money laundering and terrorism financing combating sector) within the period of ten years preceding the date of registration.

(10.1st paragraph has been amended by the Decision 197-N from July 24, 2012)

10.2. The head (staff member) of the internal monitoring body cannot be the person, who:
a) has criminal record for deliberately committed crime;
b) has been deprived by court of the right of holding positions positions in financial, banking, tax, customs, commercial, economic, or legal areas;
c) has been adjudged bankrupt with outstanding (unforgiven) liabilities;
d) is involved in a criminal case as suspect, accused or defendant;
g) fails to comply with the criterion set forth in paragraph 10.1 above.

(10.2nd paragraph has been amended by the Decision 197-N from July 24, 2012)

10.3. The data specified under paragraphs 10.1 and 10.2 of this regulation shall be certified through the Declaration on the Head (Staff Member) of the Internal Monitoring Body (hereinafter: Declaration) according to Annex 1.1. This declaration shall be submitted to the financial institution before assuming the position of head (staff member) of the internal monitoring body. The requirement of presenting a Declaration does not apply the head (staff member) of the internal monitoring body of banks.

(10.3rd paragraph has been amended by the Decision 197-N from July 24, 2012)

11. ***(11th paragraph has been repealed by the Decision 84-N from March 29, 2011)***
12. ***(12th paragraph has been repealed by the Decision 84-N from March 29, 2011)***
12.1. ***(12.1st paragraph has been repealed by the Decision 84-N from March 29, 2011)***
12.2. ***(12.2nd paragraph has been repealed by the Decision 84-N from March 29, 2011)***
12.3. ***(12.3rd paragraph has been repealed by the Decision 84-N from March 29, 2011)***

13. In the banks the internal monitoring function cannot be conferred on the service division staff member and the head (staff member) of internal audit.

(13th paragraph has been amended by the Decision 84-N from March 29, 2011)

14. According to Article 22 of the law in case of charging ML/TF prevention internal monitoring function with another sub-division or staff member of the financial institution in the job obligations of the sub-division or staff member the ML/TF internal monitoring function shall be clearly described and sufficient time shall be allocated to perform it. According to the same article the ML/TF prevention internal monitoring function can be ascribed to a relevant person in charge of the profession activities, if that person is a professional consulting organization to prevent ML/TF.

15. All the documents (including credit files, working documents, contracts, etc.) concerning the customer's accounts and operations made shall be directly available to the internal monitoring body and the latter shall reserve the right to require clarifications about business relations (transactions), as well as about the customers, authorized bodies and real beneficiaries from any staff member of other sub-divisions.

16. The financial institution should envisage with its legal acts that the internal monitoring body supports and provides consulting to the board and to the executive body on issues of ML/TF prevention functions by them.

17. The internal monitoring body shall at least:

1) develop the internal legal acts on combating ML/TF and submits them to the Board's approval;

2) implement monitoring of effectiveness of legal acts in combating ML/TF, makes recommendations on increasing their effectiveness;

3) provide the connection between the financial institution and the authorized body on ML/TF prevention issues;

4) provide information and reports of the transactions subject to submission to the authorized body on behalf of the financial institution;

5) carry out analyses and other activities to disclose suspicious business relations and transactions;

6) watch over the monitoring of current business relations and periodically review the process of updating and clarifying the information,

7) ensure the classification of customers to financial institutions in accord with the risk level; implement current monitoring of business relations with the high risk standards;

8) organize internal education and training in ML/TF prevention; implement monitoring of training program process and its outcomes;

9) make a decision on suspending or turning down the business relation or the transaction, on freezing the financial resource connected with terrorism, if necessary, discuss that issue with the customer service clerk and in case of controversy make a final decision;

10) based on the standards defined by the Board and according to the established order, inform the Board on suspending or turning down the business relation or transaction;

11) carry out monitoring of information registration and saving and

12) carry out activities stipulated by this regulation; internal legal act or set by the Board.

18. The successive report submitted by the internal monitoring body to the high governing body (to the board in the banks) should at least include:

1) the number of suspicious business relations and transactions, subject to mandatory informing, as well as the short description of suspicious transactions (business relations);

2) the number and complete description of transactions and business relations, on which analyses have been carried out, though they have not been represented as suspicious transactions or business relations;

3) the number and short description of business relations and transactions suspended or turned down by the financial institution, the cost of the suspended transactions;

4) the amount of frozen financial resources and

5) other information defined by the internal legal acts.

Chapter 4: Procedures of internal legal acts approval and amendments, minimum standards for internal legal acts

19. Internal legal acts of a financial institution are approved and amended by the board.

20. In a week after the internal legal acts have been approved, they are submitted to the Authorized body. Based on the remarks and recommendations made by the Authorized body the internal legal acts are being reviewed within twenty days, and the amended acts are again submitted to the Authorized body within a week.

21. In addition to the requirements to the content of internal legal acts of Article 21 of the Law, the internal legal acts of the financial institutions shall also define:

a) the process of submitting by the customer service body to the internal monitoring body the reports on suspicious transactions and business relations or the recommendation on suspending or turning them down and

b) the informing process and the standards of informing the board on suspending or turning down the transaction or business relation by the internal monitoring body.

