



# **THE STATE FINANCIAL MONITORING SERVICE OF UKRAINE**

**Annual Report  
2013**

**Kyiv**

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**Dear colleagues!**

The State Financial Monitoring Service of Ukraine offers for your consideration the Annual report on implementation of the state AML/CFT policy in 2013.

As a FIU, the SFMS of Ukraine was ensuring effective AML/CFT activity in the last year.

Significant efforts were targeted at implementation of the new FATF Standards on combating money laundering and the financing of terrorism & proliferation into the national legislation.

Thus, based on the new FATF Recommendations and Methodology for assessing compliance, the SFMS of Ukraine has, jointly with all members of the national AML/CFT system, prepared a draft Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime, Terrorist and Proliferation Financing”, which was subject to wide public discussion.

Adoption of the specified draft Law shall facilitate bringing the legal basis of the national AML/CFT system in compliance with the international standards and it shall again confirm meeting by Ukraine its duties in the specified area.

In 2013 the SFMS of Ukraine continued close cooperation with the state entities, public organizations, as well as with international structures. It also ensured methodological provision of the financial monitoring system.

We shall further take complex legislative, practical and organizational measures to ensure sustainable and efficient operation of the country’s national financial monitoring system.

**Sincerely,**

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

**Igor CHERKASKYI**

# **1. ABOUT THE STATE FINANCIAL MONITORING SERVICE OF UKRAINE**

## **1.1. The role of the SFMS of Ukraine in the AML/CFT system**

The State Financial Monitoring Service of Ukraine that is a central executive body which implements the state AML/CFT policy is the key element of the AML/CFT system.

The activity of the SFMS of Ukraine is regulated by the Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime or Terrorist Financing” (hereinafter referred to as the AML/CFT Law) and its Statute.

According to the Statute of the SFMS of Ukraine, approved by the Decree of the President of Ukraine as of April 13, 2011 No 466, the activity of the SFMS of Ukraine is regulated and coordinated by the Cabinet of Ministers of Ukraine through the Minister of Finance of Ukraine.

- ensures coordination of activities of state agencies in the AML/CFT area;
- operates as a national financial intelligence centre and has the competence usual for this type of agency. Its main tasks and functions include collection, processing and analyzing of information on financial transactions subject to financial monitoring, other financial transactions or information, which could be related to legalization (laundering) of the proceeds of crime or terrorist financing;

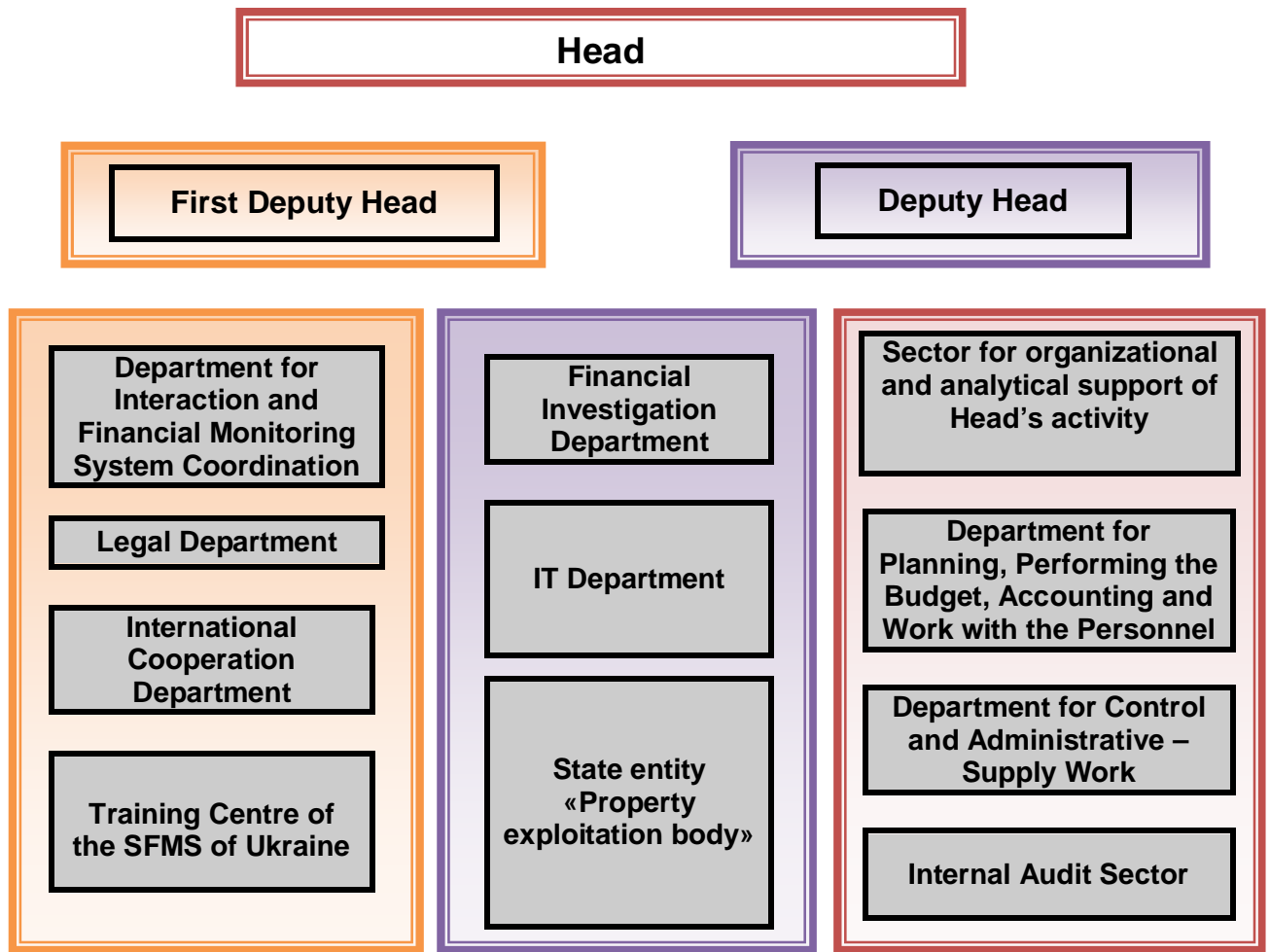
- is a state financial monitoring subject for business entities providing intermediary services in immovable property sale and purchase transactions, as well as for entrepreneurs and legal entities providing financial transactions with goods (conducting works or providing services) for cash provided amount of such financial transaction is equal to or exceeds UAH 150 000.

Establishment of constructive cooperation with the international organizations and foreign counterparts, that are in charge of organization of efficient counteraction to legalization (laundering) of the proceeds of crime and terrorist financing, is one of the important directions of the activity of the SFMS of Ukraine. The SFMS of Ukraine as an FIU shares information with foreign counterparts on the reciprocity principles under the Charter of the Egmont Group of FIUs and Memoranda of Understanding.

## **1.2. Human Resources**

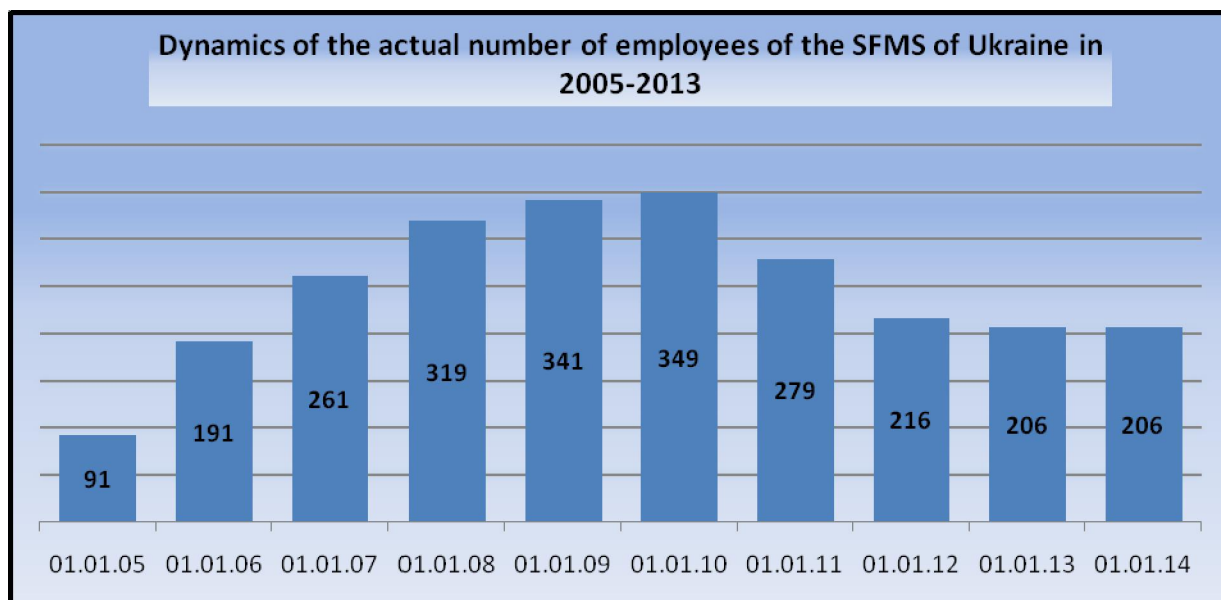
The human resources policy of the SFMS of Ukraine is conducted according to the requirements of the Constitution of Ukraine, legislation on the state service issues, principles of prevention and counteraction to corruption, other regulations under which the state provides the conditions for the citizens to implement the right to work, preparation and professional development of the personnel pursuant to the social needs.

## Structure of the SFMS of Ukraine



Approved staff number of the SFMS of Ukraine is 237 persons.

As of January 1, 2014 206 employees actually work in the SFMS of Ukraine. Dynamics of the actual number of employees of the SFMS of Ukraine in 2005-2012 is provided in the chart below:



Gender distribution of the employees in the SFMS of Ukraine represents: 86 men (41,7%) and 120 (58, 3%) women. Among the senior management there are 35 men and 30 women.

By age structure of employees SFMS of Ukraine is the most numerous age group 35 - 45 years old - are employees who have significant professional experience.

The SFMS of Ukraine staff consists of high qualified specialists with complete higher education. 3 employees of the SCFM of Ukraine with a degree, including 2 – holding an academic degree. 9 employees of the SCFM of Ukraine is the Master of Public Administration.

In 2013 the SFMS of Ukraine held 3 meetings of selection committee to fill the vacancies of civil servants. 41 persons participated in the competitive selection. Under the results of the competitive selection 26 persons were appointed. Moreover, under results of probation period 3 person was transferred to the SFMS of Ukraine from other state agency.

The SFMS of Ukraine has formed the employment pool to use effectively the potential and professional skills of highly qualified employees. In 2013 the employment pool included 140 specialists. During 2013, 4 employees were appointed to the positions of the SFMS of Ukraine from the employment pool.

In order to gain practical experience, examine the professional level and in the view of carrier promotion the SFMS of Ukraine conducts probation for civil servants, under results of which in 2013 18 employees of the SFMS of Ukraine were promoted to higher positions.

### **1.3. Funding of the SFMS of Ukraine**

In 2013 the SFMS of Ukraine was financed from the state budget within the budgetary allocations pursuant to the Law of Ukraine “On State Budget of Ukraine for 2013”.

In 2013 according to budgetary allocations the SFMS of Ukraine expended 31 099,9 thousand UAH. Funds expenditure is provided in the table below.

## The structure of the SFMS of Ukraine budgetary allocations for 2013

<b>Expenditures</b>	<b>Sum in thousand UAH</b>
Wages and wage upholding	21 968,0
Utility services and energy carrier payments	1 009,1
Business trip expenditures	173,2
Other expenditures to ensure activity and maintenance of the State Information System and Information & Analytical System of the SFMS of Ukraine	4455,6
Capital expenditures for upgrading a single resource state information system on prevention and counteraction to legalization (laundering) of proceeds from crime and terrorist financing	1773,7
Maintenance of the Training Centre of the SFMS of Ukraine	1 720,3
<b>Total</b>	<b>31099,9</b>

### 2. AML/CFT LEGISLATION DEVELOPMENT

In 2013 the SFMS of Ukraine took measures to draft the Law of Ukraine on amendments to the national legislation with the view to bringing it into compliance with the new Financial Action Task Force (FATF) standards.

According to the analysis of the new FATF Standards the SFMS of Ukraine has prepared information concerning priority directions in developing the amendments to the national AML/CFT legislation. This information has been approved by the AML/CFT methods and trends Council and the Public Council of the State Financial Monitoring service of Ukraine.

Based on the specified priorities and taking to account the FATF Methodology for assessment of compliance of the national legislations with the new FATF Standards (adopted in February 2012) the SFMS of Ukraine has, involving interested state entities, prepared new version of the draft Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime or Terrorist Financing”.

Following agreement of the specified draft Law with the Ukraine’s state entities concerned this draft Law shall be submitted to the Cabinet of Ministers of Ukraine and the Verkhovna Rada of Ukraine in accordance with the established procedure.

