



**THE STATE  
FINANCIAL MONITORING SERVICE  
OF UKRAINE**

**Results of 2011**

**Kyiv**

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## **Dear colleagues!**

The State Financial Monitoring Service of Ukraine offers for your consideration the Annual report on implementation in 2011 of the state AML/CFT policy.

In 2011 the main strategic goal was excluding Ukraine from the List of jurisdictions with strategic AML/CFT deficiencies.

In order to fulfill this task 3 laws were drafted and were adopted in 2011 by Verkhovna Rada of Ukraine, in particular:

- established criminal responsibility for stock market manipulation;
- freezing terrorist assets;
- insider dealing is considered a predicate offence.

On March 2011 the Government of Ukraine approved the Strategy for developing anti-money laundering and counter terrorist financing system for the period up to 2015 and the Action Plan on prevention and counteraction to legalization (laundering) of the proceeds of crime or terrorist financing for 2011.

Considering sufficient progress of the national AML/CFT system, the FATF experts confirmed that Ukraine met its commitments and during the FATF Plenary meeting in October 2011 it was unanimously decided that Ukraine should no longer be subjected to FATF's monitoring process under its on-going global AML/CFT compliance process and should be excluded from the List of jurisdictions with strategic AML/CFT deficiencies.

Excluding Ukraine from the list of countries with strategic deficiencies became possible due to the active work of all participants of the national AML/CFT system coordinated by the President and Government of Ukraine.

Moreover, in 2011 the SFMS of Ukraine payed special attention to the following area of work:

- strengthening international AML/CFT cooperation;
- AML/CFT legislation improvement;
- enhancing level of interagency cooperation between participants of the national AML/CFT system.

The SFMS of Ukraine will continue its stable and professional work pursuant to requirements of the Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime or Terrorist Financing” and international standards.

**Sincerely,**

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

**Serhiy GURZHIY**

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

The issue of money laundering and terrorist financing is a global problem which threatens international security, has negative impact on stability, integrity, efficiency and transparency of financial system and bars economic development.

The Financial Action Task Force (FATF) standards appeared to be the basis for national legislation and AML/CFT system improvement in Ukraine.

The key element of this system is a Financial Intelligence Unit (FIU). As a system coordinating body the FIU of Ukraine was established by Ukrainian Government in 2002 as a State Department, afterwards as a State Committee, and now under the administrative reform it became the State Financial Monitoring Service of Ukraine (hereinafter - SFMS of Ukraine).

Activity of the SFMS of Ukraine is regulated by the Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime or Terrorist Financing” and its Statute.

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

The SFMS of Ukraine was established to in order to implement state AML/CFT policy.



The SFMS of Ukraine operates as a national financial intelligence center with relevant authority of this type of agency. Its main tasks and functions include collection, processing and analyzing of information on financial transactions subject

to financial monitoring, other financial transactions or information, which could be related to legalization (laundering) of the proceeds of crime or terrorist financing.

The SFMS of Ukraine processes STRs and submits case referrals to appropriate law enforcement agencies or investigative agencies under suspicion of money laundering or terrorist financing or socially dangerous activity prior to legalization of proceeds of crime.

At the same time the SFMS of Ukraine is a state financial monitoring entity which supervises business entities, that provide intermediary services during buy-sell transactions on immovable property and with natural persons - entrepreneurs and legal persons conducting financial transactions on goods (conducting works, providing services) for cash provided that the sum of transaction equals or exceeds 150 thousands UAH.

In 2011 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 2011”.

In 2011 according to budgetary allocations the SFMS of Ukraine expended 33 253, 6 UAH. Funds expenditure is provided in the table below.