Chapter 5: High risk criteria and procedures of their definition

22. The following persons, events or objects are high risk standards:

1) the resident natural person or legal person customer registered (performing an activity) in an offshore country or area;

2) the connection of the customer's business relation or single time business with such countries (areas) (according to the lists stipulated by the authorized body and respective international organizations), where the international requirements for combating ML/TF are not appropriately applied, as well as with the countries published with UN, in regard of which sanctions are applied;

3) the residence (location) of the customer in the countries (territories) mentioned in the clause 2 of this paragraph;

4) charitable and non-profit organizations;

5) securities payable to bearer (including the checks payable to bearer), which are put into circulation during the business relations or are one-time transaction subject;

6) cases, when there are suspicions about reliability and checking the data obtained in the past for identification, including the presence of real beneficiaries and reliability of their data;

7) cases, when it becomes clear that the establishment of business relations with the customer or doing a transaction has been rejected by another financial institution;

8) cases, when there is a customer making a large scale cash circulation, business relation or one-time transaction;

9) customers, whose accounts have frequent and unexplainable moves of means to various financial institutions;

10) persons having political influence, the members of their families, business relation or one-time transaction of the persons that interrelate to them;

11) provision of individualized banking services to a limited number of special category customers;

12) establishment of business relations or one-time transaction without face-to-face communication through electronic means or correspondence (no face-to-face relations);
13) business relations or one-time transaction in such account or means, which have not been used for more than 6 months;
14) corresponding banking relations and
15) crediting of the customer, when the credits allocated are ensured by the deposit in the same institution.
23. The internal legal acts of the financial institution can also envisage other criteria and requirements for high risks.
24. To determine the high risk criteria the following circumstances can be taken into account:
1) the customer is not a citizen or resident of the Republic of Armenia or the past or present citizenship or residence of the customer assumes high risks in regard of ML/TF;
2) the customer in the past has been involved in business relations or transaction, which from ML/TF standpoint has been suspicious;
3) the accounts, means or reputation of the legal person are used for the circulation of a natural person's assets;
4) the structure or management of a legal person is complicated without any reasonable excuse;
5) it is impossible or difficult to identify the participants of a legal person and
6) the legal person customer issues securities payable to the bearer.
25. The existence of high risk criteria is determined during the customer due diligence. With the purpose to identify and assess the high risk criteria the financial institution provides with:
1) the customer identification data;
2) the customer business overview;
3) the customer business relations;
4) the nature and purpose of the customer's occasional transaction;
5) information received from the available sources and
6) other circumstances.
26. While establishing business relations or striking deals without face-to-face communication the financial institution shall as minimum perform the following additional measures:
1) settlement only in cashless/bank transfer way – except for the cash payments done through the payment terminals and ATMs and
2) ask for additional documents, like contracts, payment receipts or other justifying documents.
27. With the purpose to determine the political influence of the person the financial institution can perform the following actions:
1) inquiry of information from the possible customers or receipt of data about the customers and nature of activities of the persons interrelated to them;
2) study of public information and use of private databases about persons with political influence (World-Check, etc.).

Chapter 6: Low risk criteria

28. The following persons, events or objects are low risk criteria:
1) effectively controlled financial institutions from the viewpoint of combating ML/TF;

2) public bodies;
3) local self-governing bodies;
4) organizations founded by the state;
5) payments to the consolidated budget of the Republic of Armenia and
6) payments for public utilities.

Chapter 7: Minimum rules for customer identification

29. Identification of a customer, including an authorized person and the real beneficiary is done based on Article 15 of the law.

30. After establishing a business relation with a customer (authorized person) or before carrying out an one-time transaction the financial institution, by this regulation and in case of high risk standards established by the internal legal acts of persons providing reports, the presence of the real beneficiary is found out based on the declaration of the customer (authorized person) in accordance with the form introduced in Appendix 2. During a business relation the form of declaration envisaged by this point is filled (changed) only in case of the real beneficiary or the change of the beneficiary.

31. Information obtained during the customer identification must be checked by the customer service division and if necessary by the internal monitoring body or by other divisions. The check may not include the check of all the identification information, though it should be enough for the real identification of the customer. For this purpose the financial institutions can use both paper and non-paper methods of checking.

Chapter 8: Minimum rules for customer due diligence (including additional and simplified)

32. When carrying out a customer due diligence in a business relation the financial institution shall at least:

1) check the existing interrelation between the transactions, discover the possible scheme of that connection and as well as define the objectives of the aforementioned transactions have;
2) check if the substance of the transactions done correspond to the type of activities performed by the customer;
3) collect possible information about the customer's income sources;
4) compare the sources of money turnover, movement and volumes of various transaction of the customer;
5) assess the possible ML/TF risks of the transaction or business relations – through comparing the grounds and criteria of suspicious transactions and business relations;
6) check, whether there are such business relations and (or) one-time transactions, with which the customer has a purpose to avoid from submitting report to the authorized body by the financial institution;
7) check the types, frequency and chronology of the transaction in a certain period of time;
8) perform the registration of the transaction parties, recipient, real beneficiary, as well as the authorized body and perform comparison to identify the interrelation of the customers and
9) perform other measures stipulated by the internal legal acts.

33. The financial institution shall have additional customer due diligence in case presence of high risk criteria.
34. While performing additional examination the financial institution shall at least:
1) perform more complete and in-depth check of the reliability of the documents (information) necessary to establish business relations with the customer, like for example the requirement of other justifying documents (information);
2) require information about the customer's assets and their origin;
3) examine the information about the customer, business relations and transaction through the databases;
4) make inquiries from other reporting or other bodies, including foreign partners, to check the information about the customer, business relations with him/her and one-time transactions and
5) undertake other measures to have real and complete understanding about the customer, business relations with him/her and one-time transactions.
35. Through the additional customer due diligence the financial institution shall receipt reasonable excuses and clarifications and in this way have a real and complete understanding about the given customer, business relations with him/her and one-time transactions. If as a result of the undertaken measures the financial institution does not have a real and complete understanding, then the financial institution shall consider the possibility of submitting a report to the authorized body about the suspicious transaction or business relations.
36. The financial institution can perform a simplified customer due diligence in case of presence of low risk criteria.
37. The simplified customer due diligence for the natural persons shall at least have the clarification and registration of the following information:
1) name, surname;
2) account number – in case it exists and
3) date of ID.
38. The simplified due diligence of the customer for the legal persons shall at least have the clarification and registration of the following information:
1) title of the legal person;
2) number of the state registration certificate and
3) identification information about the person entitled to administer the bank accounts.

