



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

MONEYVAL(2010)15

# Armenia

Progress report and written analysis by the  
Secretariat of Core Recommendations <sup>1</sup>

28 September 2010

<sup>1</sup> First 3<sup>rd</sup> Round Written Progress Report Submitted to MONEYVAL

Armenia is a member of MONEYVAL. This progress report was adopted at MONEYVAL's 33<sup>rd</sup> Plenary meeting (Strasbourg, 27 September – 1 October 2010). For further information on the examination and adoption of this report, please refer to the Meeting Report (ref. MONEYVAL(2010)32) at <http://www.coe.int/moneyval>

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**This is the first 3<sup>rd</sup> 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 on the Core Recommendations (1,5, 10, 13, SR.II and SR.IV), in accordance with the decision taken at MONEYVAL's 32<sup>nd</sup> plenary in respect of progress reports.**

# ARMENIA

## First 3<sup>rd</sup> Round Written Progress Report

### 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 first progress report back to the Plenary concerning the progress that it has made to remedy the deficiencies identified in the 3<sup>rd</sup> 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 30<sup>th</sup> 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.
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<sup>1</sup>. 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 and annexes submitted by Armenia.
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

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<sup>1</sup> The core Recommendations as defined in the FATF procedures are R.1, R.5, R.10, R.13, SR.II and SR.IV.

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**

### **1. Main changes since the adoption of the MER**

8. Since the adoption of the MER, Armenia has taken the following measures with a view to addressing the deficiencies identified in respect of the 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 DNFBBs 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. 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.

### **2. Review of measures taken in relation to the Core Recommendations**

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

10. 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*). The authorities indicated that the Board of the Prosecutor's Office examined at its meeting on 21 October 2009 whether there are any factors inhibiting ML prosecutions, by reviewing a report on prosecutorial supervision over the investigations of criminal cases involving ML during the period 2004 to the first semester of 2009. The text of the minutes is attached in the annexes and includes clarifications as to interpretations in the implementation of the ML offence. Inter alia, it concluded that the approach of several theorists that the "reasoning that legalisation of illicit proceeds is stated in the provision under article 190 whereas

*an activity can be considered illicit only by virtue of a court verdict entered into force” is “misleading; it can be applied in theoretical analysis but should not be literally implemented”.* The authorities indicated that an assignment was endorsed to rectify practical deficiencies and to enable carrying out stand alone ML investigations regardless of whether the predicate offence resulted in a conviction.

11. This initiative of the Prosecutor’s Office to review the practice in the implementation of the ML provision is welcomed. Also the fact that the Board asserted that criminal charges can be brought against alleged offenders for money laundering without a conviction for the predicate offence is a step in the right direction.
12. However, the legal status of these minutes is unclear, furthermore the minutes of the meeting are addressed to the prosecutors and investigators dealing with money laundering offences but not to the judges adjudicating these cases.
13. The statistics provided show that 9 persons were convicted for ML in 2009-2010 so far, though no further details on these cases were made available to clarify the jurisprudence established. In particular, though the general understanding among the prosecutors and judiciary, as supported by the Board’s minutes and relevant training undertaken, may be that a conviction or parallel proceedings for the predicate offence would no longer be required to convict a person for autonomous money laundering, it would have been useful to know whether the courts applied such an interpretation in any of these recent judgments. This issue remains to be confirmed by courts’ practice.
14. 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*). Armenia is able to show concrete progress. The statistics provided indicate a clear increase of the number of ML investigations (3 in 2007, 6 in 2008, 10 in 2009, 8 until September 2010), prosecutions (2 in 2007, 5 in 2008, 7 in 2009 and 6 until September 2010), and convictions (7 in 2009, 2 until July 2010). The authorities advised that two stand alone money laundering investigations have been initiated and are underway.
15. Furthermore, as regards the implementation of the ML criminal provision, the authorities also advised that various initiatives were taken to enhance the knowledge of judges, prosecutors and investigators. Apart from the review undertaken by the Board of the Prosecutor’s Office, as described above, it is to be noted that the Board instructed the Director of the Prosecutor’s School to organise training seminars and courses on the methodology and characteristics of examinations of ML criminal cases within the scope of mandatory trainings for prosecutors and other educational projects to include clarifications on the issue of these issues and to prepare also a practical manual on these issues, in coordination with prosecution offices and other interested parties. Regrettably, no deadline was set for these actions, as opposed to other instructions of the Board.
16. The authorities further referred in this context to a number of seminars organised under the auspices of the Judges’ School and to a Prosecutor’s School’s training seminar for investigators, prosecutors and judges on investigation and prosecution of ML/FT offences scheduled in September 2010. Also a library with electronic and paper materials relevant for ML/FT investigations, which will be accessible to law enforcement officials is being established, following the Board’s decision.
17. In conclusion, as recommended in the MER, the Armenian authorities have taken a number of initiatives, through a review to assess what barriers exist for prosecuting ML and through trainings, to clarify 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. Undoubtedly, the quality of such trainings and their impact on the beneficiaries and the practice cannot be assessed in the context of this review. Such 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. The interpretation issues remain to be confirmed by courts' practice until it can be concluded that the identified deficiency has been fully addressed.

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

18. 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*). The draft Article 217.1, as set out in the draft law on making changes and amendments to the Criminal Code is as follows: "*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 organisation or by an individual terrorist...*". Therefore, the wording of the provision should be in compliance with the Recommendation, when enacted.
19. 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*). Article 1 paragraph 2 of the amendments to the Criminal Code, amending article 55 of the CC, defines for the purposes of this Code and, in case of relevant provisions in others laws, for the purposes of other laws, the term "property" in a manner compliant with the definition in the FATF methodology. This appears also to be covered under the proposed amendments to article 217.1.
20. 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*). The provision on terrorism of the Criminal Code – Article 217 contains an enumeration of acts which qualify as terrorism under certain condition. Following the recommendation of the MER, a draft amending Article 217 of the Criminal Code was prepared which includes, instead of the previous enumeration of specific acts, an explicit reference to the annexes to the 1999 UN International Convention on Suppression of the Financing of Terrorism.
21. Deficiency 4 identified in the MER (*The definition of "terrorism" referred to by the TF provision does not contain a reference to "international organizations", as required by the TF Convention*). Furthermore, the draft amending article 217 introduces a clear reference to international organizations ("*...or to exert pressure on a government body of an international organisation.*").
22. Deficiency 5 identified in the MER (*There is no criminal liability of corporate entities*). Criminal liability for FT still only extends to natural persons, as is in the case of ML. The MER had taken into account that administrative sanctions were available, and had recommended that the law be amended to provide for criminal liability of legal persons.
23. The authorities reported that this matter was discussed in depth at the Interagency Commission meeting in March 2010 and in additional meetings with the General Prosecutor's Office and that a consensus emerged that this concept would be in contradiction with the requirements under the Constitution (Article 21 - "A person accused of a crime shall be presumed innocent until proven

guilty in a manner prescribed by law, and by a court sentence properly entered into force”) and the principles of the CC (Article 23) establishing that only natural persons can be subject to criminal liability). The evaluation team however had considered these arguments and had concluded that no fundamental principles under Armenian law were identified which would preclude the introduction of criminal liability for legal persons.

24. The authorities referred in this context also to the existing administrative sanctions applicable (Article 28 of the current AML/CFT Act), which were assessed in the MER as being proportionate and dissuasive as well as to the draft administrative sanctions under the draft AML/CFT (Article 30), which as such do not introduce any modifications.
25. In conclusion, no action appears to have been taken or is planned to address the recommendation in the report regarding the introduction of criminal liability for legal persons, as the Armenian authorities maintained their view that this would be prevented by the principles set in the Constitution and the Criminal Code.

