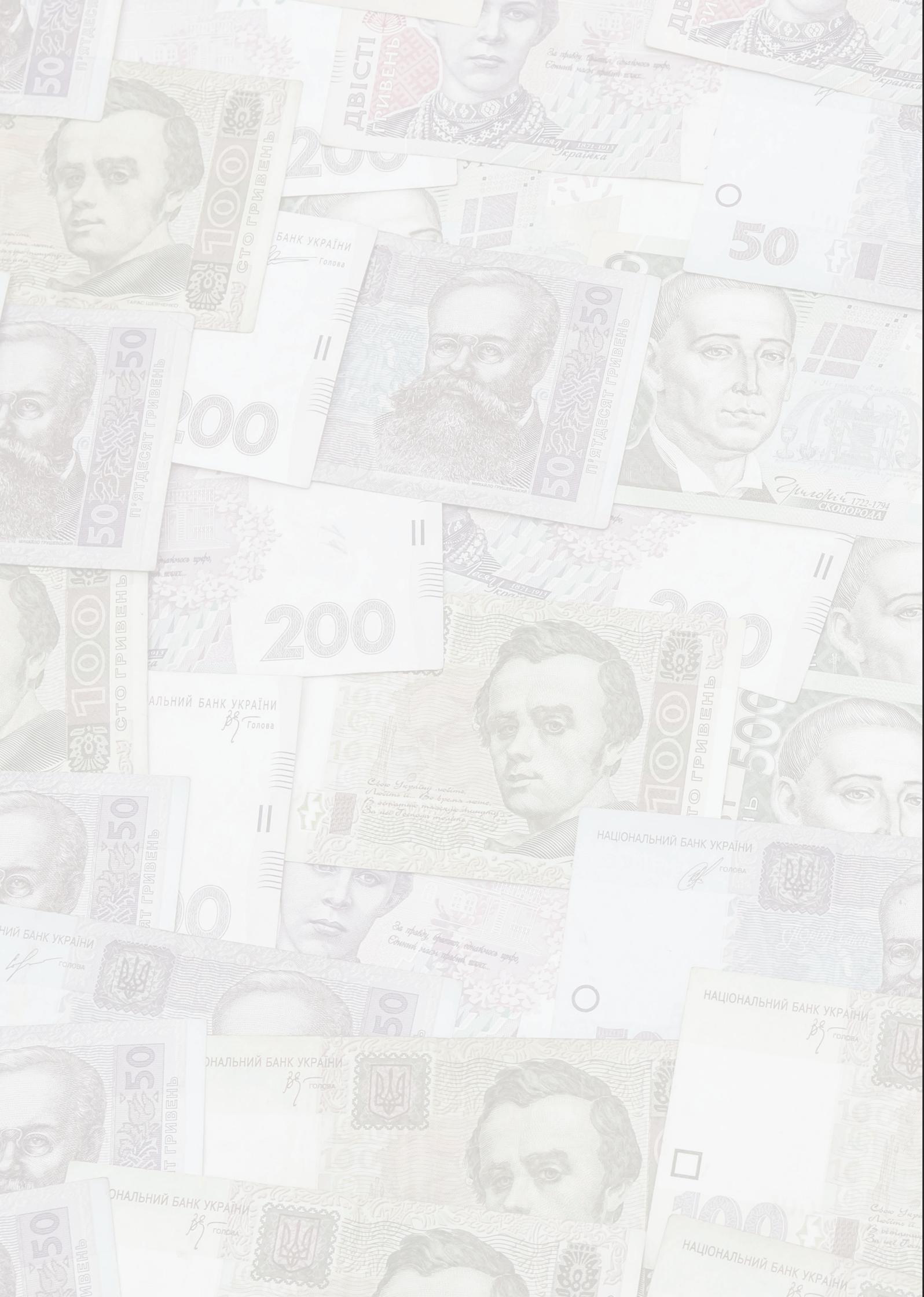




# REPORT OF THE STATE FINANCIAL MONITORING SERVICE OF UKRAINE



2015



ДВІСТІ ГРИВЕНЬ

ДВІ

50 П'ЯТДЕСЯТ

100 СТО ГРИВЕНЬ

БАНК УКРАЇНИ

Голова

50

50 П'ЯТДЕСЯТ ГРИВЕНЬ

200

50 П'ЯТДЕСЯТ ГРИВЕНЬ

Григорій 1772-1794 СКОВОРОДА

100 СТО ГРИВЕНЬ

200

НАЦІОНАЛЬНИЙ БАНК УКРАЇНИ

ГОЛОВА

100 СТО ГРИВЕНЬ

500

50 П'ЯТДЕСЯТ ГРИВЕНЬ

Свою Україну любите,  
Любите її, як вуста мати.  
В обіймах її, тільки щастя,  
В ній і в ній тільки життя.

НАЦІОНАЛЬНИЙ БАНК УКРАЇНИ

ГОЛОВА

Ваша Україна, любите,  
Любите її, як вуста мати.  
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В ній і в ній тільки життя.

НАЦІОНАЛЬНИЙ БАНК УКРАЇНИ

ГОЛОВА

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НАЦІОНАЛЬНИЙ БАНК УКРАЇНИ

ГОЛОВА

НАЦІОНАЛЬНИЙ БАНК УКРАЇНИ

ГОЛОВА



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

**Kyiv**

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## Address by the Chairman of the State Financial Monitoring Service of Ukraine

**Igor Cherkaskyi**



### Dear colleagues!

The State Financial Monitoring Service of Ukraine offers for your consideration the Annual report which highlights the main results achieved by SFMS of Ukraine in the AML/CFT area in 2015.

We offer to your attention Annual report of the State Financial Monitoring Service of Ukraine for 2015, which highlights key results in the sphere fight against legalization (laundering) of proceeds from crime, terrorist financing and the financing of proliferation of

weapons of mass destruction.

It should be emphasized that money laundering and terrorist financing crimes are an extremely negative phenomenon that destroys the foundations of the economy and state financial system, undermining foundations of its reputation and investment component.

In this regard, SFMS as an FIU of Ukraine on a continuous basis during the year used enhanced measures to reform the system of financial monitoring in these key areas:

- bringing legislation on financial monitoring to international standards;
- improvement of forms and methods of work on financial investigations;
- enhancing international cooperation.

At the beginning of 2015 a new law of Ukraine «On prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction» came into force. However, in August last year, with the support and as-

sistance of SFMS and OSCE Project Coordinator, Scientific-practical commentary had been issued to it.

In order to implement the new Law SFMS mutually with the Ministry of Finance of Ukraine developed all the necessary regulations.

An important event last year was also the Ukraine Government's decision on the submission of SFMS Strategy of development of prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction for the period till 2020.

As part of its core functions, one of the priorities of SFMS was to continue active action on investigating the facts of money laundering, proceeds of corruption, theft and misappropriation of public funds and property, searching and blocking the assets of former Ukrainian officials.

**It should be noted as for now that SFMS has blocked funds equivalent USD 1.52 billion on the accounts of individuals and entities that have a relationship with former President of Ukraine and former officials.**

Also, SFMS undergoes extensive and effective work aimed at identifying and blocking of

funds in respect of persons who finance terrorism (separatism) and persons who publicly calling for violent change or overthrow of the constitutional order or change the boundaries of the territory of the state border of Ukraine.

**During reporting period the SFMS together with the Security Service of Ukraine has suspended more than UAH 76 million intended to finance illegal armed formations so-called «DPR» and «LPR»**

Along with this, SFMS started work on constructive cooperation with the newly established National Anti-Corruption Bureau of Ukraine.

Last year, was marked by significant progress in the territory of international cooperation in financial monitoring.

The mission of the International Monetary Fund (IMF) as part of verification of structural benchmarks of the Agreement to the Memorandum of Economic and Financial Policies demonstrated a high level of legislative support of financial monitoring and Ukraine also highly appreciated the work of SFMS in this direction.

At the 48th Plenary Meeting of the Committee of Experts of the Council of Europe on the Evaluation of Anti-Money Laundering and the Financing

of Terrorism (MONEYVAL) delegation of Ukraine presented a report on the progress of our country, for the consideration of MONEYVAL which has approved the information submitted and praised the measures taken by Ukraine in the field of financial monitoring.

Moreover, during the reporting year expert missions of the European Union visited the FIU to verify the implementation of the second phase of the benchmarks of the Action Plan on visa liberalization with the fight against money laundering and terrorist financing. Following the results of its work, the mission of EU experts positively noted work of SFMS on coordinating the system of financial

monitoring in Ukraine.

We are determined to continue the constructive work on improving the national system of financial monitoring.

SFMS was is and will be a reliable partner, open to cooperation with relevant government agencies, private sector, NGOs and other organizations operating in the field of prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction both in Ukraine and abroad.

  
Sincerely,  
Igor CHERKASKYI

## LIST OF ABBREVIATIONS

- **FATF** – Financial Action Task Force
- **MONEYVAL** – The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
- **Basic law** – Law of Ukraine “On prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction”
- **PGO** – Prosecutor General’s Office of Ukraine
- **SFMS** – State Financial Monitoring Service of Ukraine
- **SFS** – State Fiscal Service of Ukraine
- **URPI** – Unified Register of Pre-trial Investigations
- **USR** – United State Register of Legal Entities, Individual Entrepreneurs
- **USIS** – Unified State Informational System in the sphere of prevention and counteraction to legalization (laundering) of the proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction
- **MIA** – Ministry of Internal Affairs of Ukraine
- **NBU** – National Bank of Ukraine
- **SCRFSM** – State Commission for Regulation of Financial Services Markets of Ukraine
- **NSSMC** – National securities and stock market commission
- **OSCE** – Organization for Security and Cooperation in Europe
- **FIU** – Financial Intelligence Unit
- **IA** – intelligence agencies
- **SSU** – State Security Service of Ukraine
- **FIS** – Foreign Intelligence Service of Ukraine

# 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 proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction» (hereinafter referred to as the Basic Law) and its Statute.

According to the Statute of the SFMS of Ukraine, approved by the Decree of the Cabinet of the Ministers of Ukraine as of July 19, 2015 № 537, 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.

State Financial Monitoring Service of Ukraine provides implementation of state policy in the sphere of combating legalization (laundering) of proceeds from crime and terrorist financ-



Fig. 1.1. Building of the SFMS of Ukraine

ing and ensures coordination of activities of state agencies in the AML/CFT area.

One of the main tasks of SFMS is drawing up the proposals on improvement of legislation in the abovementioned area, implemented through the Ministry of Finance of Ukraine.

Furthermore, in accordance with Law of Ukraine «On ratification of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism» SFMS is the body authorized by Ukraine to perform functions of the FIU (Financial Intelligence

Unit, FIU), one of the main tasks of which is collecting, processing and analyzing of information on financial transactions, subject to obligatory financial monitoring or any other financial transactions and information that might be related with suspicion of legalization (laundering) of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction.

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 counterac-

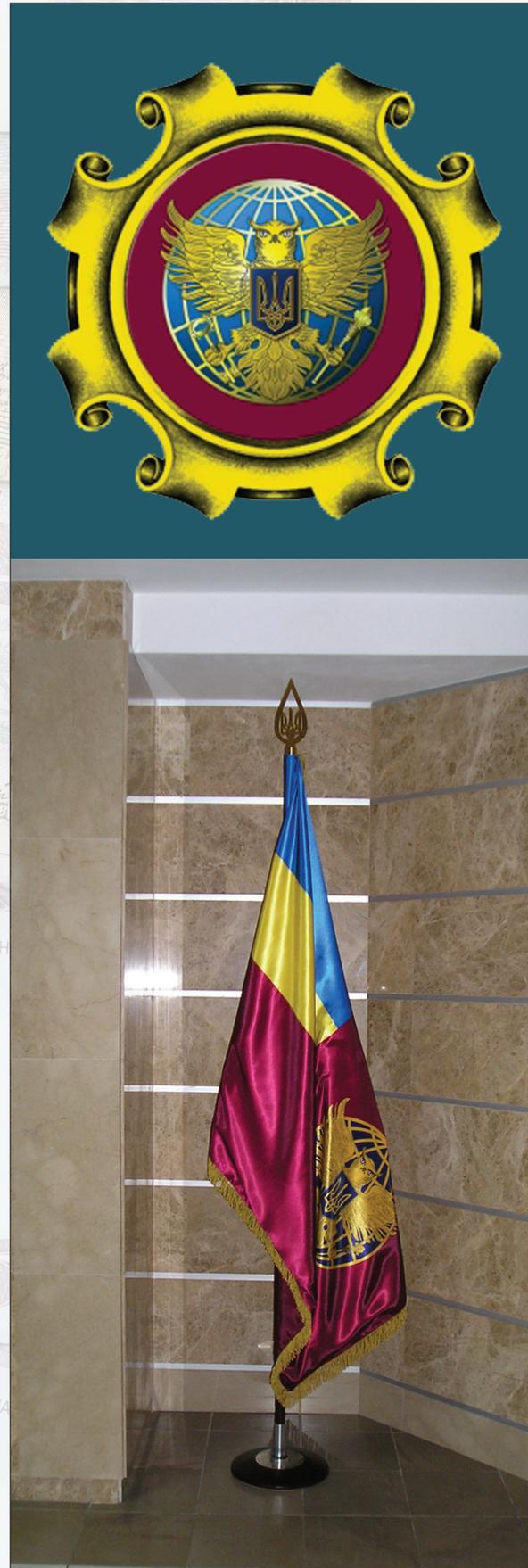
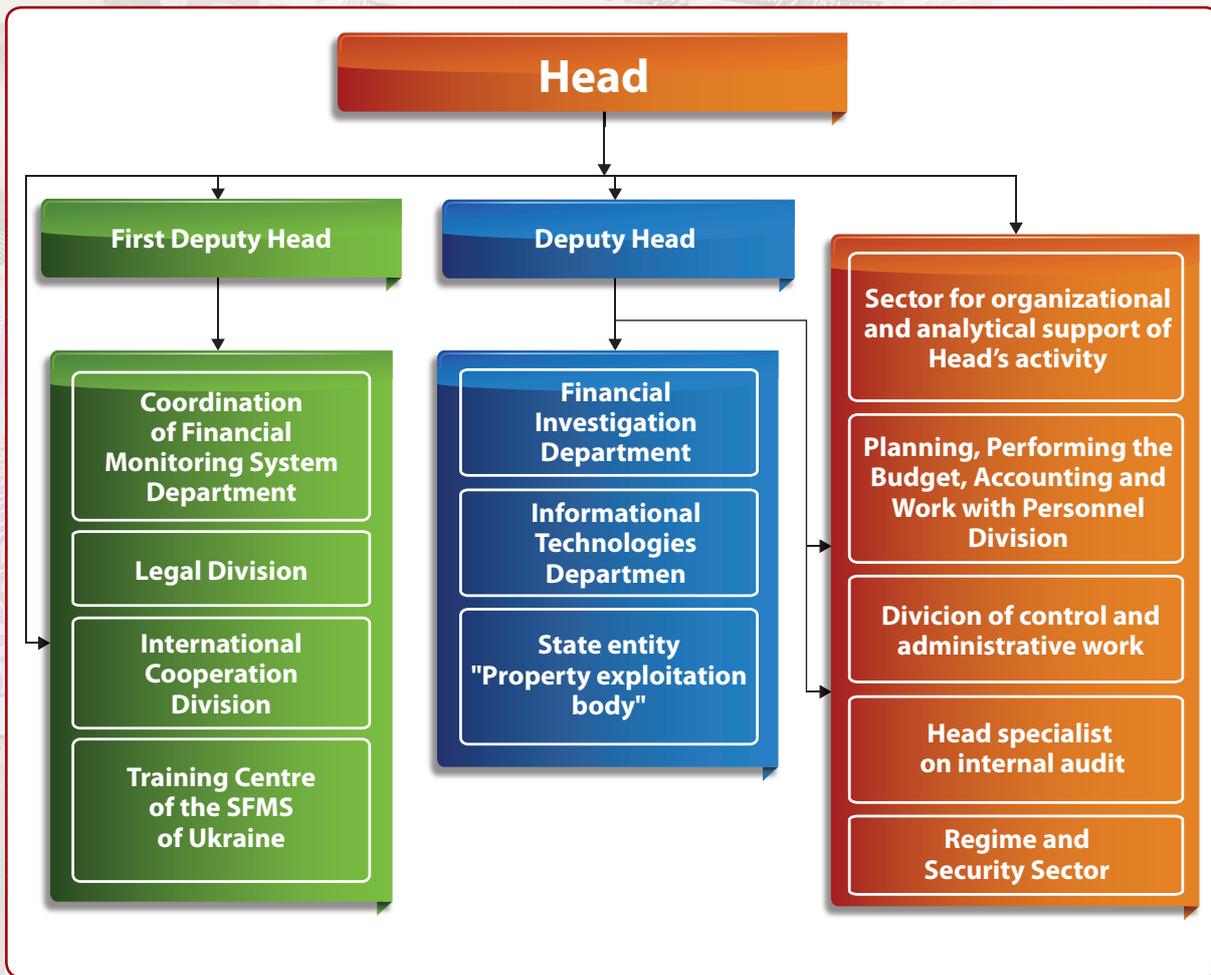


Fig. 1.2. The emblem and the flag of the SFMS

STRUCTURE OF THE SFMS OF UKRAINE

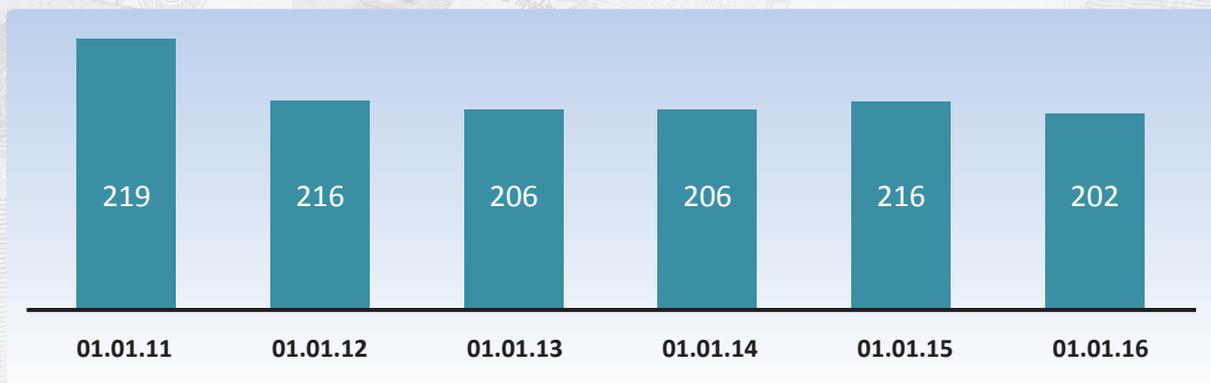


Pic. 1.3

tion 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.

DYNAMICS OF THE ACTUAL NUMBER OF EMPLOYEES OF THE SFMS OF UKRAINE IN 2011-2016



Pic 1.4

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

As of December 31, 2015 202 employees actually work in the SFMS of Ukraine. Dynamics of the actual number of employees of the SFMS of Ukraine in 2011-2016 is provided in the chart below.

Gender distribution of the employees in the SFMS of Ukraine represents: 78 men (38,6%) and 124 (61,4%) women. Among the senior management there are 33 men and 34 women.

According to the age structure of employees SFMS of Ukraine the most numerous age group is people younger than 35 years old.

The SFMS of Ukraine staff con-

sists of high qualified specialists with complete higher education. 7 employees of the SFMS of Ukraine with a degree and 4 of them are holding an academic degree. 9 employees of the SFMS of Ukraine is the Master of Public Administration.

In 2015 the SFMS of Ukraine held 3 meetings of selection committee to fill the vacancies of civil servants. 38 persons participated in the competitive selection. Under the results of the competitive selection 27 persons were appointed. Moreover, under results of probation period 10 person was transferred to the SFMS of Ukraine from other state agency.

The SFMS of Ukraine has

### THE STRUCTURE OF THE SFMS OF UKRAINE BUDGETARY ALLOCATIONS FOR 2015

Expenditures	Sum in thousand UAH
Wages and wage upholding	22 033,0
Utility services and energy carrier payments	1 282,1
Business trip expenditures	0,0
Other expenditures to ensure activity and maintenance of the State Information System and Information & Analytical System of the SFMS of Ukraine	1 780,2
Maintenance of the Training Centre of the SFMS of Ukraine	2 306,3
<b>Total</b>	<b>27 401,6</b>

Table 1.1

formed the employment pool to use effectively the potential and professional skills of highly qualified employees. In 2015 the employment pool included 137 specialists. During 2015, 10 employees were appointed to the positions of the SFMS of Ukraine from the employment pool, all of them to senior management.

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 2014 year 22 employ-

ees of the SFMS of Ukraine were promoted to higher positions.

### 1.3. Funding of the SFMS of Ukraine

In 2015 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 2015».

In 2015 according to budgetary allocations the SFMS of Ukraine expended 27 401 600 UAH. Funds expenditure is provided in the table below.

## 2. AML/CFT LEGISLATION DEVELOPMENT

In 2015 the SFMS of Ukraine took measures in development of proposals to improve the legal acts in the area of prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and other issues of the SFMS of Ukraine activities.

On 6th February 2015 came into force the Law of Ukraine «On prevention of legalization (laundering) of proceeds from crime, terrorism financing, and financing of proliferation of weapons of mass destruction», adopted by the Parliament of Ukraine on 14th October 2014.

In order to implement the requirements of the Basic Law and the enforcement of its compliance with the normative legal acts in the field of combating legalization (laundering) of proceeds from crime, terrorism financing and financing of proliferation of weapons of mass destruction, during 2015 the SFMS adopted (list reproduced in Annexes A and B):

- 12 Resolutions of the Cabinet of Ministers of Ukraine, developed by the SFMS;

- 14 Orders of the Ministry of Finance of Ukraine, of which 13 developed by the SFMS and 1 developed by the Ministry of Finance of Ukraine;

- 9 joint Orders of the Ministry of Finance of Ukraine with other regulators, of which 8 developed by the SFMS and 1 developed by the Ministry of Finance of Ukraine;

- 25 acts of state regulators (3 Orders of the Ministry of Finance of Ukraine, 6 Orders of the Ministry of Justice of Ukraine, 4 Orders of the Ministry of Infrastructure of Ukraine, 7 Regulations of Board of the National Bank of Ukraine, 3 Solutions of National Commission on Securities and Stock Market and 2 Orders of the National Commission for State Regulation of Financial Services Markets).

Also, during 2015 the SFMS adopted 168 orders and 6 regulations organizational and administrative nature, approved 66 draft legal acts developed by other public authorities, of which 6 projects provided comments and suggestions.

### 3. STATISTICS ON STRS

#### 3.1. General dynamics of STRs

Pursuant to the Basic Law of Ukraine 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 15 222 076 STRs subject to financial monitoring, including 4 391 834 STRs in 2015 (pic. 3.1).