Chapter 9: Minimal rules for the registration, collection and upgrading the information

39. The financial institutions shall collect the information mentioned in the paragraph 44 of this regulation in a way, which will ensure its use in the future as evidence. The documents asserting the information shall have of the requisites ascribed to them.
40. The information shall be registered. The registration shall be conducted through the classified databases. The information registration shall be done in a way, in order to be able restore the data of the staff member, who has performed identification or other actions subject to registration.
41. The information can be kept in document form, computers and electronic bearers.

42. The financial institution shall ensure the security, confidentiality of the registered and kept information and prevent its unauthorized use and administration.
43. By its internal legal acts the financial institution shall stipulate the frequency of upgrading the information obtained about the customer.
44. The financial institution shall register and keep:
1) customer identification data in order established by the law;
2) data about the main conditions of the transaction (business relations) in order established by the law;
3) data about any analysis and activities performed with the purpose to determine the suspiciousness of the transaction or business relations;
4) report about the suspicious transaction, as well as the information in the basis of the report and minutes of the deliberations concerning the submission of the report and
5) data and suppositions about the suspicious transaction or business relations, in regard of which no suspicious transaction or business relations report has been submitted to the authorized body.

Chapter 10: Minimal rules for determination the suspiciousness of the transactions (business relations) and consideration of submission a report about it to the authorized body by the financial institution

45. In case the customer service clerk identifies ML/TF suspicions in business relations or transactions according to the criteria described in the law, guidelines submitted by the authorized body or on the basis of personal opinion, then he/she shall immediately inform the internal monitoring body in order established by the internal legal acts.
46. In case of identifying a suspicious transaction as a result of information received from the customer service clerk, other sources or own observations the internal monitoring body shall submit to the authorized body a report about the suspicious transaction.
47. With its internal legal acts the financial institution shall stipulate the internal procedures for determining the suspiciousness of business relations and transactions and consideration the submission of a report to the authorized body in that regard. The aforementioned procedures shall stipulate at least:
1) procedures of informing the internal monitoring body the preliminary information (assumptions) about the suspicious business transaction or business relations;
2) order and terms of developing, checking the information about the suspicious business transaction or business relations and making possible conclusions by the internal monitoring body and
3) possible actions and analysis with the purpose to determine the possible suspicious business transaction or business relations, including the order of access to the national and international databases, requests, criteria of assessing their results and summary.
48. The authorized body can pass individual names (titles) or other data to the financial institutions and instruct that in case of any transaction or business relations dealing with those data a report on suspicious transaction shall be submitted. Based on these instructions, in no term is mentioned, the financial institutions shall at least once in ten days review the business relations

and one-time transactions with their customers and in case of identifying the possible information submit a report about the suspicious transaction.

49. The requests submitted by the authorized body with the purpose to analyze the suspicious transaction or business relations, including the requirement to submit additional documents (information), shall be executed by the financial institution within the shortest time mentioned in the request or requirement.

Chapter 11: Minimal rules for the audit of the financial institutions in the field of combating money laundering and terrorism financing

50. According to the Article 23 of the law the internal audit shall at least once a year perform check to make sure that the executive body and the internal monitoring body ensure the full compliance of the financial institution with the requirements stipulated by the law, this regulation and other legal acts, as well as internal legal acts. In case, when the function of combating money laundering and terrorism financing is assigned to the internal audit division or staff member, then the audit is performed by the body and order established by the internal legal acts of the financial institution.

51. The internal audit shall regularly submit to the Board and executive body a report about its evaluations and disclosures, including its conclusions about relevance and efficiency of staff training and retraining in the issues of combating ML/TF.

52. According to the Article 23 of the law the financial institution shall submit to the authorized body a copy of the external audit opinion invited with the purpose to introduce the legislation on combating ML/TF and crosscheck the efficiency level.

53. The financial institution, which has an associated company, branch and (or) representation, shall be responsible for the appropriate application of the provisions of this regulation. With this purpose the financial institution shall receive and study the copies of the reports on combating ML/TF conducted by the internal and (or) external audit in its associated companies, branches and representations.

Chapter 12: Minimal rules for training of the authorized personnel of the financial institutions in the field of combating money laundering and terrorism financing

(The title amended by the Decision 21-N from January 27, 2009)

54. ***(54th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
55. ***(55th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
56. ***(56th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
57. ***(57th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
58. ***(58th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
59. ***(59th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
60. ***(60th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
61. ***(61th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
62. ***(62th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
63. ***(63rd paragraph has been repealed by the Decision 21-N from January 27, 2009)***