**The structure of the SFMS of Ukraine budgetary allocations for 2011**

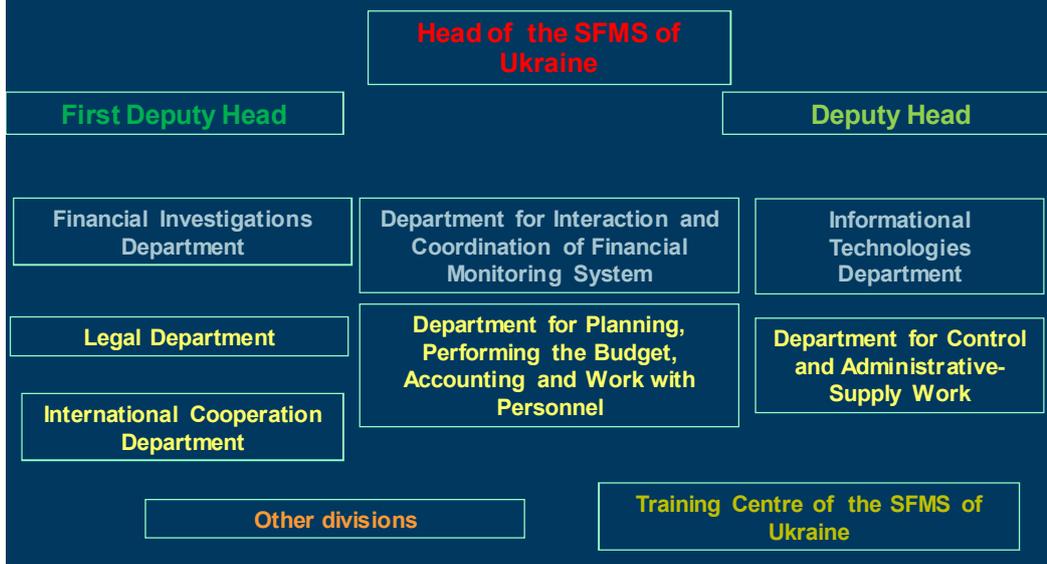
<b>Expenditures</b>	<b>Sum in UAH</b>
Wages and wage upholding	24 135,4
Utility services and energy carrier payments	2 486,5
Business trip expenditures	166,1
Maintenance of the Training Centre of the SFMS of Ukraine	1 473,1
Other expenditures to ensure activity and maintenance of the State Information System and Information&Analytical System of the SFMS of Ukraine	4992,5
<b>Total</b>	<b>33 253,6</b>

To fulfill the Decree of the President of Ukraine as of 09.12.2010 No 1085 “On optimization of the system of central bodies of executive power” in 2011 the State Committee for Financial Monitoring of Ukraine was reorganized into the State Financial Monitoring Service of Ukraine and the staff number was reduced for 30 %. As a result and according to the Resolution of the Cabinet of Ministers of Ukraine as of 07.09.2011 No 937 “On approval of boundary number of employees of the board of central bodies of executive power” and taking into account the requirements of the Decree of the President of Ukraine as of 13.04.2011 No 466 “On the Statute of the State Financial Monitoring Service of Ukraine” the new structure and staffing chart of the SFMS of Ukraine within the boundary number of employees was approved.



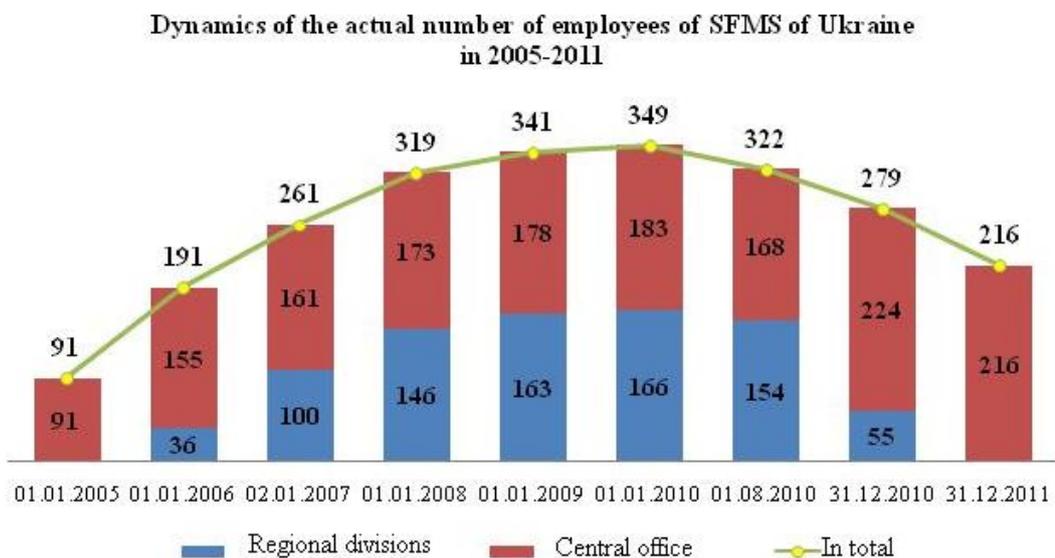
## The State Financial Monitoring Service of Ukraine as a Financial Intelligence Unit