**STRS DYNAMICS IN 2011-2015**

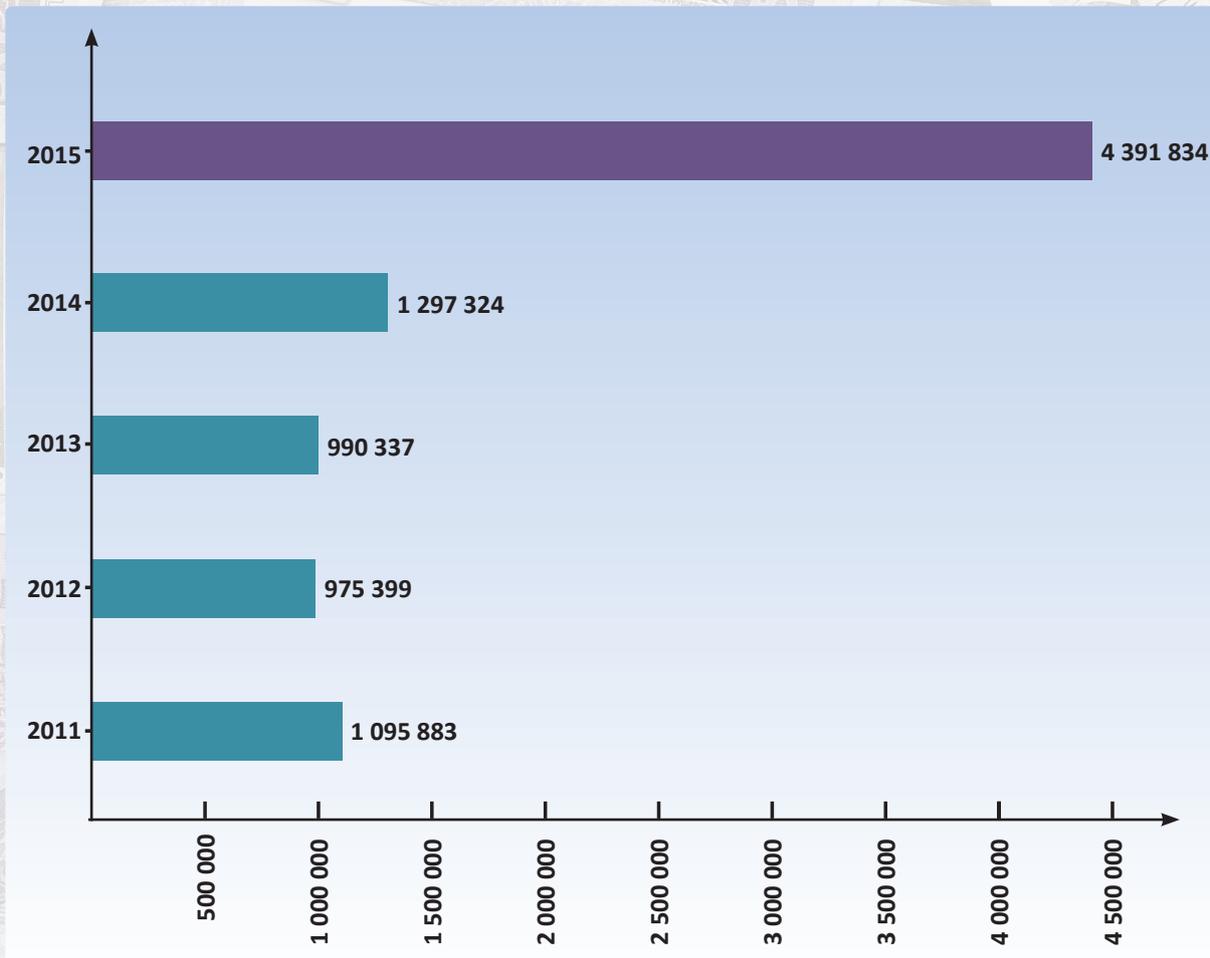


Рис. 3.1

It should be mentioned that in 2015 the number of 4 357 117 STRs received by the SFMS of

Ukraine decreased on 238,4% comparing with 2014 (pic. 3.2).

**DYNAMICS OF STRS RECEIVED BY THE SFMS OF UKRAINE IN 2014-2015**

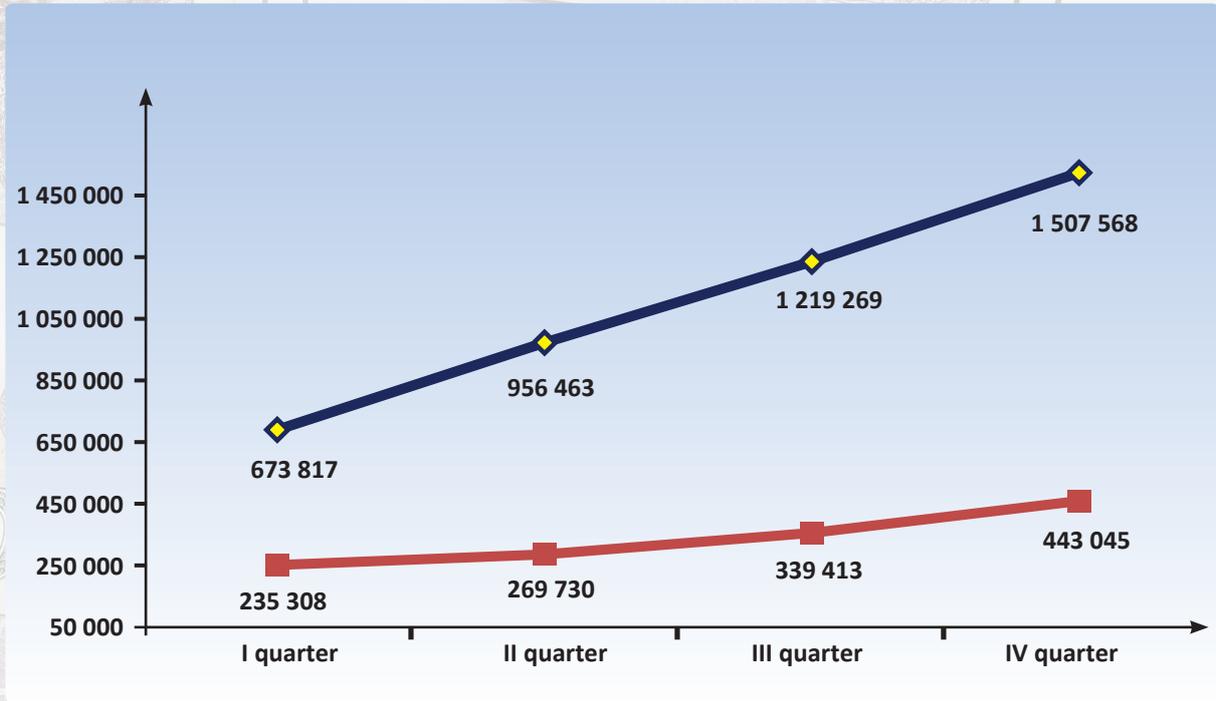


Рис. 3.2

**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 2015 banks provided 99,0% of STRs (pic. 3.3).

**DYNAMICS OF STRS PROVIDED BY BANKS AND NON-BANKING INSTITUTIONS IN 2011-2015**

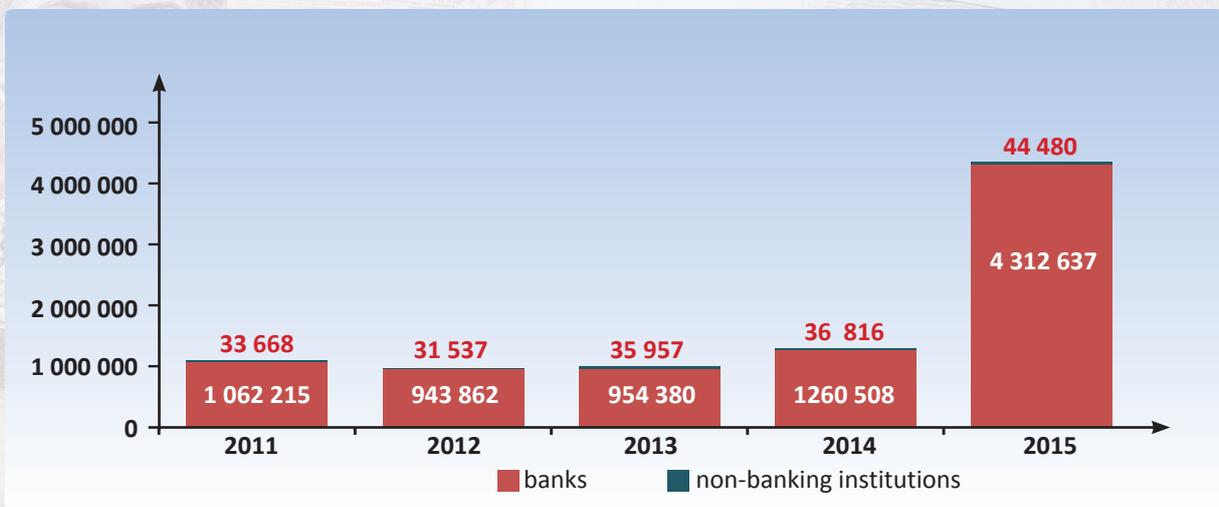


Рис. 3.3

It also should be mentioned that general number of mistakes made in reports, as well as in previous years, constitutes only 0,8% from the total number of STRs received by the SFMS of Ukraine in 2015.

In 2015 the number of STRs received by the SFMS

of Ukraine in electronic form from non-banking institutions increased in comparison with 2014 on 23,2 % and constitutes 98,7 % from total number of transactions received by the SFMS of Ukraine from the mentioned category of reporting entities (tab. 3.1).

### NUMBER OF STRS RECEIVED FROM BANKS AND NON-BANKING INSTITUTIONS AS OF JANUARY 1, 2016 BY MEANS OF SUBMITTING INFORMATION

Type of institution	Number of STRs received in electronic form	Number of reports received in hard copy
Banks	4 312 637	–
Non-banking institutions	43 889	591

Tab 3.1

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 67,4 % (tab. 3.2, pic. 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 – 88,9 % (3 873 967);
- under indicia of internal monitoring – 9,4 % (407 462);

- under indicia of obligatory and internal monitoring – 1,6 % (67 888);
- financial transactions on the request concerning tracking (monitoring) of financial transactions – 0,2 % (7 800).

According to paragraph 1 of the Article 6 of the Basic Law entities are required to register in SFMS.

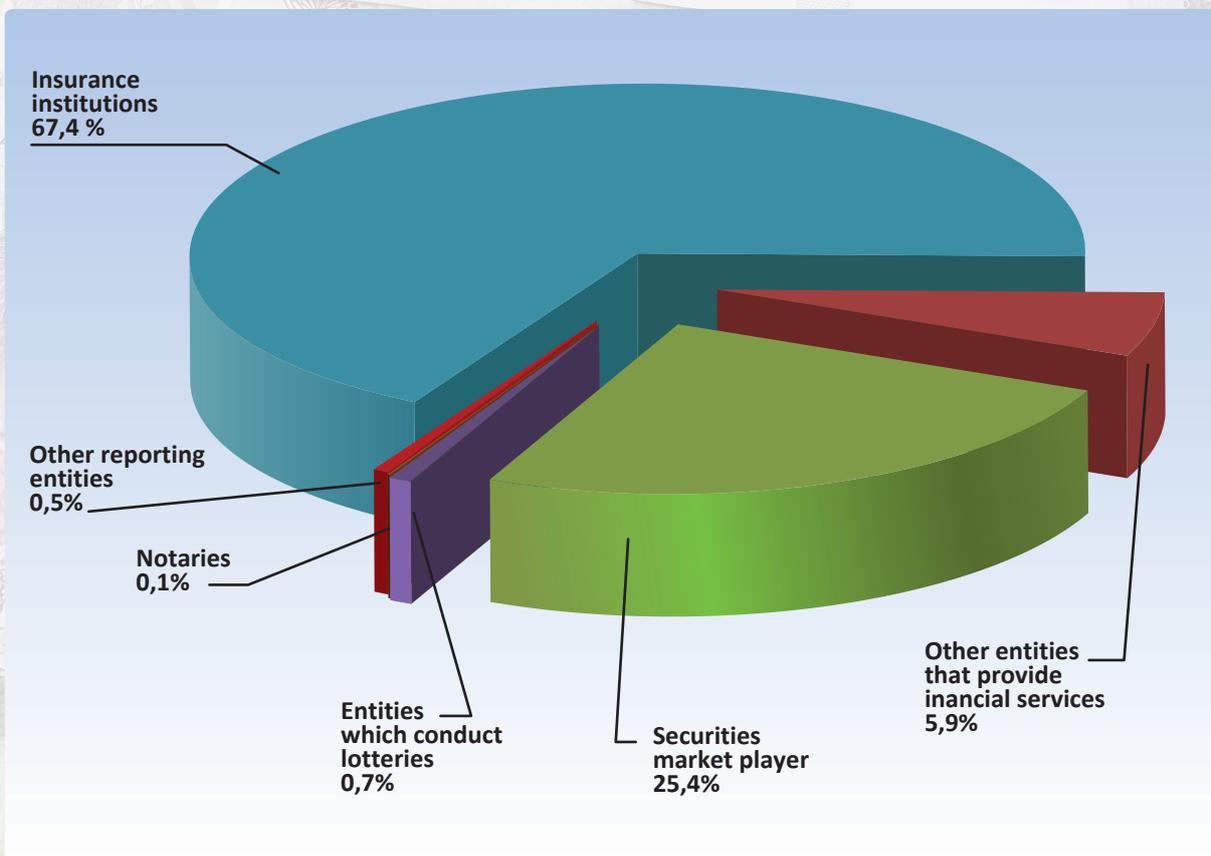
There have been 23 172 reporting entities (including 10 173 separate branches) registered by the SFMS of Ukraine as of 01.01.2015 (tab 3.3).

**THE SHARE OF REPORTS IN TOTAL NUMBER REGISTERED STRS RECEIVED BY THE SFMS OF UKRAINE FROM NON-BANKING SECTOR IN 2015**

Type of institution	Number	Share
Insurance institutions	29 991	67,4 %
Other entities that provide financial services	2 632	5,9 %
Securities market player	11 315	25,4 %
Entities which conduct lotteries	300	0,7 %
Notaries	31	0,1 %
Other reporting entities	211	0,5 %

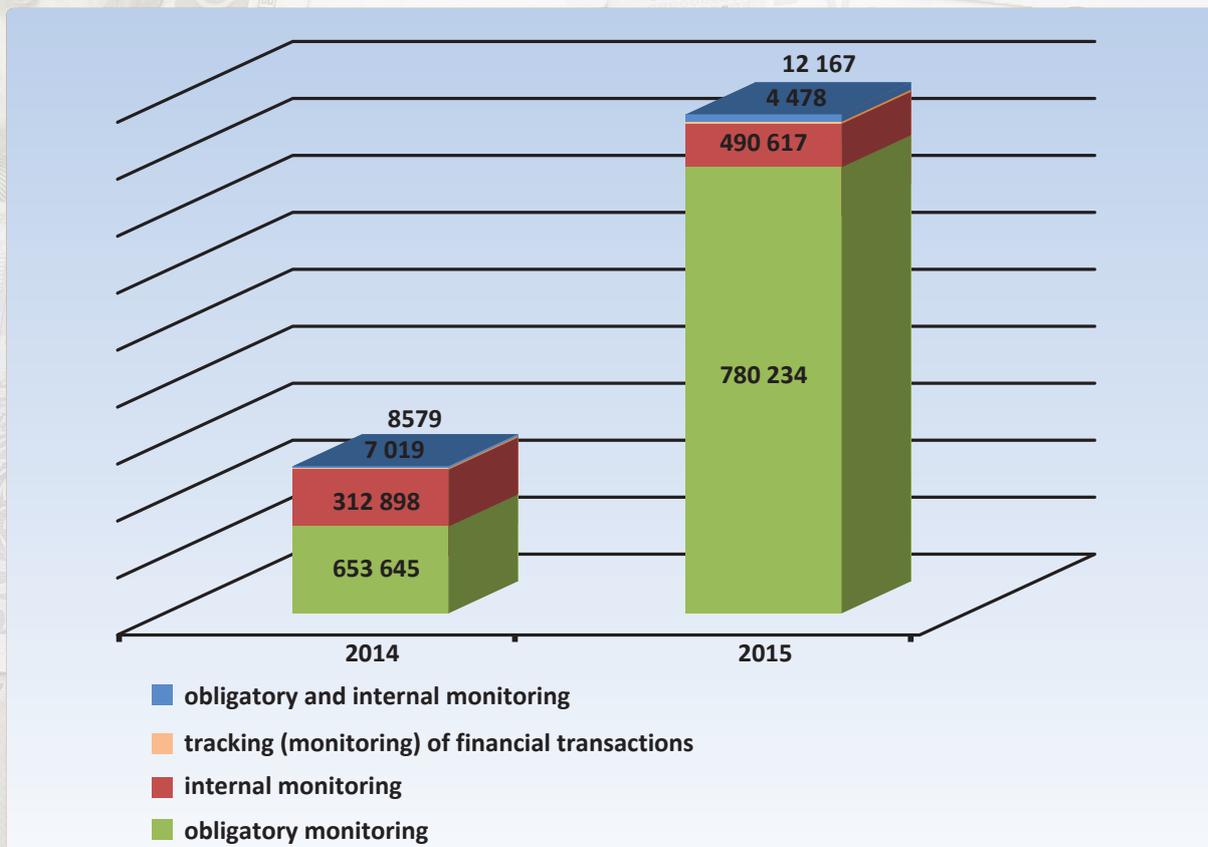
Tab 3.2

**NUMBER OF THE MASEGES REGISTERED BY TYPE OF NON-BANKING SECTOR**



Pic. 3.4

**DYNAMICS OF THE RECEIVED MESSAGES IN THE CONTEXT OF THE FEATURES OF FINANCIAL MONITORING IN 2014-2015**



Pic. 3.5

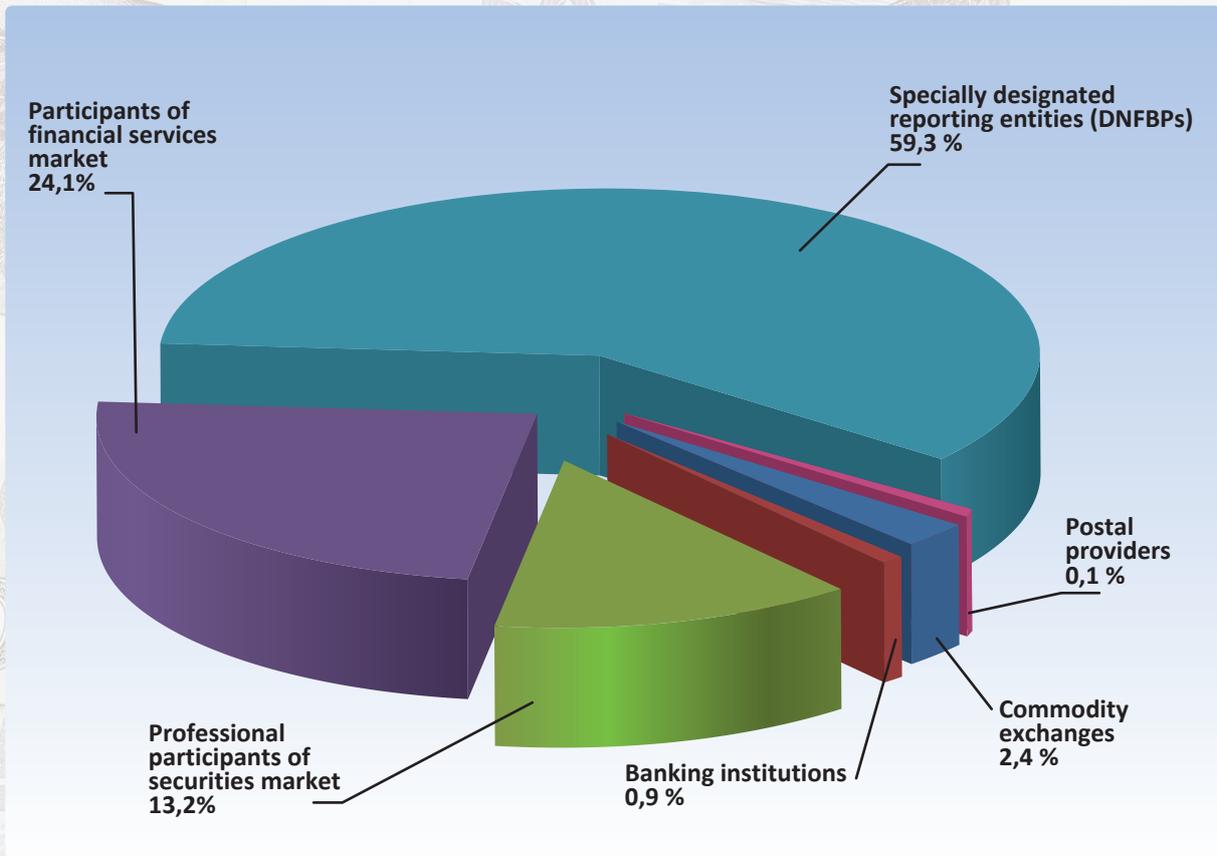
**SHARE OF REPORTING ENTITIES REGISTERED BY THE SFMS OF UKRAINE AS OF 01.01.2016**

Types of reporting entity	Number*	Share (%)
Banking institutions	119	0,9 %
Participants of financial services market	3188	24,1 %
Professional participants of securities market	1 736	13,2 %
Commodity exchanges	319	2,4 %
Postal providers	6	0,1 %
Specially designated reporting entities (DNFBPs)	7 837	59,3 %

Tab 3.3

\* Data without considering separate branches

**NUMBER OF ENTITIES WHICH WERE REGISTERED, BY THE TYPE**



Pic. 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 infor-

mation 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 2015 there were 280 525 reports selected for active processing, which formed basis

### THE DYNAMICS OF THE DOSSIER FORMATION IN 2010-2015 YEARS

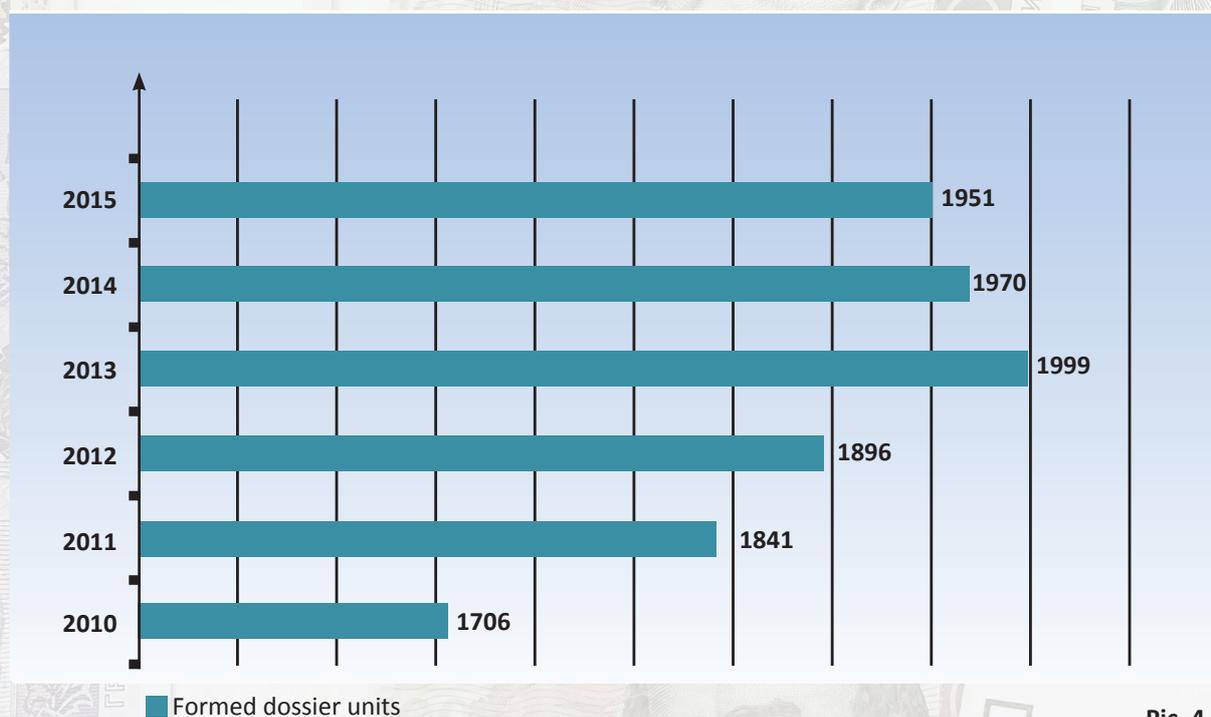


Fig. 4.1

for 1 951 dossiers (pic. 4.1).

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.

Compared with the 2014 year the number of reported transactions that have been the basis for the formation of the dossier, increased by 39,7% or 79 701 reports of financial transactions.

As a result to the law enforcement agencies in 2015 were submitted 686 dossiers (364 case referrals and 322 additional case referrals).

#### 4.2. Freezing of financial transactions

The Law provides for right to freeze financial transactions. The Ministry of Finance of Ukraine adopted the Order № 1200 as of 28.12.2015, registered in the Ministry of Justice of Ukraine on 22.01.2016 under № 123/28253 On Approval of the Procedure of Taking Decision by the SFMS of Ukraine on Freezing Financial Transactions.

The total period of suspension of financial transactions can not exceed 30 working days by paragraph five of Article 17 of the Basic Law.

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 Basic 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 Basic Law;
- on cancellation of its decision to freeze the debit transactions according to part 5 of the Article 17 of the Basic 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 3 of the Article 23 of the Basic Law.

In 2015 the SFMS of Ukraine in compliance with the Article 17 and 23 of the Basic Law has prepared and forwarded 3 311 decisions and gave 2 orders on freezing financial transactions, particularly:

- according to part 2 of the Article 17 of the Basic Law – 234 decisions;

- according to part 3 of the Article 17 of the Basic Law – 1 676 decisions;
- according to part 5 of the Article 17 of the Basic Law – 1 401 decisions;
- according to part 3 of the Article 23 of the Basic Law – 2 orders.

