

DEAR COLLEAGUES!

The State Committee for Financial Monitoring of Ukraine and now according to Decree of the President of Ukraine «On optimizing the system of central authorities of executive power» (№1085/2010 dated 9 December 2010) – the State Financial Monitoring Service of Ukraine proposes to your attention annual report on measures implemented and results of activity in 2010.

Declared by the President of Ukraine the New course of economic reforms became an effective impulse for an appreciable improving of our work. Basing on adopted by the Verkhovna Rada of Ukraine the Law of Ukraine On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime, or Terrorist Financing as well as timely and qualitatively responding to FATF Recommendations and warnings of Committee of Experts on the evaluations of anti-money laundering measures succeed us to maximum strength of counteraction to legalization (laundering) of the proceeds from crime, or terrorist financing and simultaneously to minimize risks of breaking rights and lawful interests of citizens and legal persons in their activity on external trade operations.

During reporting period the SCFM of Ukraine ensured functioning of unified state information system, collected, processed and analyzed information on financial transactions subject to financial monitoring.

Important achievements of our activity are reducing departmental isolation, coordination and proper interaction between reporting entities and entities of state financial monitoring.

Cooperation, interaction and information share between state authorities, competent authorities of foreign states and international organizations were performed on appropriate level.

During the reporting period organizational structure optimization was conducted and professional development of reporting entities as well as specialists of state agencies responsible for carrying out of financial monitoring in Ukraine were ensured.

The State Committee for Financial Monitoring of Ukraine will continue performing the intended functions on high organizational and professional levels, operate in regime of maximum maintaining of national security and strengthening Ukraine's authority on international arena.

Respectfully

**Head of the State Financial
Monitoring Service of Ukraine**

Serhiy HURZHIY

1. About the SCFM

Combating money laundering shall be considered as an issue of national security for every state.

Before the beginning of the new century Ukraine failed to have the proper AML/CTF system. And it only slightly corresponded to separate FATF Recommendations.

FATF standards appeared to be the basis for national legislation improvement in many countries.

Committing the establishment of legal grounds for execution of set standards and to make the financial system correspond to international requirements, Ukraine plays an active role in development international AML/CTF system.

In order to operate undertaken obligations before international community and especially FATF in January 2002 the Government of Ukraine established the key element of the current system, its coordinating agency – the Financial Intelligence Unit, starting as State Department and following as a State Committee for Financial Monitoring and after a while as State Financial Monitoring Service of Ukraine. This was the first stage in national AML/CTF system construction.

In accordance with Decree of the President of Ukraine dated 09.12.2010 № 1085 “On Optimization the system of central authorities of executive power” the State Committee for Financing Monitoring of Ukraine was reorganized into the State Financial Monitoring Service of Ukraine which takes a central place in AML/CFT area.

The Service operates as a national financial intelligence center with relevant authorities, being a link of governmental AML/CTF system engaging other financial institutions, state control agencies and law enforcement authorities.

The first operate as information sources on financial transactions; state control agencies monitor and regulate; law enforcement authorities operate according to detected offences. Financial Intelligence Unit collects and analyzes information on financial transactions, subject to suspicion and in case of necessity submits it to law enforcement agencies.

The SCFM role is to process STRs received and provides relevant law enforcement agencies with case referrals where suspicions on ML or TF may rise.

So a peculiarity of work consists of active monitoring process of possible facts of “dirty” money laundering or terrorist financing.

SCFM is a part of financial monitoring system as a state financial monitoring entity.

In accordance with the Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime, or Terrorist Financing” the

SCFM is a central agency of executive power on financial monitoring issues ensuring execution of state policy in AML/CFT area as well as coordination of state agencies activity in this area.

SCFM acts on the basis of the Constitution and laws of Ukraine, acts of the President and the Cabinet of Ministers of Ukraine, international treaties and the Statute of the State Financial Monitoring Service of Ukraine.

Financing of SFMS expenditure in 2010 was carried out from the State Budget within the frameworks under the Law of Ukraine «On the State Budget of Ukraine for 2010».

In 2010 according to assignments, funds in amount of UAH 37 066, 7 were assigned to SCFM from the State Budget. Structure of use of mentioned funds is provided below in the table 1.

Table1

Structure of use of budget assignments by SCFM in 2010

Direction of expenditures	Amount (thousands UAH)
Wages and wage upholding	28 835,6
Payment for public utilities and energy consumptions	2 471,2
Business trip expenditures	199,7
Maintenance of SCFM Training Centre	1 485,5
Other expenditure for providing activity and functioning of the State Information and Information-Analytical System of SCFM	4 074,7
Total	37 066,7

The SCFM personnel consist of **338** persons, including **71** in regional departments.

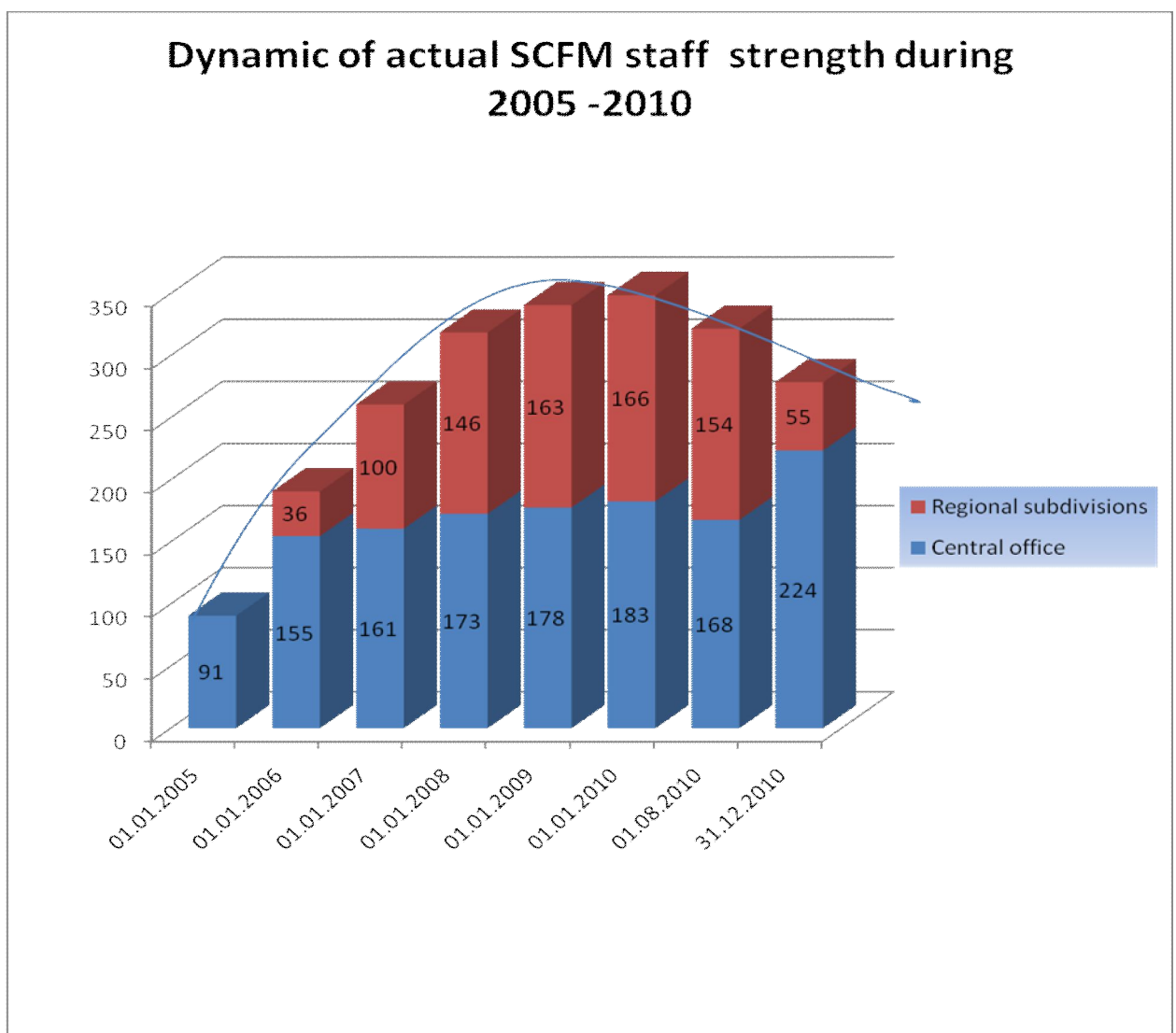
In order to optimize the structure and distribute functions of regional subdivisions upon execution order of the President of Ukraine dated 29.06.2010 №1-1/1377, on August 2010 the SCFM structure was changed in framework of established strength limit. Change of the structure provided carrying out of reorganization of regional subdivisions of SCFM on the base of transition from regional organization principle (in regions and AR of Crimea) to territorial and functional principle consequently 7 regional subdivisions were established in key regions of the country:

- Central regional subdivision, Kyiv (*covers Kyiv, Kyiv, Vinnytsia, Zhytomyr, Cherkasy and Chernihiv regions*);

- Western regional subdivision, Lviv (*covers Lviv, Zakarpattia, Ivano-Frankivsk, Chernivtsi, Ternopil, Khmelnytskyi, Rivne, Volyn regions*);
- Southern regional subdivision, Odesa (*covers Odesa, Mykolaiv, Kherson, Kirovohrad regions*);
- Northern-Eastern regional subdivision, Kharkiv (*covers Kharkiv, Sumy, Poltava regions*);
- Southern-Eastern regional subdivision, Dnipropetrovsk (*covers Dnipropetrovsk, Zaporizzhia regions*);
- Eastern regional subdivision, Donetsk (*covers Donetsk, Luhansk regions*);
- Crimean regional subdivision, Simferopol (*covers AR of Crimea, Sevastopol*).

As of December 31, 2010 in SCFM actually worked **279** employees, **224** of them - in central office and **55** - in regional subdivisions. Dynamic of real strength of SCFM employees in 2005-2010 is given in chart 1 below :

Chart 1



Gender division of SCFM staff represents: **140** men and **139** women. Among senior management - **43** men and **34** women.

The average age of employees of the SCFM of Ukraine is **37** years.

Total- 279 persons, average age - 37:

 - 50%  - 50%

The SCFM staff consists of high qualified specialists with higher education.

The SCFM staff is appointed via competition under the Statute of conducting Competition. Information on competition and its terms are submitted to the mass media and also placed at SCFM official web-site.

In 2010 there were **5** meetings of competitive commission for vacant seats of civil servants carried out in SCFM, **88** persons participated in competitions and **68** persons were employed under the competition results. Besides, **4** persons were transferred to the SCFM from other state agencies under the results of probation period and **1** person was employed from staff reserve.

In order to gain practical experience, examine the professional level and in a view of carrier development in SCFM a probation of civil servants is carried out under the result of which **63** SCFM employees were promoted to higher positions.

2. AML/CFT Legislation Development

In 2010 substantial changes in national AML/CFT legislation were carried out. On May 18, 2010 the Verkhovna Rada of Ukraine adopted the Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime, or Terrorist Financing” which entered into force on August 21, 2010. New version of the Law covered the last amendments to FATF Forty Recommendations and recommendation of Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism as well as work experience of national AML/CFT system in 2003-2010.

The main innovations of the Law are:

- decreasing the threshold for predicate crimes that preceded (legalization) laundering of the proceeds from three years to one year;
- expanding of the list of reporting entities and relevant list of state financial monitoring entities;
- introduction of new risk management approach to legalization (laundering) of proceeds of crime or terrorist financing considering the identification results and examination of the client’s financial activities, services being provided to client,

analysis of conducted operations, and their accordance to the financial conditions and content of client's activity;

- increasing of threshold of obligatory financial monitoring from UAH 80,000 to UAH 150,000;
- establishment of mechanism of suspension of financial transactions related to legalization (laundering) of the proceeds of crime or terrorist financing;
- establishment of the right for reporting entities to terminate financial transaction if participant or beneficiary of such transaction is the person regarding whom international sanctions have been applied;
- strengthening of responsibility for non-execution of requirements of AML/CFT legislation.

In order to fulfill requirements of the Law the following normative and legal acts were developed and adopted:

- 7 resolutions of the Cabinet of Ministers of Ukraine;
- 18 orders of the SCFM of Ukraine;
- 8 joint orders of the SCFM of Ukraine and other state agencies;
- 18 acts of other state agencies.

Together with other participants of National AML/CFT system the SCFM of Ukraine elaborated Strategy for developing Anti-money laundering and counter terrorist financing system for the period up to 2015. Strategy conceptually defines the following:

- a) key state policy principles;
- b) basic targets;
- c) main directions of strategic analysis of financial system state in order to disclose threats to national safety of country;
- d) tasks and mechanisms of counteraction to legalization (laundering) of the proceeds from crime, or terrorist financing;
- e) forming of national multiple source analytical information that enables timely disclose, examine and investigate crimes related to money laundering and other illegal financial transactions.

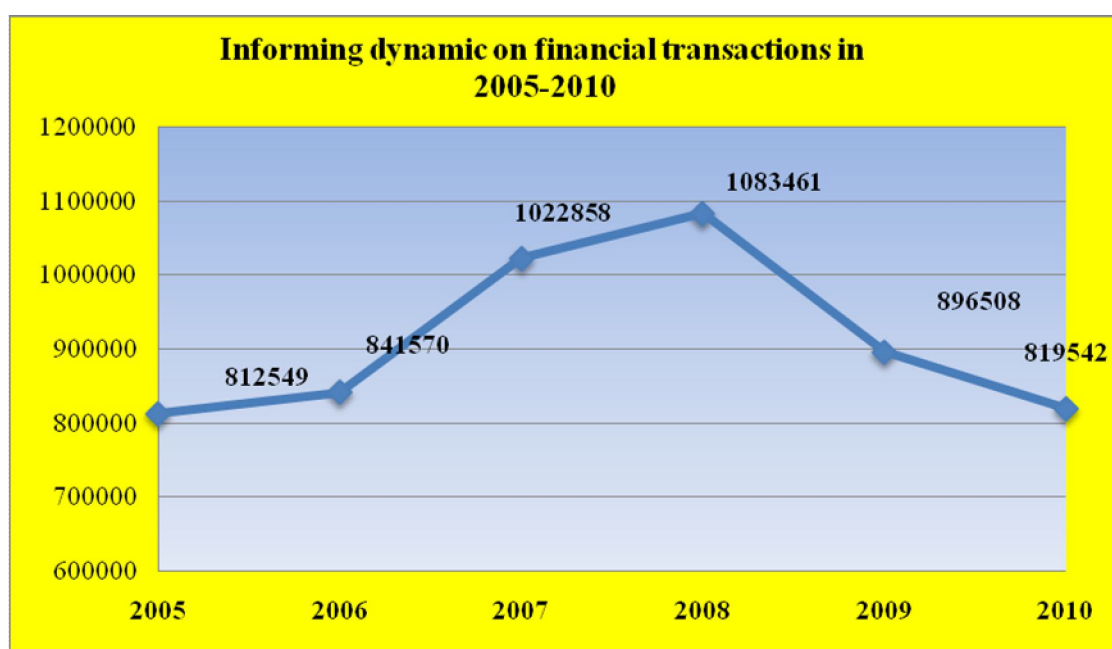
3. STR's Statistic

3.1. General STR's dynamics

Pursuant to the legislation the SCFM receives from financial intermediaries the information on financial transactions subject to obligatory financial monitoring or suspected in money laundering and terrorist financing.

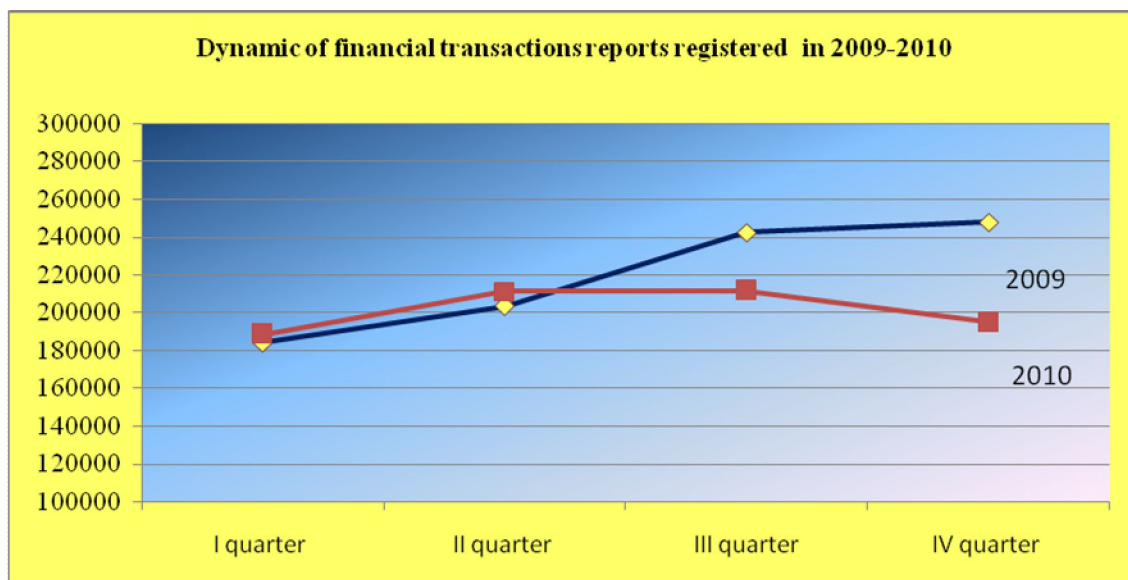
From the early beginning of the informational and analytical system exploitation SCFM received and processed **6 471 299 reports** on financial transactions subject to financial monitoring, **819 542** of which were received and processed in 2010 (pic. 3.1).

Pic. 3.1



It should be mentioned that in 2010 a number of STRs received by SCFM decreased on 9, 39 % in comparison with 2009 that is justified with an increase as of August 21, 2010 threshold amount of obligatory financial monitoring (pic. 3.2).

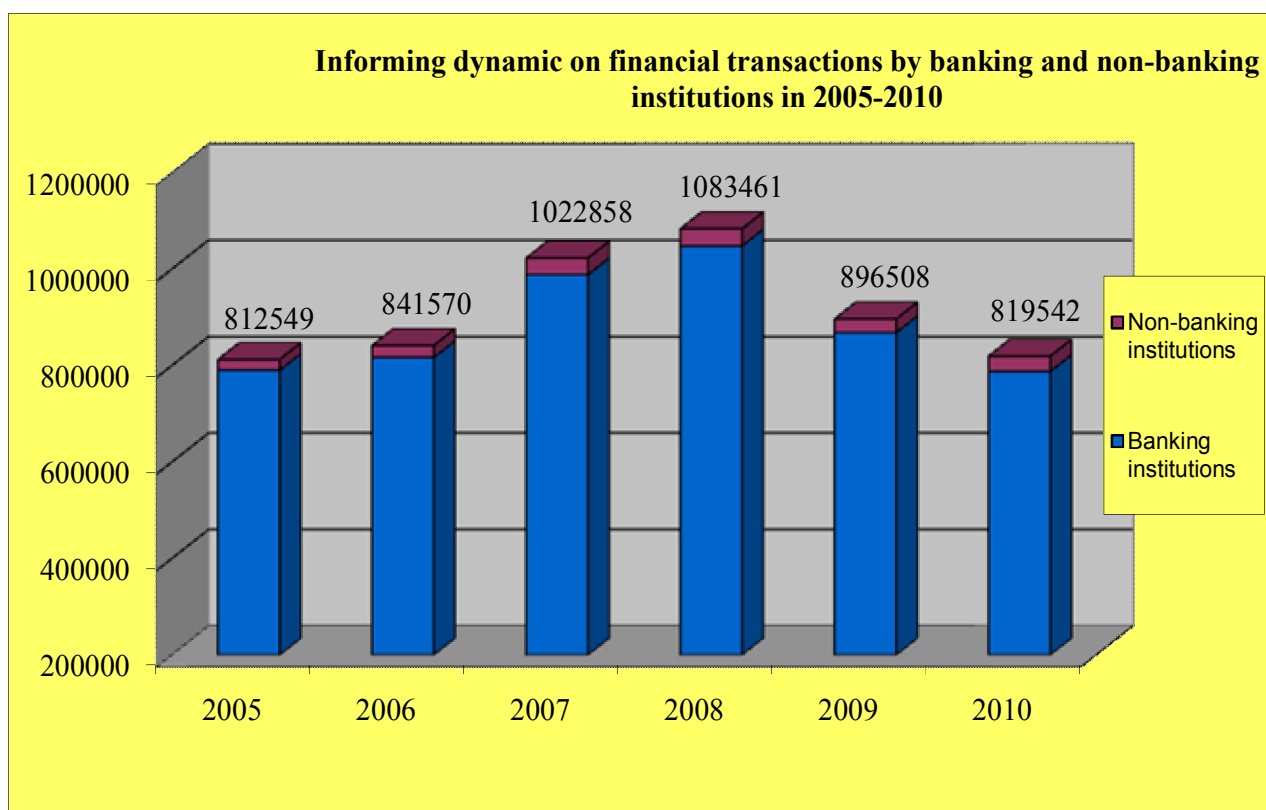
Pic. 3.2



3.2. Reporting entities STR's Dynamics

The most active entities in the reporting system are banking institutions that provide a main share of STRs. Thus, during 2010 banking institutions provided 96,14% of STRs, including (pic. 3.3):

Pic. 3.3



Also, it should be mentioned that specific gravity of mistakes made in reports as in the previous years keeps decreasing and constitutes only 1,6 % from total number of STRs received by SCFM in 2010.