#### **Recommendation 5 - Customer due diligence (rated PC in the MER)**

26. Deficiency 1 identified in the MER (*Availability of financial instruments in bearer forms, in some instances similar to anonymous accounts*). As regards anonymous or fictitious accounts, the findings of the evaluation report had reflected that as a result of inspections in 14 (out of 22) banks in the period 2006-2008, no anonymous accounts had been detected in the financial system. Though the progress report does not include information regarding the situation in the other banks (which had not been inspected as of 2008) in this respect, the authorities confirmed that as a result of inspections in all banks, no such accounts exist in Armenia. The risk of such accounts being serviced/maintained is thus ruled out.
27. As regards financial instruments in bearer form, the draft AML/CFT Law, in article 14 paragraph 1, introduces a prohibition to open, issue, provide and service 1) anonymous accounts or accounts in fictitious names; 2) accounts with only numeric, alphabetic or other conventional symbolic expressions, and 3) bearer securities and payment instruments.
28. The authorities also advised that according to Article 148 of the Civil Code, the issuance of securities of a specific type such as bearer (negotiable), nominal, or in another form may be prohibited by a law. The MER had recommended that bearer bank books and certificates of deposits or other bearer securities should be prohibited, by way of repealing/amending the Civil Code and other relevant regulations. It remains unclear why Armenian authorities have decided to maintain the Civil Code provisions with an optional approach (ie. “ may be prohibited by law” ).
29. The prohibition explicitly covered under the draft AML/CFT, if and when adopted, will undoubtedly address the concerns raised in the mutual evaluation.
30. Pending its adoption and entry into force, previous findings are reiterated, that is that the existing anonymity and transferability regime of these instruments continues to pose a significant challenge for financial institutions to conduct on-going due diligence. Furthermore, at this stage, it remains unclear whether additional measures and procedures will be adopted to deal with existing financial instruments in bearer form and within which timeframe.
31. 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).* Article 15 paragraph 1 of the draft amendments to the AML/CFT Act 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 prevented. This is further elaborated in articles 17 (1) and 22 of the draft AML/CFT Law which require reporting entities to introduce adequate risk management procedures. Article 15 also requires reporting entities to establish the existence of a beneficial owner, and if applicable, to identify the beneficial owner and verify his identity as prescribed under Article 15 (1) to (4) and (8). For legal entities, these requirements include information obtained on the basis of the state registration document, as well as of other official documents which shall at least contain the company name of the legal person, domicile, state registration number, forename and surname of the chief executive officer and if available the taxpayer identification number as well as other data defined by the law. Furthermore, the reporting entities should obtain full complete information on the ownership and control structure of that legal person. While such data may be possible to gather in 7 days, one should not exclude that complete identification may possibly take longer.

32. It is to be noted that the definition of beneficial owner as covered under the draft AML/CFT Act, although representative of the FATF definition, yet article 3(14), includes a stricter percentage than the EU standards (20 or more %). However, it is further noted that the use of the word "may" in the definition could lead to a non-mandatory application.
33. Furthermore, Article 17 paragraph 9 of the draft law amending the AML/CFT Act introduces a requirement for all reporting entities 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.
34. The MER had also recommended that additional guidance to FIs should be issued with respect to adequate timeframes for updating customer data to ensure consistent and effective implementation. Article 16 paragraph 2 of the draft law amending the AML/CFT Act introduces an explicit requirement to cover this issue. Reporting entities may still determine the relevant updating periodicity, however they should update no less than once a year the data gathered within the framework of the customer due diligence (including enhanced and simplified due diligence) so as to ensure that it is up to date and relevant.
35. The authorities also advised also that the FIU has issued a circular<sup>2</sup> on 10 August 2010 which recommends that the reporting entities should put in place at least an annual periodicity for the requirement of the update of customer data. This measure however, which is only recommendatory in nature, cannot be considered as sufficient to ensure a consistent implementation by all financial institutions of adequate timeframes for updating customer identification data. The authorities indicated however that the requirements of the FIs' internal regulations are identical in this respect, that is that they introduced an annual periodicity.
36. 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*). The authorities advised that in 2009 a number of training seminars and consultative meetings were organised for representatives of all banks operating in Armenia on how to improve the overall efficiency of the

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<sup>2</sup> See FMC's website, [http://www.cba.am/CBA\\_SITE/downloads/fmc/news/Frequently\\_asked\\_questions\\_1\\_eng.pdf](http://www.cba.am/CBA_SITE/downloads/fmc/news/Frequently_asked_questions_1_eng.pdf)

internal compliance functions of banks (it is not clear which body organised these events). Furthermore, in 2010 the FIU held a series of roundtables for representatives of banks, FIs, accounting and auditing companies, lawyers, real estate agencies, casinos, supervisors, and state authorities on the “effective implementation of the requirements of the AML/CFT law” (sector specific STR criteria, typologies and methods of detecting suspicions).

37. It appears difficult in this 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. Meanwhile, the organization of the trainings is a demonstration of positive developments and should undoubtedly be pursued, with a specific emphasis on credit organizations and other non bank financial institutions in order to enhance their knowledge and contribute to a more effective implementation of the AML/CFT requirements and implementing regulations.
38. In conclusion, Armenia has prepared draft amendments to rectify the identified deficiencies and implement the recommendations of the MER and undertook a number of trainings for financial institutions and DNFBPs. Until the adoption of the draft act and its entry into force, the only measure applicable is the guidance set out in the 2010 Circular recommending an annual periodicity for updating customer data. The draft legislation and guidance provided through trainings and in written form is clear evidence of the commitment of the authorities to address the deficiencies and recommendations of the evaluation report regarding R. 5. The Plenary also encourages the Armenian authorities to ensure the full mandatory application of the definition and that the stricter definition does not affect its effective implementation.

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

39. 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*). Article 21 of the draft AML/CFT no longer contains the term “main conditions of the transactions” as the Article relating to record keeping by the reporting entities was redrafted with the aim to better fulfil the requirements of Recommendation 10.
40. While Armenia has prepared draft amendments to the legislation to rectify the identified deficiency, pending the adoption of the draft legislation and its entry into force, no guidance is available regarding the notion of “main conditions of the transaction (business relationship)” subject to the recordkeeping requirements, in the cases which such transactions are not contracts.

#### **Recommendation 13 – STRs (rated LC in the MER)**

41. 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.
42. As indicated earlier, the authorities advised that in 2009 -2010 a number of training seminars and consultative meetings were organised for representatives of reporting entities, which also covered

STR related issued. The information provided in respect of those trainings is not comprehensive in order to draw any firm conclusions.

43. It is however positively noted that the number of STRs reported has increased tremendously. While at the time of the evaluation 27 STRs had been reported in 2007 and 37 in 2008, 72 STRs were reported in 2009 and 382 by August 2010. While this could be seen as an indicator that the effectiveness of the reporting system is improving, there is still an uneven implementation in terms of reporting by banks on one side and non bank financial institutions and DNFBPs on the other side. Reports are still only reported, apart from 1-2 exceptions, by the banking sector. This issue should also be considered when examining progress made in relation to the findings concerning the low number of the staff assigned to the FIU, and in particular to the Analysis division, and the issues of effectiveness raised in this context.
44. The number of cases/episodes<sup>3</sup> conducted by the FIU has also increased (from 35 in 2007 and 46 in 2008 to 111 in 2009 and respectively 79 in 2010), though this data, is not exclusively reflecting analysis of STRs only, as indicated in the explanations provided by the authorities. The number of disseminations to law enforcement authorities has slightly decreased in 2009 (9 compared to 11 previously in 2009) and increased in 2010 to 13.
45. In conclusion, Armenia has provided some evidence that the implementation of the reporting obligation is more effective, at least in the banking sector, and this is perhaps also as a result of the additional trainings provided. However the statistics provided do not enable to demonstrate concrete progress in the implementation of the reporting obligations by the non-banking financial institutions and other reporting entities.