### 4.3. Financial investigations

In 2015 the priority was given to the following directions:

- investigation of financial transactions carried out by the former President of Ukraine Viktor Yanukovich, his family and high level officials of the former government, state agencies, local government;
- financial investigations related to terrorist financing or conducted with the participation of persons who publicly call for the forcible change or overthrow of the constitutional order or change of boundaries of the territory or of the state border of Ukraine;
- investigation of financial transactions related with theft, embezzlement of budget funds and other public assets;
- investigation of financial transactions related to misappropriation of bank funds;
- investigation of illegal activities of “conversion” centers and fictitious entities engaged in money laundering;
- financial investigations relat-

ed to illegal transfer and the transfer of funds abroad;

- financial investigations related to cybercrime;
- financial investigations related securities and debt obligations;
- investigation of schemes related to insurance fraud.

#### **Investigation of financial transactions carried out by the former President of Ukraine Viktor Yanukovich, his family and high level officials of the former government, state agencies, local government**

The SFMS of Ukraine continues active work on investigation of the facts of laundering of proceeds of corruption, embezzlement and misappropriation of state funds and property of the former President of Ukraine Viktor Yanukovich, his relatives, high level officials of the former government and related persons as well as individuals involved in the deliberate mass murder of people.

The SFMS of Ukraine prepared and sent to the law enforcement agencies 128 case referrals (7 case referrals and 121 additional case referrals), regarding financial transactions conducted by the former President of Ukraine Viktor Yanukovich, his family and high level officials of the former government, state agencies, local government, including to:

- Prosecutor General's Office of Ukraine – 5 case referrals and 119 additional case referrals;
- State Fiscal Service of Ukraine – 1 case referrals;
- Ministry of Internal Affairs of Ukraine – 1 additional case referrals;
- Security Service of Ukraine – 1 case referrals та 1 additional case referrals.

The total amount of financial transactions that could be related to:

- the legalization of proceeds is 15,19 billion UAH;
- the commission of other crimes is 5,22 billion UAH.

During pursuing of investigation (March 2014 – December 2015) regarding financial transactions conducted by former public officials have been prepared and sent to the law enforcement authorities of Ukraine 396 referrals (79 case referrals and 317 additional referrals).

The amount of financial transactions that may be related to legalization of proceeds from crime in these case referrals equals to UAH 163.0 bn., and the amount of financial transactions that may be related to the committing of another crime, is UAH 16.3 bn.

As a result of measures taken by the SFMS of Ukraine during the investigation the funds on the accounts of individuals and entities that have relation to

Yanukovych V. F. and former high-level officials were blocked in the equivalent of USD 1,52 bn., including:

- cash in the amount of UAH 1.7 bn., USD 229,9 mil., EURO 18,1 mil., and RUB 21,7 mil.;
- precious metals (gold and silver) of the total value of UAH 3.0 mil.;
- securities in the amount of UAH 2,6 bn. and USD 1,0 bn.

In addition, the SFMS pays special attention to searching and freezing assets of former high-level officials abroad.

Thus, during the investigation, FIUs of other states reported about freezing of funds of former high-level officials and related entities in the amount of USD 107,2 mil., EURO 15,9 mil. and CHF 135,0 mil., inter alia, in the following countries: Austria, Great Britain, Latvia, Cyprus, Italy, Liechtenstein, Switzerland and the Netherlands.

**Financial investigations related to terrorist financing or conducted with the participation of persons who publicly call for the forcible change or overthrow of the constitutional order or change of boundaries of the territory or of the state border of Ukraine**

One of the priorities in the activities of the SFMS of Ukraine is the identification and freezing of funds related to the activities of

persons who finance terrorism and those who publicly call for forcible change or overthrow of the constitutional order or change of boundaries of the territory of the state border of Ukraine. Therefore, the SFMS in 2015 prepared 48 files (39 case referrals and 9 additional case referrals) regarding financial transactions that may be related to terrorist financing or conducted with the participation of persons who publicly call for forcible change or overthrow of the constitutional order or change of boundaries of the territory or of the state border of Ukraine and submitted to law enforcement authorities:

- PGO – 2 case referrals;
- MIA – 3 case referrals;
- SSU – 33 case referrals and 9 additional case referrals;
- FIS – 1 case referral.

In 2015, 45 files of the above-mentioned were prepared on the basis of the information the Security Service of Ukraine and the Ministry of Internal Affairs of Ukraine, provided in 127 letters, regarding counteracting to financing of terrorist and separatist manifestations in Ukraine and the participation in illegal actions of public officials of state bodies and bodies of the local self-government.

In submitted files:

- the amount of financial transactions that may be related to

money laundering is UAH 387,5 mil.;

- the amount of financial transactions that may be related to the committing of another crime specified by the Criminal Code of Ukraine is UAH 1,487 bn.

As a result of taken measures the SFMS during specified period identified and froze funds from financial transactions related to terrorist financing, as well as actions aimed at the forcible change or overthrow of the constitutional order or the change of boundaries of the territory or of the state border of Ukraine, in the amount of UAH 110 mil., USD 715 100, EURO 206 600, RUB 3,0 mil.

The most widespread tools used in terrorist financing schemes (separatism) are:

- providing of financial assistance;
- agreements of assignment of claim;
- shopping on temporarily occupied territory;
- usage of charitable organizations;
- nominees

During the analysis the following methods of terrorist financing (separatist) activities were revealed:

- involvement of funds of individuals in terrorist financing (separatist) activities;
- transfer of funds to card accounts of individuals who carry

out terrorist (separatist) activities;

- blackmailing of the financial assistance from business entities by public officials of the so-called “DPR” and “LPR”;
- usage of “conversion” centers;
- fundraising in the social nets under the guise of the charitable assistance by the group of individuals;
- transfer of funds via electronic payment systems to the nominees.

### Case study 1

According to information of law enforcement authorities some individuals conducted financial transactions that may be related to financing of the separatist and

terrorist activities in the temporarily occupied territories (pic. 4.2).

The official of so-called high “Luhansk People’s Republic”, conducted transfers in large amounts to the accounts of close relatives (wife and father) in banks. The funds later was withdrawn in cash and destined to funding of “LPR”.

Identified financial flows, where the amount of executed financial transactions related to the so-called senior of “LPR” far exceeded the income received by them.

As the result of analysis revealed account balance related persons, the amount of blocked funds was UAH 9.3 mil.

On the basis of this facts law

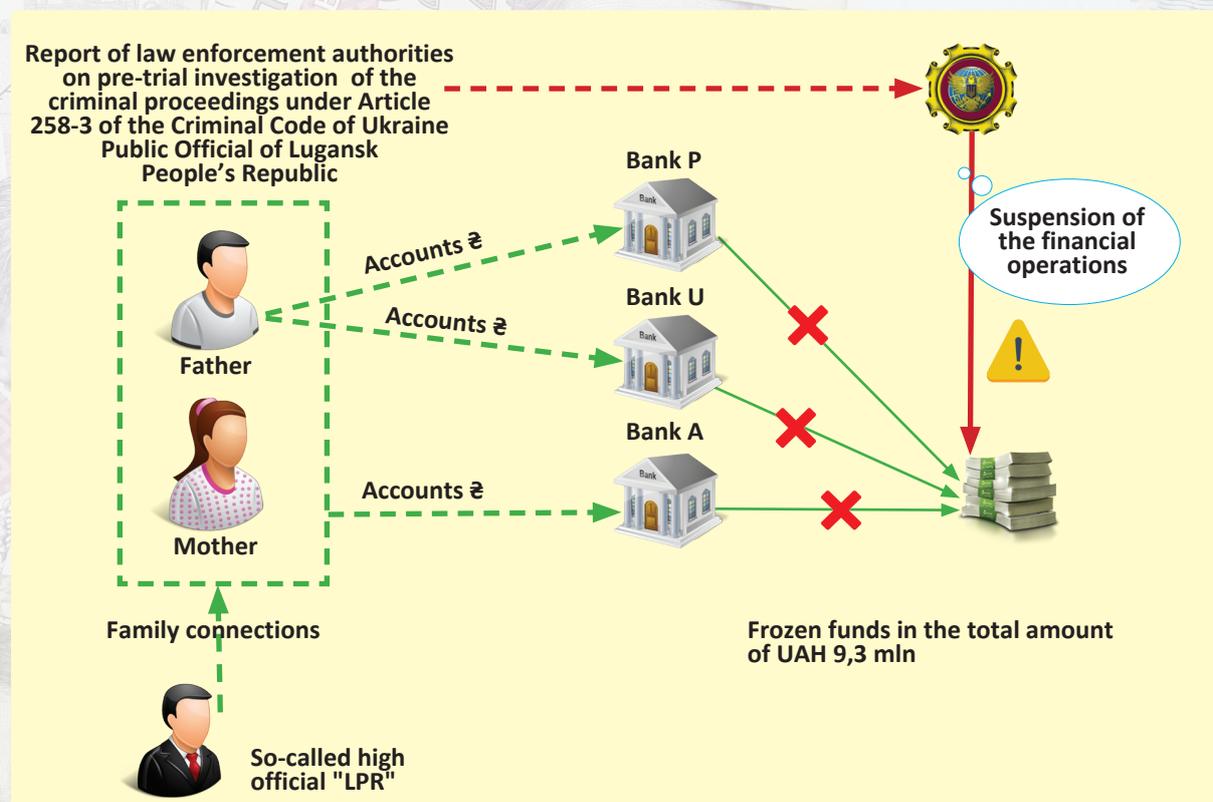


Fig. 4.2

enforcement authorities carrying out an investigation.

**Case study 2**

According to information of law enforcement authorities some persons associated with the so-called senior “DPR” carried out on funding of the separatist and terrorist activities in the temporarily occupied territories (pic. 4.3).

Group of individuals, so-called officials “Donetsk People’s Republic” conduct the transfer money from controlled enterprises on their own accounts in banks or on the accounts of related individuals. The funds later was withdrawn cash and destined to finance the activities of the “DPR”.

The individuals related with the so-called officials “DPR” conduct-

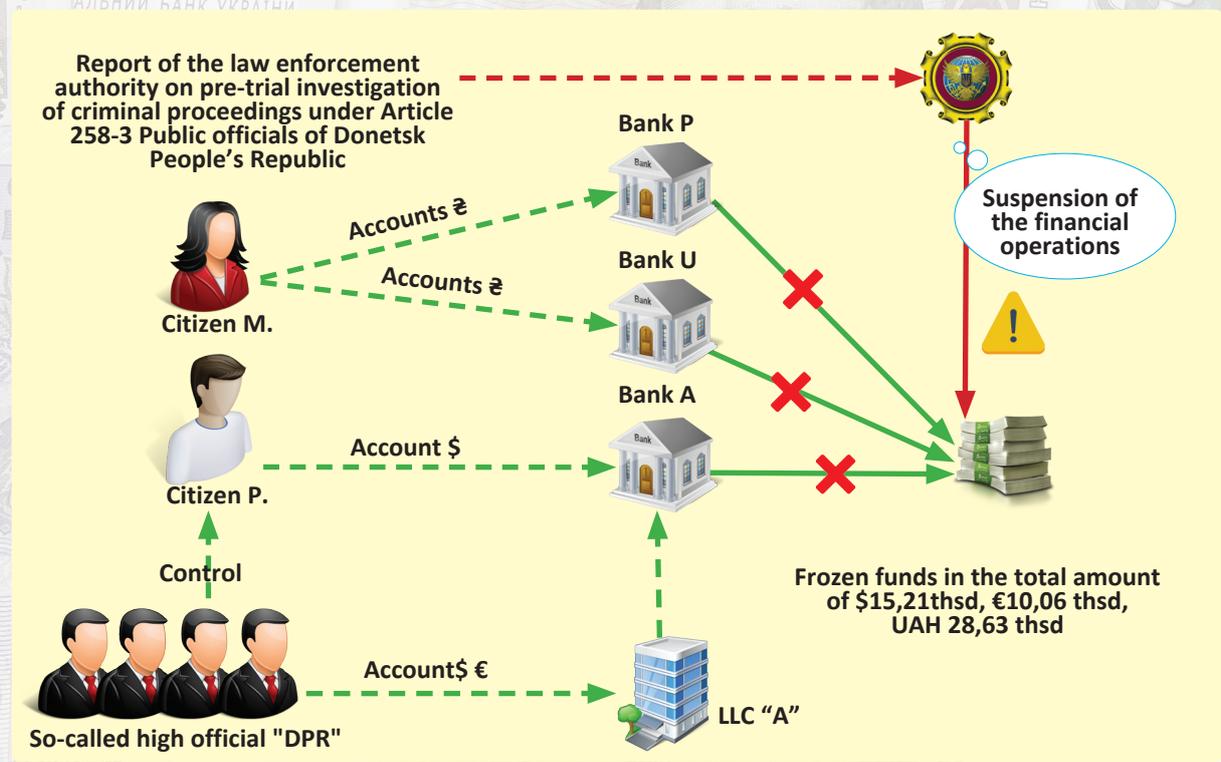
ed financial transactions which not respond officially declared profits.

Account balance was UAH 28 600, USD 15 200 and EUR 10 100.

According to this information the law enforcement agencies carrying out an investigation.

**As for the investigation of financial transactions related with theft, embezzlement of budget funds and other public assets**

The results of analysis of information on financial transactions related to the possible embezzlement of budget funds by SFMS prepared and sent to the law enforcement agencies 65 case referrals and additional case referrals, including 50 - basis of information



Pic. 4.3

received from law enforcement agencies.

The case referrals submitted an analysis of the 17 880 financial transactions in total of which 29% were involved in state funds, half of which suspected of legalization.

Submitted case referrals related with the embezzlement of budget funds committed by:

- improper management or use;
- “Transit” transfer of public funds through the accounts of other legal entities and their subsequent withdrawal of cash;
- “Transit” transfer of public funds through the accounts of other legal entities in the accounts of individuals and their subsequent legalization;
- buying investment certificates followed withdrawal of cash.

The tools were used:

- cash withdrawal through POS-terminals and ATMs;
- cash withdrawal using payment cards;
- allocation of funds according to the algorithm for electricity;
- contracting loans / financial aid;
- contracts the sale in the secondary market;
- investment certificates;
- payment on scratch cards and prepaid - products;
- payment of repayment;
- payments of services, the fact of granting which hard to check up.

The most common methods of embezzlement and laundering of public enterprises:

- national enterprise transferred funds to enterprises (winners of tenders) that related with the management of national enterprises. Further funds transferred in favor of fictitious companies for withdraw cash;
- newly created entity which hasn't employees and industrial capacities, receives funds from national enterprises, some of which is directed to the facilitator to satisfy the conditions of the tender, the rest withdraw cash or transfer to official's accounts of national enterprises and related persons or enterprises;
- received funds from the national enterprises for goods, services, split up with a large number of fictitious enterprises with the purpose of payment, financial aid, securities, transfer of debt from the withdraw cash;
- national enterprises transferred funds to the entity without actual delivery of goods and services.

### Case study 3.

The scheme of public funds misappropriation with the assistance of the public official of the state enterprise, and their subsequent legalization by “conversion” in cash was revealed (pic. 4.4).

The bank where the state com-

pany opened the account reported to the SFMS of Ukraine that this enterprise has drawn money from the account despite the fact that the bankruptcy proceedings for the state enterprise "O" were initiated.

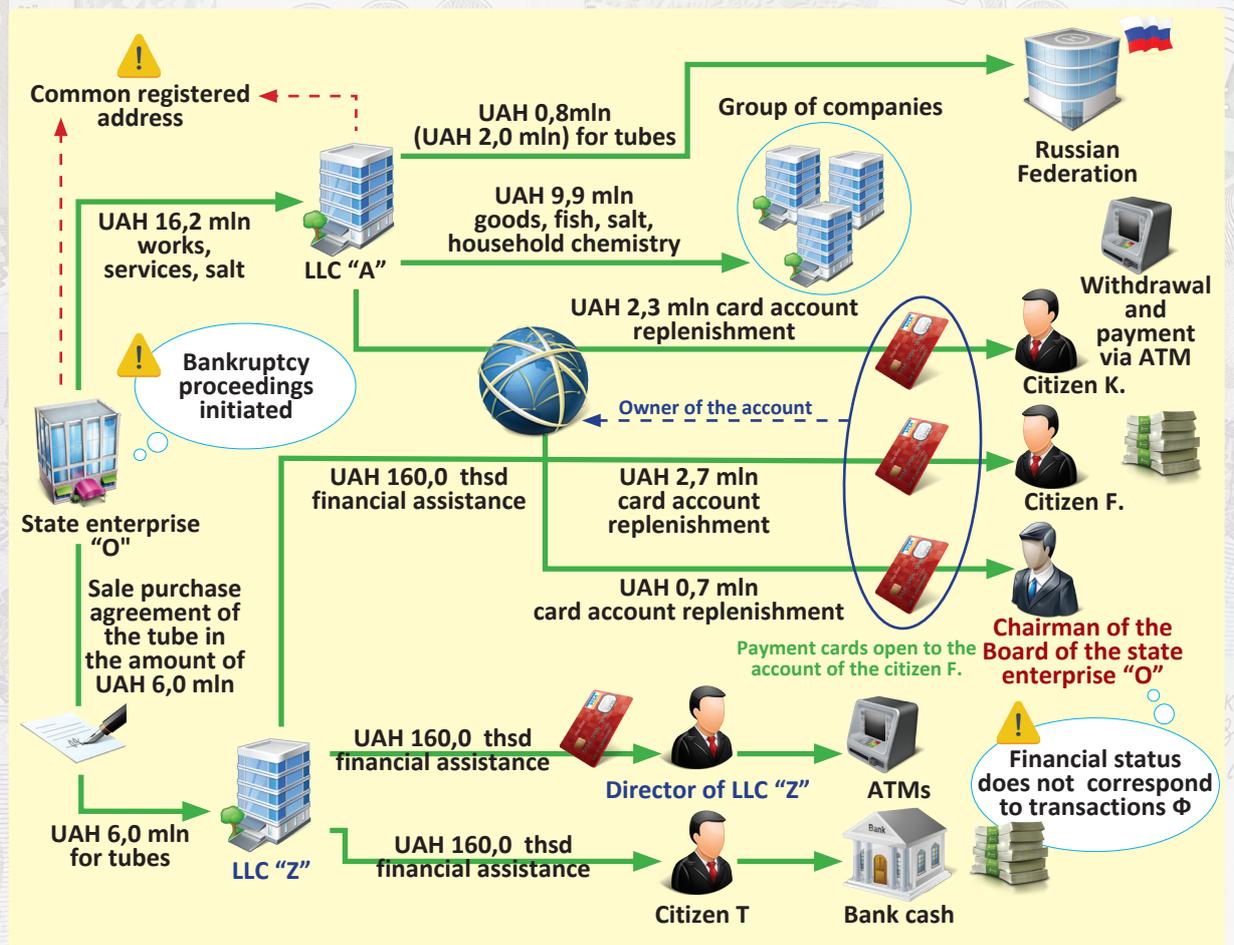
The state enterprise "O" with the assistance of the public official transferred funds to LLC "A" in the amount of 16.2 mil. UAH for works, services, salt and to the account of LLC "Z" funds in the amount of 6.0 mil. UAH for tubes.

LLC "Z" transferred part of the received state funds by three equal installments in the amount of 160 000 UAH as the financial

assistance to the card accounts of individuals, one of which belonged to the Chairman of the Board of the state enterprise "O", who withdrew cash from ATMs and bank cash.

LLC "A" transferred received funds to the accounts of group of companies by installments in the amount of UAH 9.9 mil. as the payment for fish, salt, and household chemicals to a non-resident – LLC "Y" (Russian Federation) in the amount equivalent to 0.8 mil UAH as the payment for tubes.

In addition, LLC "A" transferred funds in the total amount of UAH 5.7 mil to the account of the citizen



Pic. 4.4

F. (UAH 1.8 mil) and to additional payment cards to his account held in the name of citizen K (UAH 3.2 mil) and to the Chairman of the Board of the state enterprise “O” (UAH 0.7 mil). Afterwards funds were withdrawn from payment cards via ATMs.

The state enterprise “O” and LLC “A” have a common registered address.

LLC “A” and LLC “Z”, involved in the scheme of embezzlement of public funds with subsequent conversion into cash, are likely to be shell companies (sole founding membership, non-declaration of gross profit, existence of tax debt and inconsiderable charter capital).

Upon these facts by law enforcement authorities are carrying out the investigation.

### **Financial investigations related to misappropriation of funds of banks**

Regarding the investigation of financial transactions related to misappropriation of funds of banks

The banking sector, due to a variety of financial services and instruments, the base of clients and the accumulation of raised funds, is an attractive subject for the use of fraudulent schemes.

In most cases the criminal activity during the settlement, deposit

and credit operations is carried out with the participation of employees of banks, including public officials of banks.

The SFMS of Ukraine in 2015 prepared 26 case referrals (9 case referrals and 17 additional case referrals) pertaining to financial transactions conducted in the banks that were deemed insolvent and financial transactions of significant share owners and management of banks, and submitted to law enforcement authorities:

- Prosecutor General’s Office of Ukraine – 4 case referrals and 13 additional case referrals regarding 4 banks;
- Security Service of Ukraine – 3 case referrals and 1 additional case referral regarding 3 banks;
- Ministry of Internal Affairs of Ukraine – 1 case referral and 1 additional case referral regarding 2 banks;
- State Fiscal Service of Ukraine – 1 case referral and 2 additional case referrals regarding 1 bank.

The main tools that are used in the schemes of embezzlement and legalization of funds obtained as a result of theft from banks are:

- “junk” securities (shares, bills);
- debentures of shell companies;
- transfer of the claim;
- converting funds into cash.

The most common methods of embezzlement of banks funds are:

- issuing of bank loans to enti-

ties affiliated with the owners of banks;

- issuing of bank loans to shell companies;
- withdrawal of property under pledge by transferring property rights to third parties;
- withdrawal of funds through correspondent accounts in foreign banks.

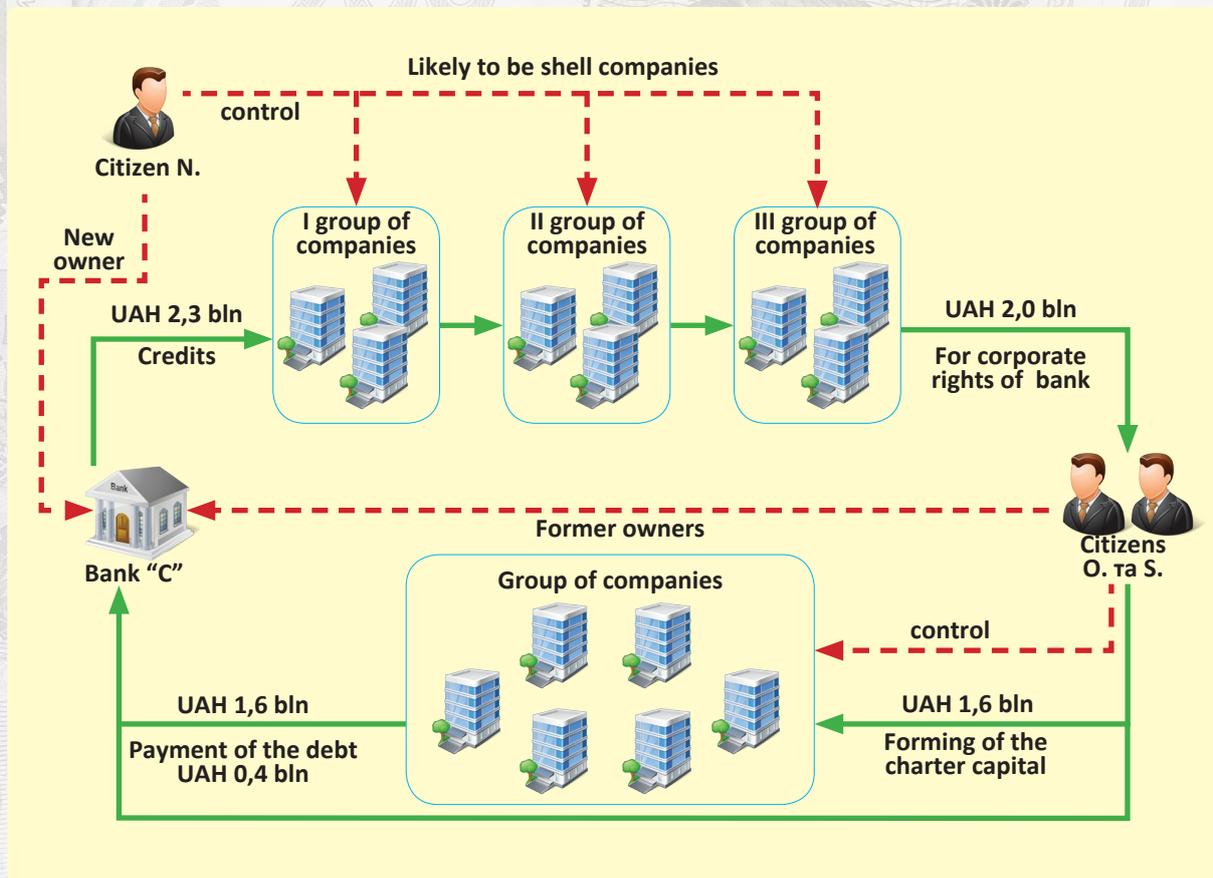
**Case study 4**

During the analysis of transactions the SFMS of Ukraine found founded the “carousel” scheme, which made it possible to conduct pseudo-sale of a controlling interest in the bank “B” within one day using shell companies (pic. 4.5).