In 2013 there have been 23 acts adopted, which had been developed by the SFMS of Ukraine: 1 Decree of the President of Ukraine, 3 Resolutions of the Cabinet of Ministers of Ukraine and 19 Orders of the Ministry of Finance of Ukraine. These acts were registered in the Ministry of Justice of Ukraine in accordance with the established procedure, in particular:

- Decree of the President of Ukraine dated 08.04.2013 No. 203/2013 “On Adopting the Agreement on Establishment of the CIS Member States’ FIU Head Council”;

- Resolution of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine dated 11.03.2013 No. 155 “On Approval of the 2013 AML/CFT Action Plan”;

- Resolution of the Cabinet of Ministers of Ukraine dated 09.10.2013 No 747 “On amending the Resolution of the Cabinet of Ministers of Ukraine dated 25.08.2010 No. 747”;

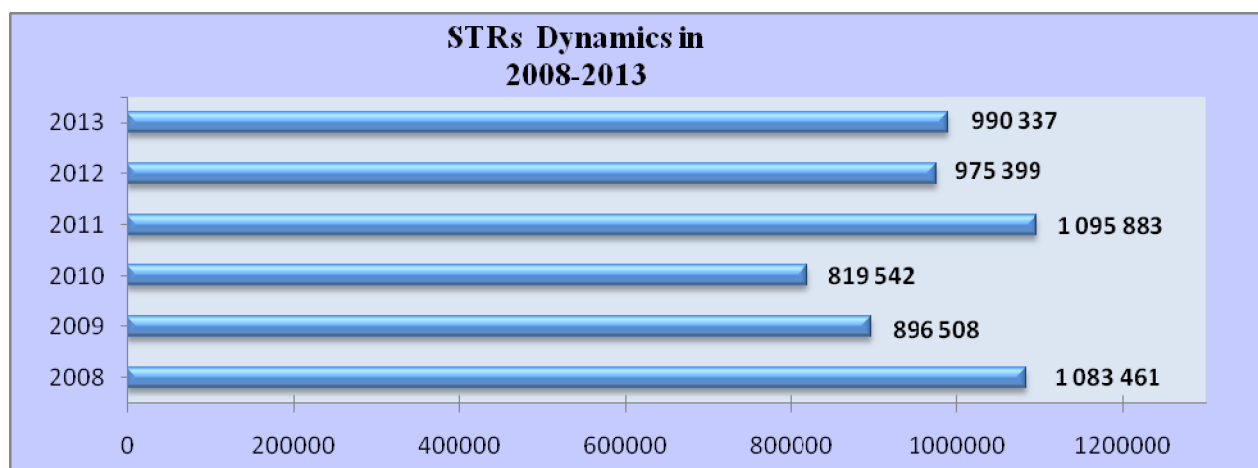
- Resolution of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine dated 25.12.2013 No. 971 “On Approval of the 2014 AML/CFT Action Plan”.

### **3. STATISTICS on STRs**

#### **3.1. GENERAL DYNAMICS of STRs**

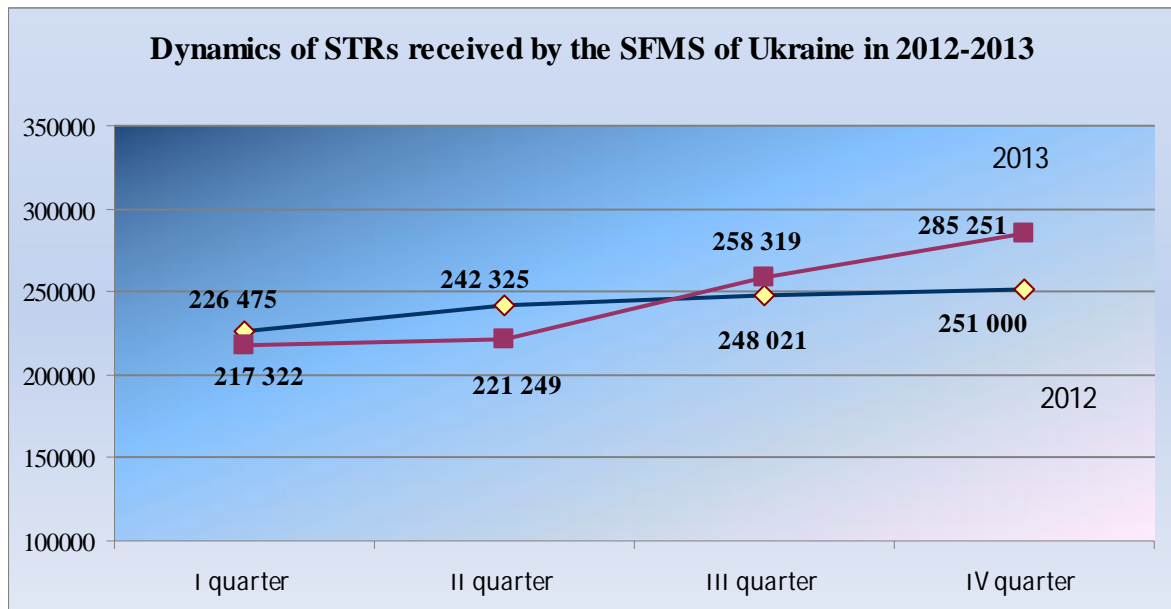
Pursuant to the Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime or Terrorist Financing” reporting entities submit to the SFMS of Ukraine with STRs on financial transactions subject to financial monitoring under the legislation or suspected to be related to money laundering or terrorist financing.

From the start of exploitation of informational and analytical system the SFMS of Ukraine received and processed 9 532 918 STRs subject to financial monitoring, including 990 337 STRs in 2013.



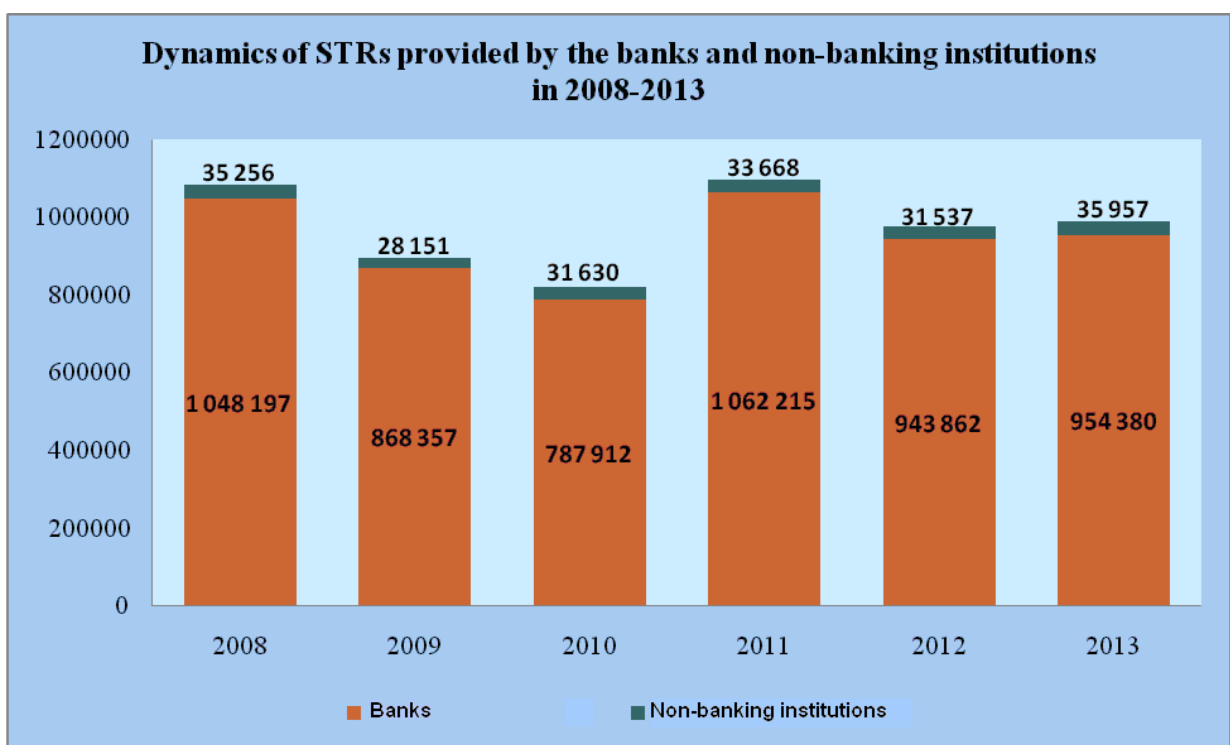
It should be mentioned that in 2013 the number of 982 141 STRs received by the SFMS of Ukraine decreased on 1, 48 % comparing with 2012.





### 3.2. Reporting entities STRs Dynamics

The most active entities in the reporting system are banks that provide a main share of STRs. Thus, in 2013 banks provided 96, 37% of STRs.



It also should be mentioned that general number of mistakes made in reports, as well as in previous years, keeps decreasing and constitutes only 0,83 % from the total number of STRs received by the SFMS of Ukraine in 2013.

**Number of STRs received from banks and non-banking institutions as of  
January 1, 2014 by means of submitting information**

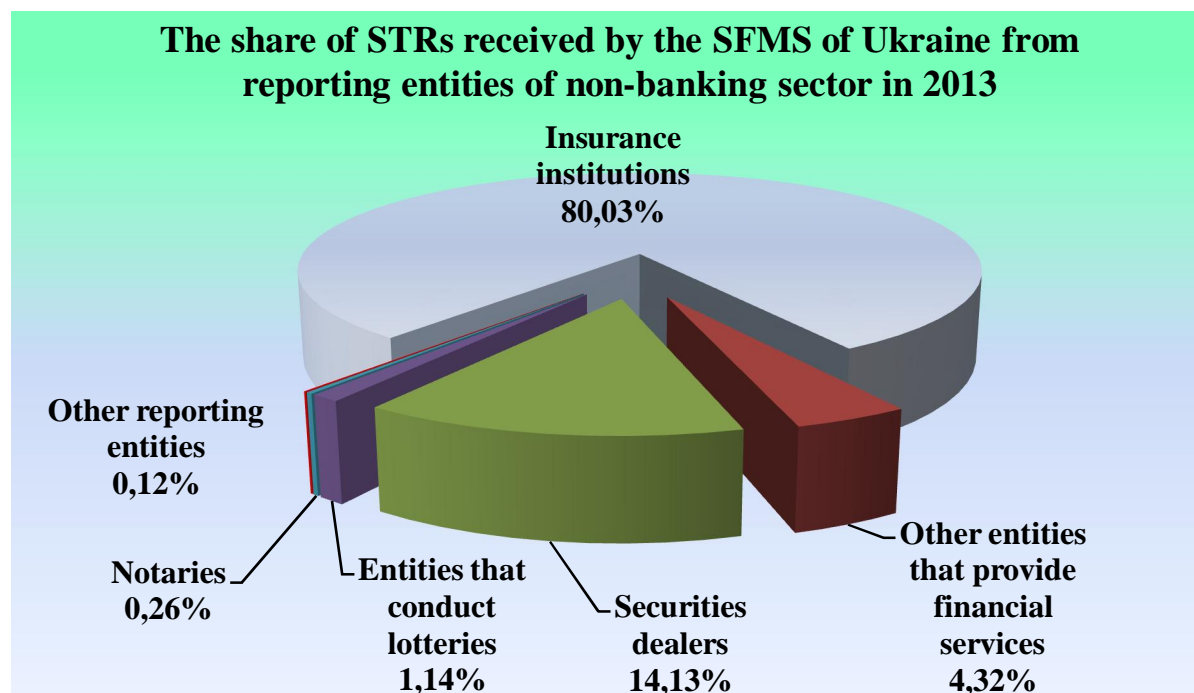
<b>Type of institution</b>	<b>Number of STRs received in electronic form</b>	<b>Number of reports received in hard copy</b>
Banks	947 630	–
Non-banking institutions	33 919	592

In 2013 the number of STRs received by the SFMS of Ukraine in electronic form from non-banking institutions increased in comparison with 2012 on 14,28 % and constitutes 98,28 % from total number of transactions received by the SFMS of Ukraine from the mentioned category of reporting entities.

The most active reporting entities among non-banking institutions are insurance companies. Share of such STRs subject to financial monitoring in total number of STRs of non-banking sector constitutes 80, 03 %.

**The share of reports in total number registered STRs received by the SFMS of  
Ukraine from non-banking sector in 2013**

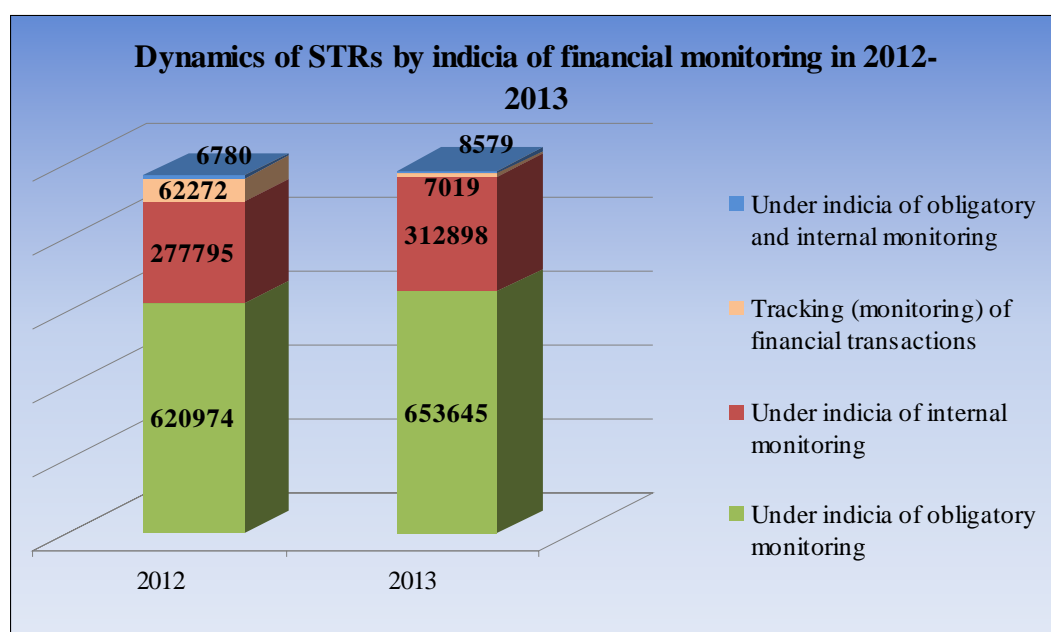
<b>Type of institution</b>	<b>Number</b>	<b>Share</b>
Insurance institutions	27 612	80,03
Other entities that provide financial services	1492	4,32
Securities dealer	4 875	14,13
Entities that conduct lotteries	392	1,14
Notaries	89	0,26
Other reporting entities	40	0,12



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

- under indicia of obligatory monitoring – 66,56 % (653 645);
- under indicia of internal monitoring – 31,86 % (312 898);
- under indicia of obligatory and internal monitoring – 0,87 % (8 579);
- financial transactions on the request concerning tracking (monitoring) of financial transactions – 0,71 % (7 019).