64. ***(64th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
65. ***(65th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
66. ***(66th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
67. ***(67th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
68. ***(68th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
69. ***(69th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
70. ***(70th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
71. ***(71st paragraph has been repealed by the Decision 21-N from January 27, 2009)***
72. ***(72nd paragraph has been repealed by the Decision 21-N from January 27, 2009)***
73. ***(73rd paragraph has been repealed by the Decision 21-N from January 27, 2009)***
74. ***(74th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
75. ***(75th paragraph has been repealed by the Decision 21-N from January 27, 2009***
76. ***(76th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
77. ***(77th paragraph has been repealed by the Decision 21-N from January 27, 2009)***
78. The financial institution shall regularly organize trainings for all the staff dealing with combating ML/TF. In case of employing new personnel a training of combating ML/TF issues shall be organized during first three months.
79. All the personnel of the financial institution shall be aware about their internal legal acts in the field of combating ML/TF.
80. The financial institution shall stipulate and conduct regular training courses for its staff in the field of combating ML/TF. Those courses shall stipulate training for the board members, executive body personnel, internal monitoring body personnel, customer service and audit department personnel. The training and retraining of those personnel shall make sure that they have appropriate knowledge about the requirements and procedures for combating ML/TF, in particular:
1) about high and low risk criteria; most frequently encountered grounds and criteria for suspicious transaction or business relations, including about the typology of the suspicious transactions provided by the authorized body guidelines and
2) about the legislation of the Republic of Armenia, the provisions of this regulation and internal legal acts on combating ML/TF.
81. The training courses of the financial institutions, all of their materials, as well as the names and signatures of the persons that took part in them shall be registered separately and kept for at least 5 years.

Chapter 13: Transitional provisions

82. The Regulation 5 of the Board of the Central Bank of Armenia dated December 17, 2002 “On combating the circulation of crime proceeds and terrorism financing in the banks and credit organizations, as well as other persons providing with reports”, reference form “About suspicious transactions”, Decree No442-N “On approving the sample lists of the information required by the bank for opening an account, information required by the credit organization during serving the customers and debtors” are repealed from the moment this regulation comes into legal force.

Appendix 1.1
To the Annex of the Decision of the
Board of Central Bank of Armenia
No 269-N from September 9, 2008

DECLARATION
On the Head (Staff Member) of the Internal Monitoring Body

1. Personal Details
1.1. Name, surname, patronymic_____ 1.2 Gender _____ 1.3. Date of birth _____ (dd/mm/yy) 1.4. Place of birth_____ 1.5. Nationality _____ 1.6. Passport serial number, issuing authority, and date of issuance_____ Social card number (if available)_____ 1.7. Place of residence_____ 1.8. Phone number _____ 1.9.E-mail address_____ 1.10. Indicate all other names previously used, the period of usage, as well as serial numbers of all previous passports Name, surname, patronymic _____ Period of usage _____ (dd/mm/yy) Passport serial number _____
2. Position
2.1. If you hold another position within the financial institution, please indicate _____
3. Please indicate the bases stipulated under Clauses 10[1] and 10[2] of the Regulation on the Minimal Requirements for Financial Institutions in the Field of Combating Money Laundering and Terrorist Financing and the Declaration Form about Presence (Absence) of a Real Beneficiary in the Transaction *Additional sheets may be used for further clarifications*
3.1. Do you have criminal record for deliberately committed crime, for which your conviction has not been removed or cancelled in the established manner? Yes ☐ No ☐ *If "Yes", please provide the details*
3.2. Has there been a court verdict depriving you from the right of holding certain positions in financial, banking, tax, customs, commercial, economic, or legal areas? Yes ☐ No ☐ *If "Yes", please provide the details*
3.3. Have you ever been adjudged bankrupt with outstanding (unforgiven) liabilities? Yes ☐ No ☐ *If "Yes", please provide the details*
3.4. Have you ever been involved by law enforcement bodies of Armenia or other countries as a suspect, accused or defendant? Yes ☐ No ☐ *If "Yes", please provide the details*

3.5. Education

Instead of filling in this item, the manager (officer) may choose to submit his/her autobiography (in printed form, in Armenian language), which should at least provide the information required under this item

3.5. Name of educational institution	Location	Period of study	Degree

3.6.Work experience over the last 10 years

Name, location, phone number of organization	Period of employment	Position

3.7. Other information, which you deem significant

4. *I certify that the information furnished in this document is true and complete. I understand that provision of any false fact or information may result in criminal, administrative, and disciplinary responsibility as established under the law.*

I undertake to advise the Central Bank on any changes in the information submitted above.

Signature _____ Date _____
dd/mm/yy

(The Annex has been amended by the Decision No 197-N from July 24, 2012)

Annex 2

Approved by the Decision No269
Dated September 9, 2008
Of the Board of the Central Bank of Armenia

Declaration about Existence (Absence) of a Real Beneficiary

I ----------, on----- ------ ---------- ---- ---------- acting in business relations or single transaction as ----------, declare that in the business relations or single transaction there is/there is not a real beneficiary.

In case of existence the real beneficiary is---------- ----------.

I also commit myself to inform the ---------- in case of change of the real beneficiary or emergence of a beneficiary during the business relations.

------ ---------- -------
/date/

/signed/

CENTRAL BANK OF ARMENIA
FINANCIAL MONITORING CENTER

2013-2015 NATIONAL STRATEGY FOR COMBATING MONEY LAUNDERING AND TERRORISM FINANCING

YEREVAN 2012

CONTENTS

Introduction **196**
General Provisions **197**
1. Legislative Framework 197
2. Institutional Framework 198
3. The Way Traversed 199
National Strategy **199**
1. Vision 199
2. Mission 200
3. Values 200
4. Principles and Objectives 200
5. Implementation 200
6. Revision and Control 209

Introduction

This strategy has been developed in implementation of the requirement established by the FATF 40 recommendations to have a national strategy for combating money laundering and terrorism financing (hereinafter: ML/FT). The findings of the Strategic Analysis on Money Laundering and Terrorism Financing Risk in the Republic of Armenia, published in 2010, have also been considered for developing this strategy. The national strategy has been elaborated for the period of 2013-2015.

The document reflects on general provisions, vision, mission, values and principles of the strategy, the defined objectives and the actions necessary for attaining thereof, the expected outcomes and the involved agencies, as well as the rules for revising the strategy and controlling its implementation.