It was established that the bank “B” during one day gave a group of companies of start-ups, loans secured by the goods to be subsequently acquired, amounting to UAH 2,3 bln. On the same day, these funds were transferred to the accounts of the second group of companies, which in turn were transferred these funds to the third group of companies.

All of the above group of companies were controlled by the citizen K. and are likely to be shell companies.

On the same day the third group of companies remitted these funds to the citizens O. and S. as the payment for a controlling



Pic. 4.5

stake (80%) of the shares of the bank “C”.

Citizens O. and S. used received funds in the amount of UAH 2 billion to repay their own debts and debts of companies controlled by the bank “C” for loans which were granted earlier.

As a result of the abovementioned transaction the debt of citizens O. and S. and of the companies under their control was transferred to the shell companies of the citizen N.

At present the banking license of the bank “C” is revoked and the liquidation procedure is initiated.

Upon these facts by law enforcement authorities are carrying out the investigation.

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

In 2015 the SFMS of Ukraine has prepared and forwarded to law-enforcement agencies of Ukraine 130 case referrals and additional case referrals including 99 case referrals and 31 additional case referrals related (16 initiatives, in response to 15 letters) to cash withdrawal.

The following are shares of grounds for cash withdrawal:

- withdrawal – 63,24 %;
- procurements of agricultural products – 23,55 %;

- securities – 5,46 %;
- goods procurement/services payment – 5,07 %;
- financial assistance/loan – 2,51 %;
- undetermined (other) purposes – 0,17 %.

### **Case study 5**

Detected the scheme of funds movement to transferring non-cash funds into the cash (pic. 4.6).

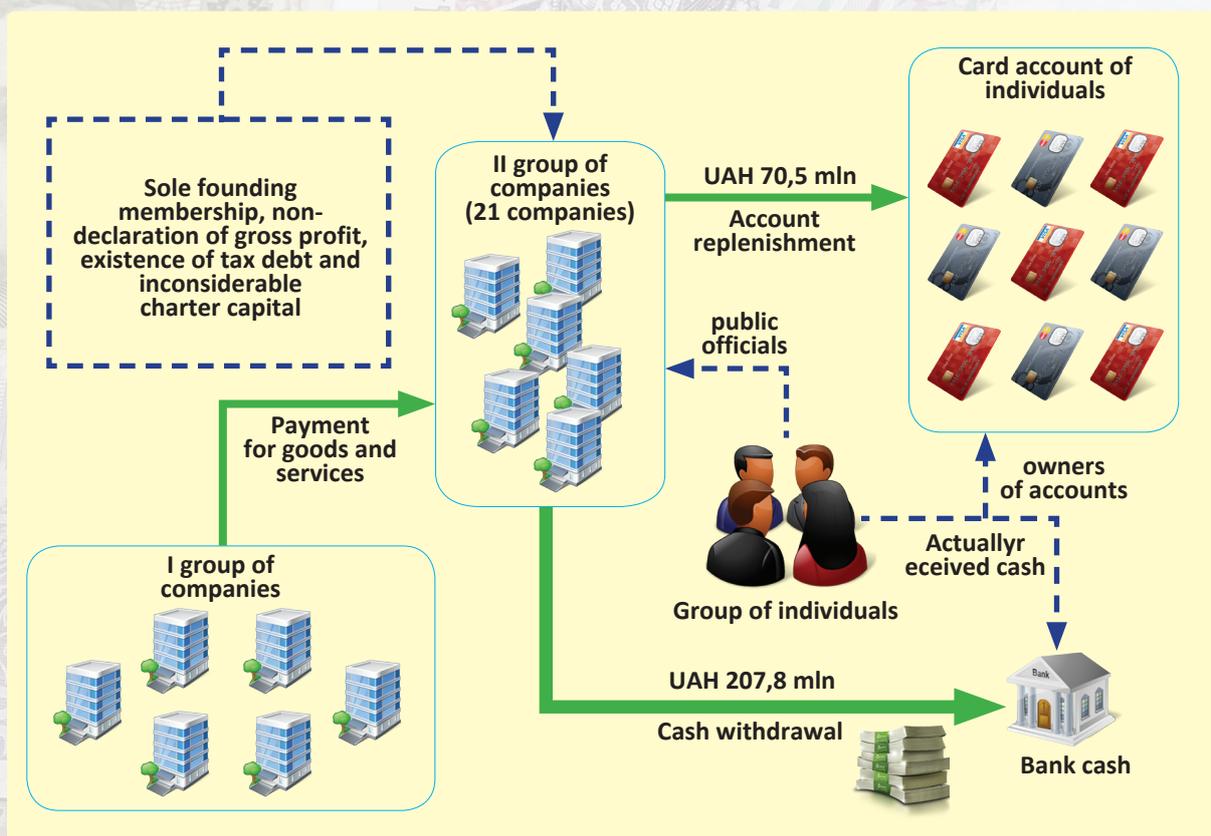
Thus, the funds received from the Group I of companies to the accounts of Group II (21 companies), in the further this funds were transferred to the card accounts of 20 individuals and removed by them into a cash.

The total amount of funds transferred in cash and listed on the card account is UAH 278,3 mil.

Majority of the companies from which accounts money was drawn from, are registered in one period of time, has scanty charter capital (from UAH 100 to 3 000) and the individual official-constituent warehouse. Information on the declared gross income and taxes paid are absent.

Individuals which are the owners of card accounts they are the founders of these companies. Such persons do not have the wealth, revenues and ownership of property.

According to the facts of law enforcement agencies carried out an investigation.



Pic. 4.6

### Financial investigations related to illegal transfer and the transfer of funds abroad

In order to avoid unproductive outflow of financial resources outside Ukraine, the SFMS of Ukraine has conducted the analysis of financial transactions according to which suspicious transactions of illegal funds transfer abroad in the amount of 16 711,830 mil. UAH identified. Information of these transactions was transferred as a part of 20 referrals and 6 additional referrals with the subject of "illegal funds transfer abroad" to the Prosecutor General's Office of Ukraine, the State Fiscal Service of Ukraine, the Ministry of Internal

Affairs of Ukraine and the Security Service of Ukraine.

In addition, in 2015 the customs authorities of Ukraine revealed attempts of illegal movement across the customs border of Ukraine of:

- currency assets (Ukrainian hryvnias, US dollars, Canadian dollars, pounds, rubles, Polish zlotys (in the equivalent of UAH 77,85 mil));
- precious metals – silver of irregular shapes and sizes of the total weight of 14.79 kg, gold of 999,99 purity samples of the total weight of 3.00 kg (in the equivalent of UAH 2.58 mil);
- precious stones of organic origin – amber in raw materials

and products of the total weight of 462,61 kg (166,48 kg – in the amount of UAH 11,37 mil, the value of 296,13 kg will be additionally determined by the customs authorities optional);

- 3 vehicles that were used for moving across the customs border, of the total value of UAH 0,39 mil.

Protocols on violation of customs rules were drawn up against 182 individuals (94 citizens of Ukraine and 88 foreigners). Precious stones – amber in the raw materials, products of it, precious metals (silver and gold) and vehicles were seized.

In the scheme the following methods were used:

- re-allocation of cash on a large scale by natural persons (“cash couriers”);
- payment of import contracts without actual delivery of the goods into the customs territory of Ukraine;
- overprice purchasing of goods;
- undervalue import of goods.

#### **Case study 6.**

It was detected the scheme aimed at the withdrawal of funds abroad for fictitious contracts which were concluded by Ukrainian shell companies with non-resident companies (pic. 4.7).

Thus, the company “A” and the company “B” concluded 14 similar sale-purchase agreements of

metal-tile with non-resident companies “X” (United Kingdom) and “Y” (Panama). In all cases, there were 100% advance payments as payments on the accounts of non-resident companies “X” and “Y”, opened in the Latvian bank, in the total amount of USD 1,9 mil.

The source of funds on the accounts of the company “A” and company “B”, through which the currency was purchased, was income from the enterprises “C”, in the total amount of UAH 78,5 mil.

According to the information received from law enforcement authorities, passport, which was submitted by the director of the company “A” and company “B” was false as its owner was the dead person. Moreover, the companies “A”, “B” and “C” are likely to be shell companies (sole founding membership, non-declaration of gross profit, existence of tax debt and inconsiderable charter capital).

There was not the supply of any goods into the customs territory of Ukraine for companies “A” and “B”.

Upon these facts by law enforcement authorities are carrying out the investigation.

#### **Financial investigations related to cybercrime.**

Information on 179 attempts of money laundering from unlawful

debiting out of bank clients' accounts was reported by bank institutions to the SFMS of Ukraine in 2015.

In one case the SFMS of Ukraine blocked funds in the bank account of the client.

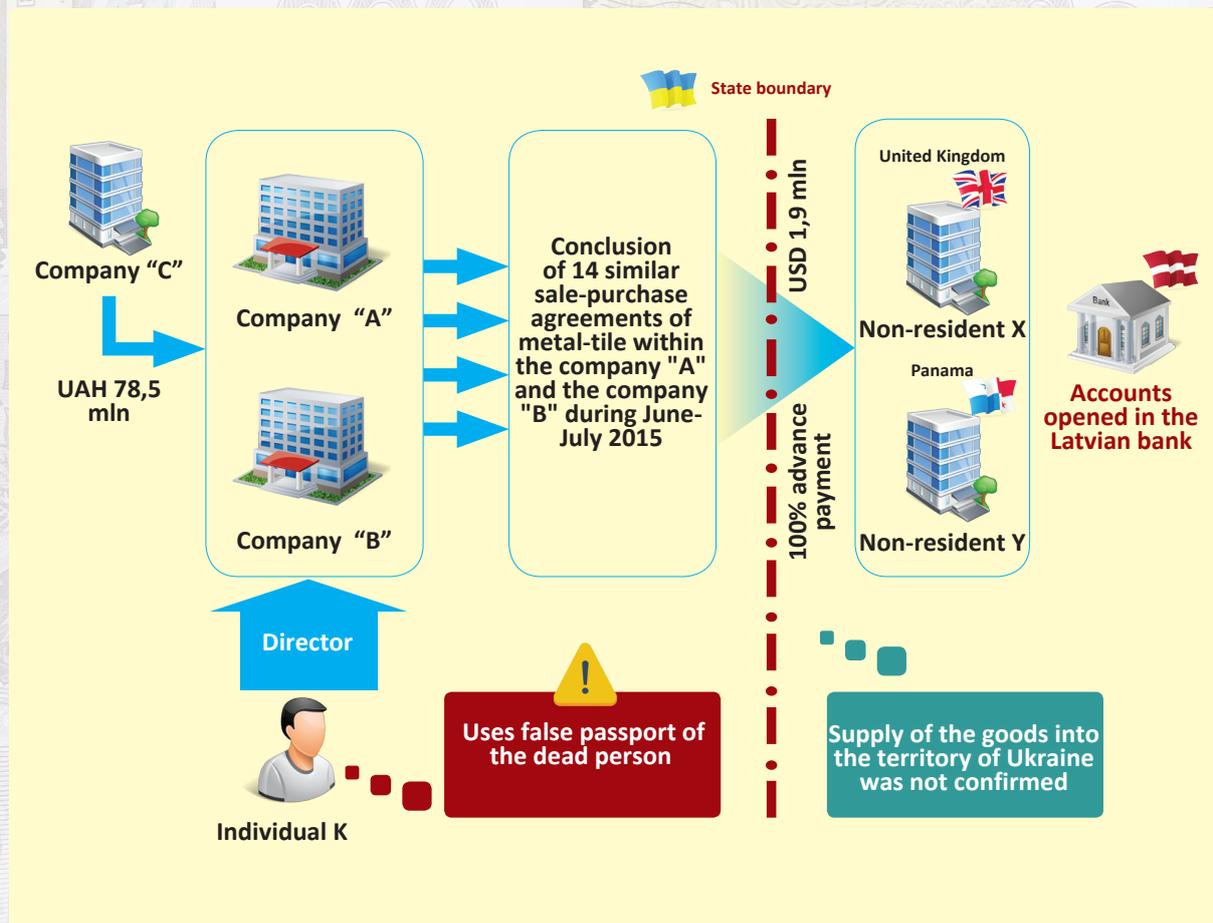
In banking sector the most vulnerable with regard to cyber crimes are online services or services providing clients with remote access to their bank accounts, electronic wallets with attached card accounts.

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 37 case referrals were submitted by the SFMS of Ukraine to the law enforcement agencies in 2015.

According received from law enforcement agencies of Ukraine information, on the base of the case referrals, related to the cybercrime and accepted the following procedural decisions:

- initiated criminal proceedings (pre-trial investigation), which was registered in the Unified Register of Pretrial Investigation – 1;
- connected to the previously initiated criminal proceedings (preliminary investigation) – 2;



Pic. 4.7

- pre-trial investigation finished, including closed criminal proceedings – 1;
- information from law enforcement agencies not coming to the registration in the Unified Register of Pretrial Investigation or another decision according to the legislation not accepted – 34.

The most common methods of money laundering, which are used by cybercriminals are:

- transfer a funds to the card accounts and corporate accounts of individuals, which subsequently withdrawn in cash, including through cash machines etc.;
- transfer the funds through the accounts of individuals and legal entities, followed by the ac-

quisition of goods and services through the Internet;

- transfers the cash into electronic money and further cashing in or purchase goods;
- exchange/placement on electronic wallets.

### Case study 7

Detected unauthorized withdrawals from the accounts of companies for their further transferring into a cash (pic. 4.8).

During one day from the accounts of three companies with use the remote control, was debited without authorization funds in the amount of 450 000 UAH., which in further accepted to the account of "K", with the appoint-

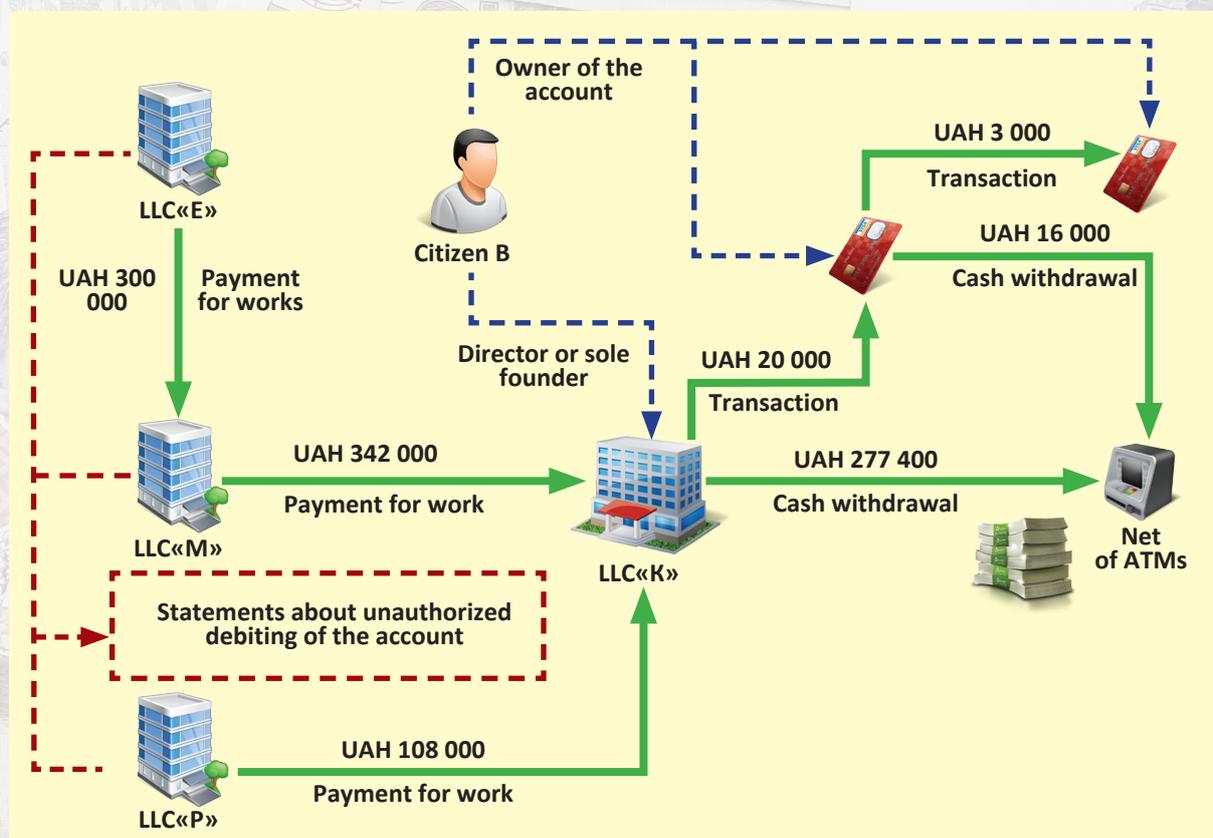


Fig. 4.8

ment of “salary payment”

In a further the large part of such funds (UAH 277 400) was received and withdrawn in cash using the ATMs. The rest of funds (UAH 20 000) transferred to the card account of founder and director of the “K” and subsequently also cashed.

Moreover ltd. “K” has negative taxpayer balance (Unique State Register consist include information about the absence of the place of registration), do not declare gross revenue, do not pay taxes and had individual official-constituent warehouse.

Under these circumstances, law enforcement agencies are currently conducting an investigation.

### Financial investigations related securities and debt obligations

The SFMS of Ukraine in 2015 submitted to the law-enforcement agencies 95 case referrals (case referrals - 65 and an additional case referrals - 31), which specifies the financial transactions related to the purchase/sale and payment/repayment of securities.

When money laundering through the securities market used the following instruments:

- securities, emitents of which are companies with fictitious;
- securities that are traded on the OTC market;

- bills, with a turnover more than 3 years or written by newly established;

- bearer savings certificates;
- state treasury bonds purchased not at market value;
- converting funds into cash.

The most common methods of laundering the proceeds of crime with the use of securities:

- funds from unknown sources origin transferred as payment for the “junk” securities in favor of companies with fictitious;

- bill resulting in the sale of any goods or services by forgery obtained by individual who demands payment from the owner, and convert the funds received in cash;

- purchase individual savings (deposit) certificates in a legal entity that funds placed on deposit, for the presentation of certificates to the banking institutions to receive interest from the subsequent sale of certificates;

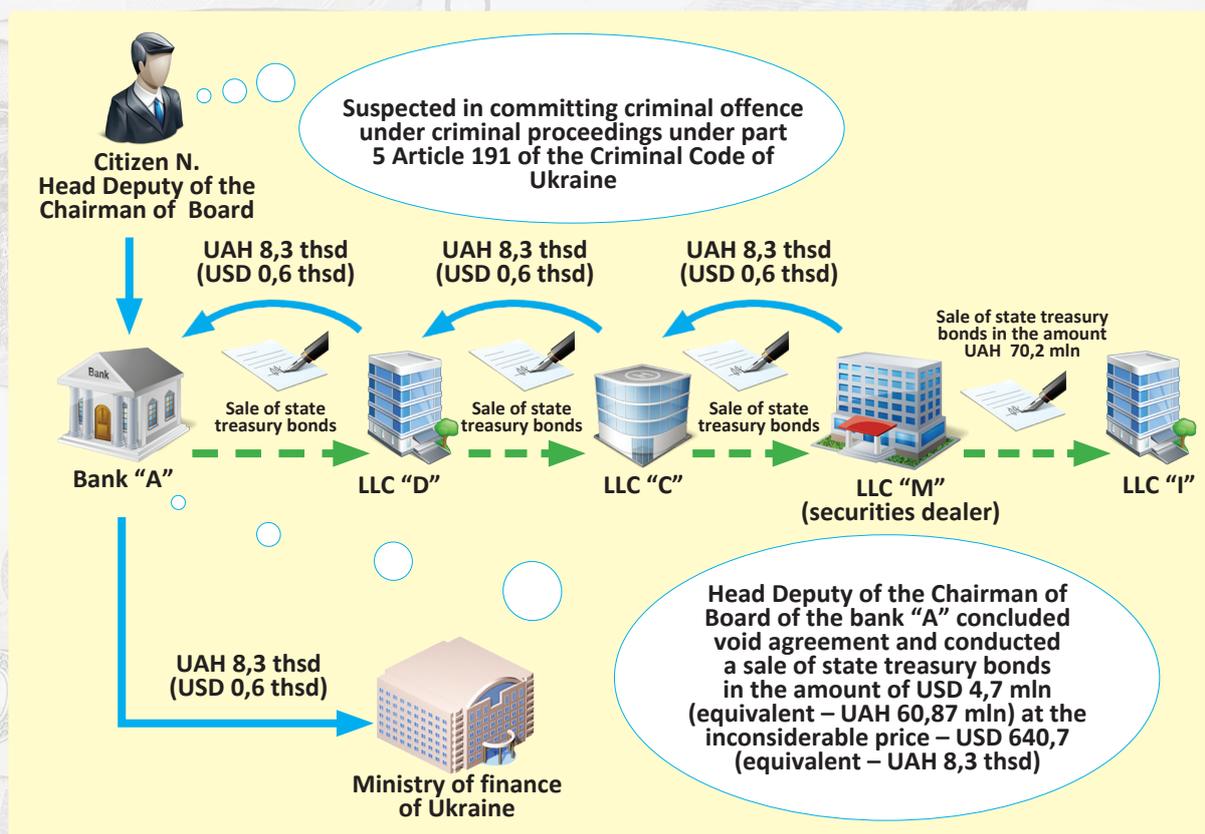
- acquisition of state treasury bonds at a lower cost and their subsequent implementation at market prices;

- financial transactions involving newly professional participants of the securities market;

- use of straw person and companies with fictitious.

### Case study 8

Discovered scheme aimed at acquisition of property through



Pic. 4.9

abuse of office (pic. 4.9).

Bank "A" with citizen H (Deputy Chairman bank "A") concluded with "D" and the sale of state treasury bonds with a nominal value USD 4.7 million (equivalent – UAH 60,8 mil.) for UAH 8 300.

Further, LLC "D" state treasury bonds were transferred to another enterprise LLC "B" for UAH 8 300, then purchased securities trader LLC "M" state treasury bonds for UAH 8 300, sold on the stock market at market value USD 70 200 000 in behalf of LLC "I".

Thus, on the basis of an order issued by the Deputy Chairman of the Board "A" state treasury bonds were sold at a significant-

ly lower cost of their nominal value, which led to losses worth then UAH 60 million.

According to the facts of law enforcement agencies carried out an investigation.

### Investigation of schemes related to insurance fraud

As the result of the analysis of STRs in the insurance sector in 2015 the SFMS of Ukraine sent 24 case referrals and 16 additional case referrals to law enforcement authorities, in total UAH 66 866,33 mil.

The amount, which is suspected in the legalization is UAH 8 632,46 mil. Within the insur-

ance sector, the amount related to the offenses provided by the Criminal Code of Ukraine equals to UAH 2 127,29 mil.

Case referrals are related to crimes committed by:

- embezzlement of budget funds;
- concealment of the source of funds;
- financing of illegal activities;
- appropriation of funds using the corruption component at the state level;
- conducting of fraudulent financial transactions;
- providing services to stakeholders of transferring of non-cash funds into cash;
- attempting to conduct a financial transaction that may have been aimed at the funds withdrawal of the enterprise for which bankruptcy proceedings were initiated;
- funds withdrawal from Ukraine.

Used tools:

- insurance/reinsurance payments;
- loans;
- agricultural products;
- payments for goods;
- allocation of funds according to the algorithm for electricity;
- deposit funds;
- securities;
- financial assistance, loan;
- assignment.