#### **Special Recommendation IV - Suspicious transactions reporting related to terrorism (rated LC in the MER)**

46. Deficiency 1 identified in the MER (*Lack of guidance hampers the effective implementation of the reporting obligation*). The MER had also 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.
47. No changes are to be noted as regards FT related STRs. As regards the recommendation of the MER, the authorities advised that the FIU has drafted a formal guidance on the freezing obligation which is based on the draft amendments to the AML/CFT and is to be issued after the adoption and entry into force of the AML/CFT law. As this text was not made available, one cannot comment on the adequacy of such guidance and whether it covers comprehensively freezing obligations. The authorities also indicated that a report on FT typologies has been prepared and is expected to be issued within 2-3 months.
48. The measures described above indicate that work is in progress in order to address the deficiency and the recommendations in the MER. It could be expected that after the relevant legislation is brought into force and the relevant guidance is issued, a higher degree of implementation of the reporting obligation could be noted.

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<sup>3</sup> 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.

### **1.3. Main conclusions**

49. Since the adoption of the mutual evaluation report, Armenia has worked on the basis of a specific action plan to address the deficiencies identified and the recommendations formulated in the mutual evaluation report.
50. As a result, a package of amendments to 18 laws, including to the AML/CFT Law and the Criminal Code, has been introduced to the Government, and draft guidance has been prepared, all of these constituting a clear demonstration of the strong commitment of the authorities to address the identified deficiencies. 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. There is no progress regarding the introduction of the criminal liability for legal persons and the concerns raised in the context of the interpretation and implementation of the ML offence still remain to be clarified by the courts' practice. The statistics attached to the progress report show some improvements in respect of effectiveness, however effectiveness concerns remain as explained above.
51. Overall however, considering that this progress report covers action taken within one year only from the adoption of the report, it appears that Armenia is making satisfactory progress to deal with the majority of the deficiencies related to the core Recommendations. Additional action is still required on a number of issues, as reflected in this report. Armenia is thus encouraged to continue the implementation of the Action Plan with emphasis on the adoption of the above mentioned package of laws in a meaningful timeframe. Once the package is adopted, and if the relevant amendments are in compliance with FATF standards 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.
52. In conclusion as a result of the discussions held in the context of the examination of this first 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 visit (ie. September 2012), though the Plenary may decide to fix an earlier date at which an update should be presented.

MONEYVAL Secretariat, 27 September 2010

## **2. Information submitted by Armenia for the 1st progress report**

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

#### **1. Action plans on implementation of recommendations**

Since the adoption of the MER on 22 September 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](http://www.cba.am) / Financial Monitoring Center), 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 co-operation, as well as capacity building. A snap-shot of main activities is provided below:

#### **a. 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 circulation 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.

***b. 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 incapacities 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 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 co-operation**

### **a. Multilateral co-operation**

Multilateral co-operation 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 co-operation statistics**

Besides the multilateral framework, national authorities have been carrying out co-operation in a bilateral dimension. Such co-operation was mainly mediated through the FMC as a nexus authority within the AML/CFT institutional framework. The co-operation 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:

<i>Request status</i>	<i>Prosecutor’s Office</i>	<i>Police</i>	<i>National Security Service</i>	<i>National Revenue Committee</i>
<i>Requests received by FMC</i>	22	7	15	7
<i>Requests sent from FMC</i>	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:

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

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

### **3. International co-operation**

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 31<sup>st</sup> and 32<sup>nd</sup> 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 31<sup>st</sup> Plenary meeting of MONEYVAL and the 2<sup>nd</sup> 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):

<i>Requests status</i>	<i>FIU - Russia</i>	<i>FIU - Venezuela</i>	<i>FIU - Belgium</i>	<i>FIU - France</i>	<i>FIU - USA</i>	<i>FIU - Germany</i>	<i>FIU - Greece</i>
<i>Requests received by FMC</i>	8	3	2	1	1	1	1
	<i>FIU - Estonia</i>	<i>FIU - Bahrain</i>	<i>FIU - Albania</i>	<i>FIU - Bosnia and Herze- govina</i>	<i>FIU - Nigeria</i>	<i>Total</i>	
	1	1	1	1	1	22	
<i>Requests status</i>	<i>FIU - Russia</i>	<i>FIU - Latvia</i>	<i>FIU - Georgia</i>	<i>FIU - UK</i>	<i>FIU - USA</i>	<i>FIU - Canada</i>	<i>FIU -BVI</i>
<i>Requests sent from FMC</i>	6	3	3	1	1	1	1
	<i>FIU - Lithuania</i>	<i>FIU - Hungary</i>	<i>FIU - Czech Republic</i>	<i>FIU - Kirgizia</i>	<i>FIU - Switzer- land</i>	<i>Total</i>	

	1	1	1	1	1	21
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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 11<sup>th</sup> and 12<sup>th</sup> Plenary / Working Group meetings of this international body. During the 12<sup>th</sup> 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.

#### **4. Trainings & capacity building**

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.

## 2.2. Core Recommendations

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

<b>Recommendation 1 (Money Laundering offence)</b>	
<b>Rating: Largely compliant</b>	
Recommendation of the MONEYVAL Report	<i>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 exist 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;</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>(2) to further raise the awareness on the statutory requirements of the ML provision.</i>
Measures taken 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: <ul style="list-style-type: none"> <li>- 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;</li> <li>- 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;</li> <li>- 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.</li> <li>- 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.</li> </ul>
(Other) changes since the last evaluation	

<b>Recommendation 5 (Customer due diligence)</b>	
<b>I. Regarding FIs</b>	
<b>Rating: Partially compliant</b>	
Recommendation of	<i>Prohibit bearer bank books and certificates of deposit or other bearer securities, by</i>

the MONEYVAL Report	<i>way of repealing/changing articles of the Civil Code and any other regulations that make available these instruments in bearer form or regulate them.</i>
Measures taken to implement the Recommendation of the Report	Measures have been taken in order to implement the recommendation by elaborating 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).
Recommendation of the MONEYVAL Report	<i>Provide additional guidance to FIs with respect to adequate timeframes for updating customer data to ensure consistent and effective implementation.</i>
Measures taken to implement the Recommendation of the Report	Measures have been taken in order to implement the recommendation by elaborating the draft AML/CFT Law (see 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures have been taken in order to implement the recommendation by elaborating the draft AML/CFT Law (see Article 15, Part 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	See the response to the recommended measure above.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures have been taken in order to implement the recommendation by elaborating the draft AML/CFT Law (see 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.

Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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-related issues.
(Other changes since the last evaluation)	
<b>Recommendation 5 (Customer due diligence) II. Regarding DNFBP<sup>4</sup></b>	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures have been taken in order to implement the recommendation by elaborating the draft AML/CFT Law (see Article 15, Part 3; Article 5, Part 4).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	The following measures have been taken in order to implement the recommendation: - See 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).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	The following measures have been taken in order to implement the recommendation: - 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).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	The following measures have been taken in order to implement the recommendation: - 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);

<sup>4</sup> I.e. part of Recommendation 12.