### Structure of the SFMS of Ukraine



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

As of December 31, 2011 in the SFMS of Ukraine actually worked 216 employees. Dynamics of the actual number of employees of the SFMS of Ukraine in 2005-2011 is provided in the chart below:



Gender division of the SFMS of Ukraine employees represents: 102 men (52,8 %) and 114 (47,2 %) women. Among the senior management there are 35 men and 26 women.

The average age of employees of the SFMS of Ukraine is 35 years.

The SFMS of Ukraine staff consists of high qualified specialists with complete higher education.

The SFMS of Ukraine staff is appointed via competitive selection pursuant to the Procedure of competitive selection. Information on competitive selection and its terms is published in mass media and placed on the SFMS of Ukraine official website.

In 2011 the SFMS of Ukraine held 2 meetings of selection committee to fill a vacancy of civil servants. 36 persons participated in the competitive selection. Under result of the competitive selection 26 persons were appointed. Moreover, under results of probation period 3 persons were transferred to the SFMS of Ukraine from other state agencies.

In order to gain practical experience, examine the professional level and in the view of carrier development in the SFMS of Ukraine holds probation for civil servants and 40 employees of the SFMS of Ukraine were promoted on higher positions.

## **2. AML/CFT LEGISLATION DEVELOPMENT**

In 2011 the SFMS of Ukraine participated in elaborating regulations, legal acts of the President of Ukraine, the Cabinet of Ministers of Ukraine and other by-laws.

As a result, a national AML/CFT legislation was sufficiently changed.

In April 2011 the Verkhovna Rada of Ukraine adopted laws elaborated by the SFMS of Ukraine for implementation of FATF Recommendations, in particular:

- Law of Ukraine “On amending some legislative acts of Ukraine on prevention to legalization (laundering) of the proceeds from crime” as of 21.04.2011, No 3267-VI, which entered into force on 19.05.2011.

Law criminalizes stock market manipulation pursuant to the Council of Europe Convention on laundering, search, seizure and confiscation of the proceeds from crime and on the financing of terrorism and FATF Recommendations and is considered to be a predicate offence to money laundering.

- Law of Ukraine “On amending some legislative acts of Ukraine regarding freezing of assets related to terrorist financing or financial transactions suspended pursuant to the decisions taken on the base of UN Security Council Resolutions, and stipulating the procedure for authorizing access to them” as of 21.04.2011 No 3266-VI, which entered into force on 19.05.2011.

Law establishes administrative procedure of imposition freezing for an indefinite term to the assets related to terrorist financing or financial transactions under UN SC Resolutions, lifting freezing from such assets and authorizing access to such assets.

Moreover, the SFMS of Ukraine actively participated in drafting Law of Ukraine “On amending some legislative acts of Ukraine on inside information” adopted by the Verkhovna Rada of Ukraine on 22.04.2011 No 3306-VI, which entered into force on 25.05.2011.

During consideration the SFMS of Ukraine escorted draft laws in certain committees of the Verkhovna Rada, including the Committee on legislative provision of law enforcement activity, the Committee on combating organized crime and corruption and the Committee on finance, banking, tax and customs policy.