**Number of reports received from banking and non-banking institutions as of
January 1, 2011**

Type of institution	Number of reports received by e-mail	Number of reports received in hard copy
Banking institutions	787 912	—
Non-banking institutions	26 862	4768

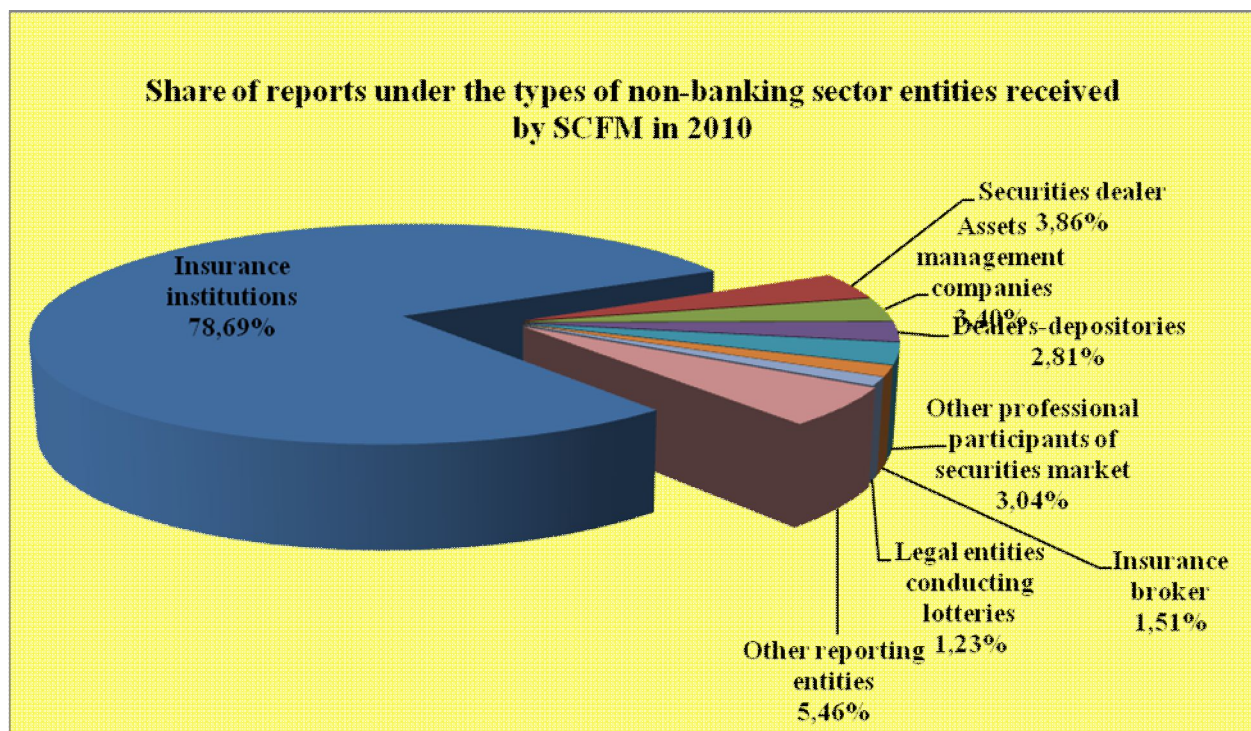
In 2010 a number of reports on financial transactions received digitally by SCFM from non-banking institutions increased in comparison with 2009 on 20,6 % and constitutes 84,9 % from total number of transactions received by SCFM from the mentioned category of reporting entities.

Among non-banking institutions the most active reporting entities are insurance companies. The specific gravity of such reports subject to financial monitoring in total number of STRs of non-banking sector constitutes 78,69 % (pic. 3.4).

**The specific gravity of reports in total number registered STRs received by
SCFM from non-banking sector in 2010**

Type of institution	Number	Share
Insurance institutions	23 403	78,69 %
Securities dealer	1 147	3,86 %
Assets management companies	1 012	3,40 %
Dealers-depositories	835	2,81 %
Other professional participants of securities market	904	3,04 %
Insurance broker	449	1,51 %
Legal entities conducting lotteries	366	1,23 %
Other reporting entities	1 624	5,46 %

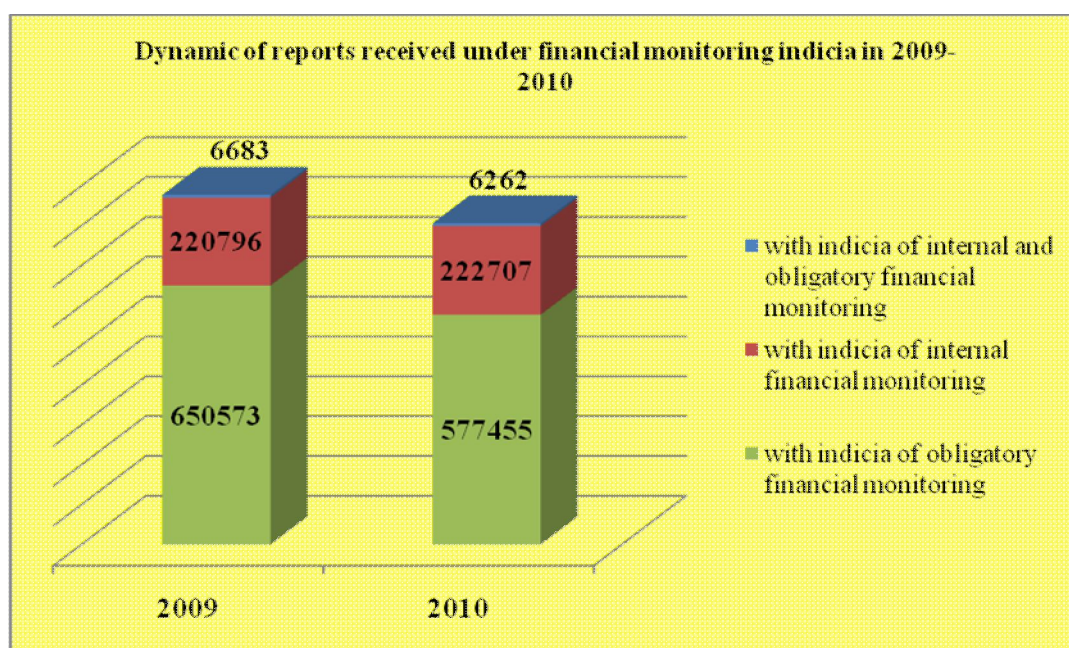
Рис. 3.4



Distribution of reports registered in reporting period in perspective of financial monitoring indicia is the following (pic. 3.5):

- under indicia of obligatory monitoring – 71,6% (577 455);
- under indicia of internal monitoring – 27,6% (222 707);
- under indicia of obligatory and internal monitoring – 0,8% (6 262).

Pic.3.5



According to Article 6 part 2 point 1 of the Law reporting entities are obliged to be registered by SCFM.

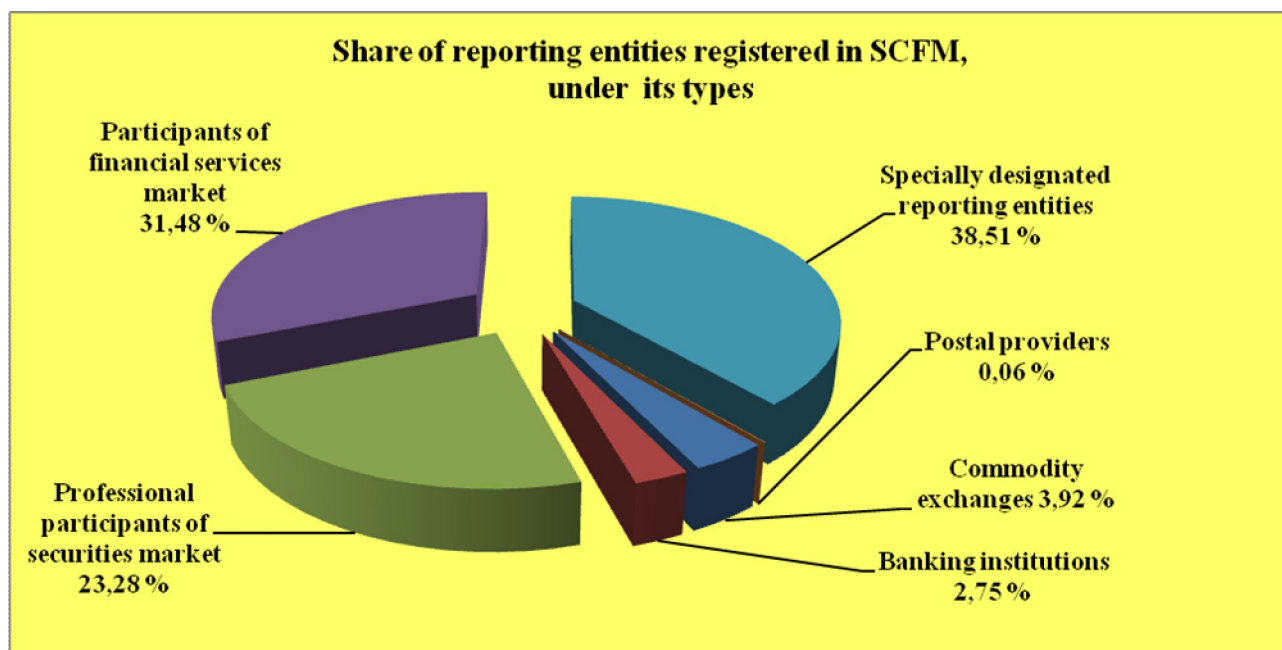
As of January 01, 2011 SCFM registered 6 404 reporting entities (pic. 3.6).

Share of reporting entities registered by SCFM as of January 01, 2011 (pic. 3.6)

Types of reporting entity	Number	Share
Banking institution*	176	2,75%
Participants of financial services market	2117	31,48%
Professional participants of securities market	1491	23,28%
Commodity exchanges	251	3,92%
Postal providers	4	0,06%
Specially designated reporting entities	2466	38,51%

* data without considering separate units

Рис. 3.6



4. ANALYTICAL ACTIVITY

4.1. Information Analysis Process

The SCFM within its competence provides collection, processing and analyses of information on financial transactions subject to financial monitoring, other financial transactions or other information related to ML/TF suspicions.

Information for analysis is received from the following sources:

- Reporting entities;
- Law enforcement agencies;
- Regulators and other state agencies;
- Financial Intelligence Units of other countries;
- Open sources (Internet, commercial data bases).

The SCFM provides a comprehensive analysis of information received and financial flows detected in different sectors of financial market.

This information analysis process became maximum automated, reducing the influence of subjective decision making.

The SCFM has new software for the analysis of information obtained from financial intermediaries. Procedures for the analysis of reports received are developed and constantly being updated.

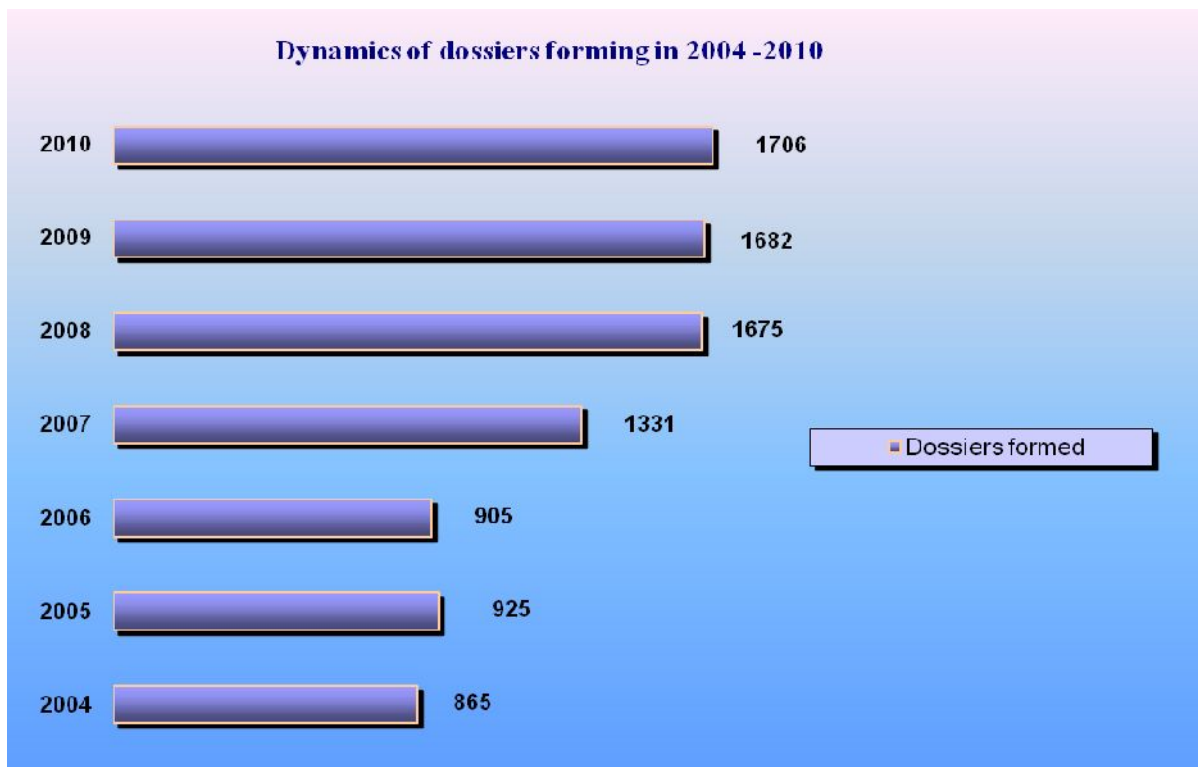
Initial analytical processing of information is being made within analytical segment of the Unified Informational System for Financial Monitoring.

All reports received are divided depending on risk level and comprehensive analysis is carried out considering all available information. As a result of this analysis dossiers are formed for further financial investigation.

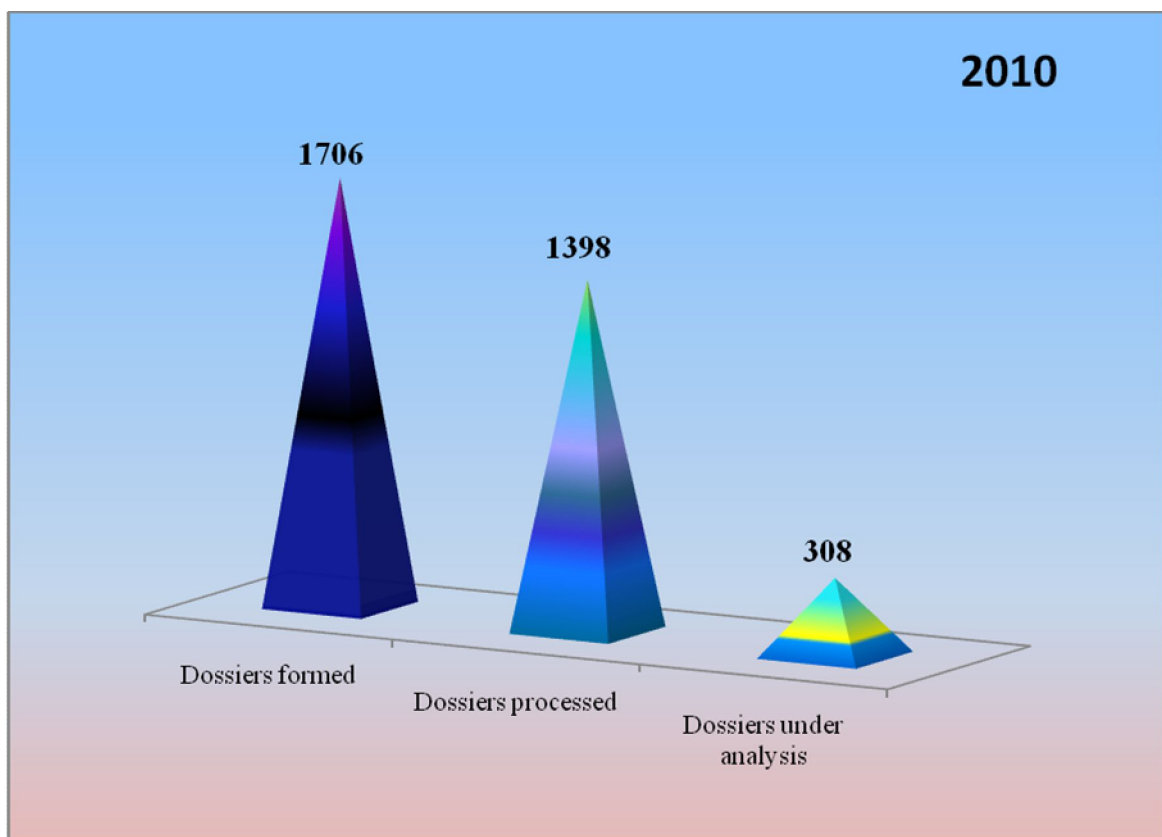
Dossiers are analyzed with a purpose to reveal grounds that financial transactions may be connected with legalization (laundering) of the proceeds of crime or terrorist financing or with commitment of other act envisaged in the Criminal Code of Ukraine.

The SCFM analyses financial transactions gradually increasing the level of analysis of financial transactions and dossiers formed on their bases.

During reporting period **188 857** reports were chosen for active work and became the bases for **1 706** dossiers.



As a result of dossiers consideration **667** case referrals and additional case referrals were submitted to the law enforcement agencies in 2010.



Analysis of reports received is conducting on the basis of additional information. The Law provides a new tool for such information receipt - tracking (monitoring) of financial transactions.

With a purpose of its implementation the SCFM developed and registered with the Ministry of Justice of Ukraine necessary regulations.

The regulations specify the procedure for submission information concerning tracking (monitoring) of client's transactions subject to financial monitoring by reporting entities, except specially designated (hereinafter - the subject), under request of the SCFM, as well as form, content and sending method of request for information on tracking (monitoring) of financial transactions and receipt of information in response to such request.

Information on tracking (monitoring) financial transactions is submitted to the SCFM as reports.

During the reporting period the SCFM prepared **71** requests for tracking (monitoring) of financial transactions to reporting entities concerning 71 participants of financial transactions.

According to Paragraph 17 Part 2 Article 6, Parts 2, 3, 5 Article 17 and Part 5 Article 22 of the Law and with the purpose of procedure determination of suspending financial transactions suspected to be related to legalization (laundering) proceeds of crime or terrorist financing, or were internationally sanctioned, the Procedure of decision adoption of financial transactions suspension by the SCFM was approved.

According to the Procedure approved process of adoption of relevant decisions and orders was determined.

Thus, decisions and orders are given and taken:

- concerning suspension / renewal commitment or providing of financial monitoring of financial transactions of appropriate person by reporting entities at the request of foreign authorized authority – according to part 5 of Article 22 of the Law;
- concerning further suspension of financial transaction – in cases envisaged in parts 2 and 5 of Article 17 of the Law;
- concerning suspension of debit financial transactions on client's accounts – according to parts 3 and 5 of Article 17 of the Law;
- concerning cancellation of the SCFM's decision on suspension of debit financial transactions – according to part 5 of Article 17 of the Law.

During the reporting period the SCFM sent **20** decisions and **2** orders concerning suspension of financial transaction to the reporting entities, namely

- 1** decision – according to part 2 Article 17 of the Law;
- 7** decisions - according to part 3 Article 17 of the Law;
- 12** decisions - according to part 5 Article 17 of the Law;

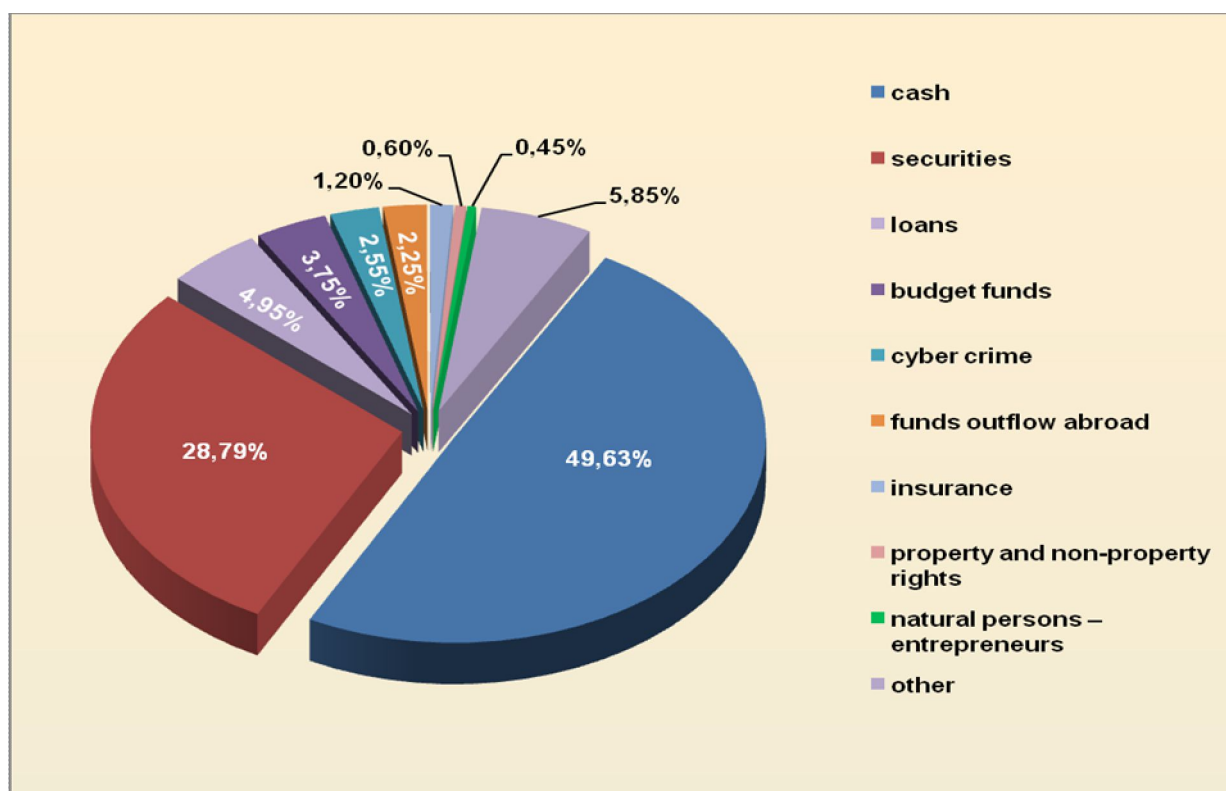
2 orders - according to part 5 Article 22 of the Law.