	<ul style="list-style-type: none"> <li>- GRBA for Attorneys (Advocates) (Chapter 10, Paragraph 29 &amp; 30);</li> <li>- GRBA for Realtors (Real Estate Agents) (Chapter 10, Paragraphs 28 &amp; 29).</li> </ul>
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>The following measures have been taken in order to implement the recommendation:</p> <ul style="list-style-type: none"> <li>- The draft AML/CFT Law (Article 17);</li> <li>- GRBA for Accountants &amp; Auditors (Chapters 11 &amp; 12);</li> <li>- GRBA for Gambling (Chapters 11 &amp; 12);</li> <li>- GRBA for Attorneys (Advocates) (Chapters 11 &amp; 12);</li> <li>- GRBA for Realtors (Real Estate Agents) (Chapters 11 &amp; 12).</li> </ul>
Recommendation of the MONEYVAL Report	<i>Explicitly prohibit the application of reduced CDD measures when suspicions of ML/FT exist or in the event of high risk scenarios.</i>
Measures taken to implement the Recommendation of the Report	Measures have been taken in order to implement the recommendation by elaborating the draft AML/CFT Law (see Article 17, Part 8).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>The following measures have been taken in order to implement the recommendation:</p> <ul style="list-style-type: none"> <li>- The draft AML/CFT Law (Article 15, Part 1);</li> <li>- GRBA for Accountants &amp; Auditors (Chapter 9, Paragraph 27);</li> <li>- GRBA for Gambling (Chapter 9, Paragraph 27);</li> <li>- GRBA for Attorneys (Advocates) (Chapter 9, Paragraph 28);</li> <li>- GRBA for Realtors (Real Estate Agents) (Chapter 9, Paragraph 27).</li> </ul> <p>See the response to the recommended measure 3 under R. 5 (for FIs).</p>
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>The following measures have been taken in order to implement the recommendation:</p> <ul style="list-style-type: none"> <li>- The draft AML/CFT Law (Article 15, Part 1);</li> <li>- GRBA for Accountants &amp; Auditors (Chapter 9, Paragraph 27);</li> <li>- GRBA for Gambling (Chapter 9, Paragraph 27);</li> <li>- GRBA for Attorneys (Advocates) (Chapter 9, Paragraph 28);</li> <li>- GRBA for Realtors (Real Estate Agents) (Chapter 9, Paragraph 27).</li> </ul>
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>The following measures have been taken in order to implement the recommendation:</p> <ul style="list-style-type: none"> <li>- The draft AML/CFT Law (Article 17, Part 9);</li> <li>- GRBA for Accountants &amp; Auditors (Chapter 9, Paragraph 25);</li> <li>- GRBA for Gambling (Chapter 9, Paragraph 25);</li> </ul>

	- GRBA for Attorneys (Advocates) (Chapter 9, Paragraph 26); - GRBA for Realtors (Real Estate Agents) (Chapter 9, Paragraph 25).
(Other) changes since the last report	

<b>Recommendation 10 (Record keeping)</b> <b>I. Regarding FIs</b>
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<b>Rating: Largely compliant</b>
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Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures have been taken in order to implement the recommendation by elaborating the draft AML/CFT Law (see Article 21, Part 1), by means of completely redefining the scope and contents of the data to be maintained.
(Other) changes since the last evaluation	

<b>Recommendation 10 (Record keeping)</b> <b>II. Regarding DNFBP<sup>5</sup></b>
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Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	The following measures have been taken in order to implement the recommendation: - The draft AML/CFT Law (Article 21); - GRBA for Accountants & Auditors (Chapter 12); - GRBA for Gambling (Chapter 13); - GRBA for Attorneys (Advocates) (Chapter 13); - GRBA for Realtors (Real Estate Agents) (Chapter 13).
(Other) changes since the last evaluation	

<b>Recommendation 13 (Suspicious transaction reporting)</b> <b>I. Regarding FIs</b>
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<b>Rating: Largely compliant</b>
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Recommendation of the MONEYVAL Report	<i>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</i>
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<sup>5</sup> i.e. part of Recommendation 12.

	<i>typologies and trends (differentiated along the types of activities, especially for DNFBPs).</i>
Measures taken 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.
(Other) changes since the last evaluation	
<b>Recommendation 13 (Suspicious transaction reporting)</b> <b>II. Regarding DNFBP<sup>6</sup></b>	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	The following measures have been taken in order to implement the recommendation: 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).
Recommendation of the MONEYVAL Report	<i>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).</i>
Measures taken 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).
Recommendation of the MONEYVAL Report	<i>Implementing requirement for screening of personnel such as fitness and proprietary requirements.</i>
Measures taken 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)).
Recommendation of the MONEYVAL Report	<i>Issuing guidelines on the manner of reporting for dealers in precious stones or precious metals and relevant typologies of STs for DNFBPs.</i>
Measures taken to implement the Recommendation of	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

<sup>6</sup> I.e. part of Recommendation 16.

the Report	relating to ML schemes through credit card fraud, real estate transactions, insurance operations, and cross border conveyance of goods (posted on the FMC website). 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.
(Other) changes since the last evaluation	

<b>Special Recommendation II (Criminalisation of terrorist financing)</b>	
<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>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;</i>
Measures taken to implement the Recommendation of the Report	A draft amendment to the CC (Article 3) was elaborated in order to implement the recommendation.
Recommendation of the MONEYVAL Report	<i>and (2) to include a reference to “international organizations”, as required by Article 2 of the FT Convention</i>
Measures taken to implement the Recommendation of the Report	A draft amendment to the CC (Article 3) was elaborated in order to implement the recommendation.
Recommendation of the MONEYVAL Report	<i>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.</i>

Measures taken to implement the Recommendation of the Report	A draft amendment to the CC (Article 4) was elaborated in order to implement the recommendation.
Recommendation of the MONEYVAL Report	<i>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</i>
Measures taken to implement the Recommendation of the Report	A draft amendment to the CC (Article 1, Part 2) was elaborated in order to implement the recommendation.
Recommendation of the MONEYVAL Report	<i>Amend the law to provide for criminal liability of corporate entities.</i>
Measures taken 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 <i>adagium</i> “ <i>nullum crimen sine culpa</i> ” (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.
(Other) changes since the last evaluation	

<b>Special Recommendation IV (Suspicious transaction reporting)</b>	
<b>I. Regarding FIs</b>	
<b>Rating: Largely compliant</b>	
Recommendation of the MONEYVAL Report	<i>The authorities should provide guidance on the freezing obligations and on FT-related typologies.</i>
Measures taken 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.
(Other) changes	

since the last evaluation	
<b>Special Recommendation IV (Suspicious transaction reporting)</b>	
<b>II. Regarding DNFBP</b>	
Recommendation of the MONEYVAL Report	<i>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).</i>
Measures taken 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, <i>inter alia</i> , covered sector specific STR criteria, typologies and methods of detecting suspicion.
(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.

<b>Recommendation 3 (Confiscation and provisional measures)</b>	
<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Draft amendments to the CC (Articles 1, 2, 8 and 9) were elaborated in order to implement the recommendation.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Draft amendments to the CC (Article 1, Part 1) were elaborated in order to implement the recommendation.
Recommendation of the MONEYVAL Report	<i>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.</i>

Report	
Measures taken to implement the Recommendation of the Report	Draft amendments to the CC (Article 3) were elaborated in order to implement the recommendation.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	See the response to the recommended measure 1 under R. 4.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Draft amendments to the CC (Article 3) were elaborated in order to implement the recommendation. 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	The draft amendments to CC (Articles 1, 2, 8 and 9) envisage compulsory confiscation to be applied as a sanction for ML/FT and predicate offences. As per the statistics of applied confiscations by ML related convictions, see “Progress in investigations, prosecutions and judiciary action” section of the General Overview.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.
(Other) changes since the last evaluation	

**Recommendation 4 (Secrecy laws consistent with the Recommendations)**

<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	<p>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).</p> <p>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 <u>criminal prosecution bodies</u> to bank secrecy, while Article 29 of the LOSA envisages the access of <u>bodies performing operative-search activities</u> 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.</p> <p>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.</p> <p>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)<sup>7</sup>.</p>
Recommendation of the MONEYVAL Report	<i>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”.</i>
Measures taken to implement the	See the response to the recommended measure above.