Figure 3.5



### Number of reporting entities

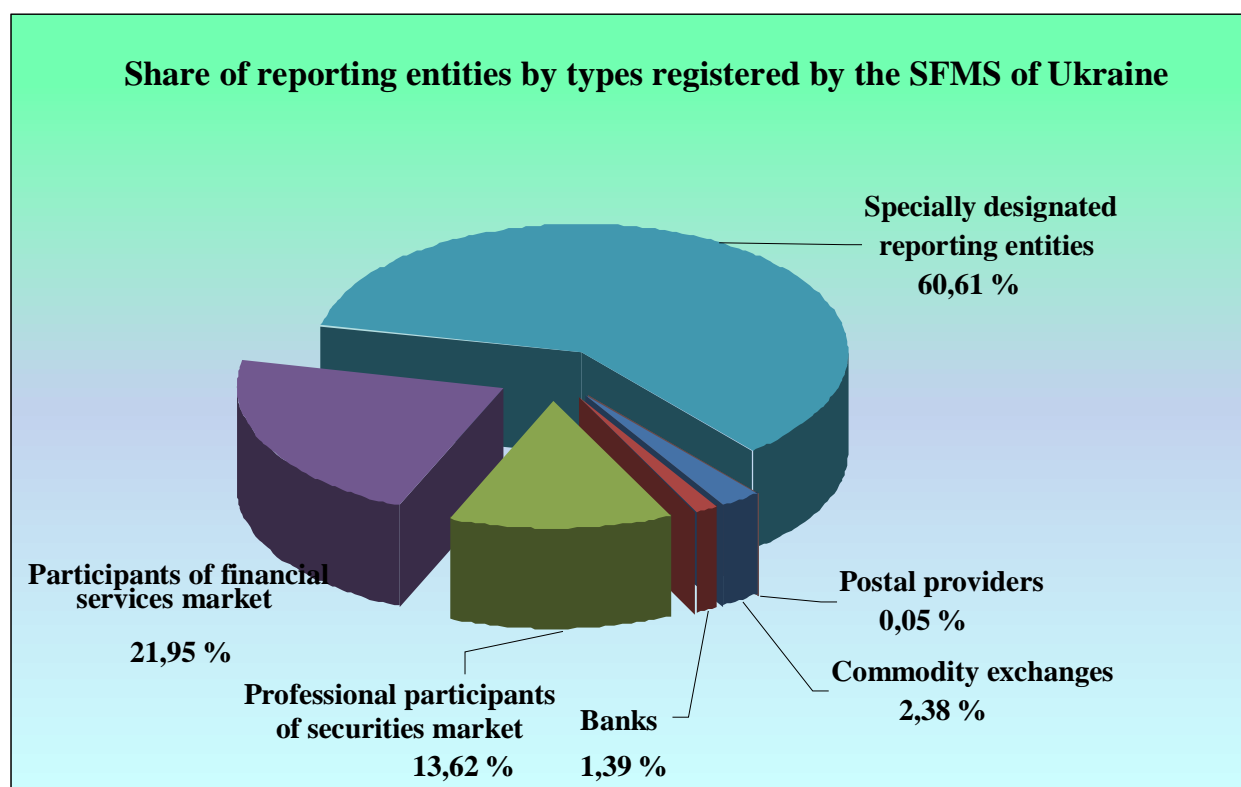
There have been 22 947 reporting entities (including 10082 separate branches) registered by the SFMS of Ukraine as of 01.01.2014 (Figure 3.6).

#### Share of reporting entities registered by the SFMS of Ukraine as of 01.01.2014 (Figure 3.6)

Types of reporting entity	Number*	Share (%)
Banking institutions	179	1,39
Participants of financial services market	2 825	21,95
Professional participants of securities market	1 752	13,62
Commodity exchanges	306	2,38
Postal providers	6	0,05
Specially designated reporting entities (DNFBPs)	7 797	60,61

\* Data without considering separate branches

Figure 3.6



## 4. ANALYTICAL ACTIVITY

### 4.1. Information Analysis Process

The SFMS of Ukraine within its competence provides collection, processing and analysis 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.

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

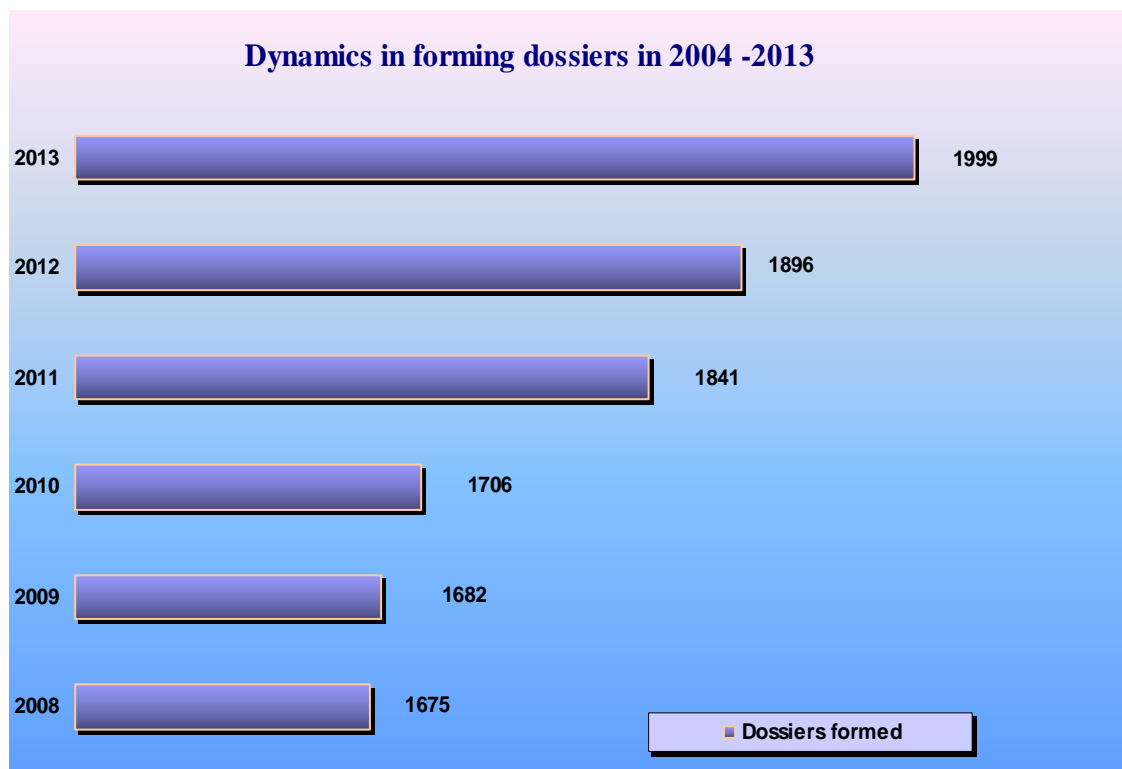
Processing of the initial analytical information is performed by the analytical segment of the Unified state information system on financial monitoring.

All reports, which are kept in storage of the SFMS of Ukraine are divided into categories depending on the risk level and undergo substantial analysis considering all available information. Dossiers are formed for further financial investigation as a result of this analysis.

Thus, in 2013 there were 117 976 reports selected for active processing, which formed basis for 1 999 dossiers.

Dossiers are analyzed with the purpose of revealing grounds that financial transactions may be connected with legalization (laundering) of the proceeds of crime or terrorist financing or with commission of the other act envisaged by the Criminal Code of Ukraine.

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



As a result of dossiers consideration 588 case referrals and 234 additional case referrals were submitted to the law enforcement agencies in 2013.

Analysis of the reports received is conducted on the base of additional information obtained as a response to the requests of the SFMS of Ukraine.

The SFMS of Ukraine forwarded 14 747 file-requests to 189 banking institutions and their subsidiaries during 2013. The file-requests were submitted concerning 9 979 transactions subject to research.

The AML/CFT Law provides instrument for obtaining additional information – tracking (monitoring) of financial transactions.

The information on tracking (monitoring) of financial transactions is provided to the SFMS of Ukraine in the form of reports.

The SFMS of Ukraine prepared 163 requests for tracking (monitoring) of financial transactions to reporting entities during 2013. The reporting entities sent 7 019 reports on financial transactions to the requests on financial monitoring.

#### **4.2. Freezing of financial transactions**

The Law provides for right to freeze financial transactions. The Ministry of Finance of Ukraine adopted the Order No 992 as of 14.09.2012, registered in the Ministry of Justice of Ukraine on 05.10.2012 under N 1694/22006 On Approval of the Procedure on Taking Decision by the SFMS of Ukraine on Freezing Financial Transactions.

Under this Procedure the decision-making and order giving process by the SFMS of Ukraine was defined.

Thus, the following decisions are taken and orders given:

- on further freezing of financial transaction in the cases provided by part 2 and 5 of the Article 17 of the AML/CFT Law;

- on freezing of debit transactions under the accounts of the customers (persons) according to part 3 and 5 of the Article 17 of the AML/CFT Law;

- on cancellation of its decision to freeze the debit transactions according to part 5 of the Article 17 of the AML/CFT Law;

- on freezing/renewal by a reporting entity of conducting or providing monitoring of the financial transaction of a certain person under request of the authorized foreign agency – under the part 5 of the Article 22 of the AML/CFT Law.

In 2013 the SFMS of Ukraine in compliance with the Article 17, 18, 20 and 22 of the AML/CFT Law has prepared and forwarded 467 decisions and gave 4 orders on freezing financial transactions, particularly:

- 6 decisions - according to part 2 of the Article 17 of the AML/CFT Law;

- 248 decisions - according to part 3 of the Article 17 of the AML/CFT Law;

- 213 decisions - according to part 5 of the Article 17 of the Law;

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

#### **4.3. Financial investigations**

In 2013 the priority was given to the following directions:

- investigation of transactions related to illegal activities of “conversion” centres and fictitious entities engaged in money laundering;

- investigation of transactions related to misappropriation of funds belonging to entities and natural persons, in particular, by unauthorized interference with software operation;
- investigation of transactions related to junk securities and debt instruments;
- investigation of cases related to purchase of assets for illegal funds;
- investigation of transactions related to embezzlement of public funds and other public assets;
- investigation of transactions related to insurance fraud;
- investigation of transactions related to extraction of assets beyond the country;
- investigation of transactions related to financial pyramids;
- investigation of transactions related to terrorist financing.

### **Detection of illegal activities of “conversion” centres and fictitious entities engaged in money laundering**

In 2013 the SFMS of Ukraine has prepared and forwarded to law-enforcement agencies of Ukraine 207 case referrals and additional case referrals including 158 case referrals and 49 additional case referrals related to cash withdrawal.

The following are shares of grounds for cash withdrawal:

- procurements of agricultural products – 22,0%;
- goods procurement/services payment – 20,5%;
- financial assistance/ loan – 7,5%;
- undetermined (other) purposes – 50,0%.