4.2. ML schemes. Typologies

In 2010 the following directions remained the main objects of attention:

- financial transactions related to activity of "conversion centers" (funds withdrawal) via bank institutions of Ukraine;
- financial transactions related to cash payments conducted by natural persons – entrepreneurs;
- financial transactions related to usage of securities as financial instrument during financial transactions commitment;
- financial transactions related to usage of financial aid/loan as financial instrument during financial transactions commitment;
- financial transactions related to budget funds and other state assets;
- financial transactions related to theft of funds through electronic fraud;
- financial transactions related to funds outflow abroad suspected in its illegal transfer;
- financial transactions related to investment and insurance business;
- financial transactions related to usage of property and non-property rights;
- financial transactions related to attraction of individuals' funds.

Shares of main directions within case referrals



Further all directions and the most typical ML schemes examples will be considered in details.

Financial transactions related to activity of "conversion centers", funds withdrawal via bank institutions of Ukraine are the most widespread.

The purpose of such transactions is the following:

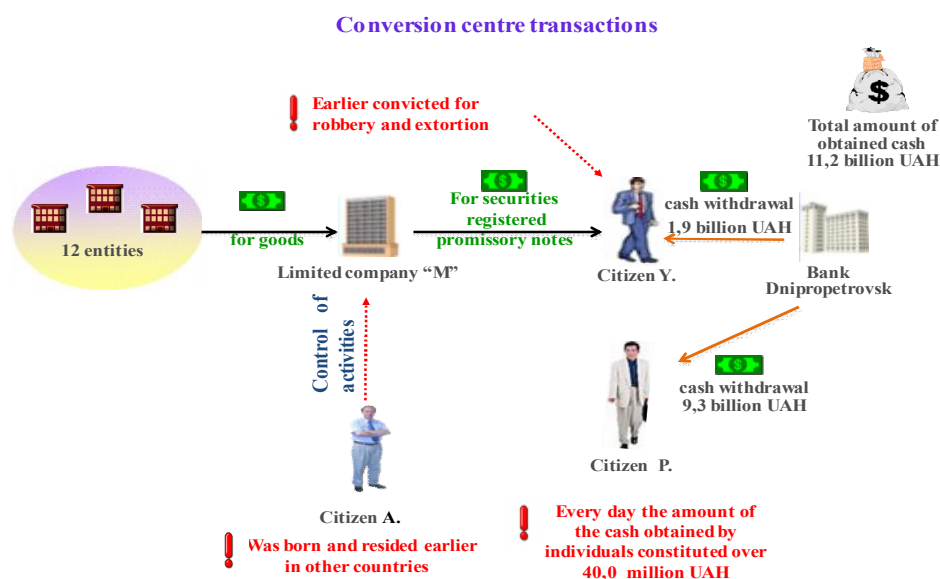
- concealment of origin of funds received from crime;
- concealment of persons who received illegal proceeds and persons who initiate the process of money laundering;
- ensuring of convenient and rapid access to funds received from illegal sources;
- enabling easy usage of funds received from illegal sources;
- enabling secure investment in the legal business.

During 2010 the SCFM summarized and submitted to the Ukrainian law enforcement agencies **331** materials, related to cash withdrawal.

Share of grounds for cash withdrawal:

- goods purchase/payment for services – **23%**;
- purchase of agricultural products – **16%**;
- financial aid/loan– **11%**;
- purchase/payment for securities – **0,7%**;
- other – **50 %**.

Example 1



While conducting analysis of the financial transactions SCFM disclosed the scheme of using commercial bank (Dnipropetrovsk) by natural persons Y and P in order to obtain cash in significant amount.

Almost every day funds were coming in significant amounts to the account of newly established limited liability company **M** from a great number of business entities (129 entities) for various groups of goods and services.

Citizen **P** that was born and resided earlier in other countries controlled these activities.

Obtained money was immediately transferred by limited liability company **M** as payment under the promissory notes presented in favor of citizen **Y** who later withdrew money in cash.

Total amount of the cash withdrawn by citizen **Y** during 2 months constituted **UAH 1,9 billion**.

Citizen **Y** was earlier convicted for robbery and extortion.

After conducting financial transactions by citizen **Y** the same transactions were conducted by citizen **P** under analogical scheme.

Total amount of the cash withdrawn by citizen **P** during 10 months constituted **UAH 9,3 billion**.

Every day the amount of cash withdrawn by natural persons constituted **UAH 40 million**.

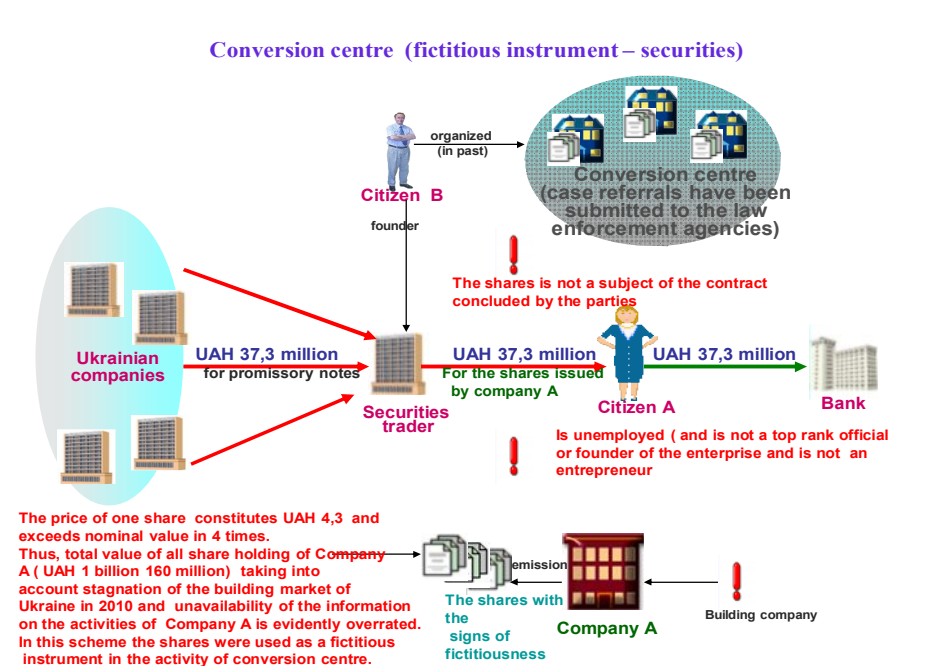
In total these 2 individuals obtained money in cash to the amount of UAH 11,2 billion through the cash desk of the commercial bank.

These are high risk financial transactions because obtained cash enables grey funds circulation function behind control of the state.

Under these facts 1 case referral and 11 additional case referrals have been submitted to the Ministry of Interior of Ukraine.

Under the results of consideration of case referrals criminal proceedings have been instituted. The investigation is underway.

Example 2



During 4 months of 2010 the group of companies, in order to convert funds into cash, transferred funds to the amount of **UAH 37,3 million** to the account of securities trader as payment of promissory notes.

Later securities trader on the day of money receipt or next day transfers funds to the amount of **UAH 37,3 million** to citizen A for the shares issued by Company A.

In her turn, Citizen A on the day of money receipt or next day withdraws money to the amount of **UAH 37,3 million** in cash in the bank cash desk.

While conducting analysis of the documents it was found out that:

- founder of the securities trader is citizen B that was in the past involved into organization of the activity of the conversion centre. The information on financial transactions conducted by the enterprises involved into “conversion centre” has been submitted in the form of case referrals to the Security Service of Ukraine;

- Citizen A is unemployed and receives no income under the main workplace, is not a top rank official or founder of the enterprise and is not an entrepreneur;

- Company A is a building company. Besides, public information sources have no information on the activity of Company A (availability of construction sites, techniques and other assets necessary for building and sale of constructed real estate etc);

- subject of the securities purchase-sale agreement under the terms of which the securities traders shall transfer funds in favor of Citizen A is promissory notes and not shares;

- the shares issued by Company A has the signs of fictitiousness. Thus, the price of one share constitutes **UAH 4,3** and exceeds nominal value in 4 times. Total value of all share holding issued by Company A constitutes **UAH 1 billion 160 million**;

- taking into consideration stagnation of the building market of Ukraine in 2010 and unavailability of the information on the activities of Company A, the value of shares is evidently overrated.

Therefore, in this cash in scheme the shares were used as a fictitious instrument for money transfer by the securities trader in favor of Citizen A.

The case referrals have been submitted to Securities Service of Ukraine. The investigation is underway.

Example 3

During analysis of financial transactions the SCFM revealed a scheme of bank metal purchase (gold) for funds with unknown origin.

As a rule, natural persons without incomes, purchase and take away precious metals from bank institutions.

There are suspicions that unknown persons involved unprotected population (pensioners, invalids).

Thus, it was established that during short period of time, natural persons purchase bank metal (gold) for large amounts of cash.

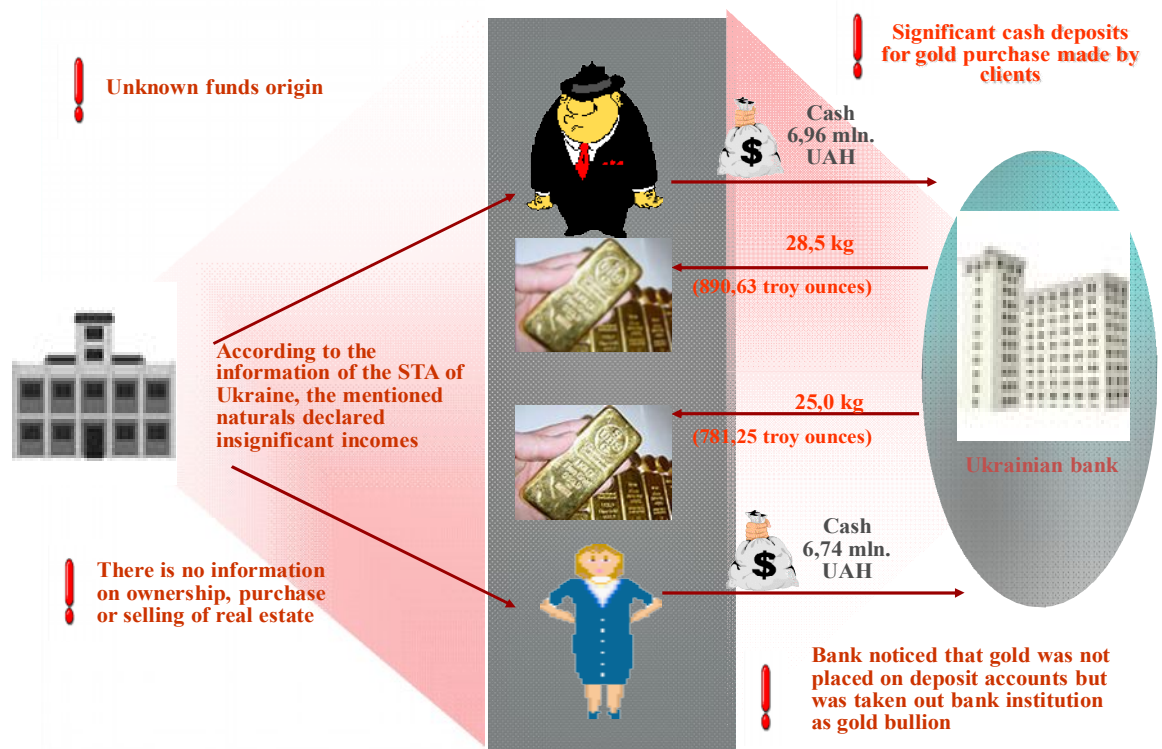
Bank metal given was not placed on deposit accounts but was taken out of bank institution in gold bullion. At the same time, bank indicated that clients conduct

suspicious financial transactions. Origin of funds of financial transactions participants is unknown.

According to the information of the State Tax Administration of Ukraine, the mentioned naturals declared insignificant incomes during 2004 – 2009.

There is no information on ownership, purchase or selling of real estate by the mentioned persons.

Legalization of funds via purchase of bank metal (gold)



Financial state of natural persons actually does not conform to the amounts of financial transactions conducted.

The materials were submitted to the Ministry of Internal Affairs of Ukraine.

The investigation continues.

Financial transactions related to cash payments conducted by natural persons – entrepreneurs

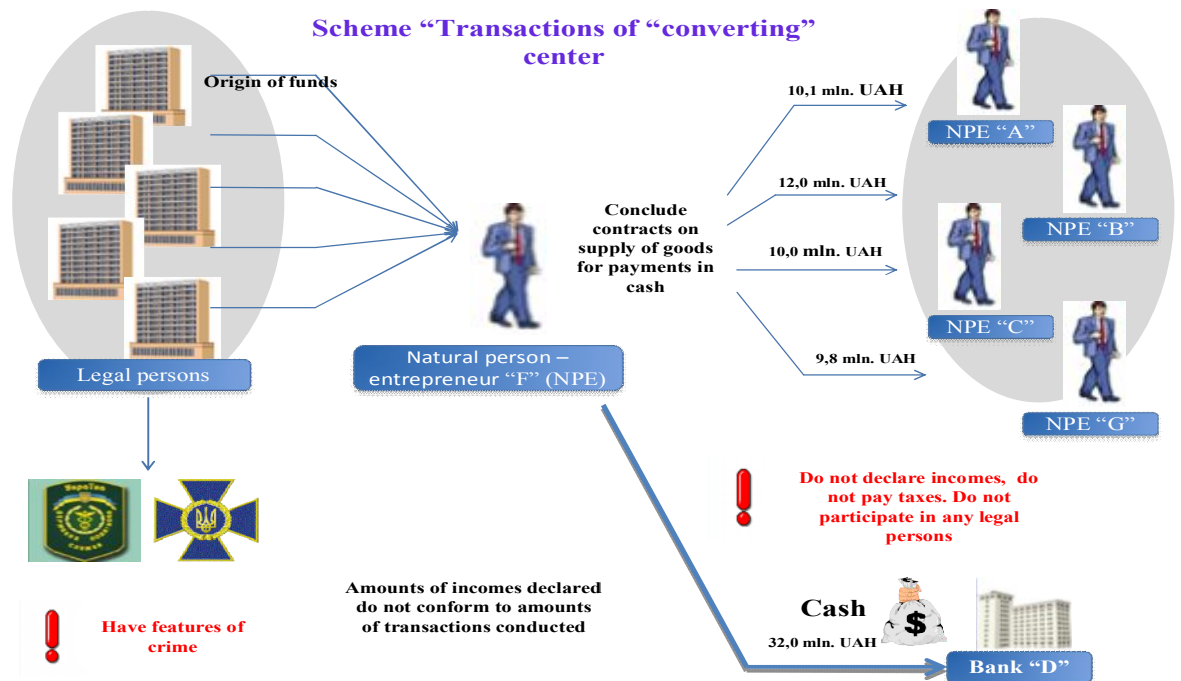
As a result of analysis conducted concerning financial transactions related to commitment of suspicious financial transactions by natural persons – entrepreneurs in cash, 3 case referrals were summarized and submitted to the law enforcement authorities.

According to the typical scheme of financial transactions commitment by natural persons – entrepreneurs connected with activity of "conversion centers", funds were received for:

- **purchase of industrial goods;**

- purchase of agricultural products.

Example 1



Analyzing financial transactions the SCFM revealed a scheme of converting non-cash funds in cash in large amounts by **natural person-entrepreneur F** using **Bank B**.

Funds were transferred to the account of **natural person-entrepreneur F** from five subjects of economic activity, information on whom was already submitted within case referrals to the State Tax Administration of Ukraine and the Security Service of Ukraine.

Transferred funds were being withdrawn in cash for payments for natural persons-entrepreneurs according to contracts of industrial goods' delivery submitted to **Bank B** by a client. There is no information on incomes declared, accrued and paid taxes and data on participation of natural persons-entrepreneurs in legal persons involved into cash payments.

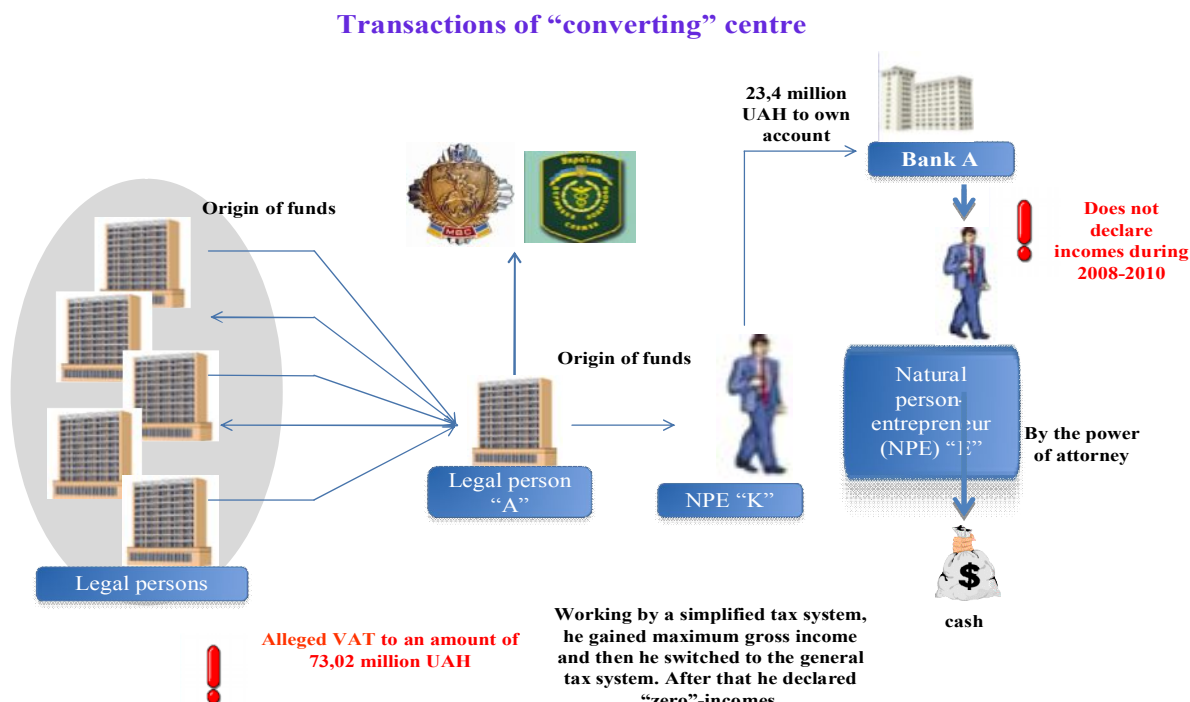
The total amount of withdrawn funds was **32 million UAH**.

At the same time, during the year the **natural person-entrepreneur F** had non-cash incomes, but subjects of economic activity, from which funds were transferred to the account of the **natural person-entrepreneur F**, had features of fictitiousness, namely, the same founders and managers, state of enterprise: the actual address is not established, legal address of the mass registration, the company is not located at the registration address.

Case referrals were submitted to the Security Service of Ukraine.

Investigation continues.

Example 2



During analysis of financial transactions the SCFM revealed scheme of converting non-cash funds in cash to large amounts by a **natural person-entrepreneur K** via **Bank A**.

Funds from different enterprises were accumulated at the account of **legal person A** with various purposes of payment.

Legal person A was previously an object of investigation and information on its participation in money laundering schemes was submitted within case referrals to the law enforcement authorities.

Further, a part of these funds was transferred to the account of **natural person-entrepreneur K**.

Transferred funds were withdrawn for purchasing of agricultural products by **natural person-entrepreneur E** who acted by the power of attorney of **natural person-entrepreneur K**.

Total amount of funds withdrawn was **23 million UAH**.

Furthermore, working at the simplified tax system the **natural person-entrepreneur K** gained the maximum gross income, but when he switched to the total tax system, he declared the “zero” gross incomes. There is no information on incomes paid to the **natural person-entrepreneur E** during 2008-2010.