<sup>7</sup> 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.

Recommendation of the Report	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Draft amendments to the LBS (Article 4) were elaborated to implement the recommendation.
(Other) changes since the last evaluation	

<b>Recommendation 9 (Third parties and introduced business)</b>	
<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>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);</i>
Measures taken to implement the Recommendation of the Report	Draft amendments to the AML/CFT Law (Article 15, Part 8) were elaborated to implement the recommendation.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implementation the Recommendation of the Report	Draft amendments to the AML/CFT Law (Article 15, Part 8) were elaborated to implement the recommendation.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implementation	Draft amendments to the AML/CFT Law (Article 15, Part 8) were elaborated to implement the recommendation.

the Recommendation of the Report	
Recommendation of the MONEYVAL Report	<i>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”.</i>
Measures taken to implement the Recommendation of the Report	Draft amendments to the AML/CFT Law (Article 3, Part 1, Paragraph 41) were elaborated to implement the recommendation.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Draft amendments to the AML/CFT Law (Article 15, Part 8, Paragraph 3) were elaborated to implement the recommendation.
(Other) changes since the last evaluation	

#### Recommendation 12 (DNFBP – R. 6, 8-11)

<b>Rating: Non compliant</b>	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	The following measures were taken to implement the recommendation: - 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).
Recommendation of the Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Draft amendments to the AML/CFT Law (Article 21, Part 1, Paragraph 4) were elaborated to implement the recommendation. 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, <i>inter alia</i> , guidance was provided on the current and developing ML/FT trends pertaining to different sectors of DNFBP-s operation.

Recommendation of the MONEYVAL Report	<i>Establish a specific framework when DNFBPs may rely on third parties or intermediaries to perform CDD measures.</i>
Measures taken to implement the Recommendation of the Report	Draft amendments to the AML/CFT Law (Article 15, Part 8) were elaborated to implement the recommendation.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	The following measures were taken to implement the recommendation: - The draft AML/CFT Law (Article 21); - GRBA for Accountants & Auditors (Chapter 13); - GRBA for Gambling (Chapter 13); - GRBA for Attorneys (Advocates) (Chapter 13); - GRBA for Realtors (Real Estate Agents) (Chapter 13).
(Other) changes since the last evaluation	

### Recommendation 15 (Internal controls, compliance and audit)

<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation were taken by elaborating 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation were taken by elaborating the draft AML/CFT Law (Article 23, Part 4), as well as envisaged by the Regulation (Chapter 3).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation were taken by elaborating the draft AML/CFT Law (Article 22, Part 1, Paragraph 9).
Recommendation of the MONEYVAL Report	<i>Ensure FIs maintain an independent and adequately resourced internal audit function, particularly when audit is assigned/ delegated to staff other than the internal auditor.</i>
Measures taken 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 can not 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.
Recommendation of the MONEYVAL Report	<i>Provide additional training to staff in all aspects of AML/CFT, and particularly with respect to the requirements of R.11.</i>
Measures taken 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).
Recommendation of the MONEYVAL Report	<i>Ensure that FIs are effectively implementing the requirements of the AML/CFT and implementing regulations.</i>
Measures taken to implement the	The recommendation has been implemented through a series of trainings provided to reporting entities (see Section 4 "Trainings & capacity building" of the General

Recommendation of the Report	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	<i>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.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation were taken by elaborating: - 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, <i>inter alia</i> , guidance on risks emanating from off-shore jurisdictions and non-compliant countries was provided.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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, <i>inter alia</i> , 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation were taken by elaborating : - 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).
(Other) changes since the last evaluation	

<b>Recommendation 20 (Other DNFBP and secure transaction techniques)</b>	
<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>Undertaking a risk assessment in order to determine if other DNFBPs are at risk of being misused for ML or FT.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>Take measures to reduce the use of cash and encourage more activity within the formal sector.</i>
Measures taken to implement the Recommendation of the Report	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 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.
(Other) changes since the last evaluation	

<b>Recommendation 24 (DNFBP - Regulation, supervision and monitoring)</b>	
<b>Rating: Non compliant</b>	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation were taken by elaborating draft amendments to the AML/CFT Law (Article 28, Part 1).
Recommendation of the MONEYVAL Report	<i>Implementing a supervisory regime for advocates (attorneys).</i>
Measures taken to implement the Recommendation of the Report	The recommendation has been implemented by the amendments to the Law on Advocacy (Articles 1, 3)
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	The following acts were elaborated to implement the recommendations: - The amendments to the Law on Gambling (Articles 3, 4); - GRBA for Gambling (Chapter 7, Part 21).
Recommendation of the MONEYVAL Report	<i>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</i>
Measures taken to implement the Recommendation of the Report	See the response to the recommended measure above.
Recommendation of the MONEYVAL Report	<i>Staffing levels and technical abilities focused on ML and FT of the supervisory bodies.</i>
Measures taken to implement the Recommendation of the Report	According to the 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 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).
(Other) changes since the last evaluation	

<b>Recommendation 25 (Guidelines and Feedback)</b>	
<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>Issuing guidelines for DNFBPs to assist with the full implementation and compliance of the applicable obligation set forth in the AML/CFT Law.</i>
Measures taken 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).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	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 their results. Current techniques, methods and trends have been introduced to reporting entities through, <i>inter alia</i> , respective seminars (see Section 4 “Trainings & capacity building” of the General Overview), typologies and circulars (posted on the FMC’s web-site).
Recommendation of the MONEYVAL Report	<i>Provide additional guidance/guidelines to FIs, particularly in the area of determining the appropriate timeframe for updating customer data or information.</i>
Measures taken to implement the Recommendation of the Report	See the response to recommended action 2 under R.5 (regarding FIs).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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.

(Other) changes since the last evaluation	
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**Recommendation 28 (Powers of competent authorities)**

**Rating: Partially compliant**

Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	See the response to the recommended measure 1 under R.4.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken 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, <i>inter alia</i> , 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, <i>inter alia</i> , 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).
(Other) changes since the last	

evaluation	
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**Recommendation 30 (Resources, integrity, and training)**

**Rating: Partially compliant**

Recommendation of the MONEYVAL Report	<i>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.</i>
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Measures taken to implement the Recommendation of the Report	<p>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 Co-operation 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.</p>
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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 <sup>8</sup>	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.

Recommendation of the MONEYVAL Report

*Consider additional resources for the FMC.*

Measures taken 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.

<sup>8</sup> 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.