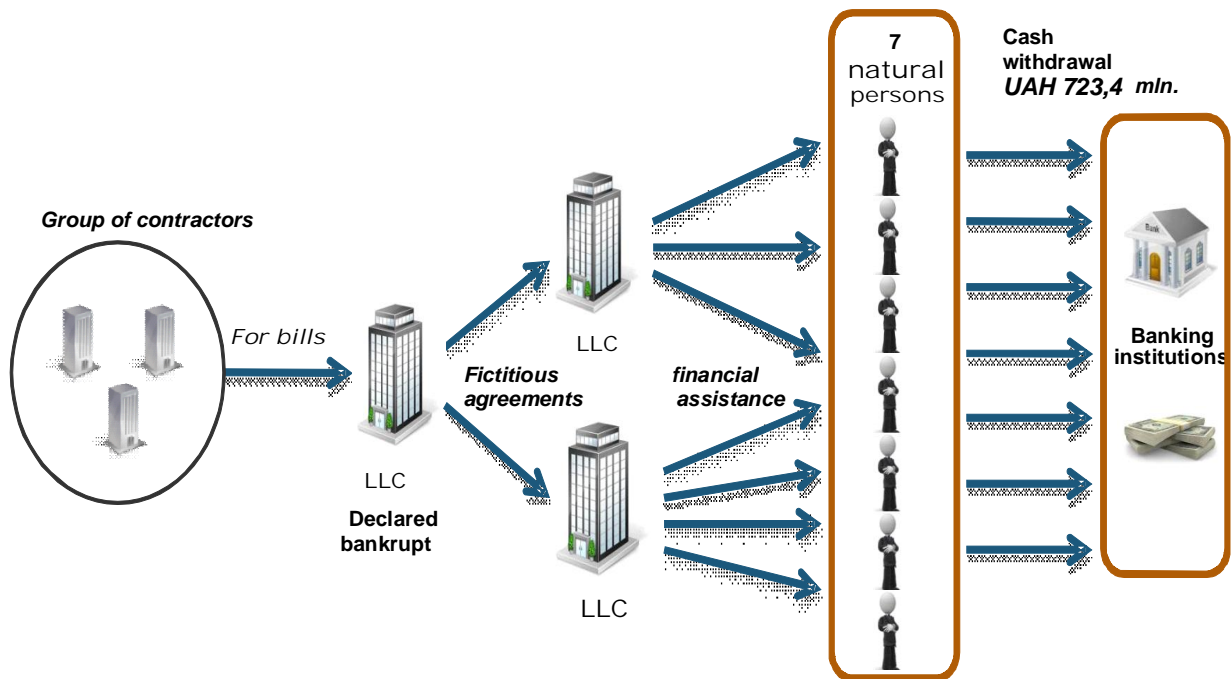
### **Case study**

A group of natural persons had organized network of fictitious companies aiming at legalization of funds via conversion of cashless funds into cash.

A company which has been declared bankrupt used to accumulate funds from a range of entities as payment for bills which further were transferred to 7 natural persons as financial assistance with the use of transit fictitious entities.

Following that funds totalling UAH 723,4 million were withdrawn as cash from card accounts of the specified persons in bank institutions.

According to materials provided by the SFMS of Ukraine the Ministry of Internal Affairs of Ukraine has initiated a pre-trial investigation under part 2, Article 205 (Fictitious Business), p.3, Article 209 (Legalization (Laundering) of Proceeds of Crime) of the Criminal Code of Ukraine.



### **Investigation of schemes related to misappropriation of funds belonging to entities and natural persons, in particular, by unauthorized interference with software operation.**

In banking sector the most vulnerable with regard to cyber crimes are online services or services providing clients with remote access to their bank accounts, electronic wallets with attached card accounts. Number of money thefts from customer bank accounts is constantly increasing.

Under results of the analysis of the information on financial transactions that may be related to non-authorized access to bank systems in order to misappropriate funds by fraudulent means 262 case referrals were submitted by the SFMS of Ukraine to the law enforcement agencies in 2013.

Information on 389 attempts of money laundering from unlawful debiting out of bank clients' accounts was reported by bank institutions to the SFMS of Ukraine. Attempts of unauthorized interference were conducted in 86 banks.

#### **Case study**

Three natural persons organized and committed fraudulent act of unauthorized debiting out of legal entities' accounts with the use of modern information technologies.

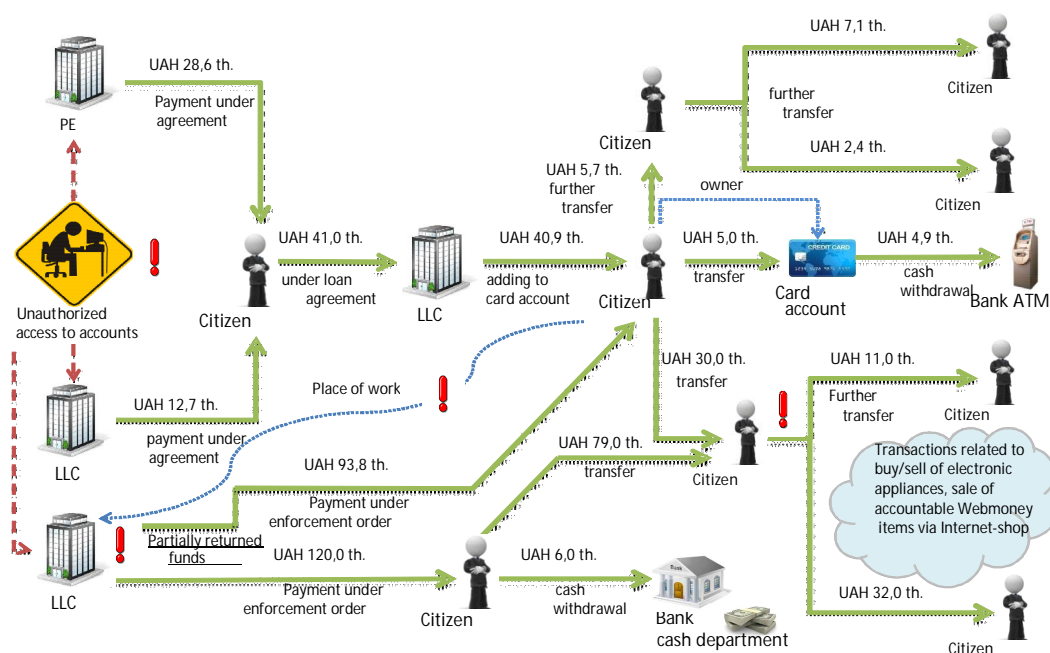
The funds which had been in unauthorized manner debited from accounts of 3 legal entities registered in different regions of Ukraine were transferred in transit through natural persons' accounts and credited to card accounts of third party natural persons.

Following that some funds were converted into electronic money and withdrawn in cash form.

According to materials provided by the SFMS of Ukraine the law enforcement agency initiated a pre-trial investigation under p.3, Article 209 (Legalization



(Laundering) of Proceeds of Crime) of the Criminal Code of Ukraine.



## Investigation of schemes associated with junk securities and debt instruments

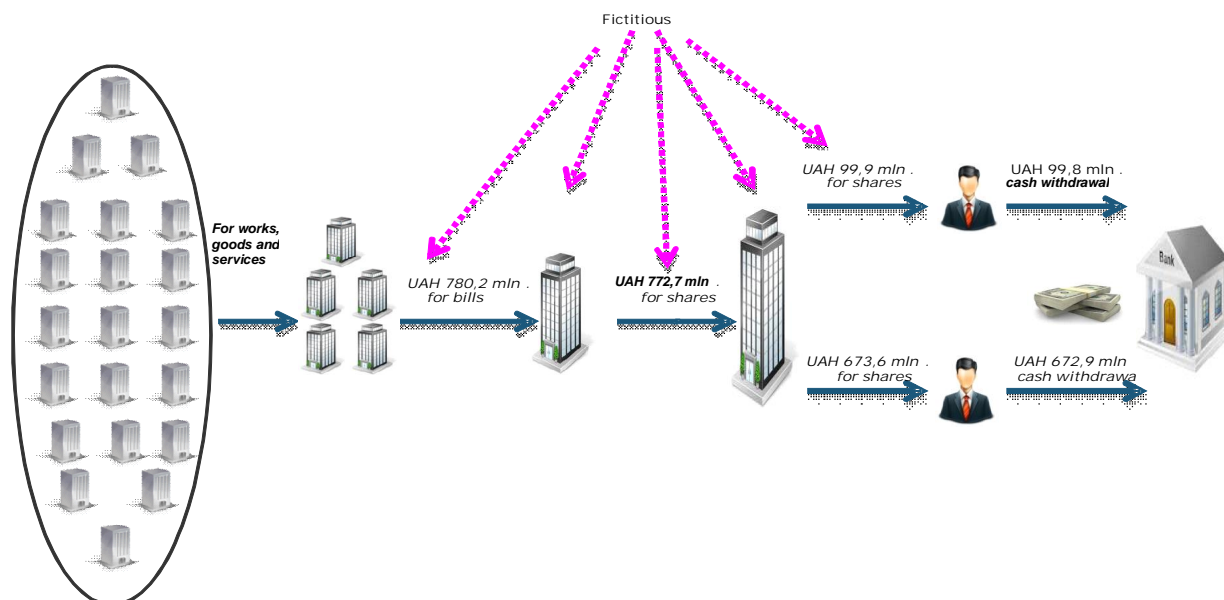
During 2013 year under results of the analysis of the information on financial transactions related to payment/redemption of securities and debt instruments, 68 case referrals (55 case referrals and 13 additional case referrals) were prepared and submitted to the law enforcement agencies.

### Case study

Cashless funds transferred from group of businesses to accounts of 5 businesses as payment for goods, works and services were further transferred to the accumulating business as payment for fictitious securities. In its turn from the accumulating business accounts funds were transferred to another business's account as payment for shares and, from this account, were further transferred to accounts of two natural persons as payment for shares.

The funds amounting UAH 772,7 million were withdrawn in cash from the specified accounts.

Based on materials provided by the SFMS of Ukraine the law enforcement agency is conducting a pre-trial investigation under p.3, Article 209 (Legalization (Laundering) of Proceeds of Crime) of the Criminal Code of Ukraine.



## Investigation of schemes related to nonfinancial services, proprietary and non-proprietary rights

There were 27 case referrals submitted to law enforcement agencies including 4 of them taking to account information received from law enforcement agencies and 2 additional case referrals.

### Case study

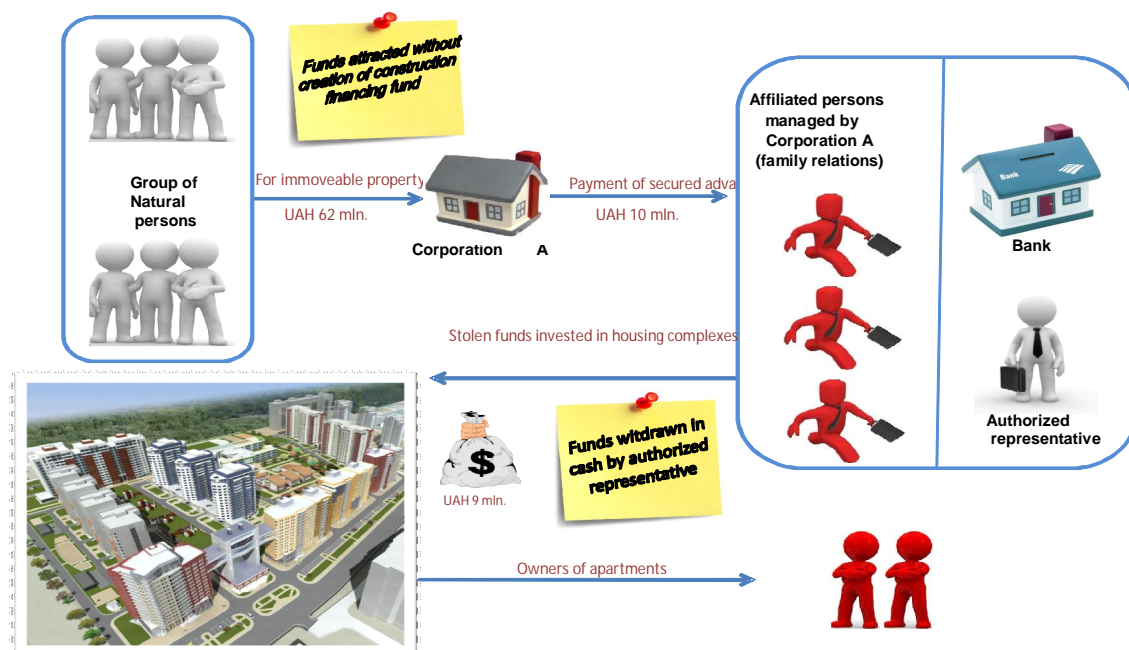
The investigation was initiated by the SFMS of Ukraine based on analysis of notifications concerning financial transactions received from reporting entities and taking to account information obtained from the state enterprise “Information center” of the Ministry of Justice of Ukraine (Informyust).

During the investigation there were signs of intention of participants identified that resulted in unlawful enrichment and proceeds of concealed business activity.

Thus, many natural persons transferred funds to accounts of corporation A as payment for immovable property. Total amount of received funds was UAH 62,0 million.

Following that UAH 10 millions were transferred to accounts of three natural persons as payment of security advance. These personal bank accounts were opened in the same banking institution and are maintained by a single attorney. In order to conceal further movement of proceeds of crime more than UAH 9 millions were withdrawn in cash via cash department of the banking institution.

After that cash funds were invested in new residential complexes. Thus three natural persons affiliated with management of the corporation A provided obtaining title to immovable property.



The law enforcement agency initiated criminal proceedings under the Criminal Code of Ukraine and facts of unlawful enrichment of the parties and obtaining proceeds of concealed business activity and other acts providing for criminal liability.