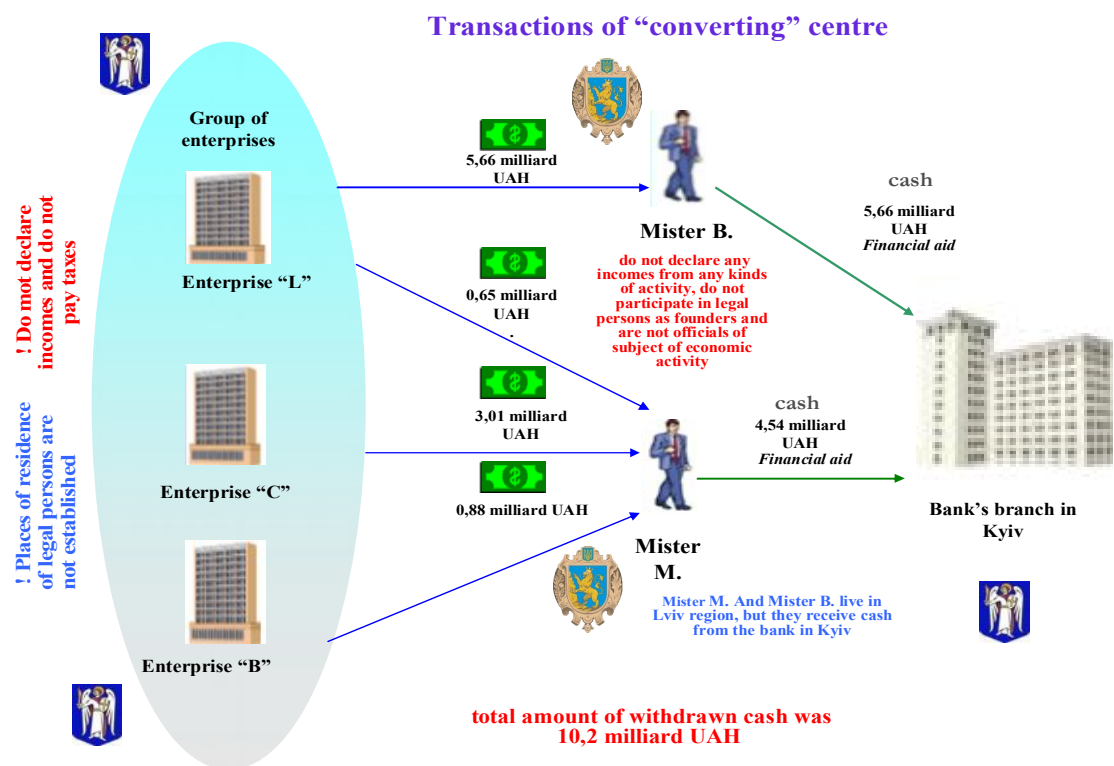
Case referrals were submitted to the Ministry of Internal Affairs of Ukraine.

The check-up is continuing.

The year 2010 was characterized by increasing usage of such financial instrument as financial aid/loan.

In 2010 financial transactions related to cash withdrawal of financial aid/loan were submitted within 33 case referrals to the law enforcement agencies of Ukraine by the SCFM.

Example



The SCFM revealed scheme of converting non-cash funds into cash to large amounts.

The group of enterprises with features of fictitiousness transferred significant sums of money to accounts opened with **Bank F** (Kyiv). Further funds were withdrawn as financial aid by two natural persons-citizens of the Lviv region.

Total amount of withdrawn cash was **10,2 milliard UAH**.

Natural persons did not declare their incomes from some kinds of activities and were not managers and founders of legal persons or officials of subjects of economic activity.

Case referrals were submitted to the Security Service of Ukraine.

The examination is continuing.

Financial transactions related to such financial instrument as securities take significant part in schemes of money laundering revealed by the SCFM.

According to results of information analysis concerning financial transactions related to payment/redemption of securities there were prepared and submitted **192** case referrals to the law enforcement agencies of Ukraine during 2010.

The mentioned materials contain information on use of the following financial instruments:

- Bills – 45,5%;
- Shares – 3,6%;
- Enterprise's bonds – 1,2%;
- Investment certificates – 0,6%;
- Local bonds – 0,4%;
- Deposit certificates – 0,3%;
- Unknown kind of bonds – 0,3%;
- Equity certificates – 0,1%;
- Securities of undefined kind – 48%.

Example 1

After change of management staff of **subjects of economic activity E, F, G and C**, the scheme involving financial transactions with “junk securities” was organized.

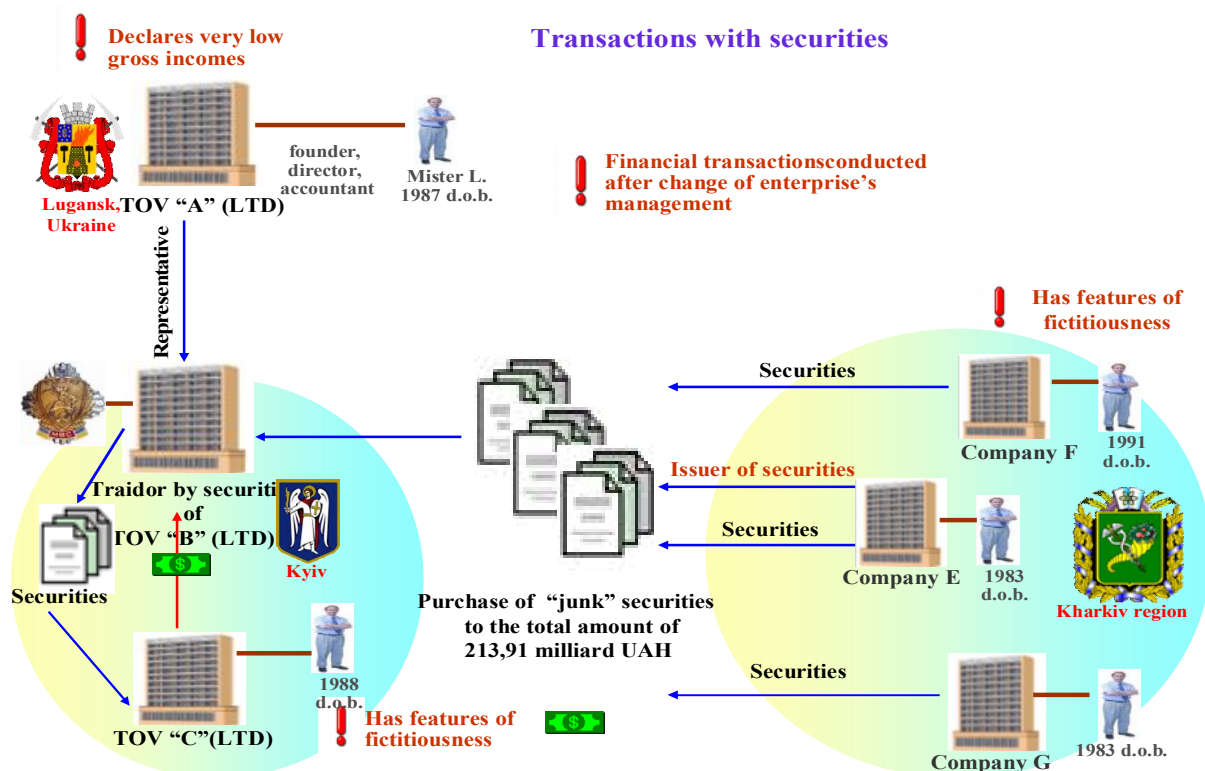
Participants of financial transactions have already features of fictitiousness at the moment of their transactions.

Scheme was functioning as the following:

TOV “A” (LTD) (Lugansk, Ukraine) concluded an agreement with the securities' trader **TOV “B” (LTD)** (Kyiv) for purchasing of securities package.

TOV “B” (LTD) conducted redemption of securities (interests on bearer's bonds) from **companies E, F and G** (Kharkiv region, Ukraine).

Further on the order of **TOV “A” (LTD)**, the securities' trader **TOV “B” (LTD)** resold these securities to another legal person **TOV “C” (LTD)**.



Total value of the package of securities is **213,91 million UAH**.

According to information received from the State Tax Administration of Ukraine, **TOV "A" (LTD)** declared very low gross incomes; **TOV "C" (LTD)** is not located at the registered address and **companies E, G and G** (Kharkiv region) have features of fictitiousness and there are proceedings initiated on them concerning bankruptcy.

The age of enterprises' officials involved in the scheme varies from 19 to 26.

Data on financial transactions of **TOV "B" (LTD)** were previously submitted within case referrals to the Ministry of Internal Affairs of Ukraine. Materials were connected with fictitious companies, converting of non-cash funds into cash through transactions of securities' sale/purchase.

Case referrals were submitted to the Ministry of Internal Affairs of Ukraine.

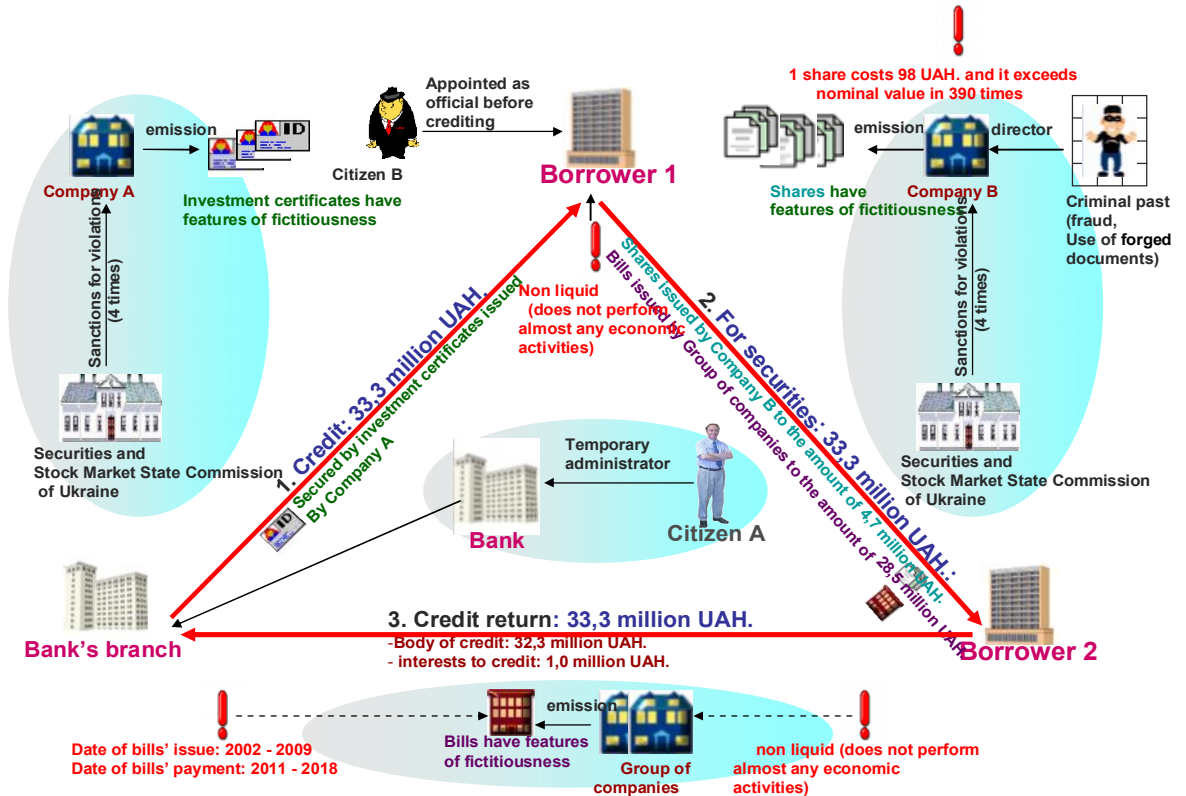
Investigation is continuing.

Example 2

At the moment of crediting, **Bank's branch** had Temporary administration that gave credit funds to the amount of **33,3 million UAH** to the **Borrower 1** secured by investment certificated issued by **Company A**.

At the same day **Borrower 1** transferred funds to the amount of **33,3 million UAH** in favour of **Borrower 2** as payment for securities, namely: **4,7 million UAH**– for shares issued by **Company B** and **28,5 million UAH** – for bills issued by **Group of companies**.

Misuse of credit funds



In turns, on the same day **Borrower 2** transferred funds to the amount of **33,3 million UAH** in favor of **Bank's branch** as refund of earlier received credit, namely: **32,3 million UAH** – body of credit and **1,0 million UAH** – interests on credit.

Also, it was established that:

- before credit funds granting to **Borrower 1** by **Bank's branch**, management and founders of **Borrower 1** were changed. In particular, the single director, accountant and founder of **Borrower 1** is **Citizen A**;
- **Borrower 1** is non-liquid: it almost does not conduct the economic activity but declares and pays very small taxes;
- data on financial transactions conducted by **Borrower 2** were previously submitted within case referrals to the Security Service of Ukraine. Materials are related to transactions on fictitious contracts;
- investment certificates issued by **Company A** have features of fictitious;
- data on financial transactions conducted by **Company A** was previously submitted within case referrals to the Security Service of Ukraine. Materials were related to payments on shares with features of fictitiousness;
- shares issued by **Company B** have features of fictitiousness. So, a price per 1 share exceeds its nominal value in 390 times. The Securities and Fond Market State Commission issued 4 Acts on sanctions for violations at stock market regarding **Company B**. Director of **Company B** has a criminal past (fraud using fake documents). Besides that, data on financial transactions conducted

by director of **Company B** was previously submitted within case referrals to the Security Service of Ukraine.

Thus, in fact in Bank's branch the credit of **Borrower 2** was transferred to **Borrower 1**, value of which assets is low in accordance to the a/m information.

As a result the insolvency of **Borrower 1** to return credit funds may worsen financial state of the **Bank**, may cause it insolvency to fulfill its liabilities before creditors (by loans) and depositors (by deposits).

Case referrals were submitted to the Security Service of Ukraine.

Check-up is continuing.

In 2010 prioritized directions of analyzing financial transactions were transactions related to budget funds and other state assets.

25 materials were submitted to the law enforcement agencies of Ukraine upon results of information analysis of financial transactions connected with embezzlement of budget funds during 2010.

Submitted materials were connected with embezzlement of budget funds by usage:

- agreements without economic grounds for goods delivery;
- alienation of state property in favour of a private structure (entities);
- funds' misappropriation by officials of enterprises.

The following methods were used in schemes of embezzlement and misappropriation:

- transfer of funds outside Ukraine, including, in favour of "phantoms"-non-residents;
- transfer of funds gained from property's sale into card account with further cash receipt outside Ukraine;
- recording wittingly false data into accountant documents;
- sale of state inventories to affiliated entities at lower prices than at the market;
- funds' transfer to fictitious enterprises with their further transfer through a number of accounts of legal persons and with their cash withdrawal.

Example 1

State enterprise received budget funds for sugar purchase.

State enterprise and **TOV "G" (LTD)** concluded a contract for sugar delivery. After receipt of **10,0 million UAH** from **State enterprise by TOV "G" (LTD)**, the last transferred these funds to a not-existed **nonresident-company** (the UK).

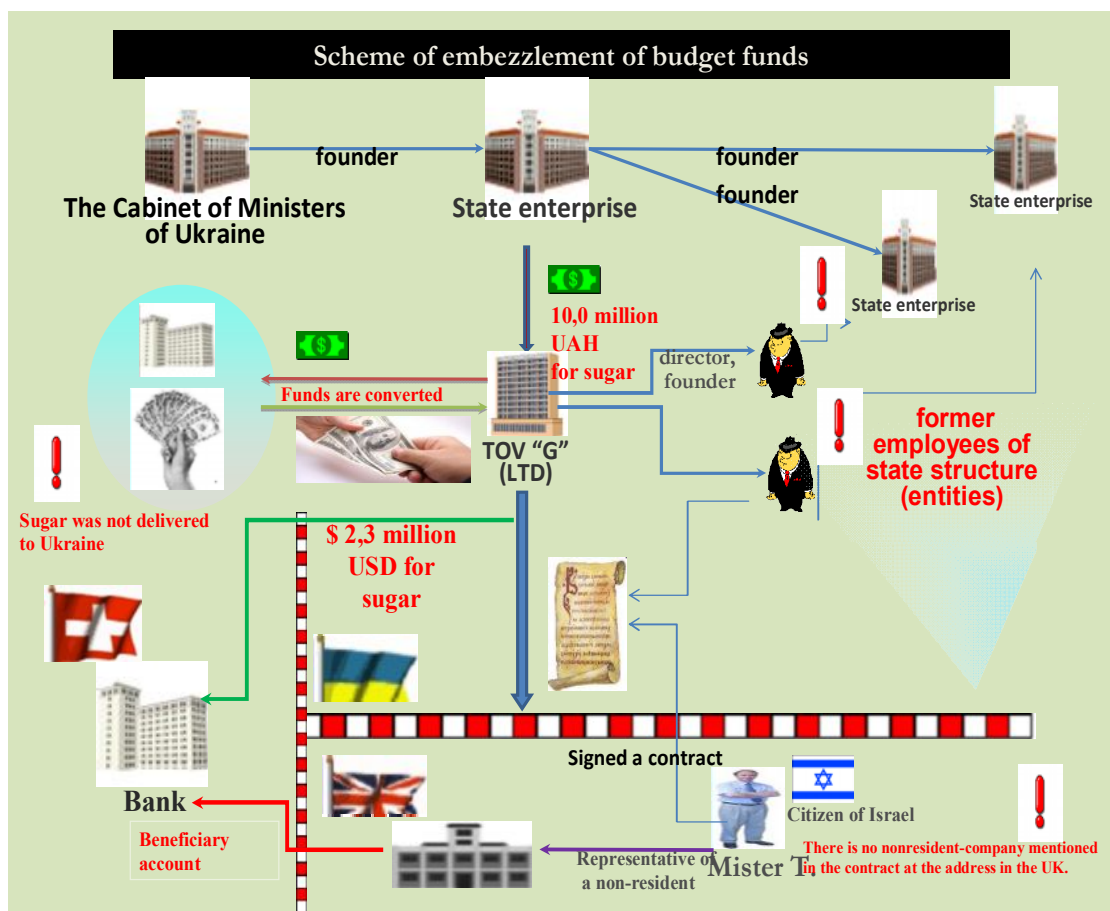
Also, the **TOV "G" (LTD)** and **nonresident-company** (UK) concluded contract on delivery of Brazilian sugar. Budget funds totals to **2,1 million USD** were transferred to the account of **nonresident-company** to Switzerland.

Sugar was not delivered to Ukraine.

The managers of the **TOV "G" (LTD)** were employees of state structures who were part of **State enterprise's structure**.

Case referrals were submitted to the Ministry of Internal Affairs of Ukraine.

Investigation is continuing.



Example 2

Taking into account information received from subjects of initial financial monitoring, the Division for control and revision and the General division of the Ministry of Internal Affairs of Ukraine revealed a number of financial transactions allegedly related to embezzlement of state funds by **State entity** by the mean of **Private entity**.

In 2010 **State entity** transferred **14 million UAH** as bill payment to **Private entity** that provided other entity with a part of these funds (**5 million UAH**) as financial aid, from which account funds to the amount of **4 million UAH** were withdrawn as a loan to its employee.

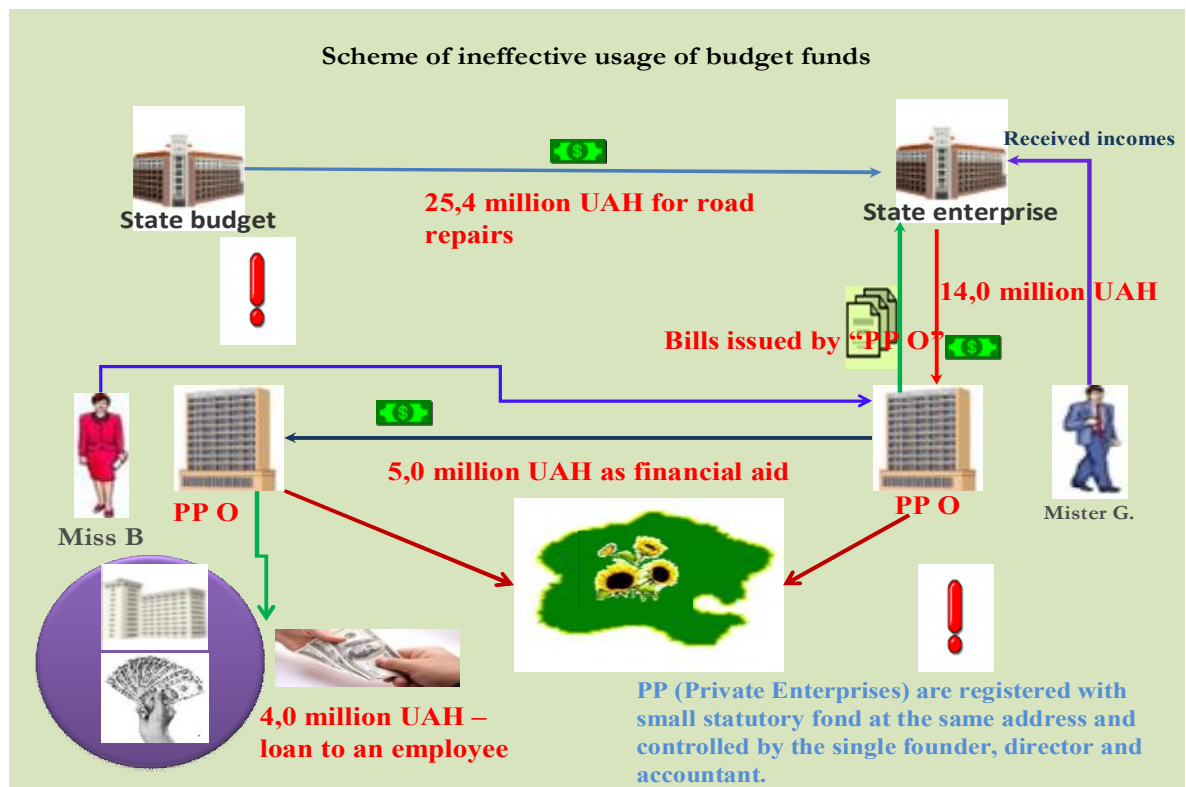
According to the additional information of the Ministry of Internal Affairs of Ukraine, the officials of **State entity** violated requirements of Budget code of Ukraine. As the result, state budget incurred losses totals to **4,7 million UAH**.