The strategy will guide the activities of the national financial intelligence unit – the Financial Monitoring Center (hereinafter: the FMC) of the Central Bank of Armenia (hereinafter: the CBA) – pursuant to the provisions of Part 3, Article 10 of the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing and Clause 13 of the FMC Statute.

General Provisions

In pursuit of attaining a sustainable and advanced system for combating ML/FT, Armenia has taken a number of substantial steps to provide for the implementation of the international instruments in this area, including the FATF 40 recommendations, in the local framework. The text below presents the legislative and institutional systems for fighting ML/FT, as well as the way that the country has traversed to that end.

1. Legislative Framework

Formation of the legislative framework for combating ML/FT started with the criminalization of money laundering and terrorism financing offences in 2003 and 2004, respectively. Later on, certain changes were made in the *corpus delicti* of ML/FT offences to bring them into compliance with the definitions provided by relevant international conventions.

The first law in Armenia on combating ML/FT was adopted in 2004 and entered into force in 2005. Following the adoption of the first law, a number of by-laws aimed at the implementation of its provisions were endorsed. Particularly, the institute of reporting suspicious transactions/ business relationships by banks was introduced with relevant decisions of the Board of the Central Bank of Armenia.

The dynamically developing system needed to deal with certain deficiencies and gaps as identified by international assessments of Armenia's compliance with the FATF recommendations, as well as by the practical experience in the field. Hence, certain amendments were made to the AML/CFT legislation in force.

Due to on-going development processes, the second Law on Combating Money Laundering and Terrorism Financing (hereinafter: the Law) was adopted in 2008. Adoption of the Law marked the passage to a legislation comprising acts at various levels of the legal hierarchy.

In order to ensure introduction and implementation of AML/CFT requirements, the Regulation on Establishing Minimum Requirements with Respect to Financial Institutions in the Area of Combating Money Laundering and Terrorism Financing was approved, and new reporting forms for filing reports on above-threshold and suspicious transaction/ business relationship as prescribed under the Law were endorsed.

Guidelines on the application of the risk-based approach in combating money laundering and terrorism financing were adopted for financial institutions and DNFBPs to ensure the passage from uniform introduction of AML/CFT mechanisms to their risk-based implementation.

To ensure appropriate recognition of ML/FT suspicious transactions in practice, the Guideline on the Criteria of Suspicious Transactions was adopted. Moreover, the Rules for the Suspension of Suspicious Transactions or Business Relationships and for the Freezing of Terrorism-Related Funds were endorsed to specify the procedure for carrying out the relevant functions defined under the Law.

Twelve money laundering typologies were developed based on the strategic analyses regularly conducted by the FMC on ML/FT trends and potential schemes, as well as on international typologies.

The development of the AML/CFT legislation entered a new phase in 2009 with the implementing the recommendations of the third-round assessment of Armenia's AML/CFT system. Particularly, the package of 15 draft laws proposing changes and amendments in AML/CFT legislation was developed by the FMC and other stakeholder agencies, and submitted to the Government for further processing as defined under the law.

The country has been making efforts to provide for the consistent development of the AML/CFT system, by implementing the following international instruments: the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (**Vienna Convention** from December 18, 1988); the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (**Strasburg Convention** from November 8, 1990); the United Nations International Convention for the Suppression of the Financing of Terrorism (**New York Convention** from December 9, 1999); the United Nations Convention Against Transnational Organized Crime (**Palermo Convention** from December 12, 2000); and the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (**Warsaw Convention** from May 16, 2005), which were ratified by Armenia in, respectively, May 24, 1993; October 8, 2003; March 3, 2004; March 25, 2003; and July 2, 2008.

2. Institutional Framework

Involved domestic agencies and institutions, particularly the Central Bank of Armenia, the General Prosecutor's Office, the Police, the National Security Service, the State Revenues Committee, the Ministry of Foreign Affairs, the Ministry of Justice, the Ministry of Finance, the Judicial Department, the Association of Banks, the Chamber of Notaries, the Bar Association, and the Association of Accountants and Auditors have had a key role in the functioning of the system of combating ML/FT. Active cooperation between them provides the basis for the continuous development of the system.

Among the bodies listed above, the Financial Monitoring Center of the Central Bank of Armenia performs the legislatively defined function of the national financial intelligence unit; it is a structure receiving, analyzing, and disseminating information on ML/FT suspicions. The FMC is also responsible for elaborating a uniform national policy on combating ML/FT, ensuring appropriate international cooperation, and representing the country at relevant international structures specialized in the fight against ML/FT.

Multilateral cooperation between domestic agencies and institutions is realized under the umbrella of the Interagency Committee on Combating Counterfeit Money, Fraud with Plastic Cards and Other Payment Instruments, and Money Laundering (hereinafter: the Interagency Committee) established by the Decree of the Republic of Armenia President. The basic task of the Committee is to elaborate and implement a uniform and coordinated national policy in combating ML/FT. This Committee chaired by the Governor of the Central Bank comprises representatives from all stakeholder agencies and institutions involved in the fight against ML/FT. Technical organization of the Committee works is carried out by the FMC, which also provides secretariat services to it.

To provide for effective cooperation and exchange of ML/FT information with law enforcement authorities, cooperation agreements have been signed between the FMC and the General Prosecutor's Office, the Police, the National Security Service, and the State Revenues Committee.

As to international relations, the FMC coordinates cooperation with the Council of Europe MONEYVAL Committee based on Armenia's membership in the Council of Europe, as well as with the Eurasian Group for Combating Money Laundering and Terrorism Financing based on the country's observer status in that structure.