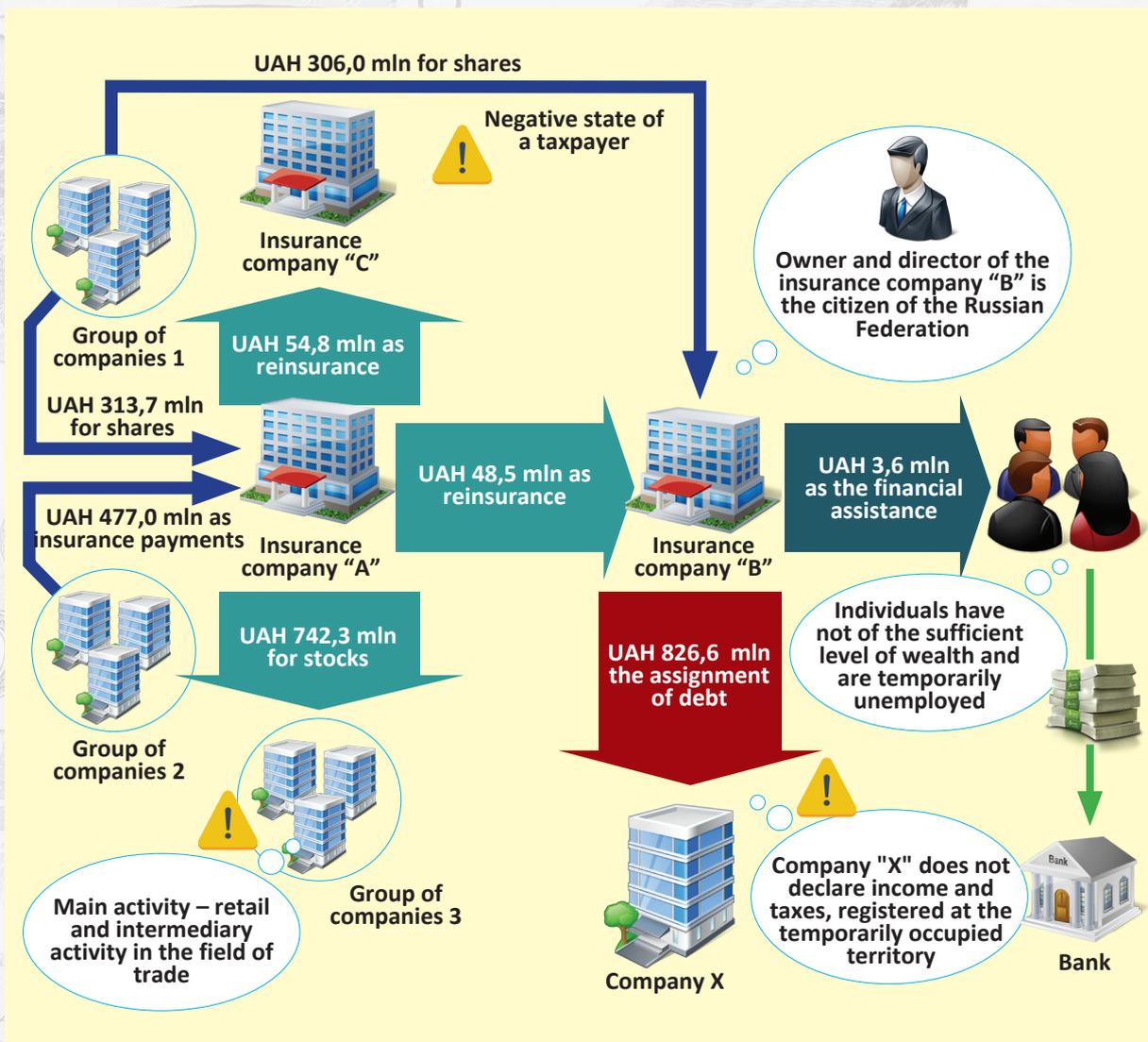
### Case study 9.

The illegal scheme of financing of the representatives of the self-proclaimed “Donetsk People’s Republic” with the involvement of insurance companies was revealed (pic. 4.10).

It was specified that a number of entities transferred funds to accounts of two insurance companies: the insurance company “A” obtained UAH 477,0 mil to its accounts as the payment of insurance premiums and 313,7 mil UAH. as the payment for shares. To the account of the he insurance company “B” 306 mil UAH was transferred for stocks, bills, payments as the assignment of debt, replenishing of the account, reinsurance payments.

Subsequently, the accumulated funds of the insurance company “A” have been transferred to the accounts of enterprises which main activity is retail and intermediary activity in the field of trade amounting to UAH 742,3 mil as the payment for stocks in the insurance company “C” (it has a negative state of a taxpayer) amounting to UAH 54,8 mil as the reinsurance and to the account of the insurance company “B” in the amount of UAH 48,5 mil as premiums.

In addition, the insurance company “B”, whose owner and director is the citizen of the Russian Federation, transferred funds un-



Pic. 4.10

der the contract of assignment of debt on the account of the company "X" in the amount of UAH 826,6 mil. Company "X" does not declare income and taxes, registered at the temporarily occupied territory.

Henceforth, part of funds from the account of the insurance company "B" in the amount of UAH 3.6 mln. was transferred to three individuals as the financial assistance. Individuals withdrew cash at the office of the one bank.

Abovementioned individuals are registered in the temporarily occupied territory, they have not of the sufficient level of wealth and are temporarily unemployed. The accounts of two individuals were closed immediately after the financial transactions.

Upon these facts by law enforcement authorities are carrying out the investigation.

Investigation of schemes related to extraction of assets outside the country

## 5. CASE REFERRALS. SUBMISSION AND CONSIDERATION

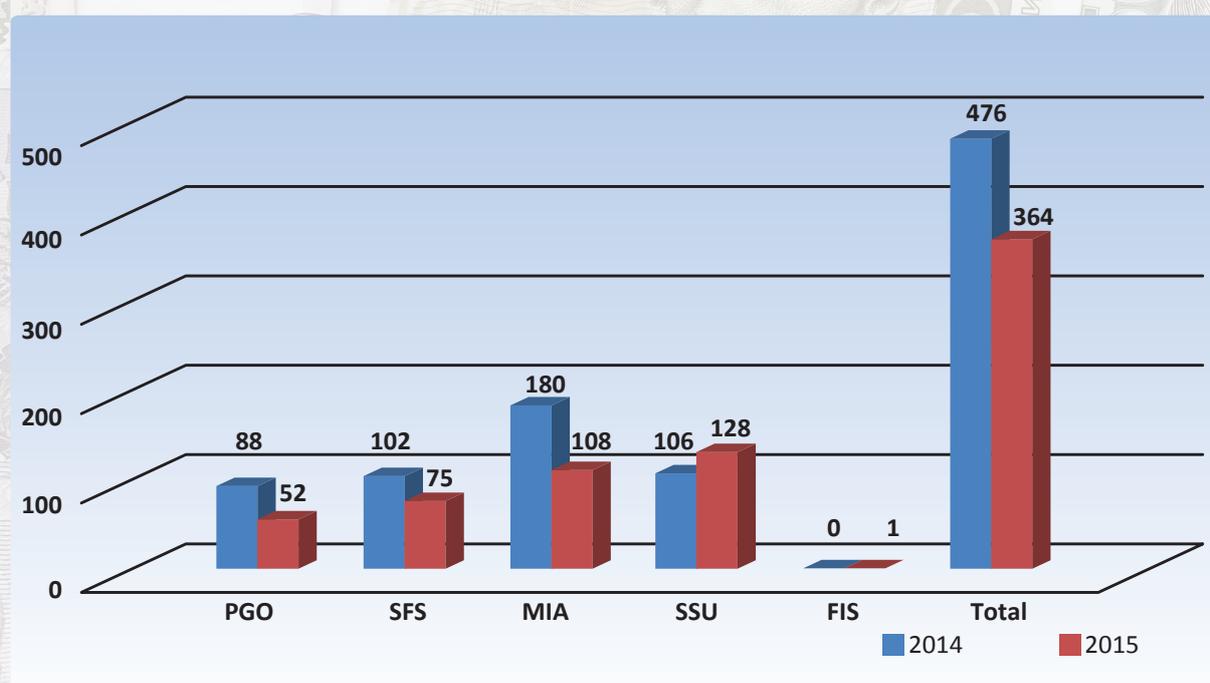
Under the Basic Law and according to the Procedure of submission and consideration of case referrals approved by the interagency order of the Ministry of Finance of Ukraine and law enforcement agencies, the SFMS expert commission on consideration of case referrals and additional case referrals, prepared 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 2015, 364 case referrals and 322 additional case referrals prepared were forwarded to the agencies (pic. 5.1):

- the General Prosecutor's Office of Ukraine – 52 case referrals and 171 additional case referrals;
- the State Fiscal Service of Ukraine – 75 case referrals and 34 additional case referrals
- the Ministry of Internal Affairs of Ukraine – 108 case referrals and 57 additional case referrals;
- the Security Service of

### THE NUMBER OF SUBMITTED CASE REFERRALS



Pic. 5.1

Ukraine – 128 case referrals and 60 additional case referrals;

- Foreign Intelligence Service of Ukraine – 1 case referral.

In these materials the amount of financial transactions that could be related:

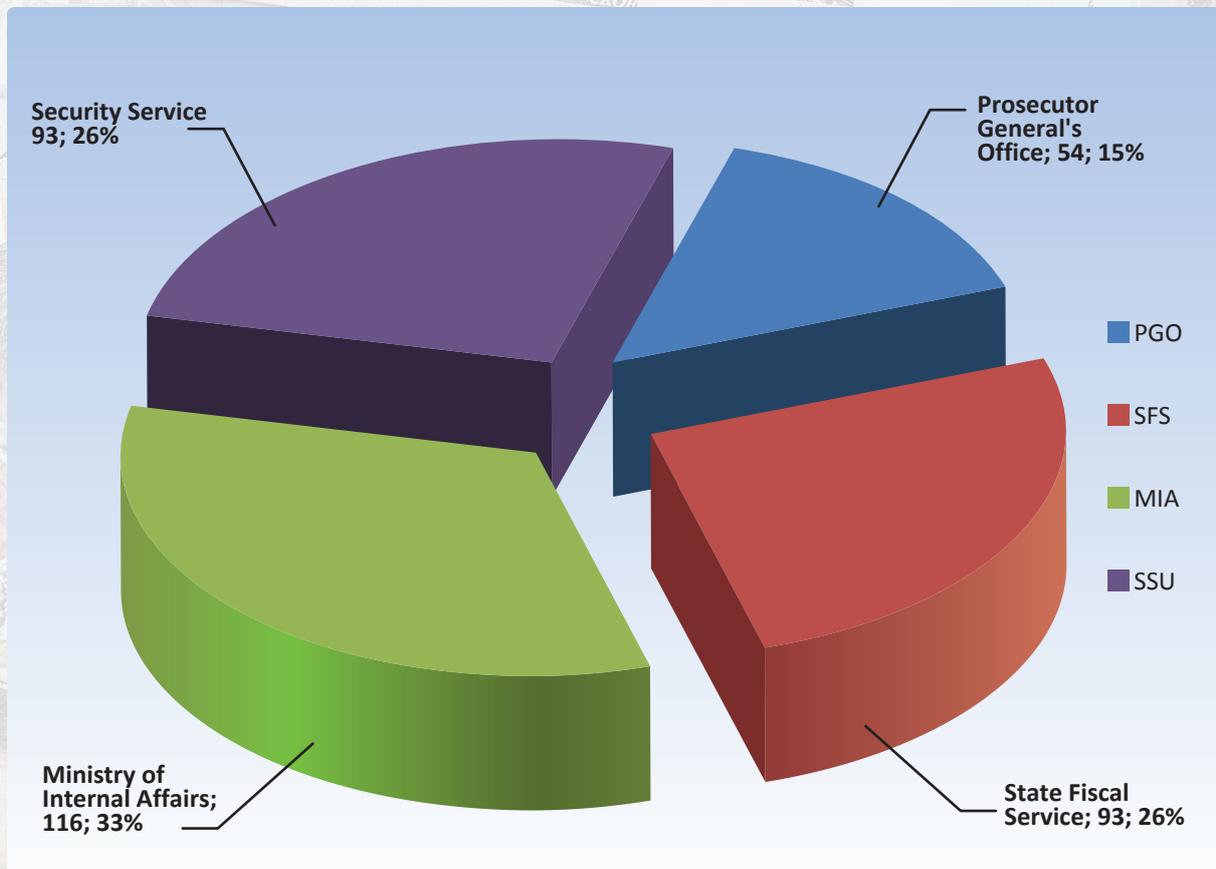
- Legalization – is UAH 67,6 billion;
- Committing of another crime, as defined by the Criminal Code of Ukraine - is UAH 19,9 billion.

Under results of consideration of 358 case referrals (considering case referrals submit-

ted during 2003-2014) divisions of law enforcement agencies started or used during pre-trial investigations in 356 criminal proceedings (pic.5.2):

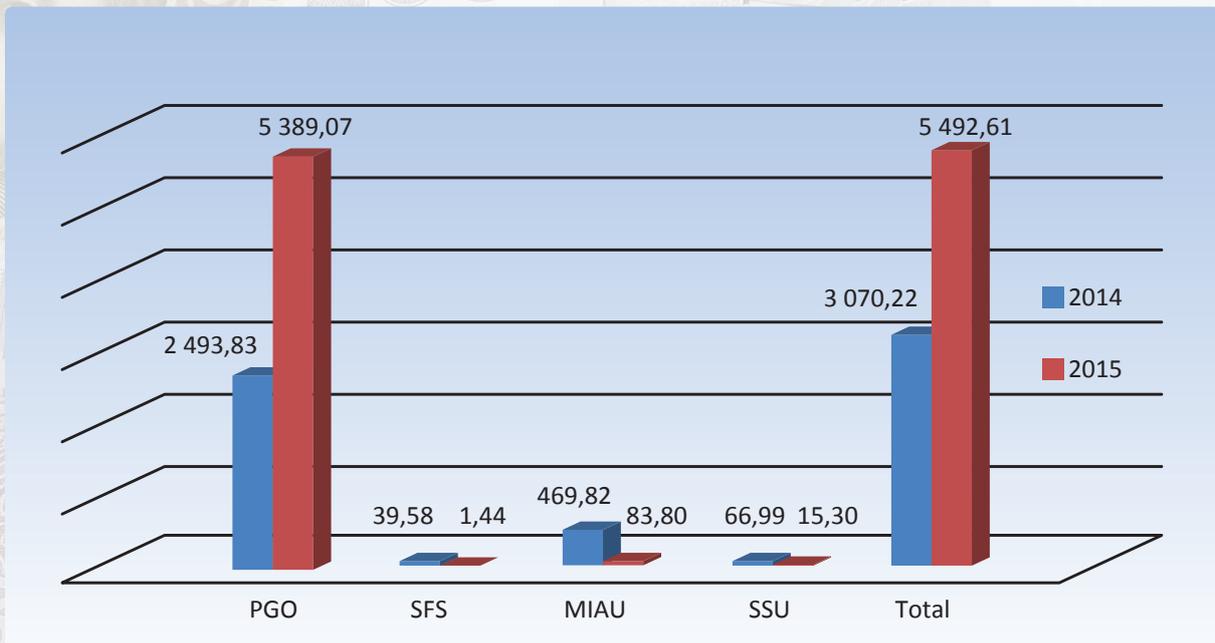
- under results of inspection of 125 case referrals there were 126 criminal proceedings initiated by law enforcement agencies;
- 233 case referrals in 230 criminal proceedings were used;
- there were 58 criminal proceedings initiated by law enforcement divisions under 62

**NUMBER OF CRIMINAL PROCEEDINGS INITIATED ON THE BASIS OF CASE REFERRALS (USED IN CRIMINAL PROCEEDINGS)**



Pic. 5.2

### ARREST AND SEIZURE OF PROPERTY (FUNDS), MIL. UAH



Pic. 5.3

case referrals were concluded due to production of indictments before court;

- courts has been considered 70 criminal cases initiated following consideration of 71 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 5 489,61 million and UAH 3,0 million, respectively (pic. 5.3).

#### The examples of court decisions:

1. Two people were indicted for committing crimes under Part. 2, Art. 15 (Attempt to crime) and Part. Art. 190 (Fraud) of the Criminal Code of Ukraine, according to the information available at SFMS conducted by law enforcement agencies within the criminal proceedings.

The investigation of the criminal proceedings established that accused persons received and opened access to the online banking of current account. They illegally transferred funds in the amount of 265.95 thousand UAH without the consent of the rightful owners.

According to the court verdict

specified persons have been sentenced to imprisonment for 5 years and released on probation with a suspended sentence of 3 years.

In addition, the funds in the amount of 265.95 thousand UAH were returned to the rightful owners by the court.

2. Based on information received by the SFMS, the law enforcement authorities launched criminal proceedings on the grounds of criminal offenses under Art. 200 of the Criminal Code of Ukraine (Illegal actions in respect of remittance documents, payment cards and other means providing access to bank accounts, and equipment for their production, Art. 212 (Evasion of taxes, fees or other compulsory payments and Art. 209 (Legalization (laundering) proceeds from crime) committed by the director of "T".

During the investigation of the criminal proceedings established that the director of "T" and unidentified entities have developed and implemented a criminal plan. In this manner

they tried to create appearance of selling certain product, of perform certain works (services). Money have been transferred for account of LLC "T". Further planned to withdraw cash funds for legalization (laundering) of criminal proceeds and use it for their own needs or convey unidentified persons for business.

The funds were withdrawn amounting of 3 028 890 UAH from the bank account of "T".

The director of LLC "T" was convicted and sentenced under Part. 1 Art. 212, Part. 2 Art. 200, Part. 1 Art. 209 of the Criminal Code of Ukraine and shall be punishable by 4 years with the deprivation of the right to occupy certain positions or engage in certain activities for a term up to 2 years and with the forfeiture of property.

On the basis of Art. 75 Criminal Code of Ukraine the Director of LLC "T" will be released of serving the basic sentence of imprisonment, if during the probationary period for 2 years did not commit a new crime.

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

In 2015 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) (pic. 6.1).

Unified State Information System on prevention and counteraction to legalization (laundering) of criminal proceeds, terrorist financing, and financing of proliferation of weapons of mass destruction provides ongoing processes. State Financial Monitoring Service of Ukraine receives protections information from subject of financial monitoring, primary and analytical processing and supports the information environment and the interaction of independent structural divisions of SFMS. Unified State Information System works with 24/7 availability, according to the regulations approved by the SFMS.

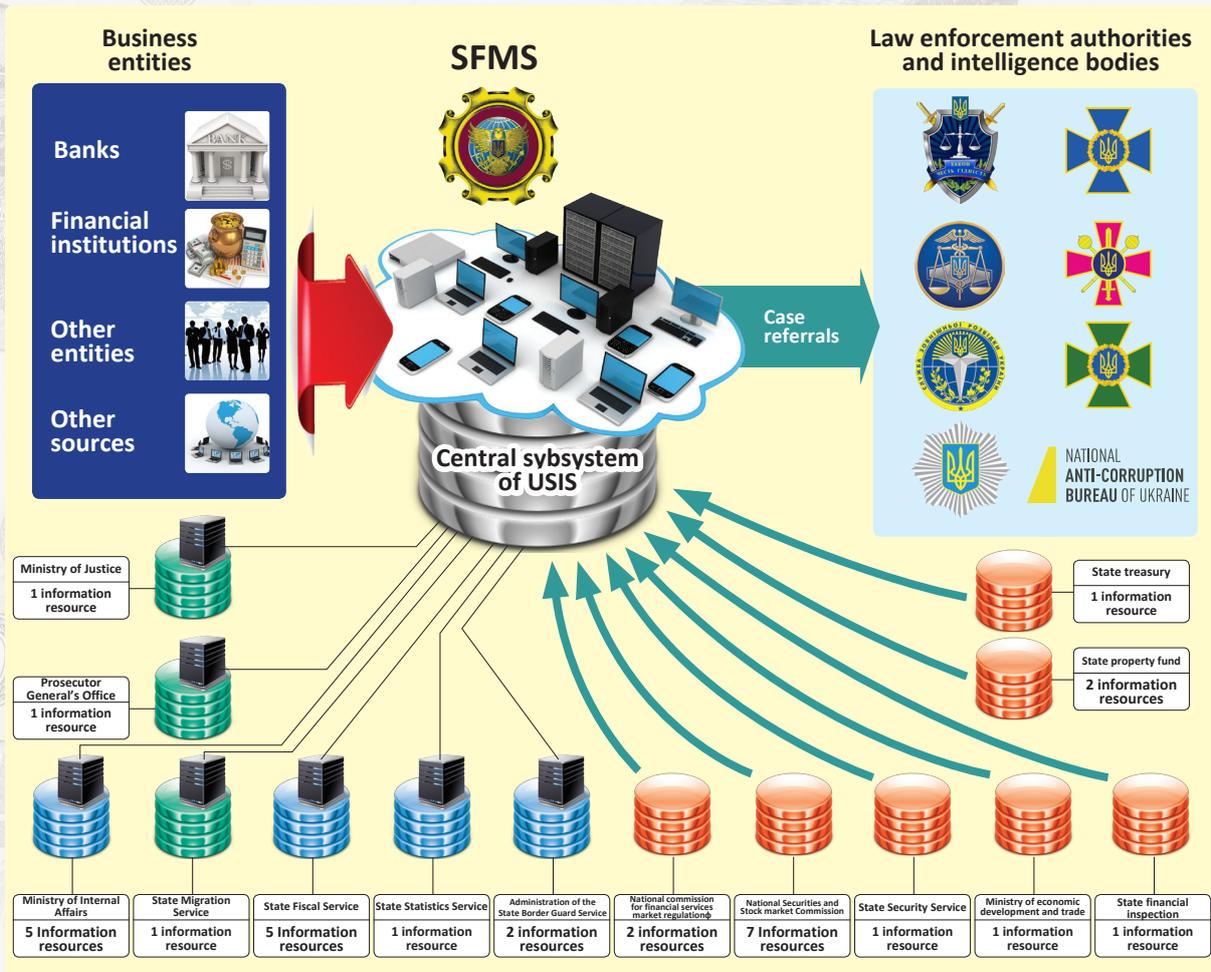
Currently the USIS system has been under commercial operation for 12 years. The 2003-2015 has seen significant extension of list of reporting entities that should ensure provision of in-

formation and comply with the requirements concerning information exchange with them.

New legal requirements, development of information technologies, improvement of international standards on counteraction money laundering and terrorism financing and proliferation of weapons of mass destruction (recommendations FATF, approved by the FATF Plenary meeting February 16, 2012) to rapid reaction to threats to the security of society, increasing threats to security of information resources, technologies improvement interaction with other government entities, including the use of the Internet has become a necessary need for modernization USIS system.

According to the Basic Law, it had been issued recommendations to improve and development of Unified State Information System.

In particular, the Cabinet of Ministers of Ukraine № 299 of 14 May 2015 "Some issues of Unified State Information System on prevention and counterac-



Pic. 6.1. UIS

tion to legalization (laundering) of criminal proceeds, terrorist financing and the financing of proliferation of weapons of mass destruction”, which approved the “Regulations on the single state information system on prevention and counteraction to legalization (laundering) of criminal proceeds, terrorist financing and the financing of proliferation of weapons of mass destruction and the list of information resources database of the system “(UIS).

Regulation on UIS estab-

lished procedure for determining the state information resources and the procedure for granting access to them to ensure that the single system and principles of functioning and development of the system.

In order to save budget item 13 of the Regulation on the UIS have been introduced two technologies of information exchange between SFMS and other subjects of UIS: on request, which formed SFMS information resource located on the entity’s functional system UIS

or through regular provision subject information resources databases to update their data warehouse.

The list of information resources of USIS database that was approved by ensuring additional provision of information to databases USIS with 8 new information resources, namely information:

- documents confirming the citizenship of Ukraine, identity or her special status;
- unified register for the spending units and recipients of budget funds;
- state registration of legal entities and individual entrepreneurs;
- the person who reported the suspicion of committing criminal offenses in the legalization of criminal proceeds and terrorist financing;
- the declared expenses taken into account in determining the object of taxation of taxpayers;
- the income taken into account in determining the object of taxation of insurance companies;
- financial instruments owned securities trader as of the last day of the quarter (excluding own securities);
- Unified Register of state property.

Changes in that list for the

establishment of functional subsystems of the State Migration Service of Ukraine, State Registration Service of Ukraine, Prosecutor General's Office of Ukraine and modification of functional subsystems four government agencies Ministry of Internal Affairs of Ukraine, the State Fiscal Service of Ukraine, State Border Guard Service of Ukraine.

The changes in the list of information resources and databases of functional subsystems of UIS in the State Regulatory Service of Ukraine and State Service of Ukraine for Geodesy, Cartography and Cadastre collapsed. Also, changes in technology information exchange functional subsystems dismantled the Ministry of Economic Development and Trade of Ukraine, the National Commission on Securities and Stock Market National Commission for State Regulation of Financial Services Markets, State Financial Inspection of Ukraine Service security of Ukraine, Ministry of Finance of Ukraine, state property Fund of Ukraine, and equipment Main switching center of information-telecommunication system of financial monitoring (state enterprise "Ukrainian special systems").