Private entities were registered with small statutory funds, at the same address and were controlled by the single director, accountant and founder.

Total amount of cash withdrawn in bank was **4 million UAH**.

Case referrals were submitted to the Ministry of Internal Affairs of Ukraine.

Investigation is continuing.



Example 3

During information analysis were established transactions directed to embezzlement of budget funds and their further legalization.

In 2010 the **Ministry** transferred funds to the amount of **60,0 million UAH** to the **TOV "P" (LTD)** from state budget of Ukraine allegedly on the basis of execution of the Commercial Court's decision.

It was established that the Commercial Court's decision foresaw debt collection to the amount of **69,2 million UAH** from **TOV "G" (LTD)** in favour of **TOV "P" (LTD)**.

Further, **69,2 million UAH** were transferred from **TOV "P" (LTD)** as payment for securities (bills).

Representatives of the State Tax Administration of Ukraine confiscated documents from the bank where **TOV "P" (LTD)** was served.

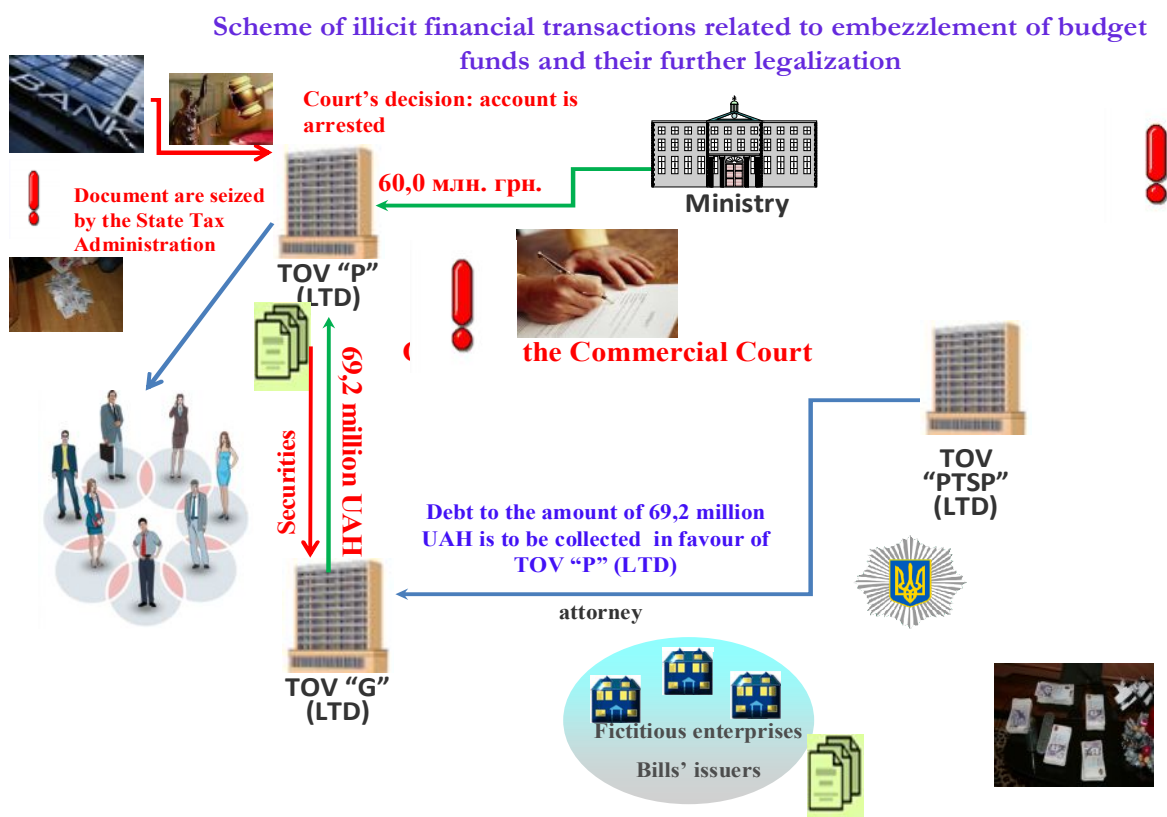
According to the court's decision the account of **TOV "P" (LTD)** was arrested.

Intermediary in financial transactions concerning sale-purchase of securities (bills) conducted between **TOV "P" (LTD)** and **TOV "G" (LTD)** was **TOV "PTSP" (LTD)**.

From the moment of registration the personnel of **TOV "P" (LTD)** and **TOV "G" (LTD)** has changed a few times. Companies had low statutory funds and did not declare gross incomes.

TOV “PTSP” (LTD) used to receive warnings and sanctions from the Securities and Fond Market State Commission because of violation of legislation’s requirements concerning securities.

Also, enterprises-issuers-of-bills had features of fictitiousness.



It was established that during a search of the building of the **TOV “PTSP” (LTD)** the law enforcement agencies seized seals and stamps of seals of different entities that have features of fictitiousness or are already dissolved, and also, clear forms of promissory notes, bills and currency.

Case referrals were submitted to the Security Service of Ukraine.

Check-up is continuing.

In 2010 one of new tendencies was financial transactions related to money stealing by means of wire fraud.

Thus, 17 case referrals were submitted to the law enforcement agencies.

Example

Accounts in banking entities of three American companies became the victims of hacker attacks in 2010.

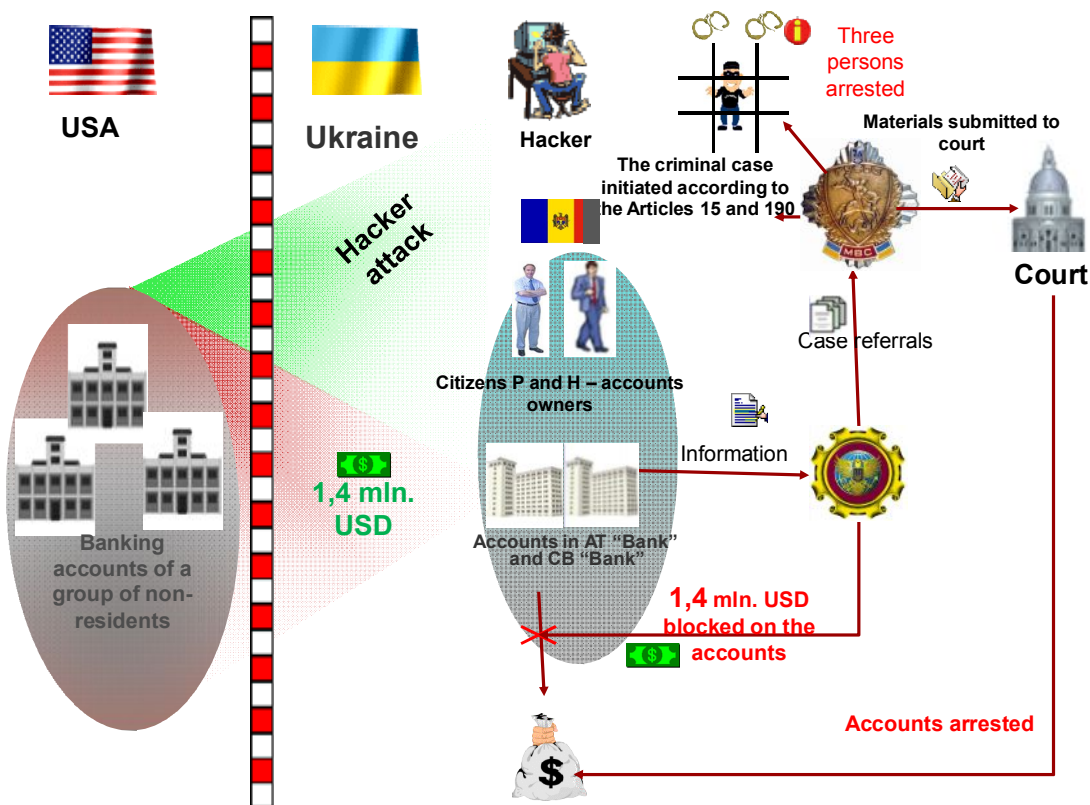
As a result, the criminals have transferred funds to Ukraine on the accounts opened by the citizens of Moldova **P** and **H**.

The SCFM has traced this transactions and under the conditions of the Law the funds of the a/m persons were frozen on the accounts in Ukrainian banks to the amount of **1,4 mln. USD**, namely:

- **P** – **0,23 mln. USD**;
- **H** – **1,17 mln. USD**.

Funds freezing prevented its further legalization by citizens of Moldova.

The Ministry of Internal Affairs of Ukraine initiated 2 criminal cases, arrested funds and arrested 3 persons according to the results of the financial investigation of the SCFM. The investigation is in process.



The tendency of illegal transactions abroad increased in 2010 comparing to 2009, especially in countries, which belong to the offshore zones, involving such instruments as “pseudo-investments” and transfers of funds without further delivery of goods to Ukraine.

Thus, “fictitious” import operations without further delivery of goods to Ukraine take place under “indirect” sell contracts/agreements concluded with the third party being a resident of the country different from the country of the sender (producer) of the goods. This aspect makes the possibility to check such transactions more complicated.

Great capacity (almost 50%) belongs to the agreements, connected with transfers of funds in favor of companies or to the accounts, which belong to the jurisdiction of the Republic of Cyprus.

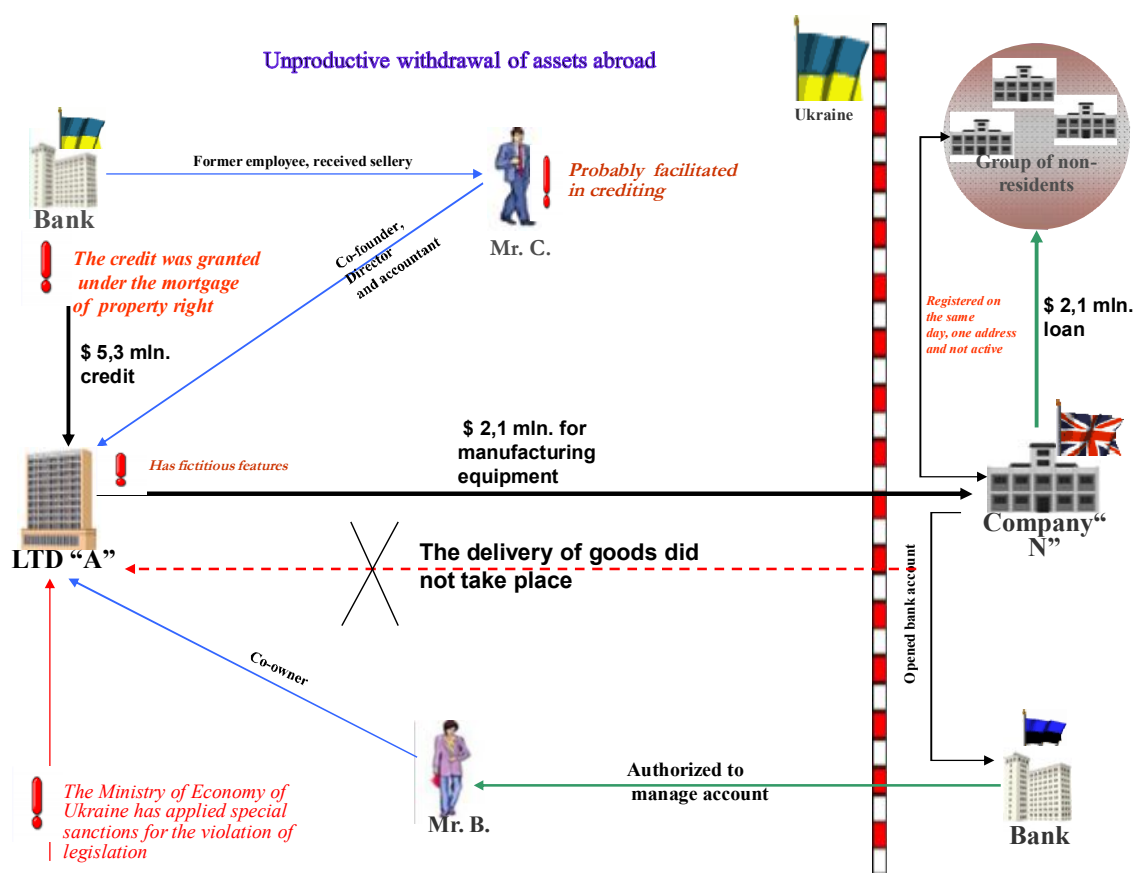
Example 1

Ukrainian enterprise “A” LTD received a credit to the sum of **5,3 mln. USD** from a bank entity. In order to grant security for a debt, “A” LTD turned over its’ right for the receiving of the goods from the company non-resident “N” to the bank entity.

Co-owner and an official of the debtor – Mr. C, was working in the bank entity during the period when the credit was granted and, therefore, probably facilitated the credit process.

“A” LTD transferred some of the credit funds (2,1 mln. USD) to the account of the company “N” (UK) opened in Estonia with a purpose to purchase manufacturing equipment.

According to the information received from FIU of Estonia – all the funds credited to the account of the company “N” (2,1 mln. USD) were transferred to the accounts of several companies non-residents as loan on the same day. It was also established, that Mr. B (co-founder of the company “A” LTD) is authorized person of the account of the company “N”.



During the analysis it was established that the delivery of goods from company “N” to Ukraine did not take place.

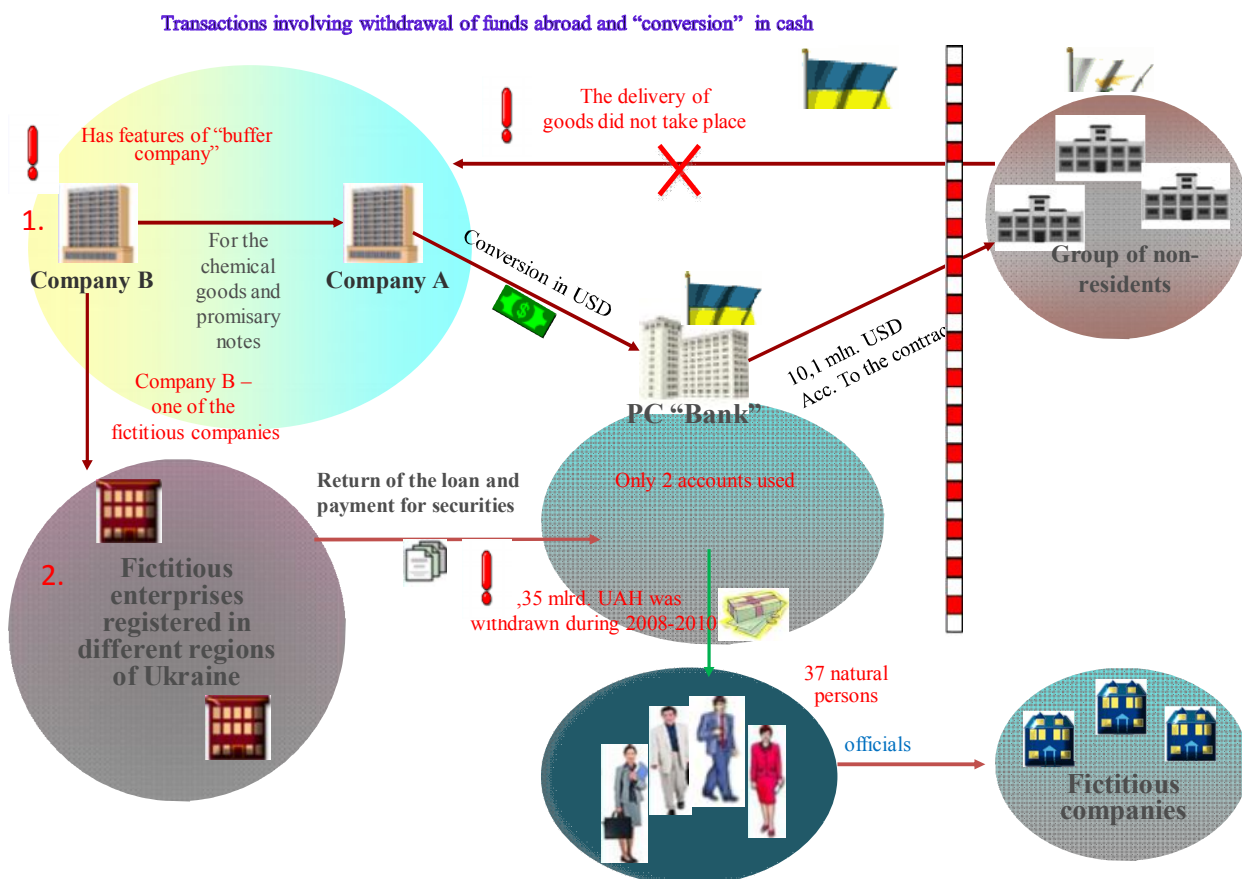
The Ministry of Economy of Ukraine has applied special sanctions towards “A” LTD: individual regime of the international activity licensing due to the violation of the legislation in the sphere of payments in foreign currency.

After conducting financial transactions involving currency funds, the company “A” LTD became of fictitious nature.

The company “N” and another company of those who received the loan were registered on the same day and appear to be non-active.

Referrals were submitted to the Security Service of Ukraine and then directed to the Ministry of Internal Affairs of Ukraine with a purpose to be used in investigation of the criminal case.

Example 2



The SCFM has established that the group of people organized chain scheme with a purpose to conduct illegal transactions of funds in foreign currency, conversion of funds in cash involving data and accounts of the companies of fictitious nature and figureheads – citizens of Ukraine, Uzbekistan, and Russia.

The functioning of the scheme was divided in two stages. The scheme involved one of the bank institutions of PC "Bank" (Kyiv) with some officials who facilitated illegal conversion of funds in cash. The information on STRs was sent to the SCFM from the PC "Bank" in later terms.

1) Transactions involving transfers of funds abroad

The **Company A** was receiving funds from the **Company B**, which has signs of "buffer company". The funds were transferred as payments for chemical goods and promissory notes.

Later, the funds were converted in USD and transferred out of Ukraine under the contracts.

According to additional check-up it was established that no goods had been ever delivered to Ukraine.

The total sum of the transactions equaled to **10,1 mln. USD**.

2) Conversion of funds in cash

In addition, it drawn SCFMs' attention that transactions on funds withdrawing to the total amount of **8 347,3 mln. UAH** from the card accounts took place every day to the sums from 0,1 mln. UAH to 0,95 mln. UAH and conducted by **37** individuals.

Natural persons-clients of PC "Bank" used only 2 accounts to accumulate funds from the same enterprises as loans and payments for securities.

In addition, the a/m enterprises are registered in different regions of Ukraine, mainly as soul ownerships and have fictitious features.

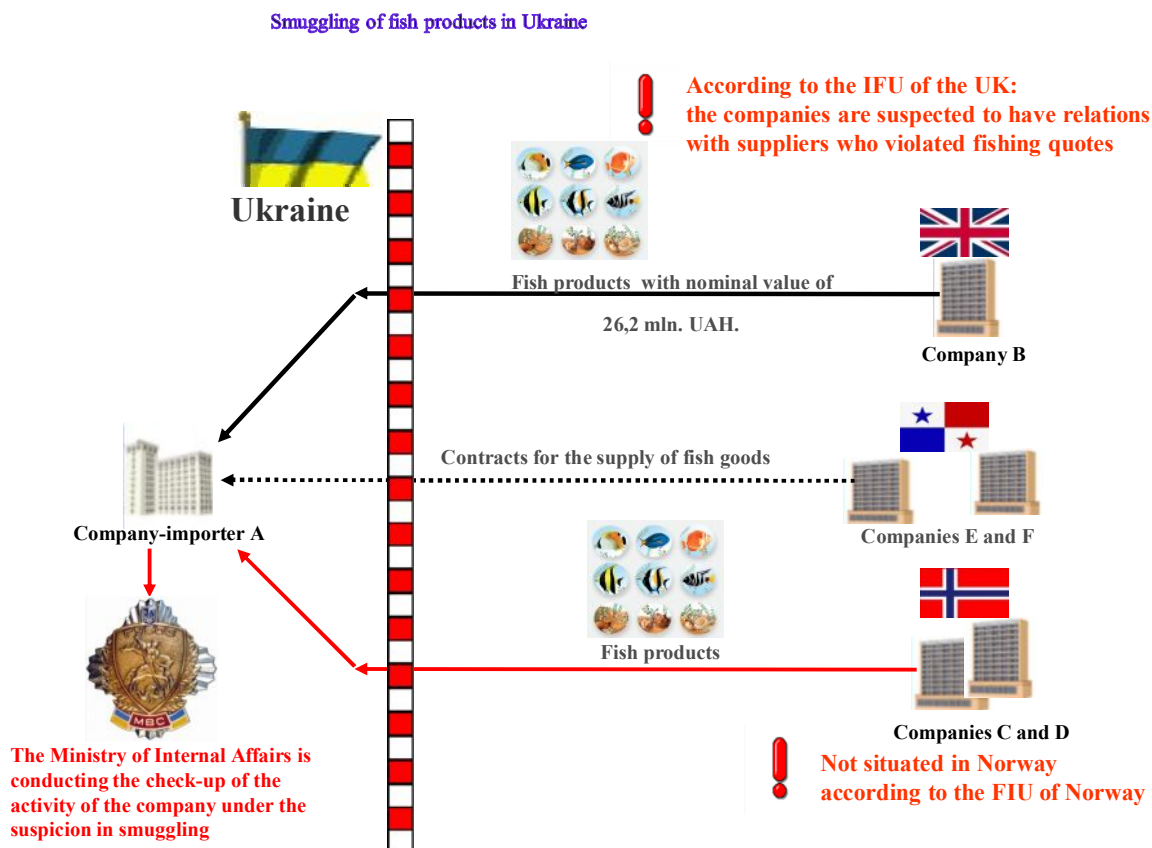
Case referrals were submitted to the Security Service of Ukraine.