Moreover, since 2007 the FMC is a member of the Egmont Group, which is the worldwide forum of financial intelligence units (hereinafter: FIU). Accession to this organization enabled the FMC to exchange information via a secure network with around 130 FIUs, which are members of the Egmont Group. In order to strengthen bilateral cooperation with foreign financial intelligence units, the FMC has concluded cooperation agreements with the FIUs of 26 jurisdictions.

3. The Way Traversed

The starting point for the development of the AML/CFT system in Armenia was the first assessment of the country by the Council of Europe MONEYVAL Committee in 2004. Following that assessment, a number of steps were taken for the improvement of AML/CFT legislation, as well as for the formation of the institutional framework. Consequently, the national body for combating ML/FT was established, a legislative framework largely compliant with the international standards was developed, the bases were provided for establishing, expanding, and strengthening cooperation with involved domestic authorities, international structures, and foreign financial intelligence units.

The works carried out over the period of 2004-2009 were reflected in Armenia's third round assessment report of the joint evaluation team comprising experts from the Council of Europe MONEYVAL Committee and the International Monetary Fund. Particularly, the report stated that Armenia had a system for combating ML/FT largely compliant with the international standards; it also made a number of recommendations aimed at the further improvement of the system.

One year later, in 2010, the plenary meeting of the Council of Europe MONEYVAL Committee considered and adopted the Progress Report on Armenia reflecting on the progress made by the country within one year, particularly highlighting the fact of having developed a package of 15 draft laws introducing changes and amendments in relevant laws related to the fight against ML/FT. Currently, active works are underway for finalization of the draft laws and for their endorsement as prescribed by the law.

Analysis of the way that Armenia has traversed to combat money laundering and terrorism financing is indicative of the commitment and consistency of the country's authorities to attain the basic goal, which is the passage from an AML/CFT system largely compliant with international standards to a one fully in compliance with the said standards.

National Strategy

1. Vision

The vision of the national strategy for combating ML/FT is the following:

- Enhancing the national AML/CFT legislation in compliance with international standards and providing flexible mechanisms for its application;
- Attaining an economy and a transparent financial system protected from ML/FT risks;
- Ensuring punishability of ML/FT crimes and promoting social intolerance towards them.

2. Mission

The above-defined vision of the national strategy for combating ML/FT shall be realized through the effective application of the domestic AML/CFT legislation and international standards, by means of bringing together and expanding domestic, regional, and international efforts and initiatives.

3. Values

For the successful implementation of this national strategy, all stakeholders of the AML/CFT system should strictly follow and adhere to the following values:

- Professionalism;
- Justice;
- Cooperation;
- Mutual respect;
- Trust;
- Initiative;
- Confidentiality as required in routine works;
- Publicity of programs and outcomes.

4. Principles and Objectives

The national strategy for combating ML/FT shall be based on two principles:

1. The principle of developing legislative and institutions frameworks, while the following strategic objectives are to be attained in order to realize that principle:
   1) Develop a legal system compliant with international AML/CFT standards;
   2) Implement a coordinated national AML/CFT policy;
   3) Build up domestic cooperation for combating ML/FT;
   4) Build up international cooperation for combating ML/FT;
2. The principle of developing capacities of the stakeholders in combating ML/FT, while the following strategic objectives are to be attained in order to realize that principle:
   1) Develop capacities for operative intelligence, criminal prosecution, and judicial inquiry of ML/FT cases;
   2) Develop capacities of supervisory authorities for combating ML/FT;
   3) Develop capacities of the FMC as the national financial intelligence unit;
   4) Develop capacities of reporting entities for the prevention of ML/FT.

Implementation of the strategic objectives defined under the above-specified principles shall be in the permanent focus of attention of relevant agencies as a part of their regular activities. These objectives shall be implemented in an on-going manner, through continuous and consistent steps taken by relevant agencies, and shall be subject to substantive recapitulation before developing and adopting the next strategy or as necessary.

Based on peculiarities related to the implementation of the strategic objectives, including those regarding the urgency and sequence of the steps to be taken, Measure 1 under Objective 1 of Principle 1, as well as Measure 2 under Objective 1, Measures 1 and 2 under Objective 2, Measure 1 under Objective 3, and Measures 1 to 5 under Objective 4 of Principle 2 shall be considered as high priority. All other measures shall be given regular (equal) priority in terms of implementation.

5. Implementation

The actions to be taken for attaining the objectives of this strategy, their expected outcomes, as well as the involved agencies and institutions are presented below.

Findings of the Strategic Analysis of Money Laundering and Terrorism Financing Risks in the Republic of Armenia (2010) have been used to prioritize implementation of individual measures, particularly having regard to the constituents of ML/FT risks, the identified risk level, the types of involved stakeholders (including the reporting entities) etc.

Principle 1: Developing Legislative and Institutions Frameworks

Objective

1) **Develop a legal system compliant with international AML/CFT standards**

- **Action (1)**

  Further improve the AML/CFT legal system in compliance with the FATF 40 recommendations as revised in 2012

- **Expected Outcome**

  Adoption of acts at various levels of the legal hierarchy complying with the FATF recommendations and taking into account peculiarities of different sectors; publication of clarifications and methodological guidance on their implementation;

- **Involved Agencies**

  Interagency Committee member agencies and institutions, self-regulated organizations of DNFBPs

- **Action (2)**

  a. Organize and conduct a self-assessment of the Armenian AML/CFT system
  b. Prepare and arrange the fourth round assessment by the Council of Europe MONEYVAL Committee