To improve the unified infor-

mation system on prevention and counteraction to legalization (laundering) of criminal proceeds, terrorist financing and the financing of proliferation of weapons of mass destruction and the implementation of the major directions of development of the system in accordance with the laws of SFMS developed the program “Modernization of Information system on prevention and counteraction to legalization (laundering) of crime proceeds, terrorist financing and the financing of proliferation of

weapons of mass destruction”.

Launched SFMS modernization must have ensured compliance of the national system of counteraction to laundering and terrorism financing and proliferation of weapons of mass destruction. The FATF Recommendations, the integration of additional information resources of public authorities to USIS, replacement of obsolete hardware and software improvements comprehensive information security system in compliance with the new threats it security.

## 7. INTERAGENCY COOPERATION

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

In the reporting period the organization of interdepartmental cooperation of SFMS focused on events coordination of financial monitoring (pic. 7.1), including:

- improvement of the legislative framework for interagency cooperation;

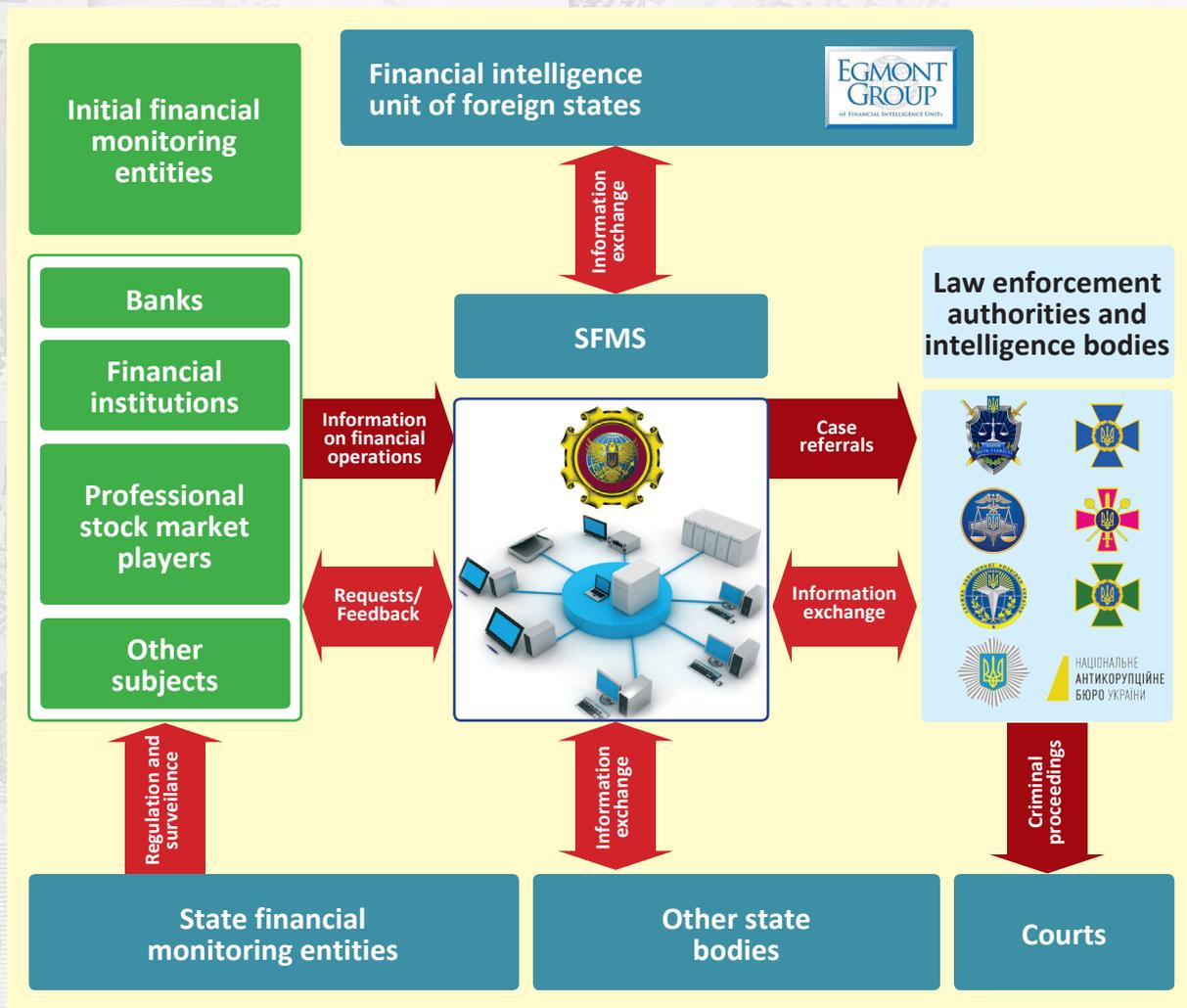
- support of the Council on investigation methods and trends in laundering of crime proceeds and terrorist financing;

- the conclusion of public bodies of joint interdepartmental documents;

- implementation of the direct exchange of information with state regulators;

- organization events of Na-

### SYSTEM OF FINANCIAL MONITORING OF UKRAINE



Pic. 7.1

tional risk assessment;

- greater interaction with the public.

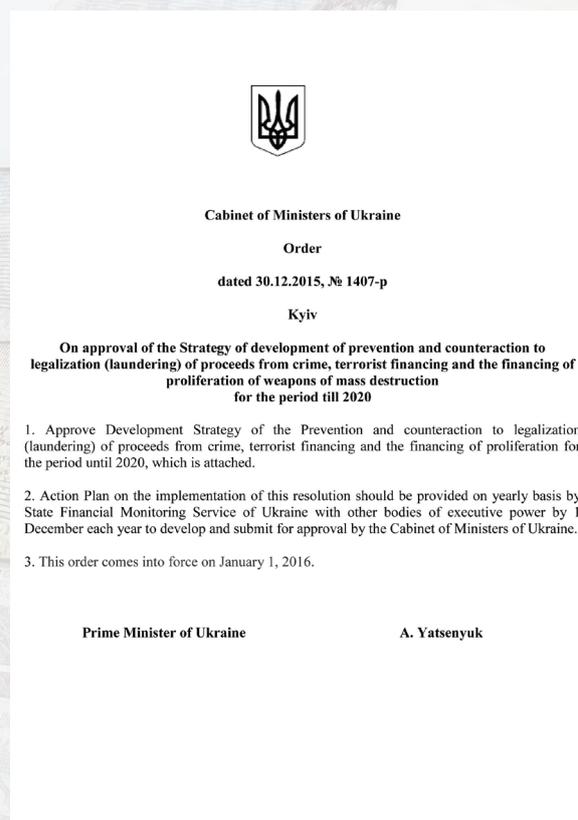
### Legislative framework for interagency cooperation and coordination

To improve the mechanism of coordination of actions of the national system of financial monitoring, of December 30, 2015 the Ukrainian Government has approved the Strategy of development of prevention and counteraction to legalization (laundering) of crime proceeds, terrorist financing and the financing of proliferation of weapons of mass destruction for the period until 2020, which was developed by SFMS.

This document defines a set government policy of legislative, organizational and institutional aimed at improving and ensuring the stable operation of the national system of financial monitoring.

The strategy identifies key mechanisms of interagency coordination and basic principles of consolidation of efforts of state through the prism of its priority objectives in this area.

In addition, SFMS coordinated work on the preparation and performance of public authorities Action Plan 2015 on prevention and counteraction to legalization (laundering) of



crime proceeds or terrorist financing, approved by Regulation of Cabinet of Ministers of Ukraine and the National Bank of Ukraine № 99 of March 11, 2015. Synthesis report on the implementation of the action Plan submitted to the Cabinet of Ministers of Ukraine and the National bank of Ukraine and of the National Security and Defense Council of Ukraine.

During the reporting period SFMS had elaborated and submitted proposals for the approval of 72 draft legal acts of state financial monitoring and other government bodies.

**The Council on research methods and trends in laun-**



Pic. 7.3. The Council

### dering of crime proceeds and terrorist financing.

During 2015 SFMS organized 4 meetings of the Council on investigation methods and trends in laundering of crime proceeds and terrorist financing, formed by the Cabinet of Ministers of Ukraine № 25 of January 6, 2010 where discussed important for financial monitoring system issues.

In 2015 the work of the Council, a consultative body was directed to review and to provide suggestions to public authorities to implement the following key objectives:

- bringing the entities of state financial monitoring of regulations with the Law;
- practical measures taken by state authorities on counterac-

tion money laundering and terrorist financing;

- National risk assessment;
- typology of money laundering and terrorist financing;
- methodological provision of financial monitoring system and so on.

### The conclusion joint interdepartmental documents by the state bodies

In order to improve the mechanisms of information interaction between the participants of financial monitoring. SFMS signed documents of interdepartmental cooperation with 7 state regulators, 17 government agencies, 19 other institutions and organizations.

In 2015 SFMS signed:

- The Agreement between

SFMS and the National Anti-Corruption Bureau of Ukraine interagency cooperation and information in the area of prevention and counteraction to legalization (laundering) of crime proceeds, terrorist financing and anti-corruption in Ukraine;

- The Agreement of cooperation and interaction of information between the State Financial Monitoring Service of Ukraine and the National Bank of Ukraine to improve cooperation mechanisms for the implementation of the Law by banks;

- The Agreement between the SFMS of Ukraine and the State Enterprise “National Information System” to provide access to the Unifide and State Registers.

### **Conduct information sharing with state regulators**

To increase the efficiency of supervision over compliance with reporting entities requirements of the legislation on prevention and counteraction to legalization (laundering) of crime proceeds, terrorist financing and the financing of proliferation of weapons of mass destruction, in 2015 signed a joint order of 7 with the national regulator: Ministry of Finance of Ukraine, the National Commission on securities and stock market National Commission

for state regulation of financial services markets, Ministry of infrastructure of Ukraine, Ministry of Justice of Ukraine, Ministry of economic development and trade of Ukraine and the National bank of Ukraine.

As part of the signing of joint cooperation precept SFMS provides information for regulators to improve the exercise of supervision over compliance with legislation on prevention and counteraction to legalization (laundering) of crime proceeds, terrorist financing and the financing of proliferation of weapons of mass destruction, in particular:

- Administrative data on financial transactions received from reporting entities by SFMS;

- information about errors in the presentation of information on financial transactions made by reporting entities;

- information on accounting for reporting entities in SFMS;

- SFMS information found evidence that may indicate abuse reporting entities legislative requirements;

- information about SFMS signed protocols on administrative violations committed by officials of reporting entities, and the results of their consideration;

- Information about analysis

methods and financial schemes to legalization (laundering) of crime proceeds, terrorist financing and the financing of proliferation of weapons of mass destruction.

### Organization to conduct the National risk assessment

Pursuant to the provisions of the Basic Law by the Cabinet of Ministers of Ukraine jointly with the National Bank of Ukraine adopted a joint resolution "On approval of the national risk assessment in the area of prevention and counteraction to legalization (laundering) of crime proceeds and terrorist financing and the publication of the results" № 717 of September 16, 2015.

The adoption of this resolution began the process of national risk assessment (NRA) in the area of counteraction money laundering and terrorist financing.

Object-matter of NRA is:

- determination (detection) risk (threats) legalization (laundering) of crime proceeds and

terrorist financing;

- risk analysis (threats);
- risk assessment (threats);
- developing measures to prevent and / or mitigate adverse effect.

Also, the SFMS established and functioning Working Group of the National Risk Assessment legalization (laundering) of crime proceeds and terrorist financing.

During 2015 the working group has held 4 meetings.

At a meeting of the working group approved industry questionnaires to participants of the national financial monitoring system. These questionnaires consist of structurally diverse units that cover the study required in the area of combating money laundering and terrorist financing.

In November 2015 questionnaires sent to the participants referred to national risk assessment, including: the subject of state financial monitoring, law enforcement, intelligence agencies and other government agencies and community organizations. In addition, questionnaires sent to reporting entities to provide information within their competence.

At the end of 2015 SFMS received information from respondents above containing statistics for 2013-2014.

As of today, OSCE and SFMS



Pic. 7.4

have project of technical assistance to conduct national risk assessment in Ukraine.

### Cooperation with the public

During 2015 SFMS ensured close cooperation with members of civil society, which consisted of:

- organization of the Public Council of the SFMS;
- public assessment of draft laws;
- informing the media about the work done.

In order to improve the mechanisms of interaction of SFMS public on the implementation

of the Cabinet of Ministers of Ukraine № 996 of November 3, 2010 “On public participation in the formulation and implementation of government policy” in 2015 has taken effective institutional arrangements for the establishment of the Public Council under the SFMS as part of the new members.

30 September 2015 at SFMS organized the constituent assembly on formation of the new composition of the Public Council of SFMS by the Action Team of SFMS, which was adopted a new composition (pic. 7.5).

The Public Council has held 2



Pic. 7.5. Constituent meeting of the Public Council

meetings, which discussed and solving urgent issues of interaction of SFMS public in 2015.

SFMS made plan for 2015 about public consultations, which agreed with the Public Council within SCFM and posted on the website SCFM.

In general, under the interaction with the public SFMS organized in 2015:

- it held 11 meetings with representatives of organizations that bring together reporting entities and self-regulatory organizations to address current issues of financial monitoring.
- the public participation in international scientific workshops on combating money laundering, organized under the auspices of the OSCE and MONEVAL.

- posting on the official Web site of SCFM over 1000 messages of an informational nature of financial monitoring;

- accommodation 9 SFMS information on the Government web portal

- monthly submission to the Cabinet of Ministers of Ukraine of information on activities of public consultation.

## 7.2. Interaction with the reporting entities

In 2015 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 2015 the SFMS of Ukraine has developed



Fig. 7.6. Working Group Meeting for Banks

a number of methodical recommendations, in particular usage of new codes directory signs of financial transactions subject to financial monitoring.

During 2015 3 meetings of the Working group on consideration problem issues of the reporting entities-non-banks were organized and 3 Working Group meetings of the issues on reporting entities such as banks. (pic. 7.6).

At Working Groups Meetings the urgent issues of performance reporting entities legislation on prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction are discussed.

During 2015 the Department organized and took part in 11 meetings with representatives of reporting entities and self-regulatory bodies.

### 7.3 Methodical provision, training of reporting entities' staff

During 2015 the SFMS representatives participated in 4 educational events organized by the National Academy of Security Service of Ukraine, the Main Investigation Depart-

STATE FINANCIAL MONITORING SERVICE OF UKRAINE  
(with support of the International Monetary Fund)



#### GUIDELINES

to identify public figures and provide financial monitoring of their financial transactions

June 2015, Kyiv  
/ updated as of January 26, 2016 /

ment of the Ministry of Internal Affairs of Ukraine, the Training Institute for Senior Executives of National Academy for Public Administration under the President of Ukraine and Ltd "Liga Praktyk". The event was attended by 146 workers of the law enforcement agencies, central authorities and representatives of businesses.

In addition, employees the SFMS participated in 29 educational events, which were organized by the Ukrainian Institute of the Stock Market, LLC "The Institute of Postgraduate Education and Business", the Professional Association Of

Registrars And Depositories, Stock Partnership Association, the All-Ukrainian association of credit unions, the University of Banking of the National Bank of Ukraine, the Notary Chamber of Ukraine, the University of “Kyiv interdisciplinary Institute for Advanced Studies”, Institute of Theoretical and Practical Research in the Field of Justice and Innovations, the University “Poltava University of Economics and Trade”, the State educational and scientific institution “the Academy of Financial Management”, the Ministry of Finance of Ukraine, the Centre for Retraining and Advanced Training for Lawyers at the Ministry of Justice of Ukraine.

The event was attended by 2019 representatives of entities.

Also during 2015 the SFMS representatives participated in 43 educational events, organized by the Training Center the SFMS of Ukraine. In studies conducted activities were 1065 students.

In general, in 2015 the SFMS representatives took part in 76 events, conducted more than 3 200 people.

According to the Resolution of the Cabinet of Ministers from August 8, 2015 of №610 “Regulations on the organisation and coordination of retraining and professional development of specialists in financial monitoring” in 2015 the SFMS signed two cooperation agreements with the Institute of Postgraduate Education and Business and the Kharkiv Centre for Scientific Technical and Economic Information on education and certification training on financial monitoring.

For proper implementation of reporting entities requirements of the Basic Law concerning the exercise of effective financial monitoring measures concerning public figures, the SFMS prepared appropriate Guidelines, posted on the Web site of the SFMS. Methodical Development of these recommendations implemented with the assistance of the International Monetary Fund (IMF) under the Memorandum of Economic and Financial Policies, which involves improving the regulatory framework of financial monitoring.

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

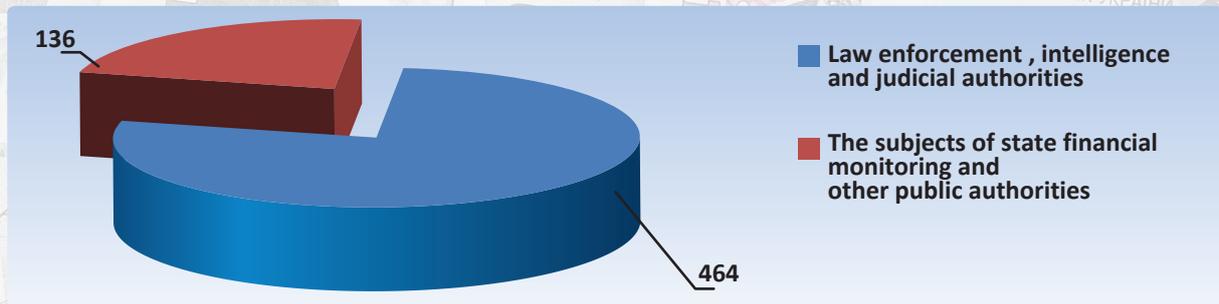
The main aim of the Training Center of the SFMS of Ukraine (TC SFMS of Ukraine) is retraining and professional development for specialists on financial monitoring of the AML/CFT in order to ensure unified approach to retraining and professional development for specialists of subjects of state financial monitoring, law enforcement and judicial authori-

ties, representatives of the reporting entities in charge of its conducting, and representatives of foreign states or international organizations.

In 2015 Training Center trained 1 225 representatives of state and reporting financial monitoring entities, including:

600 professionals – of the state authorities (pic. 8.1):

**NUMBER OF TRAINED STATE FINANCIAL MONITORING ENTITIES IN 2015**

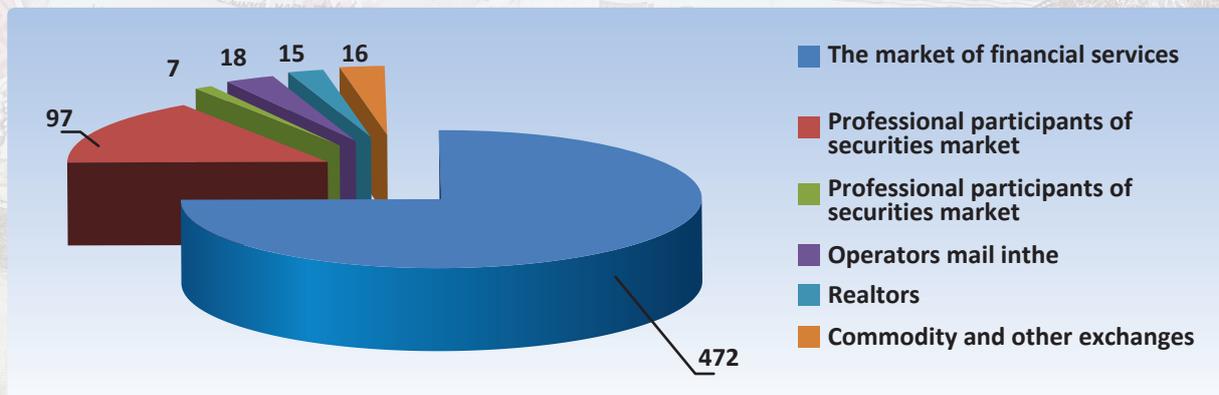


Pic. 8.1

In 2015, trainings at the Training Center were based in Kyiv,

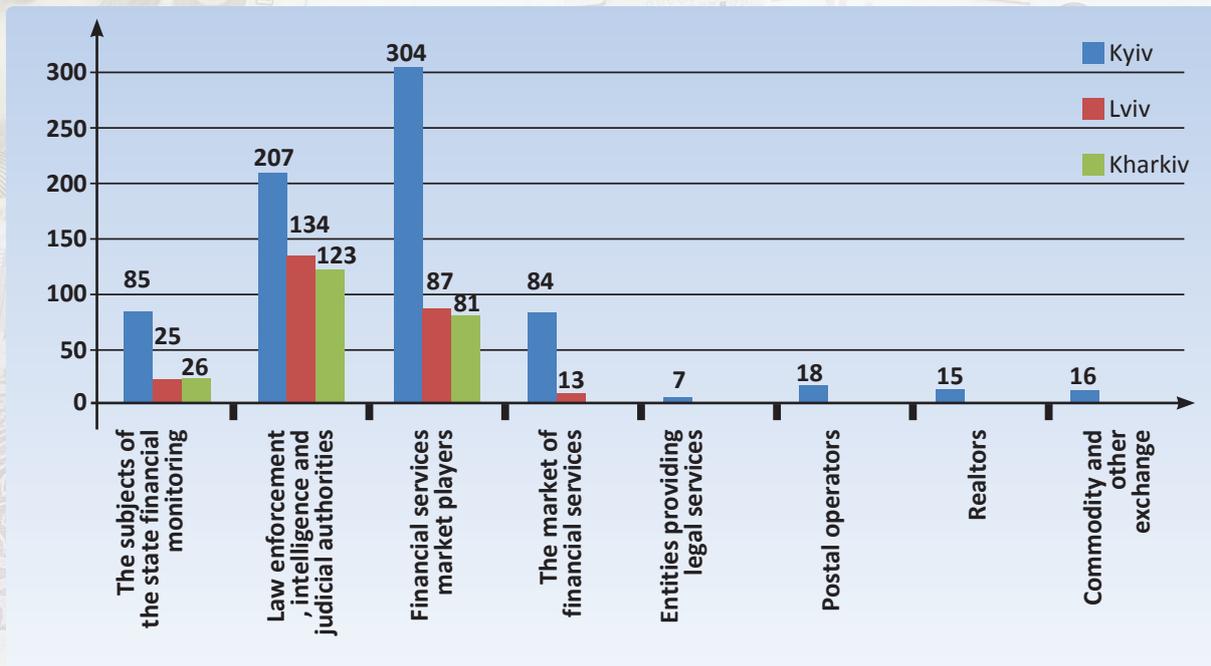
Kharkiv and Lviv (pic. 8.3):

**NUMBER OF TRAINED REPORTING ENTITIES IN 2015**



Pic. 8.2

**DYNAMICS OF TRAININGS OF THE STATE AUTHORITIES AND REPORTING ENTITIES IN 2015 BY THE REGIONAL OFFICE OF THE TRAINING CENTRE**

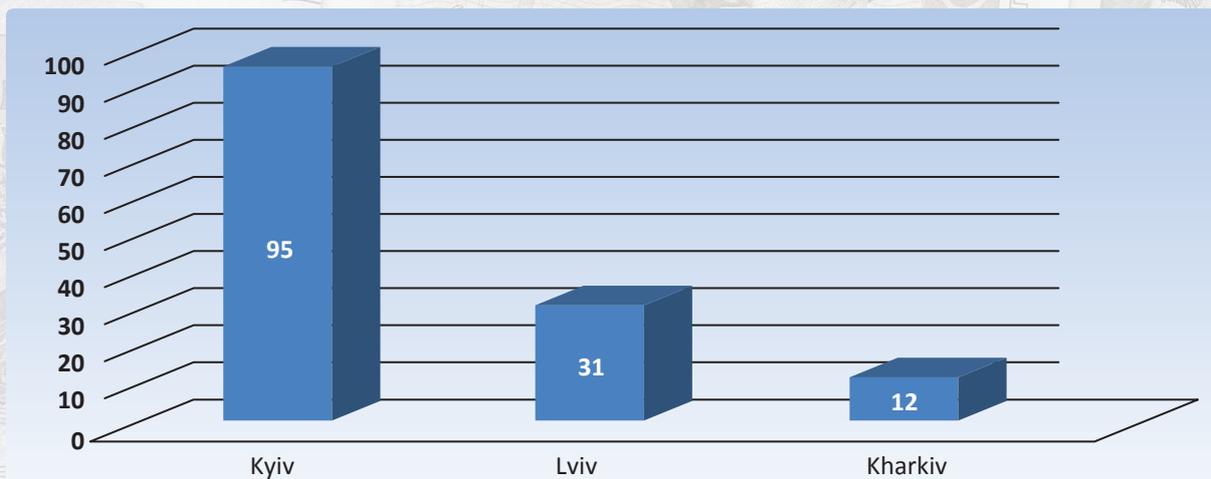


Pic. 8.3

The workshop on “Innovations of legislation on financial monitoring” which was attend-

ed by 138 reporting entities representatives was conducted. (pic. 8.4).