On 13.04.2011 the President of Ukraine signed the Decree No 466 “On Statute of the State Financial Monitoring Service of Ukraine”, which was drafted by the SFMS of Ukraine. By this Decree the Statute of the SFMS of Ukraine was brought in the line with the Law of Ukraine “On central agencies of executive power” and the Decree of the President of Ukraine as of 09.12.2010 No 1085 “On optimization of the system of central bodies of executive power”.

The Cabinet of Ministers of Ukraine adopted by-laws drafted by the SFMS of Ukraine, as follows:

- The Strategy for developing anti-money laundering and counter terrorist financing system for the period up to 2015 (Directive of the Cabinet of Ministers of Ukraine as of 09.03.2011 No 190-p).

The main goal of the Strategy is to determine legislative, organizational and institutional measures aimed to improve mechanism of counteraction to legalisation of the proceeds from crime or terrorist financing.

- The Action Plan on prevention and counteraction to legalization (laundering) of the proceeds of crime or terrorist financing for 2011 (Resolution of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine as of 09.03.2011 No 270);
- The Action Plan on prevention and counteraction to legalization (laundering) of the proceeds of crime or terrorist financing for 2012 (Resolution of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine as of 28.12.2011 No 1379).

The mentioned Action Plans foresee consolidation of efforts of all state agencies and designate the set of strategic goals of AML/CTF system development.

- Resolution as of 07.02.2011 No 75 “On amendments to the Resolution of the Cabinet of Ministers of Ukraine on activity of the State Financial Monitoring Service of Ukraine” which amended 6 Resolutions of the Cabinet of Ministers of Ukraine with names of the state agencies pursuant to the Scheme of organization and interaction of central agencies of executive power, approved by the Decree of the President of Ukraine as of 09.12.2010 No 1085 “On optimization of the system of central bodies of executive power”;

Resolution as of 10.08.2011 No 852 “On considering certain Resolutions of the Cabinet of Ministers of Ukraine concerning activity of the State Financial Monitoring of Ukraine void and null” by which Government legal acts are brought in line with the Decree of the President of Ukraine as of 13.04.2011 No 466 “On Statute of the State Financial Monitoring Service of Ukraine”;

- Resolution as of 29.06.2011 No 603-p “On redistribution of expenditures of the State Financial Monitoring Service of Ukraine for 2011”.

In 2011 two Orders of the Ministry of Finance of Ukraine on activity of the SFMS of Ukraine previously drafted by the SFMS of Ukraine were adopted as follows:

- as of 14.09.2011 No 1145 “On approval of the Statute on assurance right of persons to access public information in the State Financial Monitoring Service of Ukraine” registered in the Ministry of Justice of Ukraine as of 11.11.2011 No1291/20029;
- as of 22.11.2011 No 1479 “ On approval of the Statute on Commission of the State Financial Monitoring Service of Ukraine on applying sanctions for violation of provisions of the Law and/or legal acts regulating