As a result, the criminal case was initiated.

After perquisition in the office building, the "conversion center" was detected, as well as more than **6 mln. UAH and 210 thousand USD** in cash, which were seized.

The investigation is in process.

Example 3



During the analysis of information it was established, that the company-importer “A”, located in Ukraine, was receiving fish products from the company “B” from the UK, according to the contracts, concluded with Panama companies “E” and “F”.

The senders of the goods were several Norwegian enterprises.

The company “B” delivered fish goods to Ukraine to the total invoice value of **26,2 mln. UAH**.

According to the information of the FIUs of the UK and Norway concerning activity of the companies “B”, “C” and “D” it was established, that the company “B” from the UK was the subject of verification measures, conducted by North region Police of Scotland. The a/m company regularly received fish goods, which were the benefits from the gross catch of fish by vessels that belong to the third party.

There are no companies “C” and “D” in Norway.

The materials for further check-up were submitted to the Ministry of Internal Affairs of Ukraine.

The investigation is in process.

Financial transactions involving investment and insurance activity remain the subject of the analysis of the SCFM.

During 2010 according to the results of the analysis of information involving illegal transfer of funds out of Ukraine as retrieval of investments, **2** case referrals were prepared and submitted to the law enforcement authorities of Ukraine.

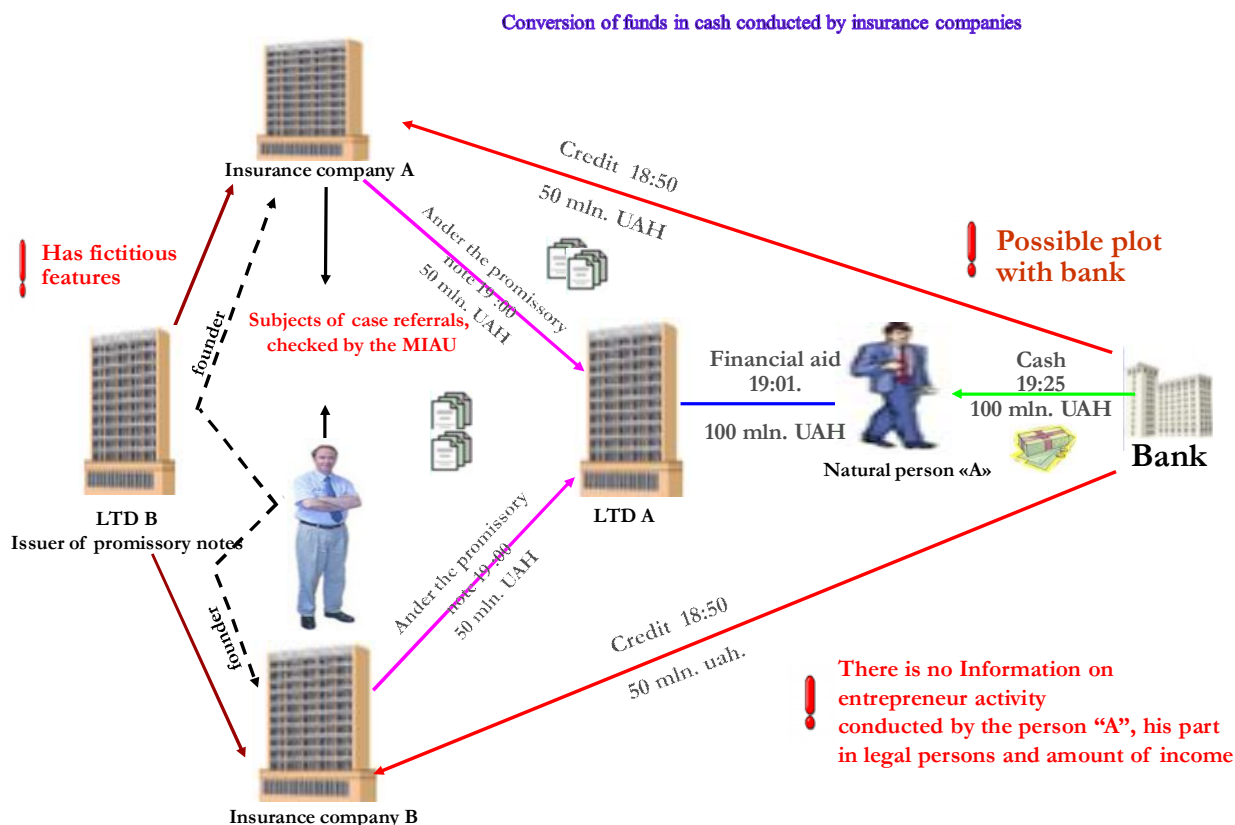
According to the results of the analysis conducted of financial transactions involving insurance payments (insurance premiums and insurance payments), **8** case referrals were prepared and submitted to the law enforcement authorities of Ukraine.

Example 1

Two insurance companies, with the same founders, have developed the scheme of large amounts of cash flows (with the difference of few minutes in time) with a purpose to transfer credit funds as payments for securities (with fictitious features) to the account of common counteragent “A” LTD involving further conversion of funds in cash through the **natural person A**.

Thus, during one operational day **Insurance company “A”** and **Insurance company “B”** received **50 mln. UAH** as each *credit funds* from **Bank** at 06:50 p.m.

The a/m funds were transferred to the account of “A” LTD immediately, as a payment according to the *promissory note with nominal endorsement*.



“A” LTD, in its turn, at 19:01 transferred funds received to the amount of **100 mln. UAH** to the account of **natural person «A»**.

Further, at 19:25 **natural person «A»** withdrew funds in **Bank**.

Financial transactions were conducted after the end of trading (operational) day.

Also it was established, that bill issuer has features of fictitiousness.

Natural person «A» is not registered as subject of entrepreneurial activity and is not participated in any legal persons.

Natural person «B» is founder of **Insurance company «A»** and **Insurance company «B»**. Also, **insurance company «A»** was involved in the fraud scheme with real estate.

Case referrals were submitted to the Ministry of Internal Affairs of Ukraine.

The investigation continues.

Operations with property and non-property rights remain actual method used in money laundering schemes.

As a result of information analysis on financial transactions related to obtaining and cession of property rights **4** case referrals were summarized and submitted to the law enforcement authorities.

Case referrals submitted were connected with:

- artificial formation authorized capital;
- property purchase;
- real estate purchase;

- mortgage of land which was under arrest, according to judicial decision.
- The following instruments were used in the schemes:
- entering false data to agreements of legal persons;
 - obtaining of real estate property rights according to judicial decision;
 - consecutive sale and cession of real estate property rights that were obtained as a result of illegal actions;
 - obtaining of real estate property rights for funds received by fraud or breach of trust.

Example 1

Non-resident company «A» and Ukrainian citizens-owners of VAT «MG» concluded an Intention memorandum. According to the memorandum Ukrainian citizens owning control stock of the abovementioned resident company must transfer interests in land of VAT «MG» with buildings located in Autonomous Republic of Crimea according to contract of sale for the remuneration to the amount of **6,2 million USD**.

According to the memorandum, mentioned area with buildings must be uncharged from any encumbrance (mortgage, rights of third parties etc.)

According to the terms of payments indicated in Intention memorandum, non-resident «A» transferred a prepayment totals to **1,0 mln. USD** another company to the account of non-resident «B».

Funds totals to **1,0 mln. USD** received by non-resident «B» from non-resident company «A» were transferred in favor of other non-residents in two days.

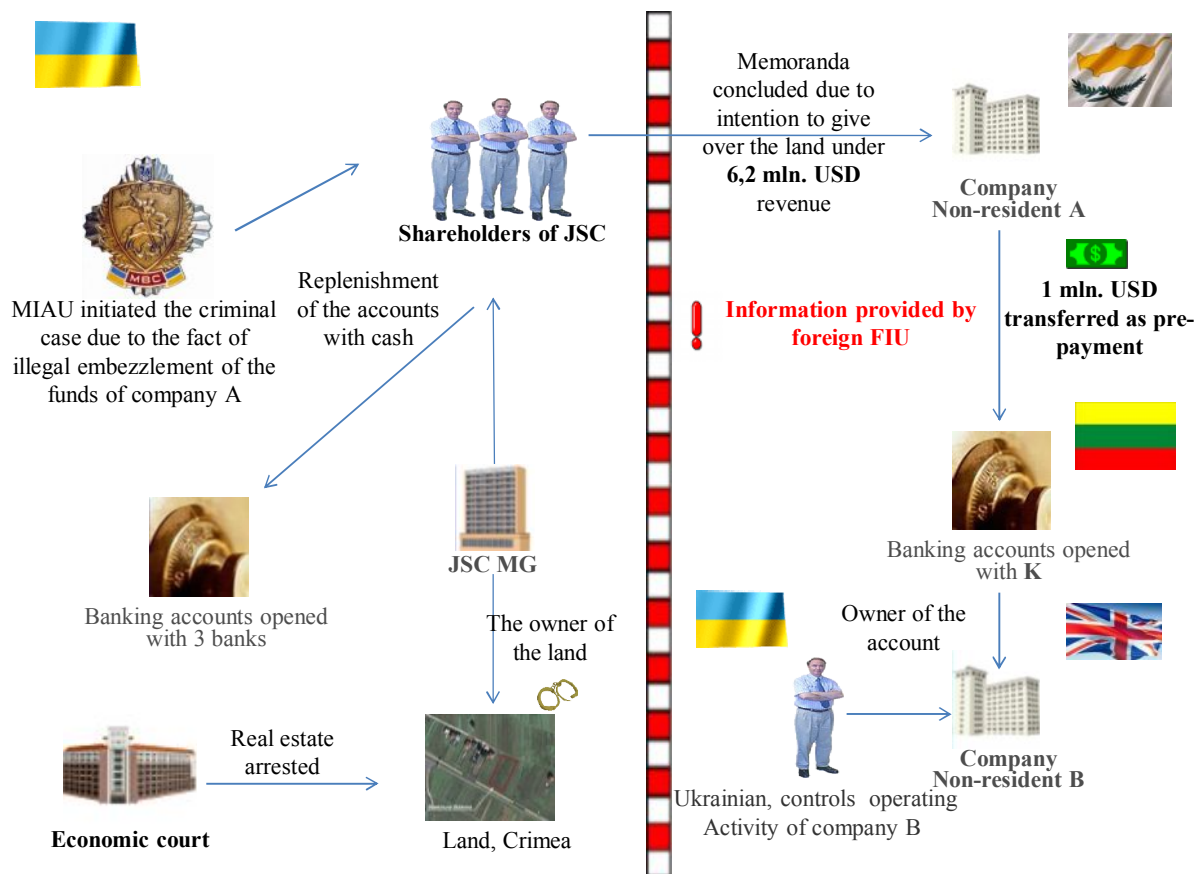
At the same time, it was established that at the moment of payments commitment the real estate was arrested according to decision of Economic Court.

Person who opened and was authorized to manage the account of non-resident «B» was citizen of Ukraine. In a month after transactions commitment the account was closed.

Citizens of Ukraine who owned a control stock of the mentioned resident company VAT «MG», placed cash deposits to current account after commitment of the abovementioned financial transactions.

Case referrals were submitted to the Ministry of Internal Affairs of Ukraine.

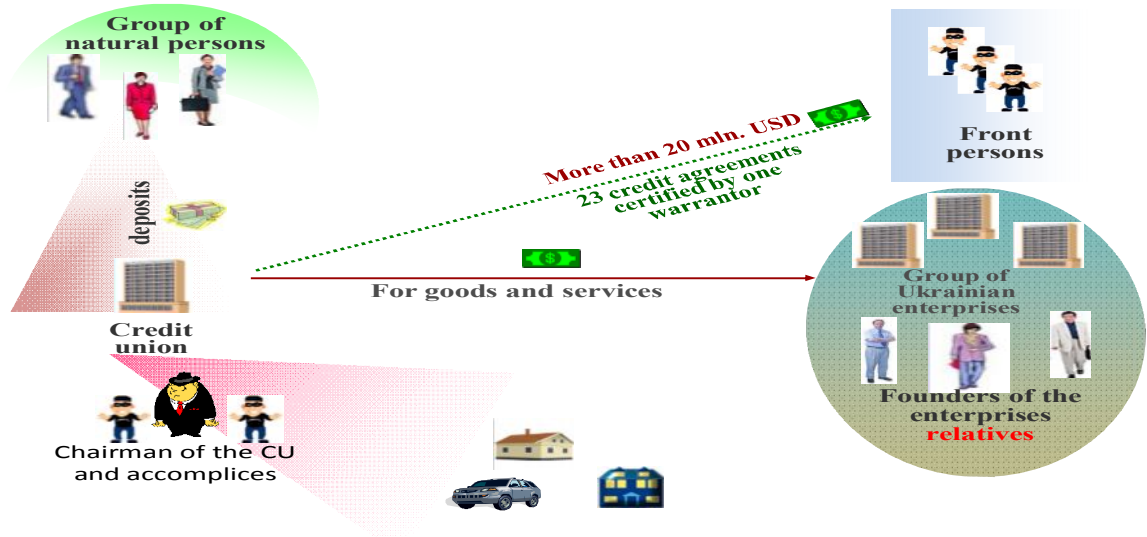
A criminal case was initiated on the fact of illegal embezzlement of funds of non-resident company «A».



In 2010 schemes related to embezzlement of citizens' funds obtained by credit unions and pawnshops

One of the main components of crimes related to embezzlement of citizens' funds and assets obtained by non-bank institutions was malversation of officials. In majority of incidents funds embezzlement was committed with involvement of non-bank institutions officials which have right to manage obtained funds and assets of citizens.

Example 1



The SCFM revealed scheme of citizens' funds embezzlement by officials of credit union. With a purpose to obtain funds of natural persons credit union declared high rate of interest

Credit union opened branches through all territory of Ukraine. Managers of these branches were relatives.

According to the terms of funds obtaining, Ukrainian citizens should have to receive high interests over some time (month, quarter).

At the beginning of activity credit union paid high interests on deposits timely encouraging new members to join the credit union.

Further depositors faced problems with receipt of deposits and interests.

It was established that Chairman jointly with two individuals granted credits to artificial persons.

Furthermore, it was established that 23 credit contracts totals to 20 mln. UAH were certified by the same guarantee.

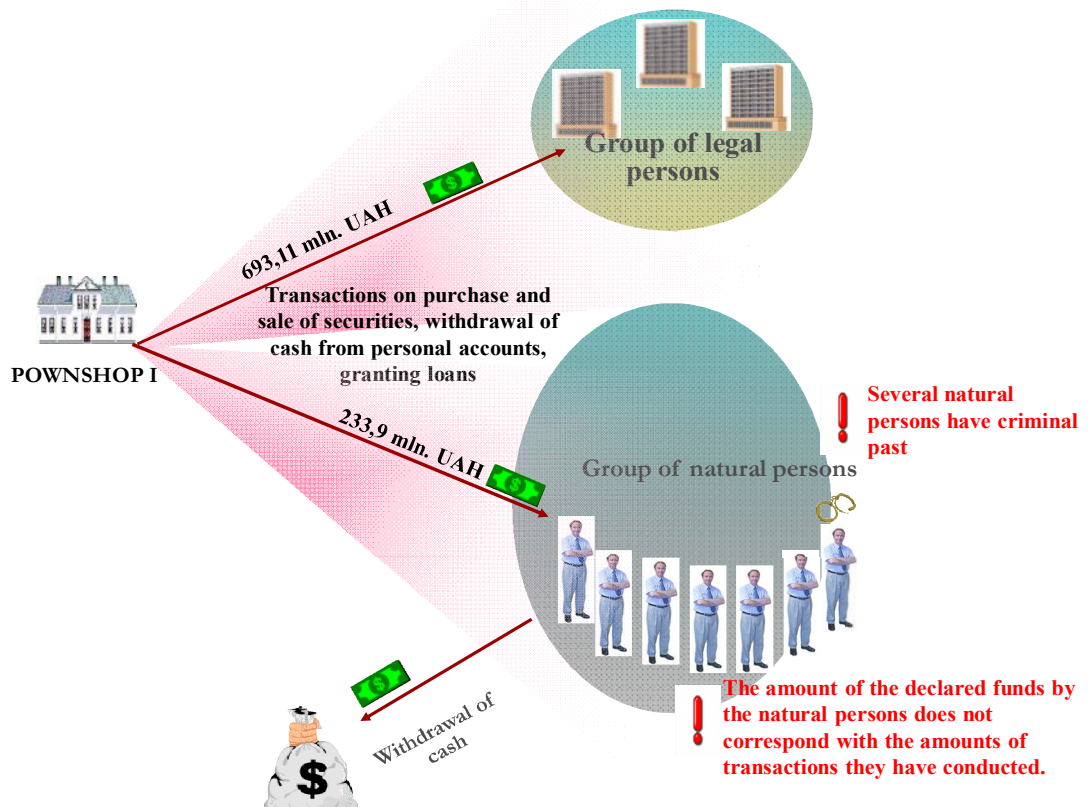
Funds were transferred from the account of credit union to the accounts of number of companies as payments for different goods and services. Founders of these companies were citizens with family ties.

The Chairman of credit union and its accomplices used funds of depositors for purchase of real estate, vehicles and other luxury goods, i.e. for own enrichment.

General Prosecutor's office of Ukraine initiated a criminal case concerning officials of credit union. Materials were sent to court.

With a purpose to ensure a civil action the defendant's property was seized to the amount of more than **7 million UAH**.

Example 2

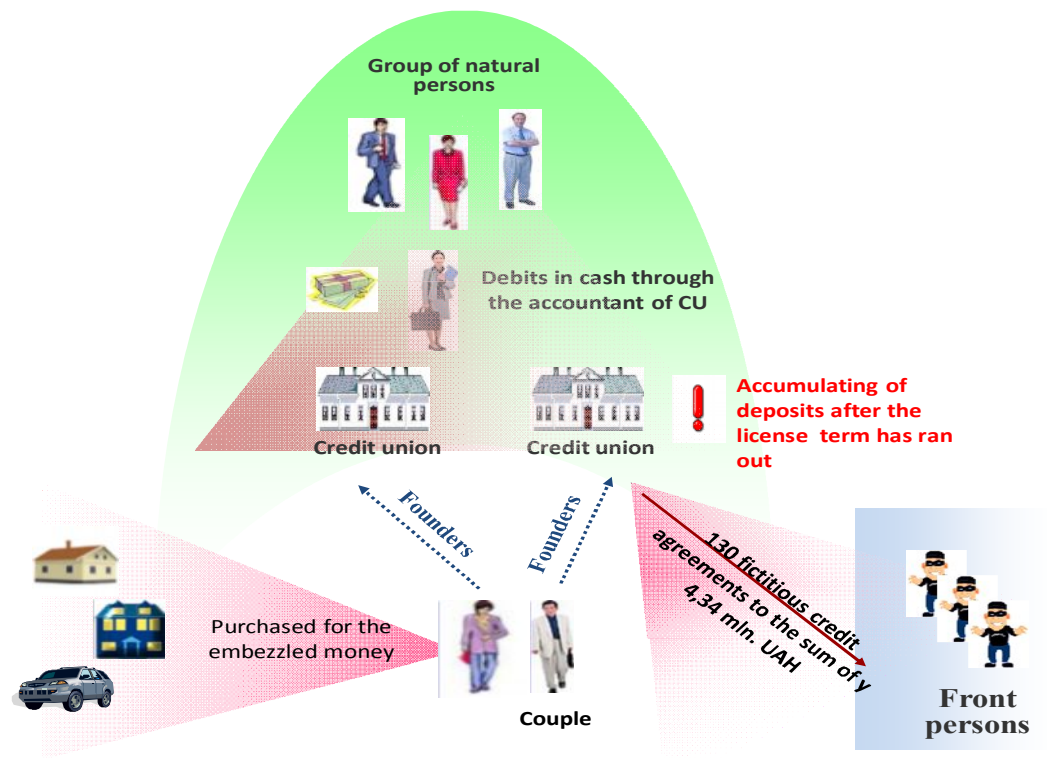


Pawnshop conducted financial transactions with more than 20 legal and 20 natural persons in non-cash cash forms. Later, the significant amount of received non-cash funds was withdrawn in cash by both natural persons and by others, empowered to act on behalf of them and for benefit.

The amount of the declared funds by the natural persons did not correspond with the amounts of transactions they have conducted. Several natural persons had criminal past.

The criminal case was initiated according to the results of the verification measures, case referrals submitted to the law enforcement authorities and additional case referrals. The investigation is in process.

Example 3



A group of natural persons founded several credit unions, which accumulated cash funds from citizens. The deposits of the credit union members were conducted in cash through in cashier office of bank through accountant of the credit union. The funds received were directed to the roan enrichment.

The received funds were further embezzled through the concluding of fictitious agreements involving nominee persons to the total sum of **4,43 mln. UAH**.

The embezzled funds were used with a purpose to purchase luxurious vehicle, real estate located in one of the Ukrainian regions and to purchase sanatorium in recreation area.

One of the credit unions accumulated funds after the term of the license expired.

Under the mentioned facts, the prosecutors' office initiated the criminal case. The investigation is in process.

5. Case referrals

5.1. Case referrals consideration by law enforcement agencies

According to the Law of Ukraine On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime or Terrorist Financing entered into force as of August 21, 2010, the Procedure of submission and consideration of case referrals approved by interagency order of SCFM and law enforcement agencies was amended that improved the procedure of preparation, submission and consideration of case referrals.