### Investigation of schemes of public funds embezzlement and other public assets

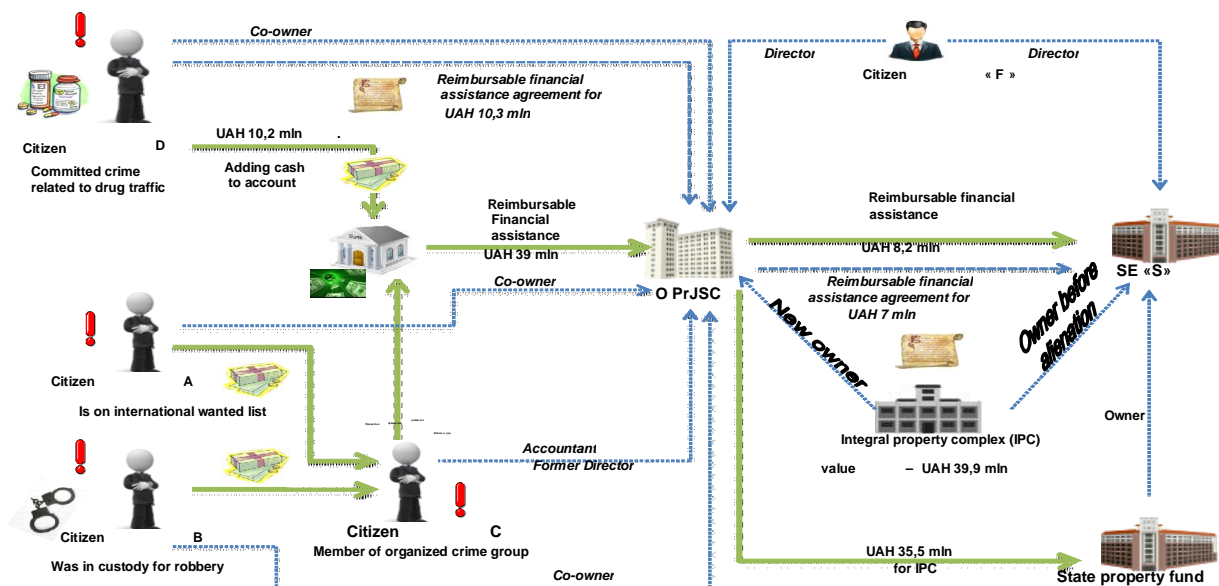
Public management remains rather attractive for misuse of financial resources taking to account amounts of funds allocated for procurements of goods, works and services for needs of publicly owned businesses, institutions and organizations as well as for businesses including government take.

According to the analysed information concerning financial transactions related to possible misappropriation of budget funds there were 35 case referrals submitted to law enforcement agencies including 10 of them taking to account information received from law enforcement agencies and 9 additional case referrals.

### Case study

The investigation was initiated by the SFMS of Ukraine based on analysis of reports on financial transactions obtained from reporting entities concerning addition to the current account by citizen *E* of cash funds with their further transfer on the same day to another person.

During the investigation it was established that natural persons having no significant official financial condition, i.e. citizen *E*, *B* and *A*, provided the *O* PrJSC with reimbursable financial assistance amounting UAH 39,0 million in cash.



Further these funds were used in purchase of integral property complex of the state enterprise *S* SE. However, its address is the registered address of one of the biggest strategic site in Ukraine's chemical industry.

In addition, natural persons are directly or indirectly related to the state structure as citizen *B* and citizen *A* received proceeds, and citizen *F* (current Director of the *O* PrJSC) is at the same time Director of the *S* SE having alienated the state immoveable property for the benefit of the business.

Natural persons, founding members and Director of the *O* PrJSC were held criminally liable, one of them being subject to international search.

The investigation materials were forwarded to the law enforcement agency. The investigation is currently being continued.

### Investigation of schemes related to insurance fraud

As a result of analysis of reports concerning financial transactions in the insurance area 8 case referrals were submitted by the SFMS of Ukraine to law enforcement agencies.

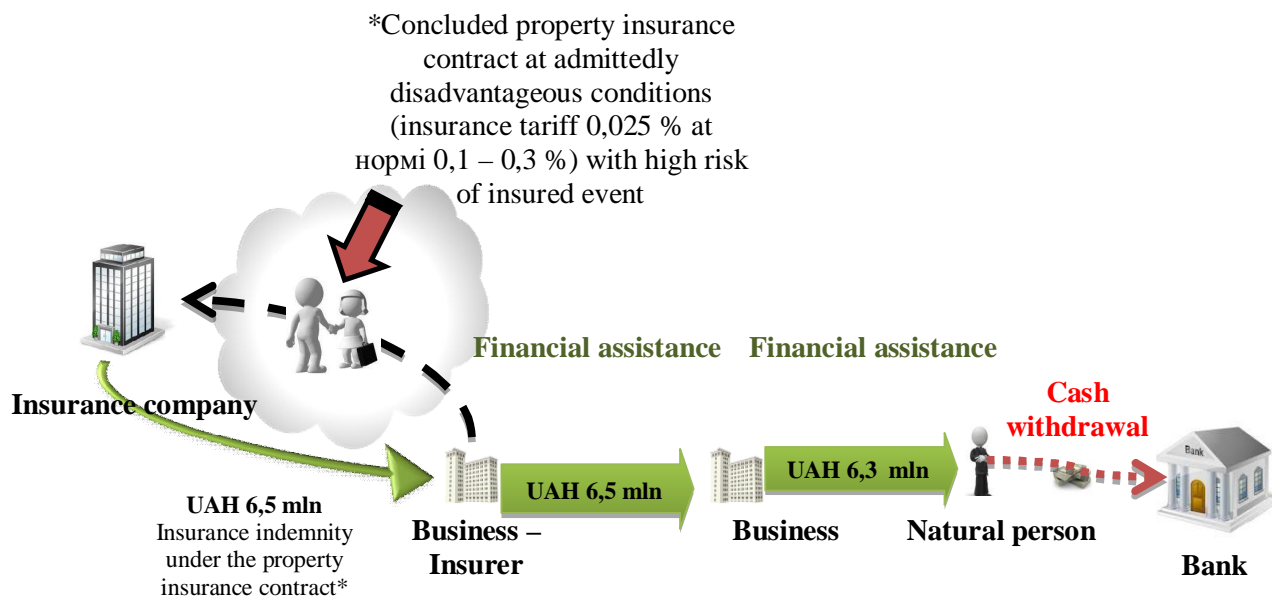
#### Case study

A newly created entity and an insurance company have concluded property insurance contract providing for:

- insurance only of a single risk type – property flooding;
- low insurance tariff – 0,025% while standard insurance tariff is 0,1%-0,3%;
- short insurance period of 6 months.

Within two weeks following date of insurance contract the insured event had occurred and the insurance company paid indemnity amounting UAH 6,5 million to the insurer entity. On the same day the insurer entity transferred the indemnity amount to another entity as financial assistance. The latter transferred the received

funds to a natural person also as financial assistance. Following that these funds were withdrawn in cash via bank cash department.



When the property location was to be established the absence of the address and premises as provided in the claim report was revealed.

According to materials provided by the SFMS of Ukraine the law enforcement agency has initiated a pre-trial investigation under part 2, Article 28 (Commitment of Crime under Previous Concert organized by a Group or Criminal Organization) and part 2, Article 205 (Fictitious Business) of the Criminal Code of Ukraine.

### **Investigation of schemes related to extraction of assets outside the country**

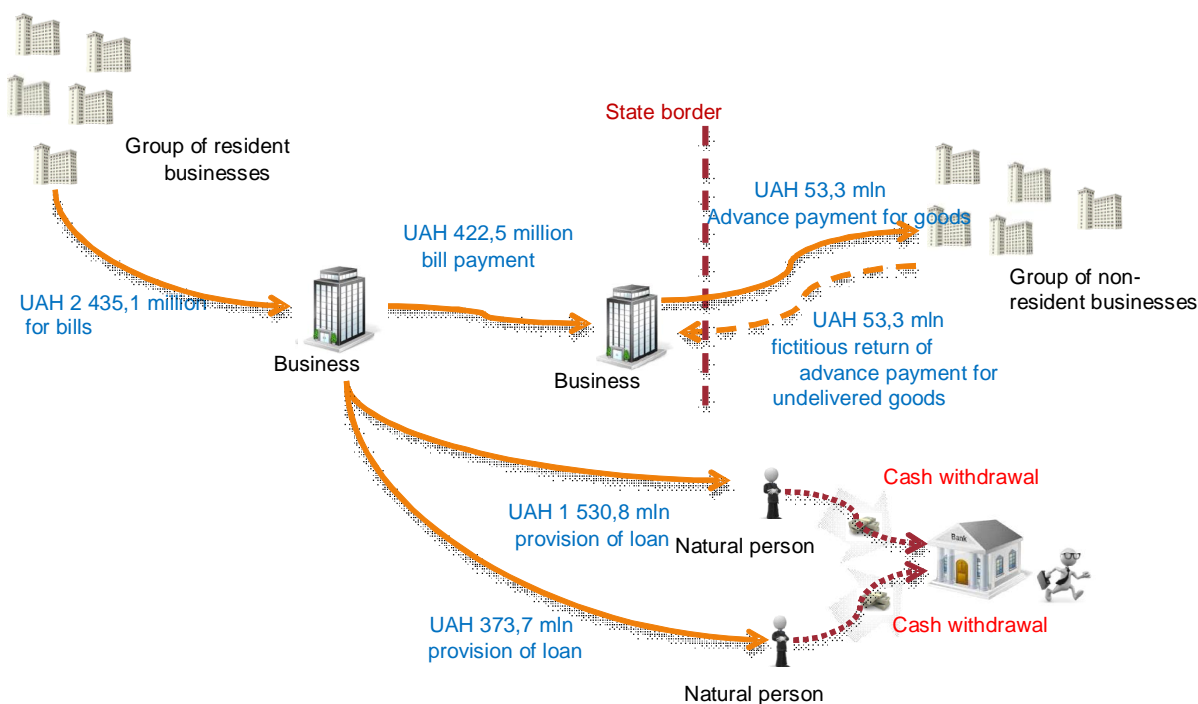
As a result of analysis of reports concerning financial transactions the SFMS of Ukraine has submitted to law enforcement agencies 21 case referral on illegal extraction of assets outside the country and on illegal transport of large amounts in cash by natural persons (cash couriers).

### **Case study**

An illegal scheme for money legalization by way of illegal extraction of money outside the country has been revealed. A group of Ukrainian entities paid funds amounting UAH 2,5 billion to a transit entity as payment for bills, household appliances and construction supplies. Some received funds amounting UAH 1,5 billion were transferred to 2 natural persons as loan and withdrawn by them in cash and the other part amounting UAH 53,5 million was transferred as payment of a bill to another transit entity and transferred to non-resident companies as payment for goods.

In order to discontinue exchange control over foreign economic operations the transit entity provided to the designated bank a false reference on return of currency resources to accounts in other banks due to breach of contracts.

Based on the materials provided by the SFMS of Ukraine the law enforcement agency is conducting a pre-trial investigation under part 3, Article 209 (Legalization (Laundering) of Proceeds of Crime) of the Criminal Code of Ukraine.



### Investigation of schemes related to financial pyramids

Recently the private investments market has seen increase in activity of financial pyramids, that is, organizations attracting funds against guarantee of high deposit profitability which exceeds its market level, or of low loan rate.

#### Case study

A financial company advertised loans to citizens in large loans at beneficial interest rates. It concluded contracts with borrowers which did not envisage granting of loans, however, such contracts included clear conditions according to which in order to receive a loan a borrower had to deposit certain amount as insurance payment and, following that, make monthly payments for the purpose of repayment of a loan which would not have been even granted.

Principal amount of UAH 6,8 million being 57% of total attracted funds was transferred to private current accounts of 14 officers and employees of the Financial company as payment for advisory, accounting, advertising and other services. After that these funds were withdrawn in cash or transferred to their card accounts.

The law enforcement agency has initiated criminal proceedings with the use of materials provided by the SFMS of Ukraine.

### Investigation of schemes related to terrorist financing

There have been 4 case referrals submitted to law enforcement agencies including descriptions of suspicious financial transactions (document copies) performed by persons whose name or surname partially coincide with the List of persons related to terrorist activity or persons to whom international sanctions were applied.



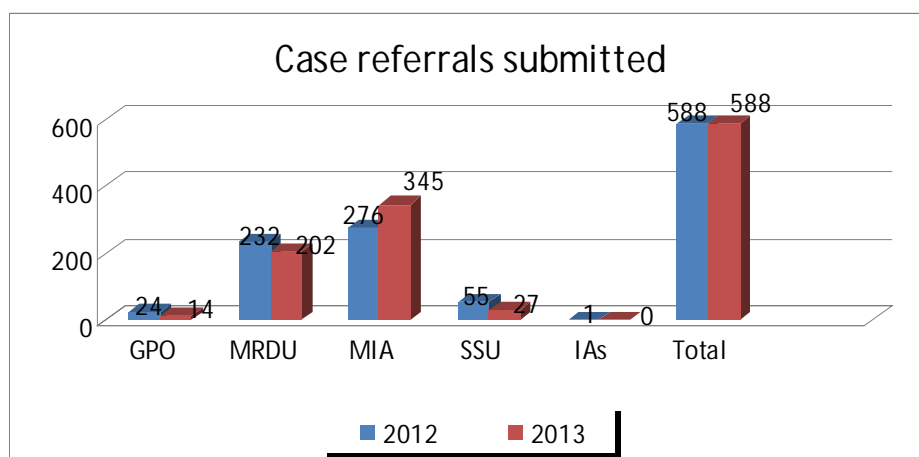
## 5. CASE REFERRALS. SUBMISSION AND CONSIDERATION

Under the AML/CFT Law and according to the Procedure of submission and consideration of case referrals approved by the interagency order of the Ministry of Finance of Ukraine and law enforcement agencies, the SFMS expert commission on consideration of case referrals and additional case referrals, prepared for submission to the law enforcement agencies, takes decision concerning submission of such materials to the law enforcement agencies, in case of reasonable grounds. Specialists of subdivisions of the law enforcement agencies are engaged in expert commission as experts.

During 2013, 145 meetings of the SFMS expert commission on consideration of case referrals and additional case referrals, prepared for submission to the law enforcement agencies, were held.