- **Expected Outcome**

  a. Findings of the self-assessment of the Armenian AML/CFT system summarized; shortcomings and gaps remedied
  b. Materials and documents prepared for the fourth round assessment; other organizational measures taken in a coordinated manner

c. The fourth round assessment questionnaire completed; provisions made for the unhindered conduction of the assessment (work of the assessment team)
d. Progress reflected in the fourth round assessment report as compared with that of the third round assessment

- **Involved Agencies**
  Interagency Committee member agencies and institutions, self-regulated organizations of DNFBPs

Objective
2) Implement a coordinated national AML/CFT policy

- **Action (1)**
  Discuss and coordinate positions within the Interagency Committee on all important strategic issues and on the measures to be taken for dealing with them
- **Expected Outcome**
  Coordinated positions on strategic issues and on the measures to be taken for dealing with them
- **Involved Agencies**
  Interagency Committee member agencies and institutions

- **Action (2)**
  Improve the mechanisms for the agencies and institutions involved in the fight against ML/FT to regularly report to the Interagency Committee on the works done and results attained
- **Expected Outcome**
  Proper reporting and performance assessment with regard to the works done and results attained in the fight against ML/FT
- **Involved Agencies**
  Interagency Committee member agencies and institutions, Secretariat of the Interagency Committee

Objective
3) Build up domestic cooperation for combating ML/FT

- **Action (1)**
  Improve mechanisms for strengthening bilateral and multilateral (inter-institutional) cooperation between authorized domestic agencies and institutions and self-regulated organizations of DNFBPs by means of mutual consultations, establishment of joint working groups, signing of new cooperation agreements/ revising the existing ones etc.

- **Expected Outcome**
  Effective institutional and functional mechanisms integrated into the framework of domestic cooperation for combating ML/FT

- **Involved Agencies**
  Interagency Committee member agencies and institutions, self-regulated organizations of DNFBPs

- **Action (2)**
  Establish a unified information area between authorized domestic agencies (General Prosecutor's Office, Police, National Security Service, Central National Bureau of Interpol, State Revenues Committee, State Registry of Legal Entities, Ministry of Finance, and Judicial Department) and the FMC to securely exchange information and to provide (direct or indirect) access to each other's databases with predetermined volumes and scopes

- **Expected Outcome**
  a. Bilateral and multilateral exchange of information in a secure environment enabled for authorized domestic agencies and the FMC
  b. Improved quality and efficiency of ML/FT analyses through access to possibly comprehensive information resources

- **Involved Agencies**
  Interagency Committee member agencies

Objective
4) Build up international cooperation for combating ML/FT

- **Action (1)**
  Actively participate in the works of the Council of Europe MONEYVAL Committee and the Eurasian Group for Combating Money Laundering and Terrorism Financing

- **Expected Outcome**
  Appropriate presentation of the progress in improving Armenia's AML/CFT system; establishment and enhancement of bilateral and multilateral relations with member countries

- **Involved Agencies**
  Interagency Committee member agencies

- **Action (2)**
  Broaden the cooperation with foreign financial intelligence units within the framework of the Egmont Group, by means of sponsoring candidate FIUs, signing new cooperation

agreements with member FIUs, providing for the effective exchange of information, and actively participating in the group initiatives

- **Expected Outcome**
  Internationally strengthened status and enhanced professional rating of the FMC as the national financial intelligence unit; involvement in actions aimed at the realization of the group's common goals

- **Involved Agencies**
  FMC

- **Action (3)**
  Implement works with other international structures involved in the fight against ML/FT, by means of participating in their activities and implementing technical assistance programs

- **Expected Outcome**
  Appropriate presentation of the Armenian AML/CFT system at other international structures; involvement of international resources for the further improvement of the system

- **Involved Agencies**
  Interagency Committee member agencies

- **Action (4)**
  Expand bilateral relations between domestic law enforcement and supervisory bodies and their foreign counterparties involved in the fight against ML/FT, by means of signing new cooperation agreements, establishing bilateral contacts, exchanging information etc.

- **Expected Outcome**
  Effective cooperation established between domestic law enforcement and supervisory bodies and their foreign counterparties

- **Involved Agencies**
  Interagency Committee member agencies

Principle 2: Developing Capacities of the Stakeholders in Combating ML/FT

<u>Objective</u>

1) **Develop capacities for operative intelligence, criminal prosecution, and judicial inquiry of ML/FT cases**

- **Action (1)**
  Form dedicated units (task forces, experts) inside criminal prosecution bodies with specialization in operative intelligence and criminal prosecution of ML/FT cases

- **Expected Outcome**
  Availability of dedicated units (task forces, experts) with specialization in operative intelligence and criminal prosecution of ML/FT cases

- **Involved Agencies**
  General Prosecutor's Office, National Security Service, Police, State Revenues Committee

- **Action (2)**
  Develop professional skills of criminal prosecution bodies and courts for operative intelligence, criminal prosecution, and judicial inquiry of ML/FT cases, by means of trainings and professional development

- **Expected Outcome**
  a. Improved efficiency of operative intelligence, criminal prosecution, and judicial inquiry of ML/FT cases
  b. Improved skills of ML/FT investigation tactics and methodology, better capacities for collection, verification, and assessment of evidence
  c. Investigation and prosecution of stand-alone ML cases

- **Involved Agencies**
  General Prosecutor's Office, National Security Service, Police, State Revenues Committee, Judicial Department

Objective
2) **Develop capacities of supervisory authorities for combating ML/FT**

- **Action (1)**
  Develop capacities for risk-based off-site surveillance and on-site inspections in financial institutions to check compliance with the requirements on the prevention of ML/FT, by means of providing guidance, trainings, professional development and other assistance

- **Expected Outcome**
  Effective supervision for ML/FT compliance exercised and sanctions applied by the supervisor