**NUMBER OF REPORTING ENTITIES THAT PARTICIPATED IN THE WORKSHOPS ON THE REGIONAL OFFICE OF THE TRAINING CENTRE IN 2015**

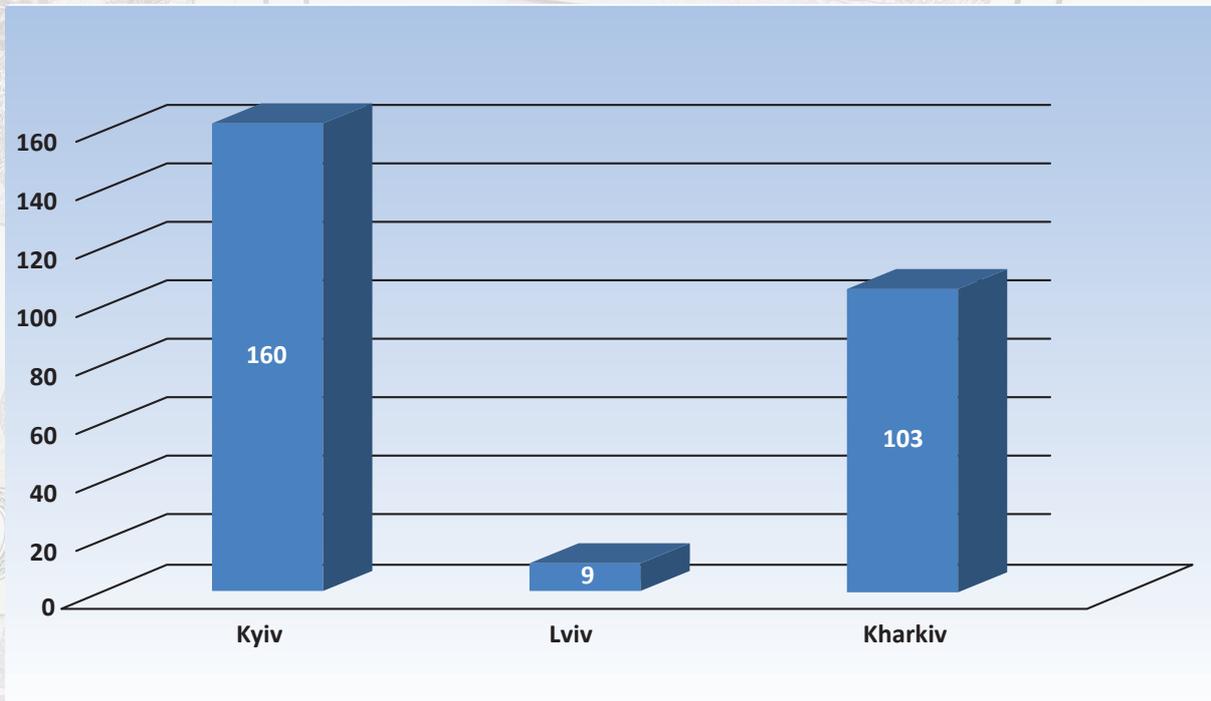


Pic. 8.4

The workshop on “Notary as a subject of reporting entities” was held. 294 specially desig-

nated representative of reporting entities – notaries were present on the workshop (pic. 8.5)

**NUMBER OF REPORTING ENTITIES – NOTARIES, WHO PARTICIPATED IN THE WORKSHOPS OF ON THE REGIONAL OFFICE OF THE TRAINING CENTRE IN 2015**



Pic. 8.5

Nowadays, the Training Centre regularly updates the information on its web site and on Facebook page.

on its web site and on Facebook page.

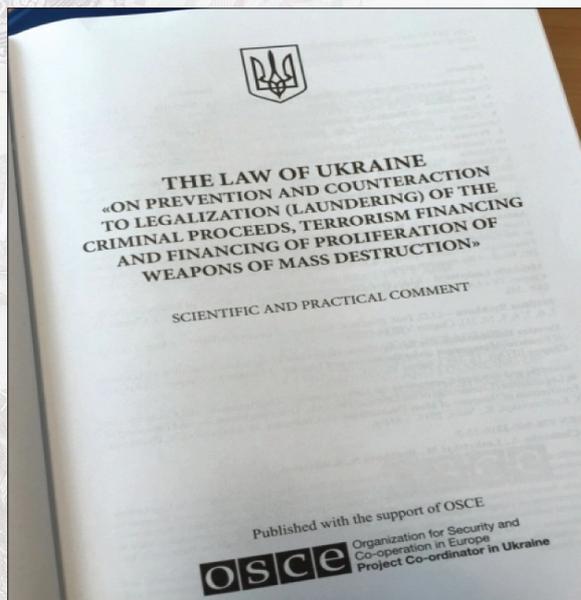
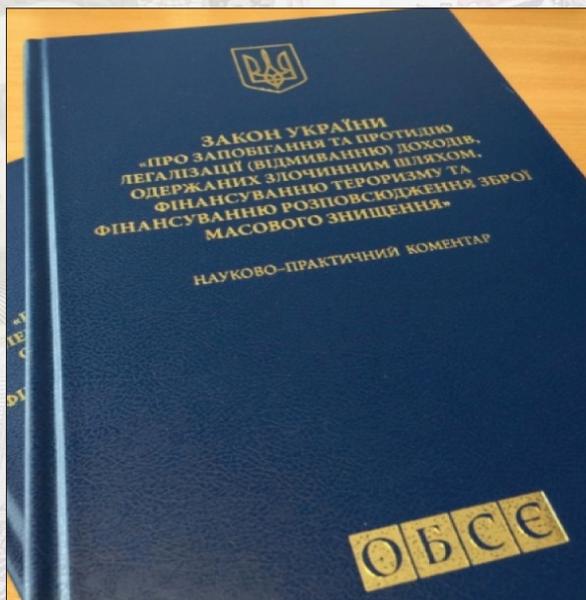


During 2015 the Training Centre carried out the participation of the following international events:

1. Participation in the preparation of meetings with the World Bank (02.03.2015), with the

representative of the Canadian company Cowater (18.02.2015), with the EU experts (16.03-20.03.2015).

2. The Scientific and Practical Commentary to the Basic Law was published by the OSCE support.



3. The Training Centre took part in organization the scientific conference on “Actual issues of Economics and Law. Theory and Practice” (SFMS, 22. 05.2015).

Moreover, there were preparations for the joint international scientific workshops of OSCE and SFMS on “Topical issues of combating the financing of terrorism” and “Combating money laundering - as fuse corruption in the activities of PEPs” which took place at the premises of SFMS with the participation of OSCE SFMS of Ukraine, the Training Centre of the SFMS and other state bodies of Ukraine (Kyiv, 27.05-28.05.2015); participation in the meeting with SFMS representative and representatives of Canadian company Cowater (16.06.2015) and took part in organization the international workshop on “The genesis of national AML/CFT and financing

proliferation of weapons of mass destruction legislation through the prism of novels and implementation of international standards” (Lviv, 18.06-19.06.2015), “National Risk Assessment: place and role of private sector” (Lviv, 05.11.-06.11.2015), “National Risk Assessment: the place and role of government” (Kyiv, 08.12-09.12.2015).



Fig. 8.8. Teachers of the Training Center and SFMS who conducted trainings for detectives of the National Anti-Corruption Bureau of Ukraine

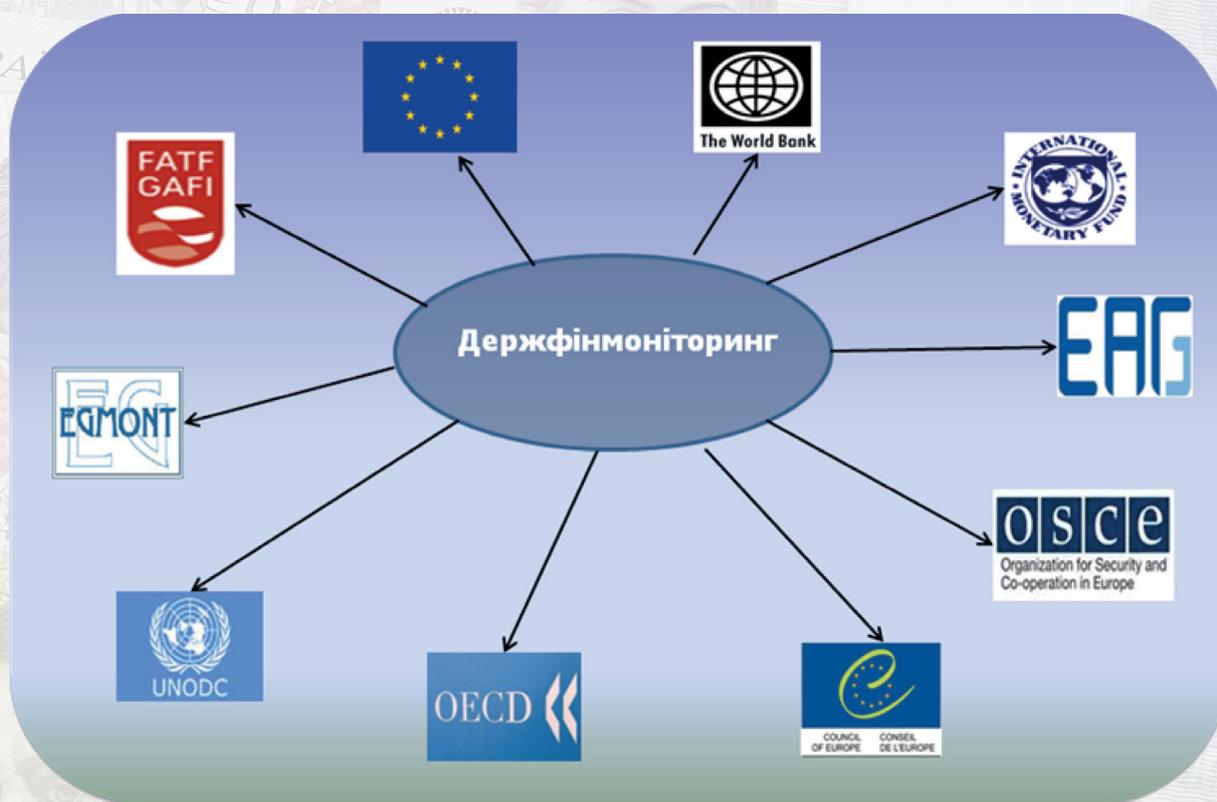
## 9. INTERNATIONAL COOPERATION

### 9.1. Cooperation with international organizations

One of the important components of SFMS is cooperation with international institutions and foreign partners responsible for the organization of an effective anti-money laundering, proceeds from crime or terrorist financing policy.

During 2015 SFMS actively collaborated with leading international organizations and institutions that deal with issues of combating money laundering and financing of terrorism, such as Financial Action Task Force

on Money Laundering (FATF), regional organizations by FATF type - Committee of Experts on the Evaluation of Anti-Money and Financing of Terrorism (MONEYVAL), the Egmont group of Financial Intelligence Units, the Council of Europe and the European Commission, the UN Office on drugs and crime (UNODC), the World Bank, International Monetary Fund, the Organization for Security and Cooperation in Europe (OSCE), the Organization for Democracy and Economic Development (GUAM) and other international organizations.



In order to raise awareness in combating money laundering and terrorist financing in the European and Eurasian regions SFMS was used as a platform of training for representatives of these regions.

In 2015 representatives of SCFM of Ukraine represented the experience in combating money laundering and terrorist financing, and improved cooperation at the bilateral level during international workshops, conducted with the assistance of leading international organizations.

The State Financial Monitoring Service of Ukraine, according to the assigned tasks, concludes international interagency agreements (MOUs) with FIUs of foreign countries. SFMS during 2003 - 2015 years signed 69 cooperation agreements with financial intelligence units of foreign states.

### 9.1.1. Cooperation with FATF

On 23-24 February, 2015 the SFMS representatives participated in the plenary sessions and working groups of the FATF particularly in the extraordinary plenary FATF, the Plenary sessions FATF, the sessions of the International Co-operation Review Group FATF (ICRG), ses-



Pic. 9.2. FATF Plenary Meeting

sions of the Europe/Eurasia Regional Review Group (EERG).

During the Plenary meetings measures taken by FATF and other jurisdictions were discussed and also jurisdictions on the basis of ICRG report were analyzed, namely:

- Overview report co-chairmen of regional groups of Africa / Middle East;
- Overview report co-chairs of the regional groups of USA;
- Overview report co-chairs the regional group of Asian / Pacific countries;
- Overview report co-chairs of the regional groups in Europe / Eurasia.

At meetings of ICRG group discussion on jurisdictions report on national anti-money laundering and terrorist financing was held. Special attention was paid to the system of financial monitoring of Nigeria and Iran.

Special attention was focused on the draft risk assessment and effective supervision of financial regulators and law enforcement authorities.

### 9.1.2. Cooperation with Egmont group of FIUs

From January 27 to February 1, 2015, the representative of the SFMS took part in the meetings of the working groups of the Egmont Group of Financial Intelligence Units and the training course on “Legal entity and financial products”, which was held in Berlin, Germany. At the meetings the following issues were discussed:

- discussion of the cooperation between financial intelligence units through information exchange in the field of combating money laundering and terrorist financing;
- discussion of the strategic analysis and the methods by which the work is performed;
- consideration of reports on mutual on-site assessments and consideration of information from members of the working groups on the progress made by candidates under their sponsorship;



Fig. 9.3. Egmont Group Meeting in Barbados (June 2015)

- review updated information on the use of statutory documents Egmont Group of Financial Intelligence Units.

On April 20-21, 2015 in the premises of SFMS a meeting in the framework of financial intelligence units that are members of the Egmont Group, to discuss investigations of money laundering offenses was held.

From June 7 to 12, 2015 SFMS representative attended the 23<sup>th</sup> Plenary sessions and working groups of the Egmont Group of Financial Intelligence Units in Bridgetown, Barbados (pic. 9.3). At the meetings the following issues were discussed:

- discuss the FIU authority to obtain information and cooperation between financial intelligence units through information exchange and cooperation of FIUs with law enforcement agencies;
- the draft financial reporting and project to combat terrorist financing and information working group members on the progress made by candidates under their sponsorship.

### 9.1.3. Cooperation with the Council of Europe/European Commission

During 2015 the delegation of Ukraine headed by representatives of SFMS participated in

three plenary meetings of the Special Committee of Council of Europe experts on the Evaluation of anti-money laundering and financing of terrorism (MONEYVAL) (Strasbourg, France), namely:

- 47th MONEYVAL Plenary Meeting in the period from April 14 to April 17, 2014;
- 48 th MONEYVAL Plenary Meeting in the period from September 13 to September 19, 2015
- 49th MONEYVAL Plenary Meeting in the period from December 7 to December 11, 2015.

At the meetings the following issues were discussed:

- information discussion on initiatives in AML/CFT within the MONEYVAL states and territories;
- review of responses to the MONEYVAL questionnaire on risks reduction and next steps discussion;
- discussion of further steps to be taken under Enhanced procedures of MONEYVAL requirements compliance;
- voluntary tax regulations adherence schemes discussion;
- reports discussion within the framework of 4th and 5th rounds of countries evaluation;
- general application of data consideration related to countries preparation level in the field of terrorism and its financing;



Fig. 9.4. MONEYVAL Plenary Meeting

- presentation of work that is performed under the jurisdiction of MONEYVAL in the sphere of national risk assessment;
- execution of meetings with FIUs heads/ MONEYVAL member states and with other observing states representatives.

It should be mentioned that during the 48 MONEYVAL Plenary Meeting Ukrainian delegation presented the third progress report in the fight against money laundering and terrorist financing.

Following the discussion of Ukraine's progress report, the Committee MONEYVAL approved the information provided by Ukraine and praised the measures taken by the Cabinet of Ministers of Ukraine in this area.

Chairman of MONEYVAL Anton Bartolo in his official letter confirmed that MONEYVAL Plenary satisfied with Ukraine provided information and progress made in the fight against money laundering and terrorist

financing in Ukraine, and welcomes the report on the results achieved.

November 17, 2015 to November 18, 2015, in Warsaw, Poland, the SFMS representative participated in international conference on “Countering money laundering of proceeds of corruption” in the framework of cooperation between MONEYVAL member states. During the international conference, the following topics were covered:

- studying the concept of corruption as the major predicate offense in money laundering in the MONEYVAL member states;
- studying the cases investigation experience related to corruption and cross-cooperation of FIUs;

- possible ways of international cooperation of MONEYVAL member states discussion;
- studying the techniques and methods of multifaceted collection and analysis of cases, that are connected with large-scale corruption.

November 22, 2015 to November 28, 2015 in Triesen, Liechtenstein a boot-camp for evaluators within the framework of MONEYVAL member states cooperation took place. Ukrainian FIU representative participated in boot-camp events related to mutual evaluation within 5th round of evaluation report construction methodology. Said events covered technical compliance questions (changes that have occurred since the



Pic. 9.5. The Conference in Liechtenstein



Pic. 9.6

3rd round of evaluation), and other procedural questions of MONEYVAL jurisdictions evaluation within the 5th round.

On November 10-11, 2015, MONEYVAL training for Ukraine “on the issues of the 5th round of assessment” was held in the SFMS. During the training 11 immediate results (Immediate Outcome) were discussed, which will be the score of Ukraine, and explained and discussed issues of technical compliance and effectiveness of the AML / CFT (pic. 9.6).

During 2015, SFMS continued cooperation with the European Commission under the Technical Assistance and Information Exchange TAIEX.

During the reporting period under the Technical Assistance and Information Exchange of the European Commission TAIEX, representatives of SFMS to enhance bilateral cooperation and exchange of experience

in the field of combating money laundering and terrorist financing have made study visits to the competent authorities of the Czech Republic, Poland, and Estonian Republic.

Technical Assistance and Information Exchange TAIEX of European Commission is an effective mechanism of cooperation with the competent authorities of the EU Member States.

#### 9.1.4. Cooperation with IMF

On April 27 – 30, 2015 in Siracusa, Italy, representative of SFMS took part in a workshop organized by the IMF on “National Risk Assessment of Money Laundering and Terrorist Financing”.

During the workshop the new requirements of FATF on National Risk assessment (NRA) and an approach based on risk assessment, existing methodologies for conducting NRA, which focus on the methodology of the IMF to conduct NOR and the experience of countries identified risks, vulnerabilities and measures to eliminate them discussed.

On May 4 to 8, 22-30 June and on December 14-16, 2015, the IMF mission took place in the SFMS for discussing the technical assistance in the field of AML/CFT.



Pic. 9.7

### 9.1.5. Other international events

#### 9.1.5.1. Cooperation with the Organization of Security and Cooperation in Europe (OSCE)

During the reporting period SFMS agreed the project of technical assistance “Strengthening the capacity of a system of the financial monitoring of Ukraine” through the activities of the OSCE Project Coordinator in Ukraine.

In addition, 22 April, 2015 in Vienna, Republic of Austria, the representative of SFMS took part in the meeting of Economic and Environmental Committee of the OSCE on: “Fighting cor-

ruption and money laundering, mentioned intergovernmental and inter-agency cooperation”. During these meetings the following issues were discussed:

- review the role of the OSCE in combating corruption and money laundering;
- discuss possible ways of international cooperation between the OSCE and SFMS;
- familiarization with the system for disclosure of information on assets and other means to combat corruption and money laundering;
- familiarization with models of successful inter-agency cooperation and technical assistance in AML /CFT;

- exploring best practices of the Financial Police and inter-agency and international cooperation for investigating money laundering and corruption.

June 28 - July 4, 2015 the delegation of Ukraine took part in an official visit to exchange experience in combating money laundering and terrorist financing, in the framework of cooperation between SFMS and the Financial Intelligence Unit of the Portuguese Republic (FIU). During the participation of the delegation of Ukraine indicated the official visit was discussed the following issues:

- studying the system of AML/CFT of Portuguese Republic and defining the role and the basic functions of the FIU of Portuguese Republic in said system;
- studying the instruments of corruption combating and prevention;
- studying the role of law enforcement agencies in combating money laundering and terrorist financing;
- development of bilateral cooperation between SFMS and Portuguese Republic competent authorities in the field of financial monitoring;
- studying the best practice and key principles of financial investigations and of proceeds of crime forfeiture;
- studying the practice of

boot-camp staging in the field of combating money laundering and terrorist financing.

19-20 October, 2015 the representative of SFMS attended in a meeting of the Economic and Environmental Committee of the OSCE on “Enhancing cooperation against corruption, money laundering and the relationship between them” in Vienna, Republic of Austria. While participation were discussed the following issues:

- exchange of experience and best practices in the fight against corruption;
- discuss possible ways of international cooperation between the OSCE and SFMS;
- familiarization with the system for disclosure of information on assets and other means to combat corruption and money laundering;
- summarizing the implementation of OSCE commitments in the fight against corruption;
- development and implementation of policies to prevent corruption.

27 May, 2015 in Kyiv hosted a joint international workshop, organized in cooperation with the OSCE, SFMS and the Center of the SFMS on “Current issues of terrorist financing.

28 May, 2015 in Kyiv hosted a joint international workshop, organized in cooperation with



Pic. 9.8

the OSCE, SFMS and the Center SFMS on “Combating money laundering - as protector of corruption in the activities of public officials”.

18-19 June 2015, in Lviv hosted a joint international workshop, organized in cooperation with the OSCE, SFMS and the Center of SFMS on: “Genesis of

the national legislation to combat money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction in the light of international standards”.

5-6 November 2015, in Lviv hosted a joint international scientific workshop organized in



Pic. 9.9

cooperation with the SFMS and OSCE on “National risk assessment: the place and role of the private sector”.

8-9 December, 2015, in Kyiv

hosted a joint international scientific workshop organized in cooperation with the SFMS and OSCE on “National risk assessment: the place and role of government”.



Fig. 9.10

Participation of Ukraine representatives in international events, organized in cooperation with OSCE is important, in view of experience exchange, deepening and acquiring new knowledge, and to represent Ukraine as a state that provides important measures to achieve international standards in combating against the laundering of proceeds of crime or financing of terrorism.

#### 9.1.5.2. Cooperation with the UN – United Nations Office on Drugs and Crime (UNODC), UN Security Council, Counter-Terrorism Committee, Organization for Democracy and Economic Development

7-10 December held a training seminar UN Office on Drugs and Crime (UNODC) on “Identifying, investigating and preventing illicit financial flows from human trafficking” in Chisinau, Moldova.

During the participating of delegation of the SFMS in that seminar supposed to get practical experience in financial investigations and the management team of financial investigators, learn about the use of financial investigations to prevent human trafficking network, presentation of methods of destruction of financial assets and network infrastructure trafficking unit of lectures on the improvement of public-private partnership of the financial sector to work more ef-

fectively preventing trafficking networks.

The seminar were given a participants specific recommendations for the analysis of real gaps and ways to overcome the problems associated with the detection, investigation and obstruction illicit financial flows from human trafficking.

### 9.1.5.3. German Society for International Cooperation (GIZ)

6-8 October 2015 in Berlin, Germany, a representative of SFMS took part in the international seminar on “Combating illegal financial flows”.

15-16 October 2015 in the Istanbul, Turkey representative of SFMS took part in the international seminar on “Fighting corruption and strengthening the management/money laundering”.

### 9.1.5.4. Secretariat AMON

From 22 to 25 September 2015 in Toledo (Spain) took place the annual meeting on combating corruption, during which discussed the issue of combating money laundering and held workshops and financial researches. As a result of the workshop the representative of the SFMS gained experience in investigating cases connected with

the anti-money laundering. In addition, the representative had the opportunity to exchange experiences on the practical application of approaches to the implementation of the financial analysis.