Out of 588 case referrals and 234 additional case referrals prepared were forwarded to the agencies:

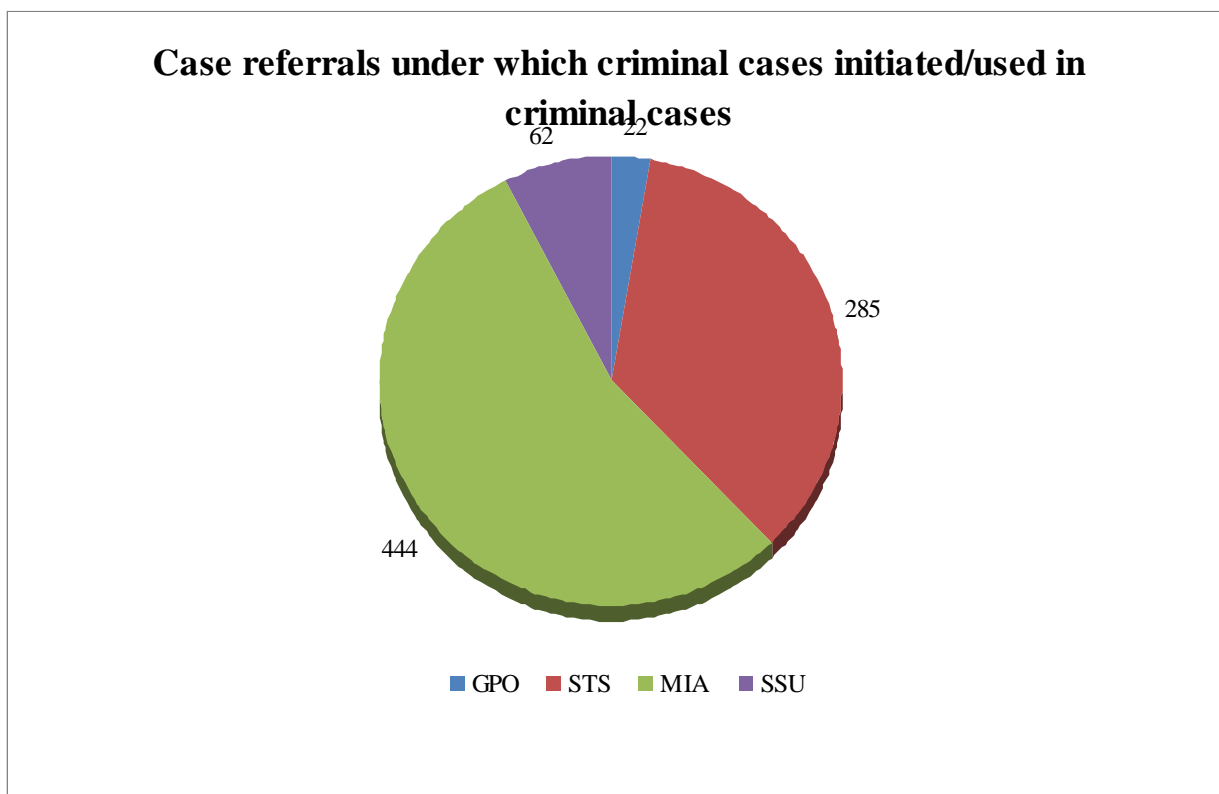
- the General Prosecutor's Office of Ukraine (GPO) – 14 case referrals and 15 additional case referrals;
- the Ministry of Revenue and Duties of Ukraine (MRD) – 202 case referrals and 68 additional case referrals;
- the Ministry of Internal Affairs of Ukraine (MIA) – 345 case referrals and 141 additional case referrals;
- the Security Service of Ukraine (SSU) – 27 case referrals and 10 additional case referrals.



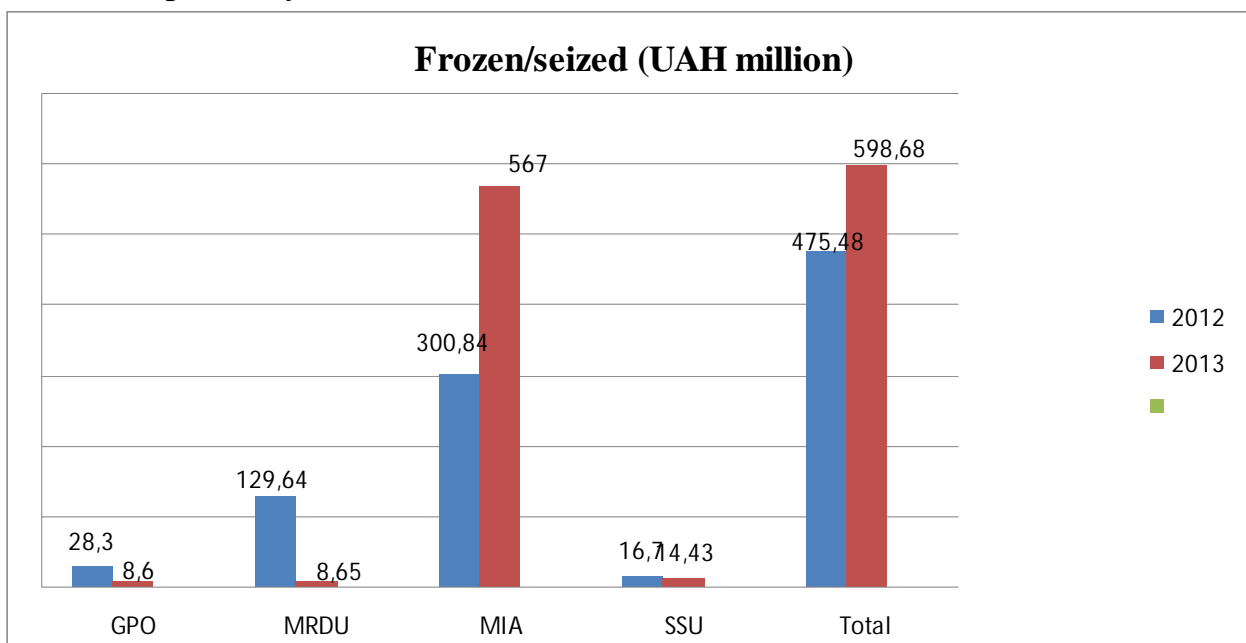
Under results of consideration of 588 case referrals (considering case referrals submitted during 2003-2012):

- under results of inspection of 497 case referrals there were 519 criminal proceedings initiated by law enforcement agencies and 294 case referrals in 294 criminal proceedings were used;
- there were 177 criminal proceedings initiated by law enforcement divisions under 209 case referrals were concluded due to production of indictments before court;

- courts have considered 115 criminal cases initiated following consideration of 138 case referrals with judgments of conviction or decisions based on nonjustifying circumstances.



According to the information available at law enforcement agencies total amounts of property (assets) frozen and of property (assets) seized during criminal proceedings initiated by law enforcement agencies following consideration of case referrals provided by the SFMS of Ukraine are UAH 590,56 million and UAH 8,12 million, respectively.

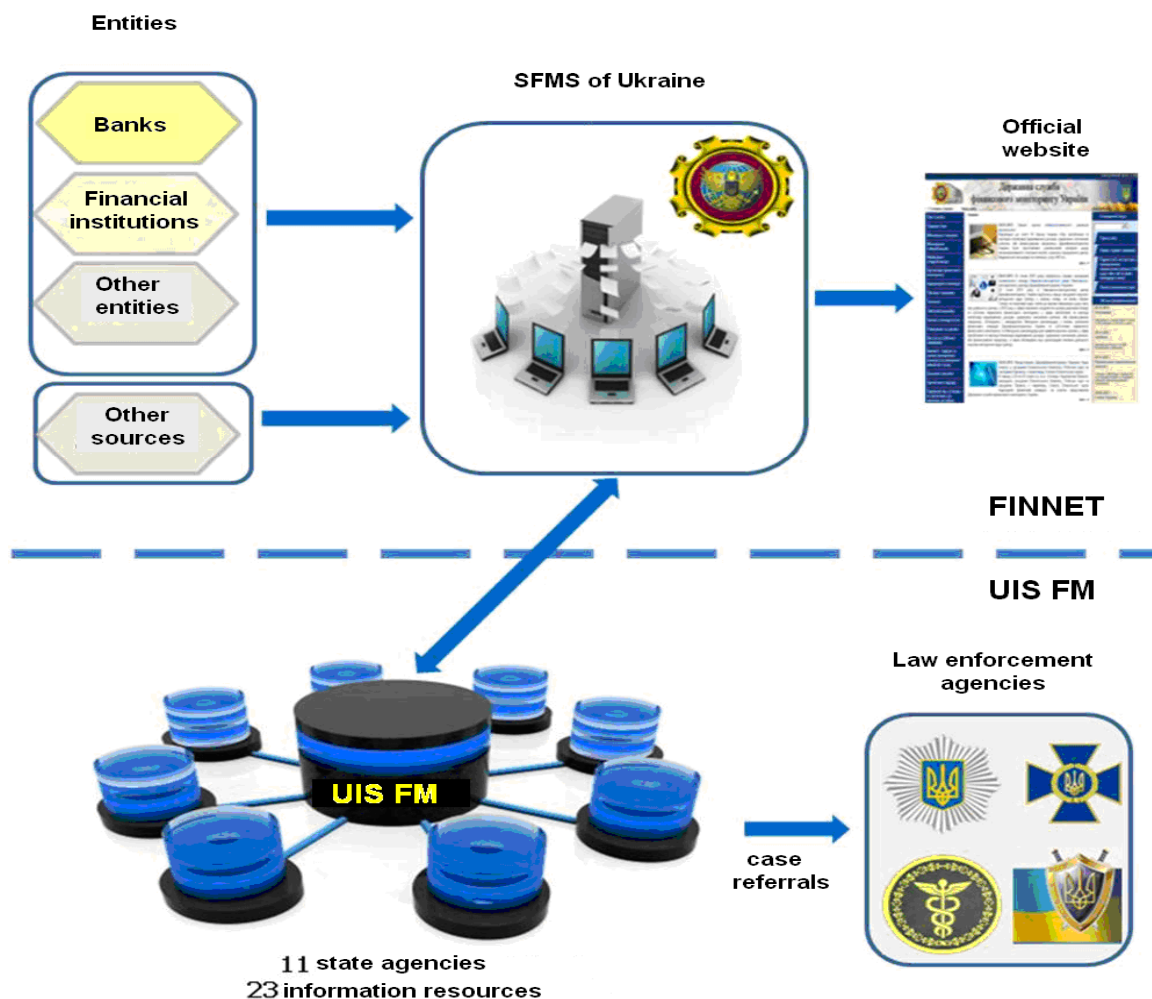




## 6. ENSURING OPERATION OF UNIFIED STATE INFORMATION SYSTEM IN AML/CFT SPHERE

In 2013 according to the key objectives determined by the article 18 of the Law the SFMS of Ukraine ensured functioning of the Unified State Information System in AML/CFT area (USIS).

Unified State Information System in AML/CFT area (USIS)



Components of the USIS are Secured multi-service automated corporate system of the SFMS of Ukraine (FINNET) and Unified information system of the financial monitoring (UIS FM), which provides interagency cooperation of the state bodies in AML/CFT sphere.

The SFMS of Ukraine provided conducting of incessant technological processes concerning receiving, initial and analytical processing of the information of the reporting entities and states bodies, and support of the information environment and cooperation of its entities.

Access to information resources of the Ministry of Internal Affairs, Ministry of Revenue and Duties (including the State Tax Service of Ukraine and the State Customs Service of Ukraine), State Statistics Service of Ukraine was provided via

information and telecommunication system. Access to resources of other UIS FM subjects was provided via regular updates of the relevant information resources available in the UIS FM data storage.

In order to ensure effective analysis of the information on financial transactions, during 2013 by the means of the UIS FM in response to 2 130 615 regulation requests has been obtained additional information from the state authorities - subjects of the Unified Information System.

To ensure information protection within USIS an additional state expert examination of the complex information protection system (CIPS) of the Internet segment in FINNET and of CIPS FINNET in whole was conducted. Following the expertises the protected information processing period and protected information analysis periods in USIS were extended.

To ensure transparent and public activity the SFMS of Ukraine ensured operation of a public information recording system to be accesses via official website of the SFMS of Ukraine. In 2013 information concerning 22 453 documents has been entered into the system.

Currently the USIS system has been under commercial operation for 7 years. The 2006-2013 has seen significant extension of list of reporting entities that should ensure provision of information and comply with the requirements concerning information exchange with them.

Taking to account new legal requirements, information technology development, increased international standard requirements relating to prompt response to public security threats, increased information resources security threats, necessary improvements to cooperation technologies for authorities and other subjects, in particular, with the use of Internet means, need for USIS upgrade has become essential. Such measures shall ensure compliance of the national AML/CFT system with amendments to FATF Standards, integration of additional information resources of public authorities and USIS, replacement of the outdated hardware and software, improvement of the complex information protection system in accordance with the new threats to its security.

In order to implement the USIS upgrade there have been basic directions designed for development of the Unified State Information System in AML/CFT area as adopted by the Decision of the SFMS Board No.5 dated April 19, 2013 (Order of the SFMS of Ukraine No.60 dated 23.04.2013).