	<p>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.</p> <p><u>Functional Resources:</u>  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.</p>
Recommendation of the MONEYVAL Report	<i>Provide AML/CFT specific training for officials of the NSS's investigative department and the custom's inquest and investigation departments.</i>
Measures taken to implement the Recommendation of the Report	See the response to the recommended measure 3 under R. 28.
(Other) changes since the last evaluation	

### Recommendation 32 (Statistics)

<b>Rating: Non compliant</b>	
Recommendation of the MONEYVAL Report	<i>Maintain accurate statistics.(see MER paragraphs 1055-1057)</i>
Measures taken to implement the Recommendation of the Report	<p>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 Co-operation Between the FMC and the FSD.</p> <p>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.</p> <p>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.</p>
(Other) changes since the last evaluation	

<b>Recommendation 35 (Conventions)</b>	
<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>Provide for criminal liability of legal persons.</i>
Measures taken to implement the Recommendation of the Report	See the response to recommended measure 5 under SR II.
Recommendation of the MONEYVAL Report	<i>Put in place confiscation measures for all offenses as defined in the Palermo Convention.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation have been taken by elaborating the draft amendment to the CC (Articles 8 and 9).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation have been taken by elaborating the draft amendment to the CPC (Article 3).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	See the response to the recommended measure 1 under R 28.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation	See the response to the recommended measure 1 under R 4.

of the Report	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	See the response to the recommended measure 1 under SR. IX.
Recommendation of the MONEYVAL Report	<i>Officials of the National Security Service's investigation department should receive more specific AML/CFT training specifically on AML/CFT.</i>
Measures taken to implement the Recommendation of the Report	See the response to the recommended measure 3 under R. 28.
(Other) changes since the last evaluation	

#### **Recommendation 36 (Mutual legal assistance)**

<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	See the response to the recommended measure 1 under R 4.
(Other) changes since the last evaluation	

#### **Special Recommendation I (Implementing UN instruments)**

<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>Define the FT offence in line with the definition of the offense in the SFT Convention.</i>

Measures taken to implement the Recommendation of the Report	See the responses to the recommended measures 3 and 4 under SR. II.
Recommendation of the MONEYVAL Report	<i>Put in place adequate measures to fully address the requirements under UNSCR 1267 and 1373.</i>
Measures taken to implement the Recommendation of the 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)

<b>Rating: Non compliant</b>	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation have been taken by elaborating the draft AML/CFT Law (Article 27 and Article 3, Part 1, Paragraphs 33, 37).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation have been taken by the draft AML/CFT Law (Article 27, Part 7 and Article 3, Part 1, Paragraph 37).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation	Measures to implement the recommendation have been taken by elaborating the draft AML/CFT Law (Article 3, Part 1, Paragraph 37) and the draft amendments to CC (Article 1, Part 2).

of the Report	
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	See the response to the recommended measure under SR. IV (regarding FIs).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation have been taken by elaborating the draft AML/CFT Law (Article 27, Part 3). See also the response to the recommended measure under SR. IV (regarding FIs).
Recommendation of the MONEYVAL Report	<i>Article 25 AML/CFT Law should make provision for the protection of bona fide third parties caught in the initial freezing process.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation have been taken by elaborating the draft AML/CFT Law (Article 27, Part 9).
(Other) changes since the last evaluation	

#### **Special Recommendation V (International co-operation)**

##### **Rating: Partially compliant**

Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	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 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.

Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	See the response to the recommended measures 3 and 4 under SR. II.
Recommendation of the MONEYVAL Report	<i>Clarify the provisions of professional secrecy, which may hamper FMC's ability to have access/compel information.</i>
Measures taken to implement the Recommendation of the 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)

<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>Ensuring that periodic assessments are undertaken by reviewing new information on the sector's potential vulnerabilities to terrorist activities.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>Establishing outreach to NPOs in relation to the risks of FT abuse and available measures to protect against FT abuse.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>Applying appropriate resources and technical capacity to the NPO sector with a focus on FT risks.</i>

Report	
Measures taken 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.
(Other) changes since the last evaluation	

<b>Special Recommendation IX (Cross Border declaration and disclosure)</b>	
<b>Rating: Partially compliant</b>	
Recommendation of the MONEYVAL Report	<i>Extend the declaration requirements in the case of out bound transportation through mail or cargo.</i>
Measures taken 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 Republic of Armenia 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.
Recommendation of the MONEYVAL Report	<i>Provide Customs authorities with the power to stop or restrain currency where there is a suspicion of money laundering or terrorist financing.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation have been taken by elaborating the draft amendments to the Customs Code (Article 7).
Recommendation of the MONEYVAL Report	<i>Increase the level of sanctions.</i>
Measures taken 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.
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation have been taken by elaborating the draft amendments to the Customs Code (Article 5) and the draft AML/CFT Law (Articles 27 and 3, Part 1, Paragraphs 33, 37).
Recommendation of the MONEYVAL Report	<i>Avenues to increase the public awareness of the need to declare imports and exports of cash and payable securities that exceed the specified threshold.</i>
Measures taken to implement the Recommendation of the Report	In the context of implementing this recommendation, placards have been posted on all customs borders of Armenia.
(Other) changes since the last evaluation	
Recommendation of the MONEYVAL Report	<i>Align the explanations of the requirements for declarations on imports and exports contained in the utilized declarations to clearly also cover payable securities.</i>
Measures taken to implement the Recommendation of the Report	The recommended change has been inserted in the declaration forms.
Recommendation of the MONEYVAL Report	<i>The effectiveness of the current level of fines to encourage declarations and to include in the sanctions regime specific penalties for ML or FT.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation have been taken by elaborating the draft amendments to the Customs Code (Article 8).
Recommendation of the MONEYVAL Report	<i>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.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation have been taken by elaborating the draft amendments to the Customs Code (Article 3).
Recommendation	<i>By way of law, rules or regulations, notification to other countries' competent</i>

of the MONEYVAL Report	<i>authorities in relation to unusual cross- border movement of gold, precious metals or stones.</i>
Measures taken to implement the Recommendation of the Report	Measures to implement the recommendation have been taken by elaborating the draft amendments to the Customs Code (Article 4).
Recommendation of the MONEYVAL Report	<i>Analyze the information collected under the declaration requirements to develop AML/CFT intelligence.</i>
Measures taken 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.
(Other) changes since the last evaluation	

## 2.4. Specific Questions

<i>1. Has the CBA increased the frequency of on-site inspections of the FIs it supervises?</i>
Yes, see the response (statistical data) to the recommended measure 1 under R. 30.
<i>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)?</i>
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.
<i>3. What are the measures introduced to prohibit the issuance/use of financial instruments in bearer form?</i>
See the response to the recommended measure 1 under R. 5 (regarding FIs)
<i>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.</i>
See the response to the recommended measure 1 under R. 30.
<i>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.</i>
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.

## 2.5. Questions related to the Third Directive (2005/60/EC) and the Implementation Directive (2006/70/EC)<sup>9</sup>

### 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.
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### Beneficial Owner

Please indicate whether your legal definition of beneficial owner corresponds to the definition of beneficial owner in the 3 <sup>rd</sup> Directive <sup>10</sup> (please also provide the legal text with your reply)	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.
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### 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.
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### Politically Exposed Persons

<sup>9</sup> For relevant legal texts from the EU standards see Appendix II.

<sup>10</sup> Please see Article 3(6) of the 3<sup>rd</sup> Directive reproduced in Appendix II.

<p>Please indicate whether criteria for identifying PEPs in accordance with the provisions in the Third Directive and the Implementation Directive<sup>11</sup> are provided for in your domestic legislation (please also provide the legal text with your reply).</p>	<p>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.</p>
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<b>“Tipping off”</b>	
<p>Please indicate whether the prohibition is limited to the transaction report or also covers ongoing ML or FT investigations.</p>	<p>Article 27 of the Third Directive is implemented by both the current (Article 12) and the draft (Article 11) AML/CFT laws.</p>
<p>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.</p>	<p>The draft AML/CFT law (Article 5, Part 5 relating to “tipping off”) does not envisage circumstances where the prohibition is lifted.</p>

<b>“Corporate liability”</b>	
<p>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</p>	<p>See the response to the recommended measure 5 under SR II.</p>

<sup>11</sup> Please see Article 3(8) of the 3<sup>rd</sup> Directive and Article 2 of Commission Directive 2006/70/EC reproduced in Appendix II.