- **Involved Agencies**
  Central Bank of Armenia

- **Action (2)**
  Introduce mechanisms for supervisory bodies to examine compliance with ML/FT prevention requirements through off-site surveillance and on-site inspections and apply sanctions on DNFBPs, by means of providing guidance, trainings, professional development and other assistance

- **Expected Outcome**
  Appropriate supervision for compliance with ML/FT prevention requirements exercised through off-site surveillance and on-site inspections, and sanctions applied by supervisors of DNFBPs

- **Involved Agencies**
  Central Bank of Armenia, FMC, Ministry of Justice, Ministry of Finance, self-regulated organizations of DNFBPs

Objective
3) **Develop capacities of the FMC as the national financial intelligence unit**

- **Action (1)**
  Obtain/ develop and introduce up-to-date software solutions for the FMC to use in analytical process

- **Expected Outcome**
  Improved quality and efficiency of ML/FT analyses

- **Involved Agencies**
  FMC

- **Action (2)**
  Improve the FMC Case Management System

- **Expected Outcome**
  Optimized internal processes within the FMC, particularly application of up-to-date tools for the automation of processes and their effective management

- **Involved Agencies**
  FMC

- **Action (3)**
  Develop FMC capacities to assist supervision over reporting entities and, with regard to reporting entities for which there is no legally defined supervisory authority or a legislative regulatory framework for the supervisory authority to perform the functions assigned to it in the field of combating ML/FT, introduce supervisory arrangements and develop capacities of FMC to supervise compliance of such reporting entities with AML/CFT requirements

- **Expected Outcome**
  Improved supervisory capacities; enhanced effectiveness of supervisory arrangements

- **Involved Agencies**
  FMC

- **Action (4)**
  Conduct strategic analyses on ML/FT trends and potential schemes based on practical experience of the FMC, ML/FT court proceedings/ cases, and international typologies
- **Expected Outcome**
  a. Regular recapitulation and publication of analyses on ML/FT trends and potential schemes, including ML/FT typologies
  b. Improved skills and technics for the development of ML/FT typologies
- **Involved Agencies**
  FMC

- **Action (5)**
  Arrange on-job training/ outreach visits for the FMC staff at leading foreign financial intelligence units; organize workshops/ seminars delivered by international structures/ experts in Armenia
- **Expected Outcome**
  The advanced foreign experience introduced in the works of the FMC
- **Involved Agencies**
  FMC

- **Action (6)**
  Take consistent measures to enhance public awareness aimed at preventing and combating ML/FT crimes
- **Expected Outcome**
  Enhanced efficiency of public awareness
- **Involved Agencies**
  FMC

Objective
4) **Develop capacities of reporting entities for the prevention of ML/FT**

- **Action (1)**
  Improve professional skills of internal compliance staff of reporting entities by means of providing guidance, trainings, professional development, and qualification examinations
- **Expected Outcome**
  Reporting entities have highly qualified professional staff for ML/FT prevention
- **Involved Agencies**

FMC, Ministry of Justice, Ministry of Finance, self-regulated organizations of DNFBPs

- **Action (2)**
  Ensure compliance of reporting entities' internal acts on ML/FT prevention with legislative requirements and their practical implementation by means of regularly reviewing such acts and checking the efficiency of implementation during on-site inspections
- **Expected Outcome**
  Reporting entities' internal acts on ML/FT prevention comply with the legislative requirements and are effectively implemented
- **Involved Agencies**
  Central Bank of Armenia, Ministry of Justice, Ministry of Finance, self-regulated organizations of DNFBPs

- **Action (3)**
  Reporting entities introduce and implement policies, procedures and controls for identification and assessment of potential or existing ML/FT risks, efficient management and mitigation of identified risks
- **Expected Outcome**
  Reporting entities identify and assess potential and existing ML/FT, provide for development and application of appropriate counter-action instruments
- **Involved Agencies**
  FMC, Ministry of Justice, Ministry of Finance, self-regulated organizations of DNFBPs

- **Action (4)**
  Ensure appropriate implementation of the legislative requirements for the prevention of ML/FT by DNFBPs to reduce the risk of their misuse for ML/FT, by means of off-site surveillance and on-site inspections, providing guidance, trainings, professional development, and qualification examinations
- **Expected Outcome**
  DNFBPs appropriately implement the requirements of the legislation on combating ML/FT
- **Involved Agencies**
  Central Bank of Armenia, Ministry of Justice, Ministry of Finance, self-regulated organizations of DNFBPs

- **Action (5)**
  Promote reporting of suspicious transactions/ business relationships by non-bank financial institutions և DNFBPs, by means of providing guidance, trainings, and consultations

- **Expected Outcome**
  Improved performance of non-bank financial institutions և DNFBPs in terms of reporting suspicious transactions/ business relationships

- **Involved Agencies**
  FMC, Ministry of Justice, Ministry of Finance, self-regulated organizations of DNFBPs

6. Revision and Control

The Interagency Committee shall control implementation of this strategy.

Based on the information and materials collected from member agencies, the Secretariat of the Interagency Committee shall regularly report to it on the actions aimed at attaining the objectives of the strategy and on the factual performance thereof.

Measures aimed at attaining the strategic objectives shall be included in the work plans of the Interagency Committee member agencies and self-regulated organizations of DNFBPs.

The strategy shall be revised at least once in three years subject to prior agreement that the FMC, which provides secretariat services to the Committee, shall attain with member agencies and with self-regulated organizations of DNFBPs.

Once the strategy is approved, and provided that a new strategic analysis is conducted on the ML/FT risk in the Republic of Armenia, the issue of reflecting the findings of the analysis in the strategy shall be considered by the Interagency Committee.