The specified measures providing for upgrade of the Unified State Information System in AML/CFT area are taken by the SFMS of Ukraine with the framework of measures aimed at ensuring implementation of the Concept for introduction of electronic government as National program of informatization project. In accordance with the Law of Ukraine On National Program of Informatization, Resolution of the Cabinet of Ministers of Ukraine No. 1352 dated 31.08.1998 On Approval of Regulations on Preparation and Implementing of the

National Program of Informatization there were proposals provided on inclusion of the Upgrade of the *Unified State Information System in AML/CFT area* programme into targets (projects) of the National program of informatization for 2014-2016.

Within the first stage of upgrade in the Unified State Information System in AML/CFT area, in order to ensure continuous commercial operation of the USIS system in 2013 and in accordance with the Decree of the Cabinet of Ministers of Ukraine No. 472-p dated 03.07.2013 On Reallocation of Some Expenses and Transfer of Particular Budget Assignments for 2013 to the Ministry of Finance, the SFMS of Ukraine has been provided with financial resources to update partially life of the Unified State Information System in AML/CFT area. Pursuant to his Decree and taking to account legal requirements to public procurements the SFMS of Ukraine has procured and deployed the relevant equipment.

## **7. INTERAGENCY COOPERATION**

In 2013 the organization of AML/CFT interagency cooperation has been carried out by the SFMS of Ukraine in accordance with:

- the AML/CFT Law;
- the Strategy for Developing Anti-Money Laundering and Counter Terrorist Financing System for the Period up to 2015 approved by the decree of the Cabinet of Ministers of Ukraine dated 09.03.2011 № 190-p;
- the Anti Money Laundering and Counter Terrorist Financing Action Plan for 2013 approved by the resolution of the Cabinet of Ministers of Ukraine and the National bank of Ukraine dated 11.03.2013 № 155.

The abovementioned work has been conducted by the SFMS of Ukraine in the following directions:

- coordination of implementation by state authorities of the Anti Money Laundering and Counter Terrorist Financing Action Plan for 2013 as well as notifying the Cabinet of Ministers of Ukraine and the National bank of Ukraine on the results of its implementation;
- organizing and conducting meetings of the AML/CFT methods and trends council;
- processing and coordinating draft legal acts of the state financial monitoring entities and other state authorities;
- signing of joint agreements, protocols, other documents on cooperation with state authorities;
- organizing and conducting joint working sessions on adjusting cooperation, interaction, coordination and information exchange with state authorities – participants of AML/CFT system;
- participating of the SFMS of Ukraine representatives in working groups established under the Cabinet of Ministers of Ukraine or other state authorities;
- generalizing, preparing and forwarding information on the state of prevention and counteraction to legalization (laundering) of the proceeds of crime, or terrorist financing to the Administration of the President of Ukraine, the Committee of the

Parliament of Ukraine for finance and bank activities, the Committee of the Parliament of Ukraine for counteraction to organized crime and corruption and the Cabinet of Ministers of Ukraine as well as an analysis of actions effectiveness, functioning of financial monitoring system in the state on the base of information received by state authorities;

- providing methodical assistance to the reporting entities;
- organizing supervisory activities over the reporting entities.

### **7.1. Interaction with regulators and other state agencies**

Interagency cooperation types include concluding and implementation of interagency agreements, protocols, joint orders, memoranda of interaction with law enforcement agencies, regulatory and supervisory agencies, state authorities and other AML/CFT organizations.

As of January 01, 2014 such documents have been signed with 7 state regulators, 17 state authorities, as well as 18 other agencies and organizations.

In 2013 the SFMS of Ukraine has signed 3 declarations on general bases of cooperation, including: protocol signed with the National Securities and Stock Market Commission, Memorandum with the Independent Association of Banks of Ukraine and a joint order signed with the Ministry of finance of Ukraine, Ministry of Internal Affairs of Ukraine, Security Service of Ukraine and the Ministry of Revenue and Duties of Ukraine.

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

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

During 2013 the SFMS of Ukraine has organized and held 4 meetings of AML/CFT Methods and Trends Interagency Council established by the Resolution of the Cabinet of Ministers of Ukraine dated 06.01.2010 № 25 during which the important issues for *financial monitoring system* were discussed.

During the reporting period the SFMS of Ukraine coordinated 73 draft legal acts of the state financial monitoring entities and other state authorities, including: the

Ministry of Economic Development and Trade of Ukraine, the National Bank of Ukraine, the National Securities and Stock Market Commission and the State Commission for Regulation of financial Services Markets of Ukraine.

## **7.2. Interaction with the reporting entities**

In 2013 the SFMS of Ukraine on the permanent basis conducted analysis of effectiveness of the reporting entities' activity in AML/CFT area.

Under result of the mentioned analysis in 2013 the SFMS of Ukraine has developed a number of methodical recommendations, in particular:

- on procedure of identification by reporting entities of their clients in accordance with legislation;
- on identifying by the reporting entities of the financial transactions that are subject to financial monitoring;
- on registration procedure for reporting entities, their registration of financial transactions subject to financial monitoring, as well as submission to the SFMS of Ukraine of information concerning specified and other financial transactions that may be associated with legalization (laundering) of proceeds of crime or terrorist financing;
- reference of financial transactions associated with receiving of insurance payments in foreign currency and other financial transactions to those subject to financial monitoring;
- completing of accounting forms and filing of information associated with financial monitoring process.

During 2013 4 meetings of the Working group on consideration problem issues of the reporting entities-non-banks were organized.

During the above mentioned meetings of the Working group actual issues of implementation by the reporting entities of AML/CFT legislation were considered.

During 2013 40 reporting entities, state regulation and supervision over the activities on implementation the AML/CFT legislation of which conducts the SFMS of Ukraine, were inspected. Such inspections included, in particular:

14 inspections of business entities providing intermediary services in immoveable property buy/sell transactions;

26 inspections of legal entities fulfilling financial transactions with goods (performing works or providing services) for cash provided amount of such financial transaction is equal or exceeds UAH 150 000.

Procedure for conducting of inspections jointly with subjects of state financial monitoring is governed by relevant protocols of cooperation during the planning and conducting of inspections of reporting entities. Such protocols are signed with the Ministry of Finance of Ukraine, Ministry of Economic Development and Trade of Ukraine and National Securities and Stock Market Commission.

In 2013 employees of the SFMS of Ukraine took part in 10 such inspections, 5 of them conducted by the Ministry of Justice of Ukraine, 3 – by the Ministry of

Economic Development and Trade of Ukraine, 1 – by the National Securities and Stock Market Commission and 1 by the State Commission for Regulation of financial Services Markets of Ukraine.

### **7.3. Interaction with the public**

Civil society participation in ensuring operation of the SFMS of Ukraine is provided in the following directions:

- organizing work of Public Council and other Working groups within the SFMS of Ukraine;
- conducting public expert examination of draft acts;
- placing of public information concerning the performed work at the official website of the SFMS of Ukraine;
- interaction with Mass Media.

In 2013, SFMS of Ukraine provided conducting of 4 SFMS Public Council meetings where number of important issues was discussed in the context of interaction with the public. The SFMS Public Council meeting materials are available at the official website of the SFMS of Ukraine.

In 2013 the SFMS of Ukraine organized and took part in 12 working meetings with representatives of organizations including reporting entities which incorporate the reporting entities and self regulating organizations.

The SFMS of Ukraine approved Tentative Public Consultations Plan for 2013 which has been coordinated with the SFMS Public Council and placed at the SFMS website.

At the same time the SFMS of Ukraine submits to the Cabinet of Ministers of Ukraine information concerning public consultation measures on monthly basis and, based on such measures, forwards a report on public consultations carried out by the SFMS of Ukraine to the Cabinet of Ministers of Ukraine on quarterly basis.

### **7.4. Methodical provision, training of reporting entities' staff**

In 2013 the SFMS of Ukraine staff took part in 29 educational events, which were organized, in particular, by the Ukrainian Stock Market development Institute, University of Banking of the National Bank of Ukraine, Academy of Financial Management, Kyiv Interindustrial Institute of Advance Training, International Academy of Finance and Investment of the Ukrainian Chamber of Commerce and Industry, Odessa National Economic University, National Center for the Training of Bank Personnel, Institute of Postgraduate Study and Business LLC, Ukrainian National Credit Union Association, Notary Chamber of Ukraine, Institute for Advanced Study of Notary Personnel, National Bank of Ukraine and Poltava University of Economics and Trade.

These events included 1085 participants being representatives of reporting entities.

Furthermore, in 2013 SFMS of Ukraine staff took part in 28 educational events organized by the Training-Methodical Center of the SFMS of Ukraine for senior

officials of reporting entities, as well as for employees of state authorities, law enforcement and judicial agencies.

In addition, the SFMS of Ukraine staff took part as speakers in 14 educational events organized, in particular, by the National Academy of the Security Service of Ukraine, Department on Combating Cybercrime of the Ministry of Internal Affairs of Ukraine, Main Investigation Department of the Ministry of Internal Affairs of Ukraine, Main Department on Combating Organized Crimes (Ministry of Internal Affairs of Ukraine), Department of the State Service on Combating Economic Crimes (Ministry of Internal Affairs of Ukraine), State Financial Inspection and Development Training Center for governing bodies of the Ministry of Revenue and Duties of Ukraine. These events included 415 participants being representatives of law enforcement agencies and the Tax Service.

In whole in 2013 SFMS of Ukraine representatives took part in 71 educational event held for more than 2000 persons.

In addition, in 2013 employees of the SFMS of Ukraine have provided more than 3200 consultations via phone hot line. They have also prepared and forwarded 549 recommendatory letters to reporting entities.

## **8. ACTIVITIES OF THE TRAINING CENTER OF THE SFMS OF UKRAINE**

The main aim of the Training Center of the SFMS of Ukraine (TC SFMS of Ukraine) is retraining and professional development for specialists on financial monitoring of the AML/CFT in order to ensure unified approach to retraining and professional development for specialists of subjects of state financial monitoring, law enforcement and judicial authorities, representatives of the reporting entities in charge of its conducting, and representatives of foreign states or international organizations.

In 2013 Training Center trained 1106 representatives of state and reporting financial monitoring entities, including:

- 600 professionals – of the state authorities:

172 representatives of the state financial monitoring entities and other agencies of state power including State Commission for Regulation of financial Services Markets of Ukraine, National Securities and Stock Market Commission, Ministry of Economic development and Trade of Ukraine, Ministry of Justice of Ukraine, Ministry of Infrastructure of Ukraine and the State Financial Inspection of Ukraine;

428 representatives of law enforcement and judicial authorities, in particular, Ministry of Internal affairs of Ukraine, Security Service of Ukraine, Ministry of Revenue and Duties of Ukraine, State Court Administration of Ukraine, Prosecutor General's Office of Ukraine and the Foreign Intelligence Service of Ukraine.

- 506 professionals – responsible officers of the reporting entities:

462 representative of the participants of financial service markets;

17 representatives of the business entities that provide intermediary services in immoveable property buy/sell transactions;

7 representatives commodity and others exchanges, that conduct financial transactions on goods;

20 representatives of the professional participants of securities market.

In 2013, trainings at the Training Center were based in Kyiv, Kharkiv and Lviv, in particular:

- 260 representatives of state agencies were trained in Kyiv, among them - 116 entities of state financial monitoring, 144 representatives from law enforcement and judicial authorities, 254 participants of financial services markets, 17 representatives of the business entities, that provide intermediary services during buy-sell transactions on immovable property, 7 professionals from commodity and other exchanges, that conduct financial transactions on goods, as well as 20 representatives from professional securities market participants.

There were also seminars held with 129 participating responsible persons from reporting entities.

## **9. INTERNATIONAL COOPERATION**

### **9.1. Cooperation with international organizations**

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

In 2013 the SFMS of Ukraine efficiently cooperated with leading international organizations and institutions in AML/CFT area, in particular: Financial Action Task Force (FATF); FATF-style regional bodies: Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) and Eurasian group on combating money laundering and financing of terrorism (EAG); Egmont Group of FIUs, Council of Europe and European Commission, United Nations Office on Drugs and Crime (UNODC), World Bank, International Monetary Fund, Organization for Security and Co-operation in Europe (OSCE), Organization for Democracy and Economic Development (GUAM) and other international organizations.

In 2013 in the framework of FATF and MONEYVAL activity representatives of the SFMS of Ukraine participated in two onsite high-level expert missions to the Republic of Poland and Republic of Croatia.

According to the set procedure the progress report of the national Ukrainian AML/CFT system was presented since MONEYVAL 3<sup>rd</sup> Round Mutual Evaluation Report.

In order to improve AML/CFT awareness within the European and Eurasian region the SFMS of Ukraine was used as a educational event platform for representatives from these regions.

In 2013 representatives from the SFMS of Ukraine presented Ukraine's AML/CFT experience and enhanced bilateral cooperation during international seminars held under the auspices of leading international organizations.



The SFMS of Ukraine signs international interagency agreements (Memoranda of Understanding) with foreign FIUs. Thus, there have been 65 cooperation agreements signed with foreign FIUs within 2003-2013.

In the reporting period there have been 2 Memoranda of Understanding signed with FIUS, namely: cooperation agreement between the SFMS of Ukraine and Ministry of Finance of Turkmenistan and a Memorandum of Understanding with FIU of the Kingdom of Denmark.

#### **9.1.1. Cooperation with Financial Action Task Force (FATF)**

In 2013 representatives of the SFMS of Ukraine took part in FATF meetings and work, in particular, in FATF extraordinary meeting, FATF plenary meetings, meetings of the International Co-operation Review Group (ICRG) and meetings of the Europe/Eurasia Regional Review Group (ERRG).