### 9.1.5.5. Cooperation with Ministry of Finance of the Netherlands

In the period from 22 to 24 April 2015 to exchange experience in combating money laundering and terrorist financing delegation of Ukraine had the visit to the Netherlands government bodies that involved in combating money laundering and terrorist financing. During this event the delegation of Ukraine considered the following issues:

- familiarization with the system of AML/CFT of the Netherlands and definition of roles, functions and tasks of the Department of Financial Information of the Ministry of Finance of the Netherlands in the above system;
- familiarization with the investigation of cases linked to organized crime and crime related to the cash (drug trafficking, organized crime, corruption);
- familiarization with the role of law enforcement agencies in combating money laundering and terrorist financing;

- review with the legal framework of investigation the criminal proceedings, freezing and confiscation of proceeds of crime in the Netherlands;
- familiarization with experience on asset recovery procedure in cases on legalization of income related to organized crime and crimes related to cash;
- exploring with the best practices and key principles in investigating cases and confiscation of proceeds of crime.

#### 9.1.5.6 FIU Estonia

From 26 to 28 August 2015 was held part by representatives of SFMS in the multilateral working group meetings in the framework of cooperation between FIUs and the Republic of Estonia.

While the participation of the representatives of SFMS in

this meeting took place:

- familiarization with the system of AML/CFT Estonia and defining the role and the basic functions of the FIU of Estonia in the above system;
- familiarization with the tools to prevent and combat corruption;
- bilateral cooperation between SFMS and FIUs of the Republic of Estonia in the AML/ CFT.

#### 9.1.5.7. FIU Poland

24-26 November 2015 in Warsaw, Republic of Poland, took place on an official visit to exchange experience in combating money laundering and terrorist financing, in the framework of cooperation between SFMS and FIUs of Poland with representatives of SFMS (pic. 9.11).

While the participation the



Pic. 9.11.

representatives of the SFMS in that the official visit was to consider:

- familiarization with the system of AML / CFT of Poland and the definition of the role and the basic functions of the FIU of Poland in the above system;
- familiarization with the tools to prevent and combat corruption;
- familiarization with the types of criminal offenses related to money laundering, which is investigating by the FIU of Poland;
- bilateral cooperation between SFMS and the competent authorities of the Republic of Poland in the AML / CFT;
  - review with the legal framework in the field of AML / CFT of Poland;
  - familiarization with the method of analysis of bank accounts, contracts and legal obligations of financial institutions;
  - exploring with the best practices and key principles in financial investigations and confiscation of proceeds from crime;
  - familiarization with conducting training on combating money laundering and terrorist financing.

#### 9.1.5.8. Exchange of information with foreign FIU's

SFMS permanently ensures interaction and exchange of information with competent au-

thorities of foreign states and international organizations in facilitating the investigations of foreign transnational schemes.

During 2015 SFMS and 137 Financial Intelligence Units (FIU's) conducted exchange of information that might be related with illegal activity.

Thereby, during 2015 SFMS conducted 421 requests to 70 FIU's and received 489 replies from 72 FIU's. At the same time SFMS received 245 requests from 49 FIU's and provided 285 replies to 47 FIU's.

During 2015 SFMS conducted the most active information exchange with as follows:

- FIU of Latvia (sent 46 requests),
- FIU of Cyprus (sent 32 requests),
- FIU of UK (sent 31 request),
- FIU of CША and Switzerland (sent 19 requests to both),
- FIU of British Virgin Island (BVI) (sent 18 requests).

At the same time in 2015 поці the most requests received as follows:

- FIU of Austria (received 23 requests),
- FIU of USA (received 18 requests),
- FIU of Poland and FIU of UK (received 17 request from each),
- FIU of Latvia (received 12 requests).

During 2015 SFMS conducted a

number of meetings with liaison officers for the development of system of financial monitoring.

#### 9.1.5.9. Participation in other international events

22 January, 2 July and 29 October, 2015 the representative of SFMS participated in the negotiations on the application, interpretation, performance and breach of the Russian Federation, the International Convention for the Suppression of the Financing of Terrorism 1999 that held in Minsk, Belarus.

During the participation of a representative of SFMS in these negotiations was provided clarification within the competence regarding the interpretation and application of the International Convention for the Suppression of the Financing of Terrorism 1999.

15-21 November in the Warsaw, Poland, held a training seminar on: "Development and implementation of anti-corruption programs for government agencies", which was attended by a representative of SFMS in the framework of international cooperation between SFMS and the Academy of Public Administration of the Eastern Partnership.

24-26 November 2015 in Kyiv hosted a training workshop in the framework of technical assis-

tance of the Ministry of Finance of the Republic of Poland on "Restrictive measures against certain countries and legislation to combat money laundering or terrorist financing".

29 November - 5 December in Brussels, Belgium held a training course on European integration for the Ukrainian civil servants in the context of the Association Agreement between Ukraine and the EU.

During the participation of a representative of SFMS in a specific training course held acquaintance with the subject of the preparation and implementation of EU policies (in various sectors) within the Belgian federal system, as well as bilateral cooperation between SFMS and the competent authorities of Belgium in the AML / CFT.

1-3 December 2015 in Kyiv hosted a training seminar, in the framework of technical assistance of the Ministry of Finance of the Republic of Poland on: "FIU Poland. Overview and features of activity".

In addition, during 2015 the experts of SFMS provided technical assistance to foreign colleagues in the development and improvement of national systems for combating money laundering and terrorist financing within the Egmont Group of Financial Intelligence Units.

## 10. PLANS FOR 2016.

### DEVELOPMENT PERSPECTIVES

In 2016 it is planned to perform the following tasks.

**I. Improvement of legislation on prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction.**

The aim will be achieved by the following means:

- support the adoption of draft legal acts developed to implement the Law of Ukraine “On prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction”;
- development of normative legal acts for the implementation of the fourth European Directive on the prevention of money laundering and fight against terrorism;
- approval of draft legal acts of other state bodies needed to implement the Law of Ukraine “On prevention and counteraction to legalization (laundering) of proceeds from

crime, terrorist financing and the financing of proliferation of weapons of mass destruction” and the implementation of the fourth Directive of the European Parliament on the prevention of money laundering and combating terrorism.

**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:

- Implementation the Strategy of the system for prevention and counteraction to legalization (laundering) of proceeds from crime or financing of terrorism and the financing of proliferation of weapons of mass destruction for the period 2020;
- provide a national risk assessment of money laundering and terrorist financing at the national level, with international experience;
- 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 2016.

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

The aim will be attained 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 attained by the following means:

- provision within the appropriation for the purpose of capacity support hardware-software system unified infor-

mation system on prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and the financing of proliferation of weapons of mass destruction.

### **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:

- reorganization of the Training Center of the SFMS of Ukraine to the Academy;

- providing modern techniques and technology training and professional development of staff and heads of divisions entities responsible for financial monitoring, as well as government officials in the sphere of AML/CFT and proliferation of weapons of mass destruction.

VI. Analysis of the information on financial transactions subject to financial monitoring, or the information that may be related to the suspicion in legalization (launder-

ing) 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 or carried out with the participation of persons who publicly calling for

violent change or overthrow of the constitutional order or change borders or territory of the state border of Ukraine 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.

## APPENDIX A

**The list of regulatory legal acts in the area of preventing and counteracting to legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction, accepted in 2015**

### **Acts of the Cabinet of Ministers of Ukraine**

1. Resolution of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine of March 11, 2015 №99 “The Action plan for 2015 on preventing and counteracting to legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction”.

2. Resolution of the Cabinet of Ministers of Ukraine of May 14, 2015 of №299 “Some issues of Unified Information system on prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction”.

3. Resolution of the Cabinet of Ministers of Ukraine of June 17, 2015 №411 “Procedure for submitting information under the request of the State Financial Monitoring Service of Ukraine by business entities, enterprises, in-

stitutions, organizations, which are not reporting entities”.

4. Resolution of the Cabinet of Ministers of Ukraine of July 17, 2015 №510 “The procedure for determining States (territories) which do not fulfill or improperly fulfil recommendations of international, inter-governmental organizations operating in the area of preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction”.

5. Resolution of the Cabinet of Ministers of Ukraine of July 29, 2015 №537 “On approval of the Regulation on the State Financial Monitoring Service of Ukraine”.

6. Resolution of the Cabinet of Ministers of Ukraine of August 5, 2015 №552 “Some aspects of the financial monitoring organization”.

7. Resolution of the Cabinet of Ministers of Ukraine of August 8, 2015 №610 “Regulations on the organization and coordination of retraining and professional development of specialists in financial monitoring”.

8. Resolution of the Cabinet of Ministers of Ukraine of September 8, 2015 №693 “On the procedure of submitting of information about client upon the re-

quest of initial financial monitoring entity by state agencies, state registrars”.

9. Resolution of the Cabinet of Ministers of Ukraine of September 16, 2015 №708 “On the procedure of submitting of information on financial transactions and their participants to the State Financial Monitoring Service of Ukraine by state agencies and bodies of local self-government, state registrar”.

10. Resolution of the Cabinet of Ministers of Ukraine of September 16, 2015 №717 “The issues of organization of national risk assessment of the legalization (laundering) of proceeds of crime and terrorist financing”.

11. Resolution of the Cabinet of Ministers of Ukraine of November 25, 2015 №966 “On approval of the Procedure of forming of the list of persons connected with conducting of terrorist activities or concerning which the international sanctions are applied”.

12. Resolution of the Cabinet of Ministers of Ukraine of December 30, 2015 №1407-r “On approval of the Strategy of development of prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction for the period till 2020”.

### **Orders of the Ministry of Finance of Ukraine, by which SFMS is guided**

1. Order of the Ministry of Finance of Ukraine of March 10, 2015 №306 “On approval of Principles of processing of information on the financial transactions which are subject to financial monitoring received from initial financial monitoring entities, and criteria of the analysis of such transactions” registered at the Ministry of Justice of Ukraine on 26.03.2015 №№333/26778.

2. Order of the Ministry of Finance of Ukraine of March 26, 2015 of №361 “On approval of the exchange of information between the State Service for Financial Monitoring of Ukraine and the Ministry of Finance of Ukraine for improving efficiency of supervision of compliance by reporting entities with the requirements of the legislation on prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction”, registered at the Ministry of Justice of Ukraine on 09.04.2015 №399/26844.

3. Order of the Ministry of Finance of Ukraine of March 27, 2015 №366 “Some issues of sanctions application by the State Financial Monitoring Service of Ukraine”, registered at

the Ministry of Justice of Ukraine on 16.04.2015 №428/26873.

4. Order of the Ministry of Finance of Ukraine of April 14, 2015 №436 "On approval of the Procedure of conducting inspections of initial financial monitoring entities by the State Financial Monitoring Service of Ukraine" registered at the Ministry of Justice of Ukraine on 05.05.2015 №492/26937.

5. Order of the Ministry of Finance of Ukraine of May 27, 2015 №465 "On approval of the Instruction on the materials development of administrative violations by the State Financial Monitoring Service of Ukraine", registered at the Ministry of Justice of Ukraine on 20.05.2015 №581/27026.

6. Order of the Ministry of Finance of Ukraine of June 08, 2015 №542 "On approval of the formation of an account ID and submission of the certificate of an account ID and form of such certificate", registered at the Ministry of Justice of Ukraine on 24.06.2015 №749/27194.

7. Order of the Ministry of Finance of Ukraine of July 8, 2015 №628 "On approval of the Procedure for coordination between State Financial Monitoring Service of Ukraine and initial financial monitoring entities of terms of provision of requested information", registered at the

Ministry of Justice of Ukraine on 27.07.2015 №900/27345.

8. Order of the Ministry of Finance of Ukraine of July 23, 2015 №662 "On approval of Regulation of conducting of financial monitoring by initial financial monitoring entities, state regulation and supervision of which activities are performed by State Financial Monitoring Service of Ukraine", registered at the Ministry of Justice of Ukraine on 12.08.2015 №973/27418.

9. Order of the Ministry of Finance of Ukraine of July 03, 2015 №691 "On approval of Procedure of submitting of the information by the State Financial Monitoring Service of Ukraine to the National Bank of Ukraine for improving supervision of compliance with the requirements of the legislation on prevention and counteraction to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction by reporting entities", registered at the Ministry of Justice of Ukraine on 20.08.2015 №1011/27456.

10. Order of the Ministry of Finance of Ukraine of October 27, 2015 №950 "On approval of Regulation on procedure of application of preventive measures concerning the states which do not fulfill or improperly fulfill recommendations of interna-

tional, inter-governmental organizations operating in the area of preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction”, registered at the Ministry of Justice of Ukraine on 16.11.2015 №1434/27879.

11. Order of the Ministry of Finance of Ukraine of November 19, 2015 №1039 “On revocation of the order of the State Committee of Financial Monitoring of Ukraine of March 24, 2006 №56”, registered at the Ministry of Justice of Ukraine on 04.12.2015 №1510/27955.

12. Order of the Ministry of Finance of Ukraine of November 11, 2015 №1003 “On revocation of some orders regarding financial monitoring issues”, registered at the Ministry of Justice of Ukraine on 26.11.2015 №1474/27919.

13. Order of the Ministry of Finance of Ukraine of November 24, 2015 №1085 “On approval of the electronic interaction between initial financial monitoring entities and the State Financial Monitoring Service of Ukraine”, registered at the Ministry of Justice of Ukraine on 18.12.2015 №1593/28038.

14. Order of the Ministry of Finance of Ukraine of December 23, 2015 №1168 “On approval

of the Procedure for provision of information on tracking (monitoring) of financial transactions”, registered at the Ministry of Justice of Ukraine on 16.01.2016 №80/28210.

### **Joint acts of the Ministry of Finance Ukraine**

1. Order of the Ministry of Finance of Ukraine of April 09, 2015 №407 and Order of the the National Commission for Financial Service Markets Regulation of April 09, 2015 №688 “On approval of Procedure of information exchange between the State Financial Monitoring Service of Ukraine and the National Commission for Financial Service Markets Regulation for improving of efficiency of supervision of compliance with the requirements of the legislation on preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction by initial financial monitoring entities”, registered at the Ministry of Justice of Ukraine on 29.04.2015 №480/26925.

2. Order of the Ministry of Finance of Ukraine of April 07, 2015 №402, decision of the National Securities and Stock Market Commission of 07.04.2015 №465 “On approval of Procedure of information exchange

between State Financial Monitoring Service of Ukraine and the National Securities and Stock Market Commission for improving of efficiency of supervision of compliance with the requirements of the legislation on preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction by initial financial monitoring entities”, registered at the Ministry of Justice of Ukraine on 29.04.2015 №483/26928.

3. Order of the Ministry of Finance of Ukraine and the Ministry of Infrastructure of Ukraine of April 23, 2015 №458/148 “On approval of the information exchange between the State Financial Monitoring Service of Ukraine and the Ministry of Infrastructure of Ukraine for improving supervision of efficiency of supervision of compliance with the requirements of the legislation on prevention and counteraction to legalization (washing) of the income, received by the criminal way, to financing of terrorism and financing of distribution of weapons of mass destruction by initial financial monitoring entities”, registered at the Ministry of Justice of Ukraine on 13.05.2015 №523/26968.

4. Joint order of the Ministry

of Finance of Ukraine and the Ministry of Justice of Ukraine of May 27, 2015 №521/796/5 “On approval of the information exchange between the State Financial Monitoring Service of Ukraine and the Ministry of Infrastructure of Ukraine for improving supervision of supervision of preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction by initial financial monitoring entities”, registered at the Ministry of Justice of Ukraine on 11.06.2015 №689/27134.

5. Order of the Ministry of Finance of Ukraine and the Ministry of Economic Development and Trade of Ukraine of June 19, 2015 №575/625 “On approval of the information exchange between the State Financial Monitoring Service of Ukraine and the Ministry of Economic Development and Trade of Ukraine for improving supervision of supervision of preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction by initial financial monitoring entities”, registered at the Ministry of Justice of Ukraine on 08.07.2015 №806/27251.

6. Order of the Ministry of Finance of Ukraine of August 03, 2015 №690 “On revocation of the order of the Ministry of Finance of Ukraine of January 17, 2012 №22”, registered at the Ministry of Justice of Ukraine on August 20, 2015 №1012/27457 / The resolution of Board of National Bank of Ukraine of August 03, 2015 №507 “On revocation of the Resolution of Board of National Bank of Ukraine of January 17, 2012 №7”.

7. Order of the Ministry of Finance of Ukraine and the Security Service of Ukraine of September 09, 2015 №758/578 “On revocation of the order of the State Committee for Financial Monitoring of Ukraine and the Security Service of Ukraine of August 25, 2009 №109 / 566”, registered at the Ministry of Justice of Ukraine on 23.09.2015 №1128/27573.

8. Order of the Ministry of Fi-

nance of Ukraine and the State Service of Special Communications and Information Protection of Ukraine of November 06, 2015 №995 / 666 “On revocation of the order of the State Committee for Financial Monitoring of Ukraine and the Department of Special Telecommunication Systems and Information Protection of Security Service Ukraine of September 11, 2006 №173/104DSK”, registered at the Ministry of Justice of Ukraine on 18.11.2015 №1446/27891.

9. Order of the Ministry of Finance of Ukraine, the Foreign Intelligence Service of Ukraine, the Ministry of Defense of Ukraine, the Ministry of Internal Affairs of Ukraine of December 01, 2015 №1112/426/678/1533 “On approval of the case referrals submission to intelligence agencies of Ukraine”, registered at the Ministry of Justice of Ukraine on 17.12.2015 №1583/28028.

## APPENDIX B

**Acts of state financial monitoring entities, carrying out state regulation and supervision in the area of combating legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction**

### **Orders of the Ministry of Finance of Ukraine**

1. Order of the Ministry of Finance of Ukraine of April 23, 2015 №460 “On some issues of sanctions application by the Ministry of Finance of Ukraine”, registered at the Ministry of Justice of Ukraine on 14.05.2015 №515/26960.

2. Order of the Ministry of Finance of Ukraine of May 6, 2015 №489 “On approval of Procedure for conducting of inspections initial financial monitoring entities by the Ministry of Finance of Ukraine”, registered at the Ministry of Justice of Ukraine on 25.05.2015 №596/27041.

3. Order of the Ministry of Finance of Ukraine of December 22, 2015 №1160 “Regulation on conducting of the financial monitoring of the initial financial monitoring entities, which activities are regulated and monitored by the Ministry of Finance of Ukraine”, registered at the

Ministry of Justice of Ukraine on 15.01.2016 №63/28193.

### **Orders of the Ministry of Justice of Ukraine**

1. Order of the Ministry of Justice of Ukraine of May 13, 2015 №673/5 “On approval of Procedure of conducting inspections of the initial financial monitoring entities and its territorial bodies by the Ministry of Justice of Ukraine”, registered at the Ministry of Justice of Ukraine on 13.05.2015 №528/26973.

2. Order of the Ministry of Justice of Ukraine of May 28, 2015 №810/5 “On approval of Procedure for cases hearing on violation of the requirements of the legislation regulating activities in the area of preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction, and application of sanctions”, registered at the Ministry of Justice of Ukraine on 29.05.2015 №628/27073.

3. Order of the Ministry of Justice of Ukraine of May 28, 2015 №811/5 “On approval of Regulation on the Commission of the Ministry of Justice of Ukraine concerning application of sanctions for violation of require-

ments of the legislation regulating activities in the area of preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction”, registered at the Ministry of Justice of Ukraine on 29.05.2015 №629/27074.

4. Order of the Ministry of Justice of Ukraine of 18.06.2015 №999/5 “Regulation on conducting of the financial monitoring of the initial financial monitoring entities, which activities are regulated and monitored by the Ministry of Justice of Ukraine”, registered at the Ministry of Justice of Ukraine on 22.06.2015 №735/27180.

5. Order of the Ministry of Justice of Ukraine of 06.10.2015 №1899/5 “On approval of Criteria used for assessing of the level of the risk of initial financial monitoring entities be used for the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction”, registered at the Ministry of Justice of Ukraine of 07.10.2015 №217/27662.

6. Order of the Ministry of Justice of Ukraine of 16.10.2015 №2011/5 “On approval of Regulation on procedure of application of preventive measures concerning the states which do not fulfill or improperly fulfill

recommendations of international, inter-governmental organizations operating in the area of preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction”, registered at the Ministry of Justice of Ukraine on 16.10.2015 №1263/27708.

### **Orders of the Ministry of Infrastructure of Ukraine**

1. The order of the Ministry of Infrastructure of Ukraine of July 30, 2015 №295 “On approval of the preventive measures to states which do not fulfill or improperly fulfill the recommendations of international intergovernmental organizations involved in combating the legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction”, registered at the Ministry of Justice of Ukraine on 18.08.2015 №996/27441.

2. Order of the Ministry of Infrastructure of Ukraine of 11.08.2015 №307 “On approval of Regulation of the Ministry of the Infrastructure of Ukraine on application of sanctions for violations of the Law of Ukraine “On preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing

of proliferation of weapons of mass destruction and/or regulatory acts which regulate activities in the area of preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction”, registered at the Ministry of Justice of Ukraine on 26.08.2015 №1029/27474.

3. Order of the Ministry of Infrastructure of Ukraine of September 3, 2015 №347 “On approval of the Instruction on registration of materials on administrative offenses”, registered at the Ministry of Justice of Ukraine on 21.09.2015 №1116/27561.

4. Order of the Ministry of Infrastructure of Ukraine of 02.11.2015 №437 “On approval of Criteria used for assessing of the level of the risk of initial financial monitoring entities which activities are regulated and monitored by the Ministry of Finance of Ukraine to be used for the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction”, registered at the Ministry of Justice of Ukraine on 18.11.2015 №1447/27892.

### **Resolutions of the National Bank of Ukraine**

1. Resolution of Board of the

National Bank of Ukraine of 28.04.2015 №282 “On approval of amendments to Regulation on application of measures by the National Bank of Ukraine for violations of the bank legislation”.

2. Resolution of Board of the National Bank of Ukraine of May 12, 2015 №316 “On the application of sanctions to non-bank financial institutions”.

3. Resolution of Board of the National Bank of Ukraine of June 26, 2015 №417 “On approval of Regulation on conducting of financial monitoring by banks”.

4. Resolution of Board of the National Bank of Ukraine of July 24, 2015 №80 “On amendments to some legislative acts of the National Bank of Ukraine”.

5. Resolution of Board of the National Bank of Ukraine of July 24, 2015 №481 “On amendments to some legislative acts of the National Bank of Ukraine on transactions with electronic money”.

6. Resolution of Board of the National Bank of Ukraine of July 31, 2015 №499 “On amendments to the Regulations on the organization and conducting inspections on prevention and counteraction to legalization (laundering) of proceeds from crime or terrorist financing”.

7. Resolution of Board of the National Bank of Ukraine of 03.08.2015 №507 “On revoca-

tion of Resolution of Board of the National Bank of Ukraine of January 17, 2012 №7 “On approval of Procedure of submitting by the State Financial Monitoring Service of Ukraine National Bank of Ukraine information to the National Bank of Ukraine for improving supervision of banks compliance with the requirements of the legislation on preventing and counteracting to legalization (laundering) of proceeds from crime or terrorist financing”.

#### **Decisions of the National Securities and Stock Market Commission**

1. Decision of the National Securities and Stock Market Commission of July 17, 2015 №1038 “On approval of Procedure of control over compliance with the requirements of the legislation in the area of preventing and counteracting to legalization (laundering) of proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction by professional stock market players”, registered at the Ministry of Justice of Ukraine on 06.08.2015 №955/27400.

2. Decision of the National Securities and Stock Market Commission of May 19, 2015 №675 “On amendments to the decision of the National Securities and Stock Market Commission

of 11 December, 2012 №1766”, registered at the Ministry of Justice of Ukraine on 04.06.2015 of №654/27099.

3. Decision of the National Securities and Stock Market Commission of November 24, 2015 №1894 “On revocation of the decision of the State Commission on Securities and Stock Market of December 10, 2003 №62”, registered at the Ministry of Justice of Ukraine on 08.12.2015 №1524/27969.

#### **Resolutions of the National Commission for State Regulation of Financial Services Markets**

1. Resolution of the National Commission for State Regulation for Financial Services Markets of 01.10.2015 №2372 “On approval of Procedure of application of sanctions, provided by the Law of Ukraine “On preventing and counteracting to the legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction, submitting claims and conducting of control over its performance by the National Commission for State Regulation for Financial Services Markets and the revocation of some resolutions of the State Commission for Financial Services Market Regulation”, registered at the

Ministry of Justice of Ukraine on 22.10.2015 №1283/27728.

2. Resolution of the National Commission for State Regulation of Financial Services Markets of 10.12.2015 №3052 "On revocation of the resolution of the State Commission for Financial Services Market Regulation of

Septemner 16, 2003 №55 "On approval of Regulation of procedure of education of employees and heads of units of financial institutions, responsible for conducting internal financial monitoring", registered at the Ministry of Justice of Ukraine on 29.12.2015 №1654/28099.

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