According to the mentioned Procedure, SCFM expert commission on consideration of case referrals, prepared for submission to law enforcement agencies,

takes decision concerning submission such materials to law enforcement agencies, in case of reasonable grounds. Specialists of subdivisions of law enforcement agencies are involved in participating in meeting of Expert commission as experts.

Basic objects of SCFM attention are still transactions of illegal drawing funds abroad, conversion transactions (“conversion” transactions), securities transactions of non-residents, purchase and sale of land, transactions subject to requests of law enforcement authorities, other FIUs.

Under results of conducted analysis of received reports SCFM in 2010 prepared and submitted to law enforcement agencies **408** case referrals and **259** additional case referrals, prepared on the base of **168 548** financial transactions reports subject to financial monitoring.

Accordingly they were submitted to:

- the General Prosecutor’s Office of Ukraine (GPO) – 21;
- the State Tax Administration of Ukraine (STA) – 115;
- the Ministry of Interior of Ukraine (MIA) – 167;
- the Security Service of Ukraine (SSU) –105.

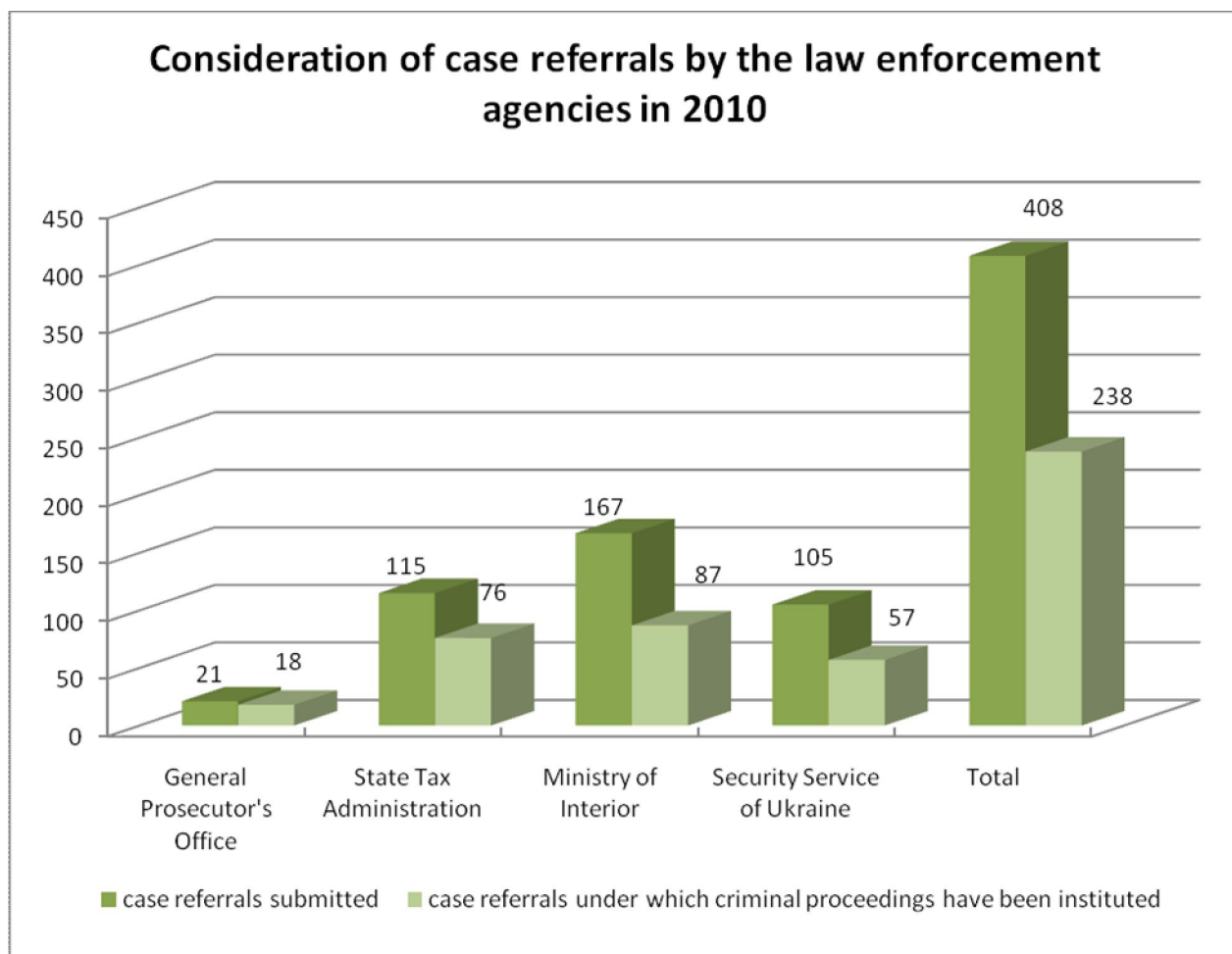
Under results of consideration of **408** case referrals (considering case referrals submitted during 2003-2009):

By law enforcement divisions under results of inspection of **238** case referrals which were received in reporting period or which were present at the beginning of reporting period and on them there were no decisions taken, there were **69** criminal cases initiated and **169** case referrals in **276** criminal cases used;

106 criminal cases during reporting period were initiated and submitted to court;

Accounting criminal cases submitted to court during 2003-2009, courts considered **65** criminal cases under which verdicts of guilty were passed or decisions under no-rehabilitating circumstances were taken.

Рис. 5.1



According to information of law enforcement agencies in 2010 there were money and other property in total **UAH 198,2 mln.** arrested and **UAH 15,2 ml.** confiscated in course of investigations of criminal cases by law enforcement.

Consideration of case referrals by law enforcement agencies in 2003-2010

INDEX	2010					Total during 2003-2010				
	GPO	STA	MIA	SSU	Total	GPO	STA	MIA	SSU	Total
CR submitted	21	115	167	105	408	249	905	980	1010	3144
CR, under which criminal cases were initiated (or used in initiation)*	18	76	87	57	238	198	587	457	340	1582
CR, under which initiation of criminal cases is refused	8	92	45	70	215	93	365	295	220	973

INDEX	2010					Total during 2003-2010				
	GPO	STA	MIA	SSU	Total	GPO	STA	MIA	SSU	Total
according to Article 6 of CPC of Ukraine *										
Number of criminal cases initiated under submitted CR (or where CR are used) *	24	95	97	60	276	181	696	511	342	1730
Criminal cases submitted to court *	9	44	28	25	106	40	208	117	68	433
Those considered by courts and passed verdicts*	7	23	20	15	65	31	137	75	46	289

* - in information on taken decisions under results of case referrals consideration for 2010 information on case referrals submitted during 2003-2010 is described as well.

5.2. Examples of court verdicts

1. The SCFM prepared and submitted to the Security service of Ukraine case referrals on cash movement through Ukrainian custom's concealing from customs examination.

Under the information of FIU of Moldova the large currency amounts were regularly transferred by Ukrainian citizens **I.** and **K.** to the territory of the Republic of Moldova.

For the period from January 12, 2004 to October 27, 2004 the above mentioned citizens moved through Ukrainian board cash amounts in total **876,2 mln. US dollars**. For the period from October 01, 2006 to December 31, 2006 –more cash amounts in total **1,983 mln. US dollars** were transferred.

Consideration of the above mentioned case referrals was entrusted to the Security Service of Ukraine in Vinnytsia region.

The Security Service of Ukraine in Vinnytsia region used these case referrals by investigating of criminal case initiated under Article 15 part 2 and Article 210 part 2 (attempt of contraband action commitment) of the Criminal Code of Ukraine with respect to Ukrainian citizens **I.** and **H.** who tried in specially equipped hideout place in a vehicle to move cash in total **UAH 9,5 mln.** through Ukrainian customs concealing it from customs examination.

In course of pre-trial investigation citizens **I.** and **H.** were arrested according to Article 115 of the CPC of Ukraine, pursuant to which Yampil'sk district court of Vinnytsia region chose preventive measures taking in custody and later the

preventive measures was changed to pawn. Cash and vehicle were confiscated and arrested.

Yampilsk district court of Vinnytsia region convicted citizens **I.** and **H.** for commitment crime provided by Article 15 part 2, Article 201 part 2 of the Criminal Code of Ukraine up to 5 years of imprisonment with confiscation of contraband objects and property owned with trial term up to 3 years.

Yampilsk district court of Vinnytsia region in framework of trial term revoked and convicted them up to 5 years of imprisonment with confiscation of property and contraband objects and changed preventive measure from pawn to taking in custody directly from the courtroom.

Decision of the Court of Appeal of Vinnytska region was left without amendments by the Supreme Court of Ukraine.

The executive service confiscated **1,9 mln. US dollars (UAH 15, 1 mln.)** were transferred to the State budget.

2. The SCFM prepared case referrals and submitted them for consideration to the Main Department of the Ministry of Internal Affairs of Ukraine in AR of Crimea, they were also used in course of investigation of criminal case initiated with respect to Ukrainian citizen **S.** The object of SCFM investigation became financial transactions of mentioned person related to regular withdrawing of cash.

On March 2010 kyivsky district court in Simferopol passed verdict convicting citizen **S.** up to 4 years of imprisonment and adjudged to exact the amount of **UAH 0,6 mln.** from his assets and transfer the amount to the state budget taking into account the fact that criminal case losses were **UAH 2,0 mln.**, and during pre-trial investigation **UAH 1,4 mln.** were already covered.

6. AML/CFT information systems of the SCFM

According to the Article 18 of the Law of Ukraine On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime or Terrorist Financing the key objectives that determines the directions for installment, functioning and development of information systems are the following:

- collection, processing and analysis of the information on financial transactions subject to financial monitoring;
- establishment and ensuring operation of unified state information system in AML/CFT sphere;

Pursuant to these objectives the SCFM ensures functioning of the information systems supporting integrated information area and carry out information processing.

6.1 Unified State Information System on Financial Monitoring

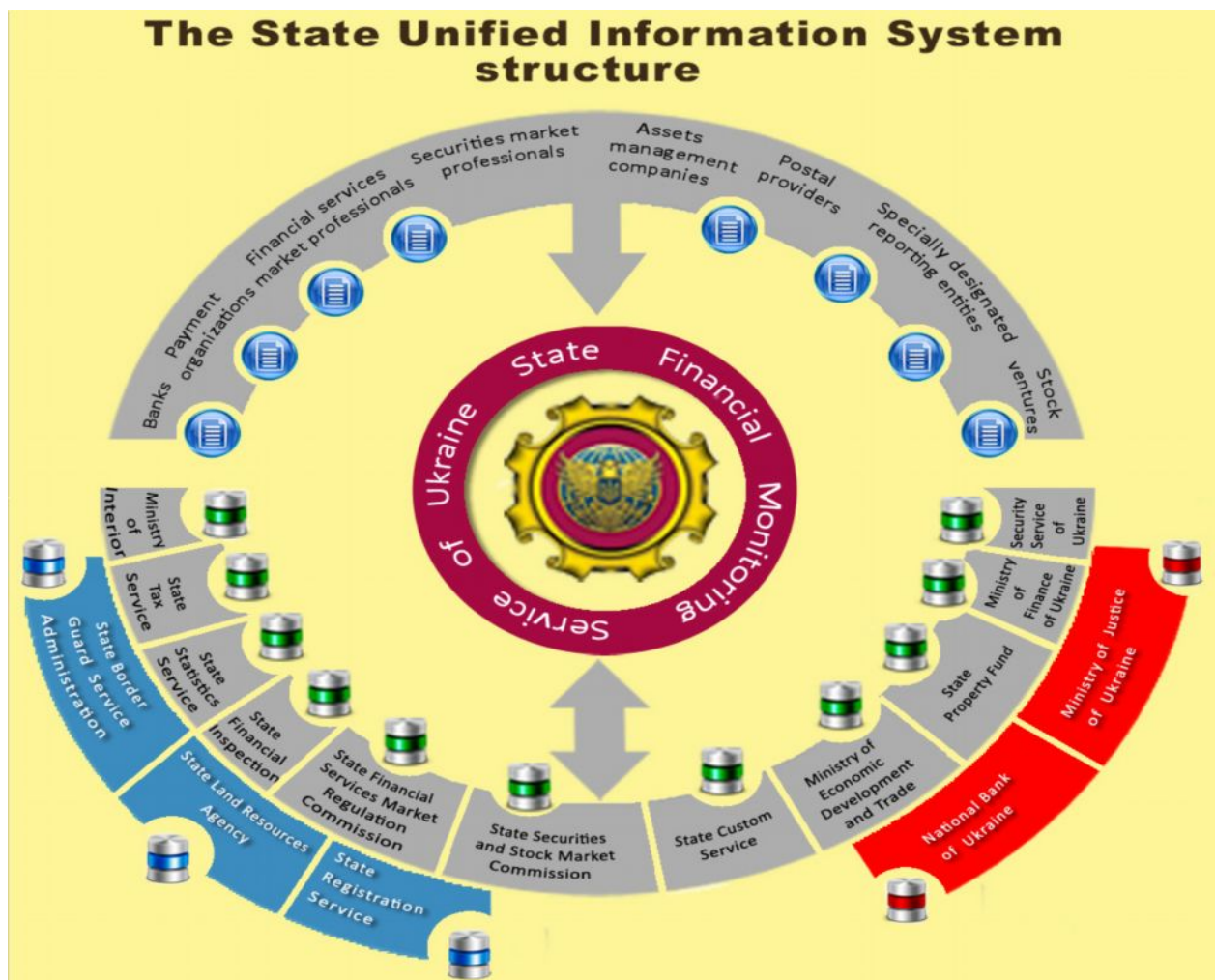
In 2010 the Unified State Information System was operating in AML/CFT area. Functional subsystem of Unified information system was launched in the Ministry of Finance of Ukraine.

At the moment SCFM has an automated access to the information resources referred to in the Resolution of the Cabinet of Ministers of Ukraine dated 10.12.2003 No 1896 On Unified State Information in AML/CFT area of the following state authorities: the Ministry of Interior, the Ministry of Finance, the Ministry of Economic Development and Trade, the Security Service of Ukraine, the State Tax Service, the State Custom Service, the State Financial Services Markets Regulation Commission, the State Statistics Fund, the State Property Fund, the State Securities and Stock Market Commission, the State Financial Inspection.

In order to ensure effective analysis of the information on financial transactions by the means of Unified State Information System, additional information from the state authorities has been obtained in response to regulation requests to functional subsystems of the state authorities – subjects of Unified Information System (4 million requests sent).

To enhance financial monitoring information processing, efficiency modernization of technical complex of Unified State Information System in AML/CFT area has been carried out.

In order to comply with new requirements of the AML/CFT Law the SCFM ensures notification of the state authorities on financial monitoring issues by means of Unified State Information System.



6.2. FINNET Corporate System

Secured multi-service automated corporate system (FINNET) provides conditions for the leadership of the SCFM and its structural units to take reasonable, agreed and effective managerial decisions, to increase efficiency of their activity on the base of the results of complex automated processing of operative, statistical, normative, informative, analytical data obtained from various sources.

The system ensures operative accept and initial processing of the information on financial monitoring from the reporting entities and state financial monitoring entities.

In order to comply with new requirements of the AML/CFT Law the SCFM ensures design and installment of software for the reporting entities registration and processing of the reporting forms for submitting information on financial transactions from new types of the reporting entities.

In 2010 the technology and software updates to provide accept and initial information processing were carried out considering amended regulations on financial monitoring.

The attestation of complex information security systems has been completed and positive expert conclusions of the authorized information security agency for all components and FINNET system in a whole have been conducted.

7. Regional Subdivisions Activity

In reporting period the SCFM performed its tasks and functions on regional level through 25 regional subdivisions. In connection with optimization of the structure and staff list, as of October 2010 the SCFM performed its tasks in regions through 7 established by it structural units which activity was extend to several administrative and territorial units, in particular: Central (in Kyiv), Western (in Lviv), Crimean (in Simferopol), Eastern (in Donetsk), Southern (in Odesa), Southern-Eastern (in Dnipropetrovsk) and North-Eastern (in Kharkiv) regional subdivisions.

In 2010 an interaction of SCFM regional subdivisions with financial intermediaries on local level was conducted by regional subdivisions under the following directions:

- maintaining of regional information resources “Data on reporting entities”;
- clarifying of information on reporting entities;
- determining of problem issues of reporting entities with the purpose of its operative and methodological solving;
- providing methodological assistance through consultations and written explanations;
- providing training regional workshops.

At the same time, regional subdivisions provided reporting entities and its separate structural subdivisions with **6 823** explanations (consultations) regarding current legislation and organization of initial financial monitoring during reporting period.

Regional subdivisions also conducted interaction and information exchange with territorial subdivisions of law enforcement and other state agencies, regulation agencies and supervisory agencies, other organizations and institutions.

In 2010 regional subdivisions of SCFM:

- concluded on the national level **23** acts (agreement, memoranda, protocols) on interaction and information share with territorial subdivisions of law enforcement agencies and other state agencies;
- carried out working meetings with leadership of law enforcement agencies and other state agencies, territorial regulation agencies and supervisory agencies in frameworks of case referrals accompanying;

- organized and conducted in regions **184** educational events for financial monitoring specialists which attended **4 863** persons in order to coordinate actions of reporting entities.

8. Interagency cooperation

In order to ensure the state AML/CFT policy the State Financial Monitoring Service of Ukraine has taken measures to coordinate the activities of the state authorities in this area and to establish effective interaction system with the state financial monitoring entities and other state authorities.

In order to implement provisions of paragraph 4 of the State program for economic and social development of Ukraine for 2010 approved by the Law of Ukraine dated May 20, 2010 No 2278-VI and with the purpose of further development of AML/CFT system the SCFM of Ukraine taking into consideration suggestions provided by other interested state authorities elaborated draft Directive of the Cabinet of Ministers of Ukraine On Approval of the Strategy for Developing Anti Money Laundering and Counter Terrorist Financing System for the Period up to 2015 (hereinafter referred to as the Strategy).

The main objective of the Strategy is to form the system of necessary legislative, organizational and institutional measures aimed to establish effective AML/CFT mechanisms.

The Strategy provides for consolidation of the efforts of all state authorities and determines complex of strategic aims to develop national AML/CFT system, namely:

- to confirm Ukrainian status of a reliable partner of the international community in AML/CFT area;
- to prevent prerequisites for legalization of the proceeds of crime and terrorist financing;
- to minimize the use of financial system of Ukraine for money laundering and terrorist financing;
- to enhance efficiency of the law enforcement and other state agencies' activities;
- to improve regulation and oversight mechanism over reporting entities;
- to increase qualification of AML/CFT experts;
- to ensure efficient international cooperation;
- to ensure transparency and public awareness of AML/CFT measures taken.

To realize the directions for development of AML system set out by the Strategy the SCFM of Ukraine, taking into consideration suggestions provided by other interested state authorities, elaborated draft Resolution of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine On Approval of the Anti Money

Laundering and Counter Terrorist Financing Action Plan for 2011 that sets out concrete practical and organization measures and appropriate executors.

Interaction of the state authorities – actors of the national system is carried out within the framework of joint regulations and agreements concluded and functioning of Unified Information System formed with the purpose of creating unified information space to ensure complex analysis of the information on illicit profits, disclose ML schemes, prevent laundering (legalization) of such profits.

The SCFM of Ukraine cooperates with the state authorities, self-regulatory and public organizations in AML/CFT area on regular basis.

For the present moment there have been concluded agreements (memorandums, protocols) with 33 institutions and organizations including law enforcement agencies, regulatory and supervisory bodies, self-regulatory organizations and professional units.

Interaction of the SCFM with the law enforcement agencies under such directions:

- information collaboration;
- activity concerning case referrals.

The SCFM and the law enforcement agencies share information by the means of information and telecommunication system of financial monitoring using information security means certified pursuant to the stipulated procedure.

The procedure for submitting by the SCFM of Ukraine of case referrals on suspicious financial transactions and obtaining information on the state of processing thereof is stipulated by joint orders of the SCFM and the law enforcement agencies.

All case referrals are submitted to the law enforcement agencies on condition of their preliminary consideration and approval by the Expert commission on consideration of case referrals.

To enhance the cooperation mechanism between the law enforcement agencies and the SCFM, joint order of the SCFM, the State Tax Administration, the Ministry of Interior and the Security Service of Ukraine dated 28.11.2006 № 240/718/1158/755 stipulates the procedure for submission and consideration of case referrals. This procedure specifies the mechanism for submission of case referrals, the procedure of registration, usage and storage thereof and notification of the SCFM on the course and the results of processing.

To establish close cooperation with public organizations in 2010 SCFM signed Memorandum on general bases of cooperation in AML/CFT area with:

International organization “International counterterrorist unity” – on February 23, 2010;

Real Estate Agents’ Association (Kyiv) – on June 17, 2010;

Ukrainian Security Federation – on August 25, 2010;

Jewelry Industry Entities' Unity "Ukrainian Jewelers' Association" – on September 1, 2010;

Association "Ukrainian lessers' unity" – on November 8, 2010.

In order to implement the Decree of the President of Ukraine dated 31.07.2004 No 854/2004 and Resolution of the Cabinet of Ministers of Ukraine dated 01.03.2006 No 215 "The issues for providing participation of public community in forming and realization of the state policy" Public Council successfully operated at the SCFM of Ukraine during 2010. Public Council involved 9 representatives of public organizations.

Public Council at the SCFM is a consultative and advisory body established to coordinate the measures related to consultations with public concerning forming and realization of the state AML/CFT policy.