In addition, representatives of the Ukrainian delegation took part in meetings of the International Co-operation Review Group where, in accordance with the procedure for monitoring and application of sanctions to risk jurisdictions, over 40 countries were reviewed.

#### **9.1.2. Cooperation with Egmont group of FIUs**

Representatives of the SFMS of Ukraine on the regular basis participate in Working Groups and Egmont Committee meetings, as well as in Egmont Group Plenary meetings and training events within framework of Egmont group activities.

Thus, in 2013 the SFMS of Ukraine representative took part in activities of the Project group on review of the Charter of the Egmont group of FIUs.

#### **9.1.3. Cooperation with the Council of Europe (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)/European Commission**

Close cooperation of the SFMS of Ukraine and Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) is provided on permanent basis.

In 2013 the SFMS of Ukraine delegation took part in three MONEYVAL Plenary meetings. During the Plenary meetings the next Progress Report of the Ukraine's national AML/CFT system was presented since MONEYVAL 3<sup>rd</sup> Round Mutual Evaluation Report in 2009.

Within framework of the 43<sup>rd</sup> MONEYVAL Plenary meeting it was decided that, taking to account Ukraine's progress, review of faults identified within framework of the MONEYVAL 3<sup>rd</sup> Round Mutual Evaluation concerning process under rates *noncompliant* and *partially compliant* would be completed and Ukraine's compliance with Recommendation 3 would be reviewed again during discussion of the MONEYVAL 4<sup>th</sup> Round Mutual Evaluation Report.

Upon invitation of the MONEYVAL Committee representatives of the SFMS of Ukraine took part in preliminary sessions of the 4<sup>th</sup> Round Mutual Evaluation of the Council of Europe MONEYVAL Committee with regard to the Republic of Poland and Republic of Croatia.

Within framework of MONEYVAL activities the SFMS of Ukraine jointly with the Romanian FIU took part in the MONEYVAL Committee mutual typology project “Trade Based Money Laundering in Cash-Based Economies”. Thus, during the MONEYVAL 43<sup>rd</sup> Plenary meeting held within 9-13 December, 2013 in Strasbourg, France, the Ukrainian and Romanian representatives presented results of typological research approved during the meeting on December 12, 2013 and which is to be published in 2014.

During the meeting of the Conference of the Parties under the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism on 11-15 June, 2013 in Strasbourg, France the elections of the Bureau of the Conference of the Parties were held. The representative of the SFMS of Ukraine was elected as a member of the Bureau for 1-year period.

In 2013 the SFMS of Ukraine continued cooperation with the European Commission in the framework of the TAIEX instrument for Technical Cooperation and Information Exchange of the European Commission.

Thus, within the reporting period in the framework of the TAIEX instrument representatives of the SFMS of Ukraine conducted the study visit to competent authorities of the Republic of Ireland for enhancement of the AML/CFT bilateral cooperation and experience exchange.

#### **9.1.4. Cooperation with Eurasian group on combating money laundering and financing of terrorism**

Experts of the SFMS of Ukraine participate in meetings and events held by the Eurasian group on combating money laundering and financing of terrorism (EAG) on regular basis.

Thus, within the period from May 20 through 24, 2013, the SFMS of Ukraine delegation took part and presented its experience during the seminar on Modern Approaches to Building and Development of Information and Analytical Systems for FIUs. It also took part in meeting of working groups during the 18<sup>th</sup> EAG Plenary Meeting and in consideration of participation plan of observing countries for the EAG activities as organized by the International training and methodology center for financial monitoring (Russian Federation).

In addition, delegation from the SFMS of Ukraine took part in discussion of information on Tajikistan and Kyrgyzstan within framework of the review of the FATF international cooperation. The SFMS of Ukraine sponsored Kyrgyzstan with regard to its membership in Egmont group of FIUs.

Within framework of the 19<sup>th</sup> EAG Plenary Meeting held on November 10-15, 2013 in Ashkhabad, Turkmenistan, members of the SFMS of Ukraine delegation took part in the following events:

- regional seminar of the UN Security Council Counter-Terrorism Committee (UN SC CTC) on Freezing of Terrorist Assets in Accordance with the Requirements set out in the UN Security Council Resolution 1373 (2001) organized by the International training and methodology center for financial monitoring of the Russian

Federation and during which Ukraine presented its report;

- EAG Working Group meetings;
- second meeting of the CIS FIUs Heads;
- EAG Plenary Meeting.

In addition, the SFMS of Ukraine took part in EAG mutual research, joint training events, mutual assessments by EAG of EAG Member States, as well as in EAG activities. Representative of the SFMS of Ukraine had been appointed a Co-chair of the Typologies Working Group.

### **9.1.5. Other international events**

#### **Cooperation with International Monetary Fund**

During the period of May 13-18, 2013, within framework of the *Counteraction to Money Laundering – Ukraine – Module 5: Structure and Instruments* Project representative from the International Monetary Fund visited the SFMS of Ukraine, the State Commission for Regulation of financial Services Markets of Ukraine, and the National Securities and Stock Market Commission with the view to discuss the AML/CFT progress, trends and typologies in the insurance and securities sectors. The relevant seminars were held with participation of the SFMS of Ukraine on September 23 and 24, 2013, respectively.

In addition, within framework of the SFMS of Ukraine and IMF cooperation there was a one-week course Methodology for new AML/SFT Standards organised and held in the Joint Vienna Institute with IMF assistance.

#### **Cooperation with Organization for Security and Co-operation in Europe (OSCE)**

In 2013 the SFMS of Ukraine promoted its cooperation with OSCE, in particular, in March 2013 the SFMS of Ukraine representative presented the experience during training workshop on cybercrime investigation. The training workshop was organized by the OSCE Center in Astana.

In September – October 2013, within framework of draft line of the OSCE Coordinator in Ukraine a study visit under title *Reinforcing the SFMS Capacity to Counteract AML/CFT Risks* was organized in Hague, Netherlands and Copenhagen, Denmark. The visit aimed at familiarization with work experience of the FIU of Denmark and Eurojust AML/CFT developments, exchange of experience in the area based on the risk-based approach.

#### **Cooperation with UN Office on Drugs and Crime (UNODC), UN Security Council (UN SC), UN Counter-Terrorism Committee (CTC)**

During the reporting period the SFMS of Ukraine continued close cooperation with the United Nations Office on Drugs and Crime (UNODC), UN Security Council (UN SC), UN Counter-Terrorism Committee (CTC).

On October 22, 2013 expert consultations were held in the SFMS of Ukraine within framework of visit of the first monitoring visit of the UN SC CTC international expert group in Ukraine during October 21-23, 2013, with the view to

assess implementation by Ukraine of the UN SC Resolution 1373 (2001) on combating international terrorism and 1624 (2005) on preventing calls to terrorism.

The consultations considered issues of legislative and legal provision of AML/CFT system, practical implementation mechanisms for the UN SC Resolution, in particular, with regard to counteraction to terrorist financing, as well as possible cooperation directions.

The meeting also included representatives from state authorities of Ukraine involved in the AML/CFT system, in particular, Prosecutor General's Office of Ukraine, National Bank of Ukraine, Ministry of Revenue and Duties of Ukraine, Security Service of Ukraine, Ministry of Internal Affairs of Ukraine, National Securities and Stock Market Commission and State Commission for Regulation of financial Services Markets of Ukraine.

In addition, within framework of the 19<sup>th</sup> Plenary Meeting of the Eurasian group on combating money laundering and financing of terrorism (EAG) held on November 9-16, 2013 in Ashkhabad, Turkmenistan, representatives from the SFMS of Ukraine took part in the regional UN SC CTC/EAG workshop on Freezing of Terrorist Assets in Accordance with the Requirements set out in the UN Security Council Resolution 1373 (2001).

The workshop was organized by the International training and methodology center for financial monitoring (Russian Federation) with participation of the Executive Directorate of the UN SC CTC, EAG, Department for financial monitoring in the Ministry of Finance of Turkmenistan.

During the period of May 27-28, 2013 in Kyiv, Ukraine, the SFMS of Ukraine jointly with the UNODC Representative Office in Iran held study visit for representatives of state authorities of the Islamic Republic of Iran with the view to provide AML/CFT experience exchange.

Within framework of the project being implemented by the UNODC Regional Office for Central Asia (UNODC ROCA) jointly with the Organization for Democracy and Economic Development (GUAM) in March, 2013, representative of the SFMS of Ukraine visited Baku, Azerbaijan, with the view to participate in the regional workshop on Improving practices of national law enforcement agencies in direct international inter-agency cooperation on identification and investigation of legalization of proceeds of crime.

Accordingly on October 01-03, 2013 in Chisinau, Moldova, representative of the SFMS of Ukraine presented the Ukrainian FIU experience during the regional workshop on Features of Judicial Examination of Cases Related to Legalization of Proceeds of Crime.

#### **9.1.5.1. Providing technical assistance to FIUs**

In 2013 the SFMS of Ukraine experts provided technical assistance to foreign counterparts to develop and improve national AML/CFT systems in the framework of Egmont Group of FIUs and EAG.

Moreover, the SFMS of Ukraine organized study visits for representatives of FIU Tanzania and Iran to the SFMS of Ukraine, as well as provided experts' assistance on cooperation and information exchange to FIUs of the Egmont group.

## **9.2. Information exchange with foreign FIUs**

The SCFM of Ukraine receives from foreign counterparts financial information, which may be related to illegal activity. This enables more efficient and more large-scale investigating of complex transnational schemes.

In 2013 the SFMS of Ukraine has done the following:

- submitted 439 requests to 133 foreign FIUs (449 responses from 107 foreign FIUs were received);
- received 174 requests from 52 foreign FIUs (173 responses were submitted to 53 foreign FIUs).

In 2013 most of requests were submitted to:

- FIU Latvia – 53 requests;
- FIU Great Britain – 38 requests;
- FIU Cyprus – 28 requests;
- FIU Russia – 20 requests;
- FIU USA – 18 requests.

At the same time most of requests were received from:

- FIU Russia – 17 requests;
- FIU Cyprus – 15 requests;
- FIU Poland – 11 requests
- FIU Moldova – 11 requests;
- FIU Spain – 9 requests;
- FIU Lithuania – 8 requests.

In 2013 via the Egmont secure web (ESW) and in coordination with foreign FIUs – Egmont group members, the SFMS of Ukraine has submitted 422 requests and received 443 responses for 2013.

At the same time in 2013 the SFMS of Ukraine received 174 requests from foreign FIUs – Egmont group members and provided 164 responses.

The SFMS of Ukraine has held 3 meetings with liaison officers in 2013.

- on March 12, 2013, with assistant of Legal Attaché of the US Embassy in Ukraine;
- on April 11, 2013, with Legal Attaché and Deputy Legal Attaché of the US Embassy in Ukraine;
- on May 22, 2013, with assistants of Attaché of the US National Security Service.

During these meetings issues of cooperation in AML and cyber crime area were discussed.

## **10. PLANS FOR 2014. DEVELOPMENT PERSPECTIVES.**

### **I. Development of the AML/CFT legislation, particularly through implementation of new FATF Standards**

The aim will be achieved by the following means:

- ensuring support in consideration in the Verkhovna Rada of Ukraine of draft law on amendments to legislation with the view to further implementation of FATF provisions;
- preparation and support in adoption of draft legal acts, in particular, draft laws, acts of the Government and the Ministry of Finance of Ukraine with regard to AML/CFT;
- ensuring consideration and coordination, in accordance with the established procedure, of draft legal acts prepared by the state AML/CFT agencies.

### **II. Enhancement of interagency interaction between the state agencies – participants of the national AML/CFT system**

The aim will be achieved by the following means:

- holding on a regular basis of meetings of ML/TF Methods and Trends Research Council as a constantly acting consultative and advisory agency, established by the Cabinet of Ministers of Ukraine;
- coordination of the state agencies in the course of fulfilment of the AML/CFT Action Plan for 2014.

### **III. Participation in the AML/CFT international cooperation**

The aim will be achieved by the following means:

- providing the participants of the national system of financial monitoring with consulting on AML/CFT measures and new FATF Standards;
- ensuring effective cooperation with the international organizations and institutions acting in the AML/CFT area;
- organization of international training events and information sharing in the AML/CFT area;
- concluding of AML/CFT international interagency agreements with foreign counterparts.

### **IV. Development and enhancement of unified state information system in the AML/CFT area**

The aim will be achieved by the following means:

- extension of information resources of unified state information system in AML/CFT area;
- enhancement of information interaction with the subjects of financial monitoring and other state agencies;

- updating of the information processing technologies.

**V. Organization and coordination of the activities on re-training and professional development of the specialists of the state agencies on financial monitoring and Compliance officers of the reporting entities in the AML/CFT area on the base of the Training Center of the SFMS of Ukraine**

The aim will be attained by the following means:

- providing distance learning for the specialists on financial monitoring;
- re-training and professional development of the Compliance officers and heads of the reporting entities responsible for financial monitoring, and specialists of the state agencies in AML/CFT area, using up-to-date methods and technologies;

**VI. Analysis of the information on financial transactions subject to financial monitoring, or the information that may be related to the suspicion in legalization (laundering) of the proceeds of crime and terrorist financing**

The aim will be attained by the following means:

- increasing effectiveness of the analysis of financial transactions that may be related to legalization (laundering) of the proceeds of crime or terrorist financing in order to forward to the law enforcement and intelligence agencies, pursuant to the competence, the case referrals;
- research of ML/TF trends and methods and raising reporting entities' awareness of them.