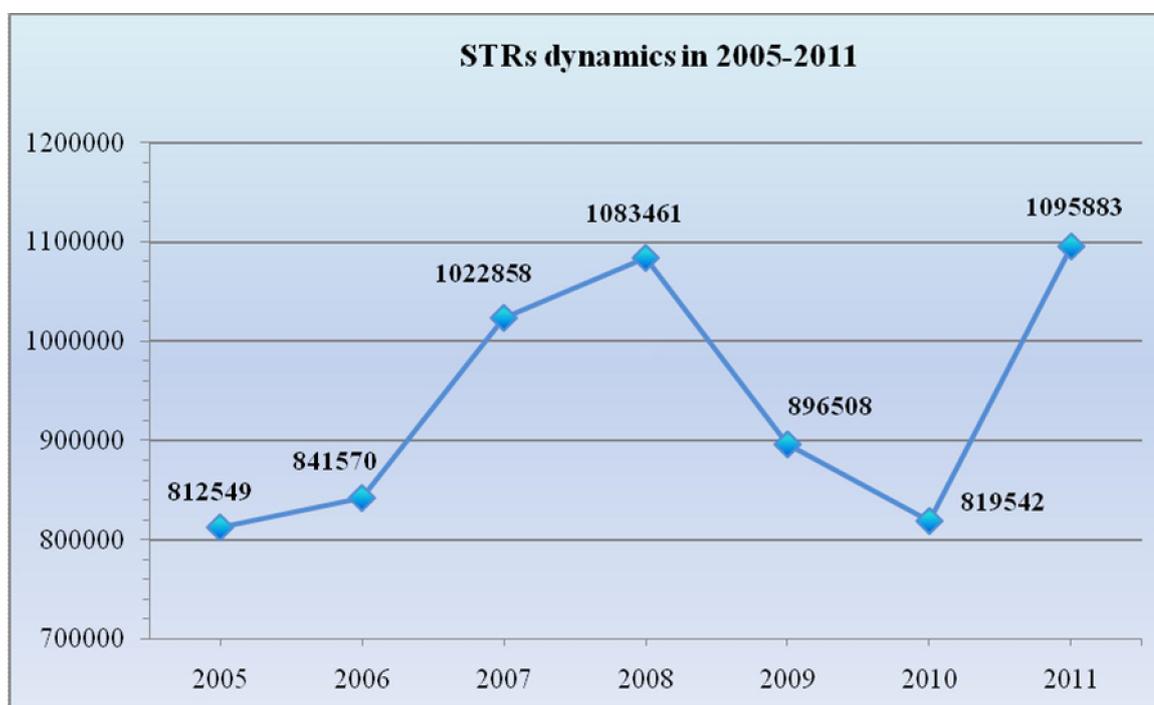
AML/CTF activity”, registered in the Ministry of Justice of Ukraine as of 9.12.2011 No 1426/20164.

### 3. STATISTICS of STRs

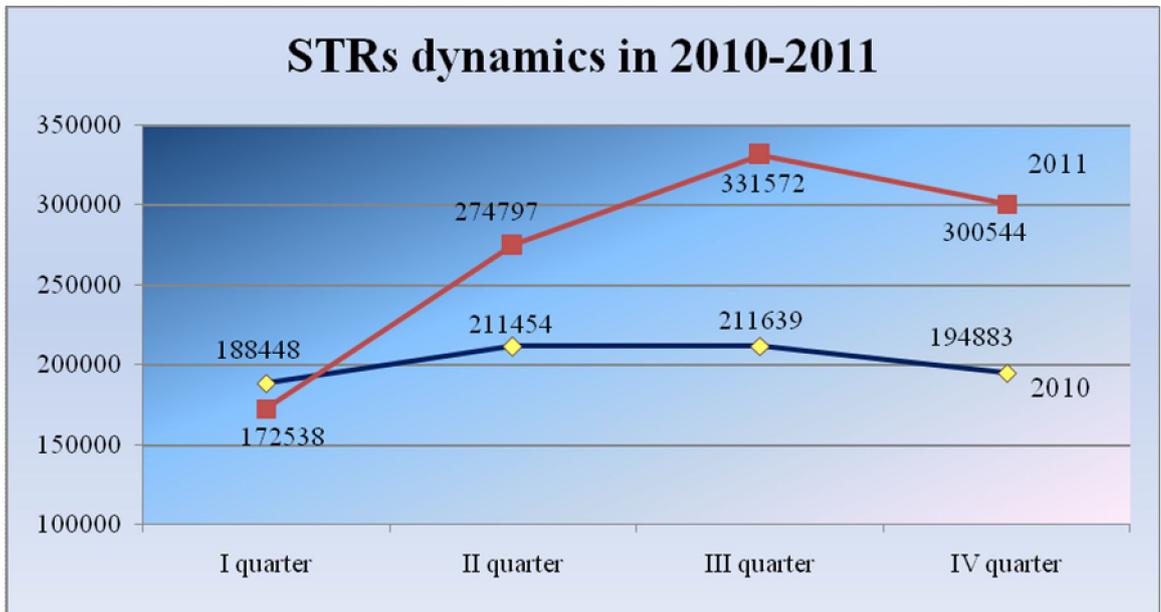
#### 3.1. GENERAL DYNAMICS of STRs

Pursuant to the Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime or Terrorist Financing” reporting entities submit 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 start of exploitation of informational and analytical system the SFMS of Ukraine received and processed 7 567 182 STRs subject to financial monitoring, including 1 095 883 STRs in 2011.