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.

<b>DNFBPs</b>	
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.	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.

## 2.6. Statistics

a. Please complete - to the fullest extent possible - the following tables:

<b>2005</b>												
	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)
<b>ML</b>	5	6	3	4	-	-	-	-	-	-	-	-
<b>FT</b>	-	-	-	-	-	-	-	-	-	-	-	-

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)
<b>ML</b>	4	4	2	2	1	1	-	-	-	-	-	-
<b>FT</b>	-	-	-	-	-	-	-	-	-	-	-	-

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)
<b>ML</b>	3	3	2	2	-	-	-	-	-	-	-	-
<b>FT</b>	-	-	-	-	-	-	-	-	-	-	-	-

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)
<b>ML</b>	6	11	5	8	-	-	-	-	3	112758	-	-
<b>FT</b>	-	-	-	-	-	-	-	-	-	-	-	-

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)
<b>ML</b>	10	8	7	7	7	7	-	-	5	1140942 and other property	6	124307
<b>FT</b>	-	-	-	-	-	-	-	-	-	-	-	-

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)
<b>ML</b>	8	10	6	10	2	2	-	-	1	198407	2	1105432
<b>FT</b>	-	-	-	-	-	-	-	-	-	-	-	-

## 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.

“*Cases 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 <sup>12</sup>		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	cases	persons	cases	persons	cases	persons	
Commercial	-	-	-	6	-	1	-	-	-	-	-	-	-	-	-	-

<sup>12</sup> 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.

Banks																			
Insurance Companies	-	-	-																
Notaries	-	-	-																
Currency Exchange	-	-	-																
Broker Companies	-	-	-																
Securities' Registrars	-	-	-																
Lawyers	-	-	-																
Accountants/Auditors	-	-	-																
Company Service Providers	-	-	-																
Others (please specify and if necessary add further rows)	-	-	-																
<b>Total</b>	-	-	-																

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	-	6	-	2	-	-	-	-	-	-	-	-	
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 Depository for regulated market securities in accordance with the RA Law on Securities market	-	-	-												
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	-	-															
<b>Total</b>	<b>53,408</b>	<b>27</b>	<b>-</b>															

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 Depository 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	-	-														
<b>Total</b>	<b>77,730</b>	<b>27</b>															

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 Depository 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	-	-											
<b>Total</b>	<b>93,357</b>	<b>37</b>	<b>-</b>											

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 trading, foreign currency trading	50	-	-												
Licensed persons providing cash (money) transfers	-	1	-												
Persons rendering investment services in accordance with the RA Law on Securities market	246	-	-												
Central Depository 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	-														
<b>Total</b>	<b>102,949</b>	<b>72</b>	<b>-</b>														

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 Depository 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	-														
<b>Total</b>	<b>99,603</b>	<b>382</b>															

### 3. Appendices

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

AML/CFT System	Recommended Action (in order of priority within each section)
<b>1. General</b>	
<b>2. Legal System and Related Institutional Measures</b>	
<b>2.1 Criminalization of Money Laundering (R.1 &amp; 2)</b>	<ul style="list-style-type: none"> <li>• 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 exist 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;</li> <li>• Amend the law to provide for criminal liability of corporate entities.</li> </ul>
<b>2.2 Criminalization of Terrorist Financing (SR.II)</b>	<ul style="list-style-type: none"> <li>• 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;</li> <li>• 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 of a specific act of terrorism;</li> <li>• 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;</li> <li>• Amend the law to provide for criminal liability of corporate entities.</li> </ul>

<p><b>2.3 Confiscation, freezing, and seizing of proceeds of crime (R.3)</b></p>	<ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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.</li> </ul>
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<p><b>2.4 Freezing of funds used for terrorist financing (SR.III)</b></p>	<ul style="list-style-type: none"> <li>• 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 SR.III. 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;</li> <li>○ 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;</li> <li>○ 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;</li> <li>○ 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;</li> <li>○ 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;</li> <li>• Article 25 AML/CFT Law should make provision for the protection of bona fide third parties caught in the initial freezing process.</li> </ul>
<p><b>2.5 The Financial Intelligence Unit and its functions (R.26)</b></p>	<ul style="list-style-type: none"> <li>• Amend the Statute of the FMC to reflect the new responsibilities envisaged by the new AML/CFT law;</li> <li>• Increase the number of staff, particularly of the Analysis division;</li> <li>• Consider establishing a unit (or a sub-unit in the Analysis division) to deal specifically with the analysis of TRs;</li> <li>• 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</li> </ul>

	<p>information;</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>2.6 Law enforcement, prosecution and other competent authorities (R.27 &amp; 28)</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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;</li> <li>• 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.</li> </ul>
<p><b>2.7 Cross-Border Declaration &amp; Disclosure (SR IX)</b></p>	<ul style="list-style-type: none"> <li>• Extend the declaration requirements in the case of out bound transportation through mail or cargo;</li> <li>• Provide Customs authorities with the power to stop or restrain currency where there is a suspicion of money laundering or terrorist financing;</li> <li>• Increase the level of sanctions;</li> <li>• 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;</li> <li>• Avenues to increase the public awareness of the need to declare imports and exports of cash and payable securities that exceed the specified threshold;</li> <li>• Align the explanations of the requirements for declarations on imports and exports contained in the utilized declarations to clearly also cover payable securities;</li> <li>• The effectiveness of the current level of fines to encourage declarations and to include in the sanctions regime specific penalties for ML or FT;</li> <li>• The authority of Customs, in laws, rules or regulations, to request information on the origin of the currency or</li> </ul>

	<p>payable securities and their intended use;</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Analyze the information collected under the declaration requirements to develop AML/CFT intelligence.</li> </ul>
<b>3. Preventive Measures– FIs</b>	
<b>3.1 Risk of money laundering or terrorist financing</b>	
<b>3.2 Customer due diligence, including enhanced or reduced measures (R.5–8)</b>	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Provide additional guidance to FIs with respect to adequate timeframes for updating customer data to ensure consistent and effective implementation; <ul style="list-style-type: none"> <li>○ 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;</li> <li>○ 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;</li> <li>○ 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;</li> <li>○ 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;</li> <li>○ 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;</li> </ul> </li> <li>• 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</li> </ul>

	additional measures in place.
<b>3.3 Third parties and introduced business (R.9)</b>	<ul style="list-style-type: none"> <li>○ Amend the regulation on Minimal Requirements to establish the obligations for FIs relying on intermediaries or third parties to: <ul style="list-style-type: none"> <li>○ immediately obtain from the third party the necessary information concerning certain elements of the CDD process (Criteria 5.3. to 5.6);</li> <li>○ 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</li> <li>○ 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.</li> </ul> </li> <li>• 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”;</li> <li>○ 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.</li> </ul>
<b>3.4 FI secrecy or confidentiality (R.4)</b>	<ul style="list-style-type: none"> <li>• 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;</li> <li>• 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”;</li> <li>• 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.</li> </ul>
<b>3.5 Record keeping and wire transfer rules (R.10 &amp;</b>	<ul style="list-style-type: none"> <li>○ Clarify in the Regulation on Minimal Requirements or in other enforceable guidance the notion of “main</li> </ul>