8.1. Interaction with regulators and other state agencies

SCFM continues active AML/CFT cooperation with regulators and other state authorities.

In the frameworks of signed joint orders on cooperation the SCFM provides to regulators the information in order to enhance the supervision efficiency of compliance with AML/CFT legislation requirements, particularly:

- statistics data on the financial transactions that are subject to financial monitoring received by the SCFM from the reporting entities;
- statistics data on the state of registration of the reporting entities in the SCFM;
- statistics data on mistakes made by the reporting entities in the course of submission of the information on the financial transactions that are subject of financial monitoring;
- information on disclosed by the SCFM facts that attest to violations by the reporting entities of the AML legislation;
- information on composed protocols on administrative violations committed by officials of the entities, and the results of consideration thereof;
- information on ML/TF financial schemes and methods analysis.

Besides, according to the agreements and protocols signed every quarter SCFM received from the National Bank of Ukraine, the State Financial Services Markets Regulation Commission and the State Securities and Stock Market Commission the information with the list of the reporting entities and the information on the results of the inspections of these reporting entities conducted by them.

8.2. Coordination of the reporting entities' actions

In order to coordinate the activity of the reporting entities in the area of financial monitoring SCFM of Ukraine:

- prepares and forwards analytic reviews to the state financial monitoring entities with the analysis of the measures taken by the reporting entities to prevent and counteract legalization (laundering) of the proceeds of crime and terrorist financing;
- provides to state regulators information on possible instances of violation by the reporting entities of AML/CFT legislation and the list of entities that fail to submit to SCFM Suspicious Transactions Reports;
- composes protocols on administrative offences committed by the officers of the reporting entities for the violations disclosed by SCFM;
- considers matters within the working group on acute issues of non bank institutions;
- places methodical information on the web-site of SCFM;
- provides consulting by hot line telephone of SCFM;
- organizes training seminars for the reporting entities;
- takes part in the training process of Training and Methodical Center of SCFM;
- cooperates with self-regulatory and public organizations.

During 2010 review letters on the efficiency of the reporting entities' measures were prepared and forwarded to state regulators, namely:

- 6 review letters to the State Securities and Stock Market, the State Financial Markets Regulation Commission and the National Bank of Ukraine;
- 1 review letter to the Ministry of Justice of Ukraine, the Ministry of Economic Development and Trade of Ukraine and the Ministry of Infrastructure of Ukraine.

The SCFM also processed and agreed draft regulations of the state financial monitoring entities relating to fulfillment of the Basic Law, among them:

- 5 regulations of the National Bank of Ukraine;
- 34 regulations of the State Securities and Stock Market Commission;
- 9 regulations of the State Financial Services Market Regulation Commission;
- 3 regulations of the Ministry of Justice of Ukraine;
- 3 regulations of the Ministry of Infrastructure of Ukraine
- 2 regulations of the Ministry of Economic Development and Trade of Ukraine;

- 1 regulation of the Ministry of Finance of Ukraine.

At the same time the SCFM takes measures to disclose the instances of violation by the reporting entities of the requirements of regulations in the area of financial monitoring in part of:

failure to submit information on the financial transactions to SCFM;

failure to register in SCFM;

untimely submission (registration) of the information on financial transactions that are subject to financial monitoring;

failure to submit (untimely submission) of additional information on SCFM request;

failure to make transition to electronic form of interaction with SCFM by non bank institutions.

In the instance of disclosing the above mentioned cases SCFM provides forwarding of the appropriate information to state regulators in order to apply countermeasures.

In 2010 SCFM disclosed and forwarded to the State Financial Services Market Regulation Commission the information on suspicion of violation of the requirements of the Basic Law in part of failure to submit by approximately **120** insurance institutions to the SCFM of reports on the financial transactions with the signs of obligatory financial monitoring.

Similar information on **58** violators out of professional actors of the securities market has been forwarded to SCFM and to the State Securities and Stock Market Commission.

Under disclosed facts of untimely registration and/or submission by the reporting entities of the reports on financial transactions registered under the signs of obligatory financial monitoring during 2010 the authorized persons of SCFM composed and forwarded to the court 82 protocols on administrative offences.

To ensure compliance of the requirements of the Article 17 of the Basic Law the SCFM adopted Order № 183 dated 07.10.2010 On Approval of the List of Persons Related to Terrorist Activity or Internationally Sanctioned.

This list of persons (amendments to it), in consistence with the Procedure for informing the reporting entities on the list of persons related to terrorist activity or internationally sanctioned approved by the Order of SCFM dated 27.08.2010 № 149, is brought to attention of the reporting entities through its placing on the official web-site of the SCFM.

During October – December 2010 SCFM adopted 7 Order on Introducing Amendments to the List of Persons Related to Terrorist Activity or Internationally Sanctioned dated 26.10.2010 № 204, dated 09.11.2010 № 219, dated 03.12.2010 № 239, dated 07.12.2010 № 240, dated 10.12.2010 № 244, dated 22.12.2010 № 258, dated 30.12.2010 №262 placed on the official web-site of SCFM.

8.3 Methodical provision, training of the staff of reporting entities

To ensure methodical provision of the reporting entities the SCFM organized and held **230** training arrangements where more than **6000** persons took part.

Moreover, during a reporting year the SCFM has done the following work:

- prepared and forwarded **3637** letters-responses of methodical nature on requests of the reporting entities;
- provided more than 40 daily hot line consultations for financial intermediaries on using AML/CFT legislation.

During 2010 three meetings of the Working group on consideration of acute issues of the reporting entities – non bank institutions were held in the course of which the issues on organization of financial monitoring by the reporting entities were solved.

During 2010 the SCFM organized and held approximately 30 working meetings with the state authorities and public organizations to discuss and fulfill the provisions of the Law of Ukraine On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime or Terrorist Financing.

The information on web-site was being updated on a regular basis. Particularly, international recommendations and standards, information of recommendatory and consultative nature for the reporting entities on organization of financial monitoring were placed, particularly on the following issues:

- appointment of Compliance officer;
- identification of the financial transactions originators;
- risk management;
- disclosure, registration and submission of the information on financial transactions to SCFM.

9. The SCFM Training Center

Pursuant to schedule of professional developments trainings under course “Fight against legalization (laundering) of the proceeds from crime, or terrorist financing” in 2010 the SCFM Training Center conducted professional developments trainings for specialists in AML/CFT area at the expense of general fund of the State budget of Ukraine:

532 specialists:

- 164 of them – representatives of state financial monitoring entities;
- 368 – representatives of law enforcement and judicial authorities.

Pursuant to schedule of professional developments trainings for representatives

of reporting entities, in 2010 the SCFM trained 405 compliant officers of reporting entities, in particular:

- 328 persons – participants of financial services markets;
- 27 persons – professional participants of securities market;
- 50 persons – business entities providing intermediary services by carrying out of real estate buying and selling transactions.

10. International Cooperation

10.1. Cooperation with international organizations

One of the important constituent of SCFM activity is establishment of constructive cooperation with international institutions and foreign counterparts responsible for organization of effective counteraction to money laundering and terrorist financing.

During reporting period the SCFM actively cooperated with leading international organizations and institutions in AML/CTF area, such as Financial Action Task Force (FATF), FSRBs - MONEYVAL, EAG, Council of Europe and European Commission, UNODC, Egmont Group, World Bank, International Monetary Fund etc.

During 2010 the SCFM representatives conducted 19 international visits, hosted 32 foreign FIUs delegations and representatives of foreign institutions and international organizations.

The SCFM as specially authorized agency of executive power on financial monitoring concludes interagency international agreements (Memoranda of Understanding) with foreign FIU's.

During 2010 the SCFM concluded Memoranda of Understanding with Andorra, Bermuda, the Republic of Turkey, Mongolia and the Republic of Kazakhstan.

10.2. Cooperation with FATF

In 2010 the SCFM representatives actively participated in FATF meetings.

Thus, SCFM representatives twice participated in Plenary meetings, ICRG meetings and EERG meetings .

In order to participate in FATF meetings the SCFM delegation visited Paris, France in October 2009, and Strasbourg, France in December 2009.

Moreover, during 2010 SCFM sent to Financial Action Task Force Group on Money Laundering (FATF) 3 three AML/CFT Progress Reports of Ukraine and informed regarding adoption of the new Law On Prevention and Counteraction to the Legalization (Laundering) of the Proceeds from Crime, or Terrorist Financing, as well as normative-legal acts aimed at its execution.

10.3. Cooperation with Egmont group

The SCFM representatives continuously participate in Egmont Group Plenary and Working Groups meetings.

Accordingly, in 2010 the SCFM representatives took part in the meetings of Outreach Working Group, IT Working Group, Operational Working Group, Legal Working Group, and in the meetings of European Regional Group, Plenary meeting, Egmont Committee meeting held in Cartagena, the Republic of Colombia (July 2010) and in Kishinev, the Republic of Moldova (October 2010).

At the meeting of European Regional Group the representative of SCFM Oleksiy FESHCHENKO was elected as one of three regional representatives from Europe within two years. Regional representative from Europe is a member of Egmont Committee – leading organ of Egmont group. This is an acknowledgement of high reputation of SCFM as FIU and positively influence on international Ukrainian image.

10.4. Cooperation with the Council of Europe/European Commission

Considering approve of the first Progress-Report under the results of the third Round of Mutual Evaluation of Ukraine during 33th MONEYVAL Plenary as well as adopting state of compliance on all NC and PC ratings in the 3rd Round report in respect of Ukraine during 34th Plenary meeting without compliance enhancing report, Ukraine will continue to cooperate with MONEYVAL in regular regime.

Participation of Ukrainian representatives in MONEYVAL international events is important in view of knowledge extending and sharing of experience in this direction as well as for representation of Ukraine as the state carrying out active steps to bring its legislation closer to international standards in AML/CFT area.

Moreover, SCFM in collaboration with European Commission in TAIEX workshop frameworks conducted a range of seminars on the issues of fight against money laundering, other financial crimes, cross-border crimes and cyber crimes. Above mentioned events were organized for employees of law enforcement agencies, SCFM, state supervisory and regulatory agencies and aimed at improving of mechanism for carrying out of financial investigations as well as strengthening of national interaction between state agencies in AML/CFT area. During workshops the following issues were considered: financial markets, VAT fraud, risks analysis, offshore and tax havens in money laundering schemes; disclosure, freeze and recovery of criminal assets; investigation of financial crimes using computer technologies and special investigative techniques; national interagency cooperation and providing mutual legal assistance.

In total 8 workshops in Kyiv, Odesa, Lviv, Kharkiv, Dnipropetrovsk and in Uzhhorod were held which attended by 448 representatives from all regions of Ukraine.

10.5. Cooperation with Eurasian group

According to the Decree of the President of Ukraine on September, 30, 2004 № 1156/2004 the SCFM was determined as an agency responsible for cooperation with Eurasian Group (EAG). The SCFM representatives continuously participate in sessions of all Working Groups and EAG events.

During 2010 the SCFM representatives participated in joint EAG/MONEYVAL workshop on typologies (Moscow, Russian Federation), as well as in 12th and 13th EAG Plenary held in Almaty, Republic of Kazakhstan (June 2010) and in Moscow, Russian Federation (December 2010).

The SCFM representative participates in the work of the Working Group on Typologies as co-chair. Moreover, Ukrainian report under the results of typology research in 2010 on the topic “Money laundering risks in course of conducting foreign trade transactions” was held at the last meeting of the Working Group.

In 2010 the SCFM representative visited Ashkhabad, Turkmenistan in order to participate in EAG on-site visit as an expert of Turkmenistan mutual evaluation.

Active Ukrainian participation in EAG work assist to improvement of Ukrainian international cooperation in AML/CFT area, as well as allows effectively protect national interests of the state in this area in Eurasian region.

10.6. Other international events

In 2010 the SCFM actively participated in the events organized with assistance of International Monetary Fund.

On May and November 2010 IMF delegation visited the SCFM in order to discuss issues of providing IMF technical assistance in AML/CFT area to state authorities of Ukraine.

During the visit IMF representatives held meetings with representatives of state authorities – state financial monitoring entities, as well as with representatives of reporting entities. To participate in the above mentioned discussion were invited representatives of Union of Lawyers of Ukraine, Real Estate Agent’s Association, Ukrainian Notary Chamber, Ministry of Finances of Ukraine and Ministry of Justice of Ukraine. Also, in framework of visits there has been organized round table on AML/CFT issues for representatives of non-financial institutions and businesses sector (specially designated reporting entities) as well as held workshop on the topic “Responsibilities of lawyers, notaries, and bars in AML/CFT area according to the new legislation” which attended representatives of FIU of Moldova, FIU of Lithuania, FIU of Latvia and FIU of Estonia as experts.

From July 29 to 30, 2010 *poky* there has been held International conference on the topic “National money laundering risks assessment” organized with the assistance of the World bank on SCFM basis.

The purpose of this event was to acquaint participants with new technique regarding carrying out of money laundering risks assessment elaborated by the World

bank. During conference there have been considered issues on country vulnerability to money laundering, the vulnerabilities of the system of financial sector protection, as well as issues of prevention and counteraction to financial risks related to money laundering and terrorist financing, elimination and neutralization of negative effect of destabilizing factors on financial sector etc.

10.7. Provision of technical assistance to other FIUs

During 2010 the SCFM experts provided technical assistance to foreign colleagues to develop and improve national AML/CTF systems in the framework of Egmont Group and EAG.

During 2010 the SCFM experts provided technical assistance to foreign counterparts in development and improvement of national AML/CTF systems in the framework of Egmont Group and EAG.

At present, the SCFM is sponsor of Kazakhstan FIU, Azerbaijan FIU and Iran FIU regarding their joining to Egmont group.

As sponsor of the mentioned FIUs the SCFM continuously provides consulting assistance regarding their settling and development.

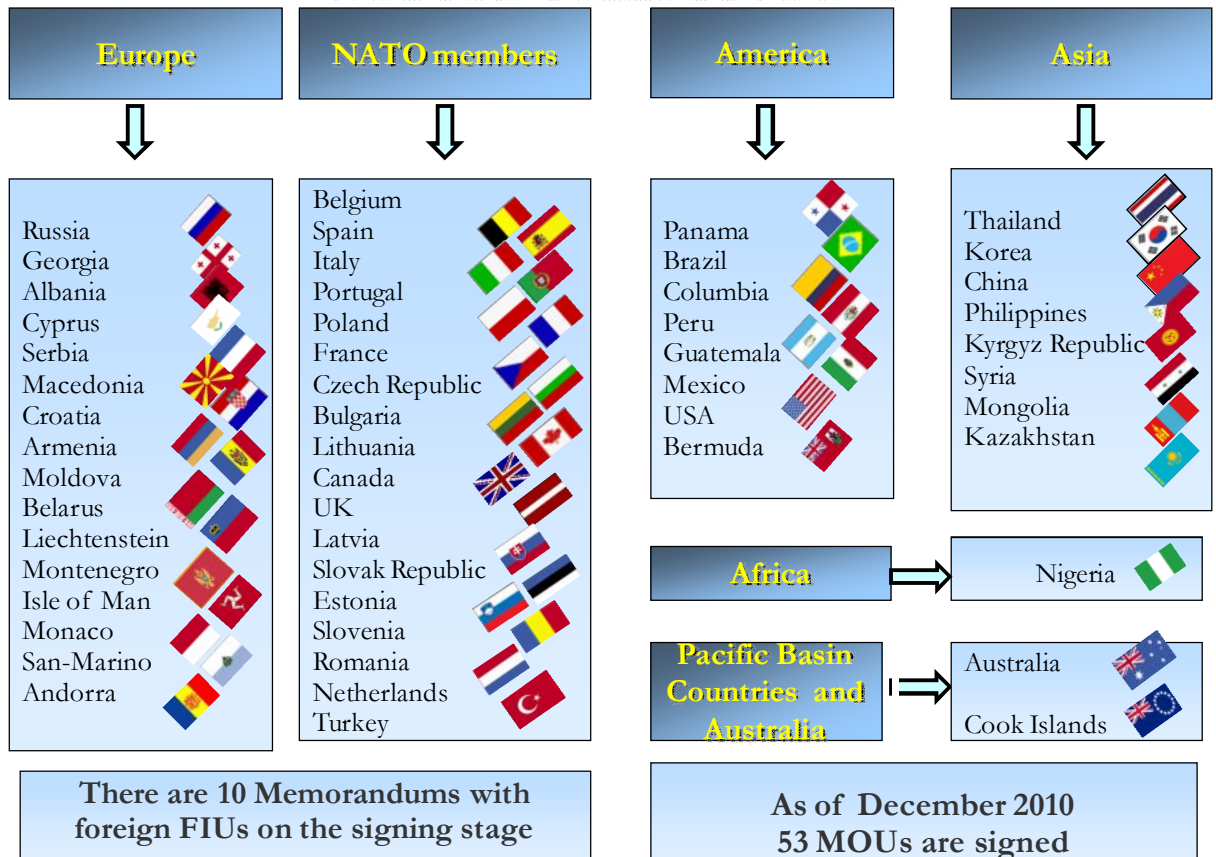
In framework of EAG activity the SCFM continuously provides international sponsor assistance.

On November, 2010 the SCFM representative acted as expert during EAG on-site visit regarding Turkmenistan mutual evaluation.

Moreover, taking into consideration the fact that SCFM representative Oleksiy FESHSCENKO was elected one of three regional representatives from Europe at the meeting of European regional group of Egmont group held in Kartagena, Columbia SCFM continually coordinates issues related to activity of FIUs of European region: FIU of Moldova, FIU of Byelorussia, FIU of Russia, FIU of Kirghizia, FIU of Armenia and other countries.

In its turn, the SCFM provided assistance to get membership in Egmont group to Kirghizia FIU, Armenia FIU, Byelorussia FIU and Moldova FIU which became competent members of Egmont group in 2008 and 2009.

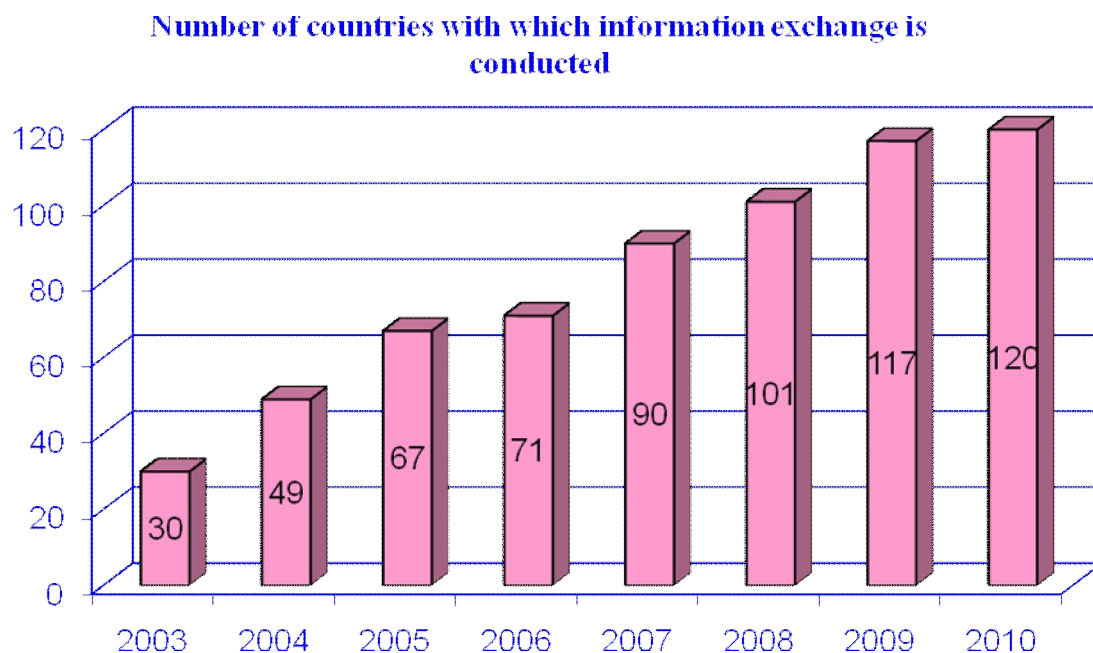
MEMORANDA OF UNDERSTANDING WITH FOREIGN FIUs



10.8. Information exchange with foreign FIUs

The SCFM receives from foreign colleagues financial information, which may be related to illegal activity. This affords to investigate intricate transnational schemes more efficiently and in larger scale.

Since being founded the SCFM closely cooperates in AML/CFT area with 120 countries and their quantity constantly increases.



The most active information exchange in 2010 was held with FIUs of Latvia, Cyprus, USA, United Kingdom, Russian Federation and Germany.

During 2010 the SCFM sent 394 requests via Egmont Secure Web (ESW) and received 135 requests from foreign FIUs.

Statistics of information exchange between SCFM and foreign FIUs during 2010

<i>Index</i>	<i>For 2010</i>
<i>Requests sent to foreign FIU</i>	394
<i>FIUs number</i>	48
<i>Responses received</i>	421
<i>FIUs number</i>	56
<i>Requests received from foreign FIU</i>	135
<i>FIUs number</i>	38
<i>Responses sent</i>	135
<i>FIUs number</i>	38

11. Plans for 2011. Development perspectives

Perspective directions of the SCFM activity for 2011 are:

- implementation of AML/CFT legislation;
- introduction of risks assessment approach;

- implementation of provisions of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism dated May 16, 2005;
- implementation of analysis techniques of financial transactions reports;
- counteraction to new challenges and threats;
- organization of trainings for new financial monitoring entities;
- cooperation with private sector concerning counteraction to the money laundering and terrorist financing.