<b>SR.VII)</b>	<p>conditions of the transaction (business relationship)” subject to the record keeping requirements, in the cases which such transactions are not contracts;</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>3.6 Monitoring of transactions and relationships (R.11 &amp; 21)</b>	<ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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.</li> </ul>
<b>3.7 Suspicious transaction reports and other reporting (R.13, 14, 19, 25, &amp; SR.IV)</b>	<ul style="list-style-type: none"> <li>○ 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);</li> <li>• The authorities should provide guidance on the freezing obligations and on FT-related typologies.</li> </ul>
<b>3.8 Internal controls, compliance, audit and foreign branches (R.15 &amp; 22)</b>	<ul style="list-style-type: none"> <li>○ 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;</li> <li>○ 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;</li> <li>○ 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</li> </ul>

	<p>employees;</p> <ul style="list-style-type: none"> <li>○ Ensure FIs maintain and independent and adequately resourced internal audit function, particularly when audit is assigned/delegated to staff other than the internal auditor;</li> <li>○ Provide additional training to staff in all aspects of AML/CFT, and particularly with respect to the requirements of R.11;</li> <li>● Ensure that FIs are effectively implementing the requirements of the AML/CFT and implementing regulations.</li> </ul>
<b>3.9 Shell banks (R.18)</b>	<ul style="list-style-type: none"> <li>● Clarify the definition of “shell bank” in a way that is consistent with the FAFT standard.</li> </ul>
<b>3.10 The supervisory and oversight system—competent authorities and SROs Role, functions, duties and powers (including sanctions) (R.23, 29, 17 &amp; 25)</b>	<ul style="list-style-type: none"> <li>● 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;</li> <li>● 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;</li> <li>○ Conduct frequent and ongoing AML/CFT inspections of banks organizations, money transfers services (money remitters) and securities/investment firms;</li> <li>● Update the AML/CFT examination procedures for all sectors in line with the requirements of the new AML/CFT Law (2008);</li> <li>● Provide additional guidance/guidelines to FIs, particularly in the following areas: <ul style="list-style-type: none"> <li>● Determining the appropriate timeframe for updating customer data or information; and</li> <li>● Conducting ongoing CDD throughout the course of the business relationship for regular customers and enhanced ongoing monitoring on a PEP business relationship.</li> </ul> </li> </ul>
<b>3.11 Money value transfer services (SR.VI)</b>	<ul style="list-style-type: none"> <li>● Follow up on the money remitter that appears to be informally operating in the financial system without CBA registration and approval.</li> </ul>
<b>4. Preventive Measures—Nonfinancial Businesses and Professions</b>	
<b>4.1 Customer due diligence and record-keeping (R.12)</b>	<ul style="list-style-type: none"> <li>● 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;</li> </ul>

	<ul style="list-style-type: none"> <li>• 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;</li> <li>○ 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• Explicitly prohibit the application of reduced CDD measures when suspicions of ML/FT exist or in the event of high risk scenarios;</li> <li>• 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;</li> <li>○ 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;</li> <li>○ 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;</li> <li>○ 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;</li> <li>○ 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;</li> <li>• Establish a specific framework when DNFBPs may rely on third parties or intermediaries to perform CDD</li> </ul>
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	<p>measures;</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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.</li> </ul>
<p><b>4.2 Suspicious transaction reporting (R.16)</b></p>	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Implementing requirement for screening of personnel such as fitness and proprietary requirements;</li> <li>• Issuing guidelines on the manner of reporting for dealers in precious stones or precious metals and relevant typologies of STs for DNFBPs;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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;</li> </ul>

	<ul style="list-style-type: none"> <li>• 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;</li> <li>• 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.</li> </ul>
<b>4.3 Regulation, supervision, monitoring, and sanctions (R.17, 24, &amp; 25)</b>	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Implementing a supervisory regime for advocates (attorneys);</li> <li>• 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;</li> <li>• Staffing levels and technical abilities focused on ML and FT of the supervisory bodies;</li> <li>• Issuing guidelines for DNFBPs to assist with the full implementation and compliance of the applicable obligation set forth in the AML/CFT Law;</li> <li>• 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.</li> </ul>
<b>4.4 Other designated non-financial businesses and professions (R.20)</b>	<ul style="list-style-type: none"> <li>• Undertaking a risk assessment in order to determine if other NFBPs are at risk of being misused for ML or FT;</li> <li>• Take measures to reduce the use of cash and encourage more activity within the formal sector.</li> </ul>
<b>5. Legal Persons and Arrangements &amp; Nonprofit Organizations</b>	
<b>5.1 Legal Persons–Access to beneficial ownership and control information</b>	<ul style="list-style-type: none"> <li>• Ensure that Article 23.2. Law on State Registration of Legal Entities is implemented effectively;</li> <li>• Amend Article 157 Civil Code to eliminate any</li> </ul>

<b>(R.33)</b>	reference to bearer shares; <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<b>5.2 Legal Arrangements – Access to beneficial ownership and control information (R.34)</b>	<i>NA</i>
<b>5.3 Nonprofit organizations (SR.VIII)</b>	<ul style="list-style-type: none"> <li>• Ensuring that periodic assessments are undertaken by reviewing new information on the sector’s potential vulnerabilities to terrorist activities;</li> <li>• Establishing outreach to NPOs in relation to the risks of FT abuse and available measures to protect against FT abuse;</li> <li>• Applying appropriate resources and technical capacity to the NPO sector with a focus on FT risks.</li> </ul>
<b>6. National and International Co-operation</b>	
<b>6.1 National co-operation and coordination (R.31)</b>	<ul style="list-style-type: none"> <li>○ Undertaking ongoing analysis of the risk of ML/FT to streamline its AML/CFT strategy;</li> <li>○ Additional or alternative outreach mechanisms for consultation with regulated entities either by way of the existing arrangements or by other means;</li> <li>• Follow up on the effectiveness of decisions made and the full implementation of policies emanating from these decisions.</li> </ul>
<b>6.2 The Conventions and UN Special Resolutions (R.35 &amp; SR.I)</b>	<ul style="list-style-type: none"> <li>• Provide for criminal liability of legal persons;</li> <li>• Put in place confiscation measures for all offenses as defined in the Palermo Convention;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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</li> </ul>

	<p>not yet been identified or where the information is sought with respect to persons other than the suspect.</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Officials of the National Security Service’s investigation department should receive more specific AML/CFT training specifically on AML/CFT;</li> <li>• Define the FT offense in line with the definition of the offense in the SFT Convention;</li> <li>• Put in place adequate measures to fully address the requirements under UNSCR 1267 and 1373.</li> </ul>
<p><b>6.3 Mutual Legal Assistance (R.36, 37, 38 &amp; SR.V)</b></p>	<ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• 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.</li> </ul>
<p><b>6.4 Extradition (R. 39, 37 &amp; SR.V)</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>6.5 Other Forms of Co-operation (R. 40 &amp; SR.V)</b></p>	<ul style="list-style-type: none"> <li>• Clarify the provisions of professional secrecy, which may hamper FMC’s ability to have access/compel information;</li> <li>• 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</li> </ul>

	<p>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.</p>
<b>7. Other Issues</b>	
<b>7.1 Resources and statistics (R. 30 &amp; 32)</b>	<ul style="list-style-type: none"> <li>• 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;</li> <li>• Consider additional resources for the FMC;</li> <li>• Provide AML/CFT specific training for officials of the NSS's investigative department and the custom's inquest and investigation departments;</li> <li>• Maintain accurate statistics.</li> </ul>
<b>7.2 Other relevant AML/CFT measures or issues</b>	
<b>7.3 General framework – structural issues</b>	

### **3.2. 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 (3<sup>rd</sup> 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 2005/60/EC (3<sup>rd</sup> 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.

### **3.3. APPENDIX III - 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
FAFT	Financial Action Task Force
FT	financing of terrorism
FI	financial institution
FIU	Financial Intelligence Unit
FMC	Financial Monitoring Center
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