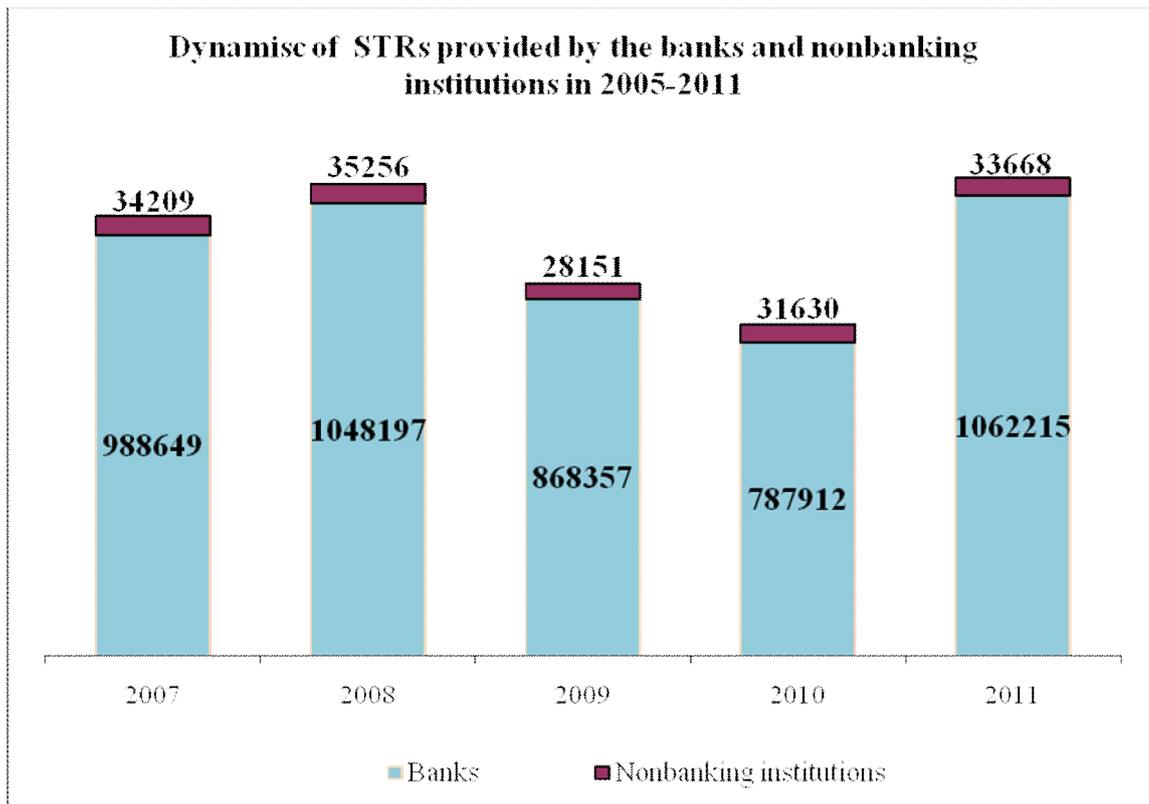


It should be mentioned that in 2011 the number of STRs received by the SFMS of Ukraine increased on 33, 72 % comparing with 2010. STRs dynamics in 2010-2011 is provided in the next chart.



### 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 2011 banks provided 96, 83% of STRs.



It should be also mentioned that great deal of mistakes made in reports, as well as in previous years, keeps decreasing and constitutes only 1,49 % from the total number of STRs received by the SFMS of Ukraine in 2011.

**Number of STRs received from banks and non-banking institutions as of January 1, 2012 by means of submitting information**

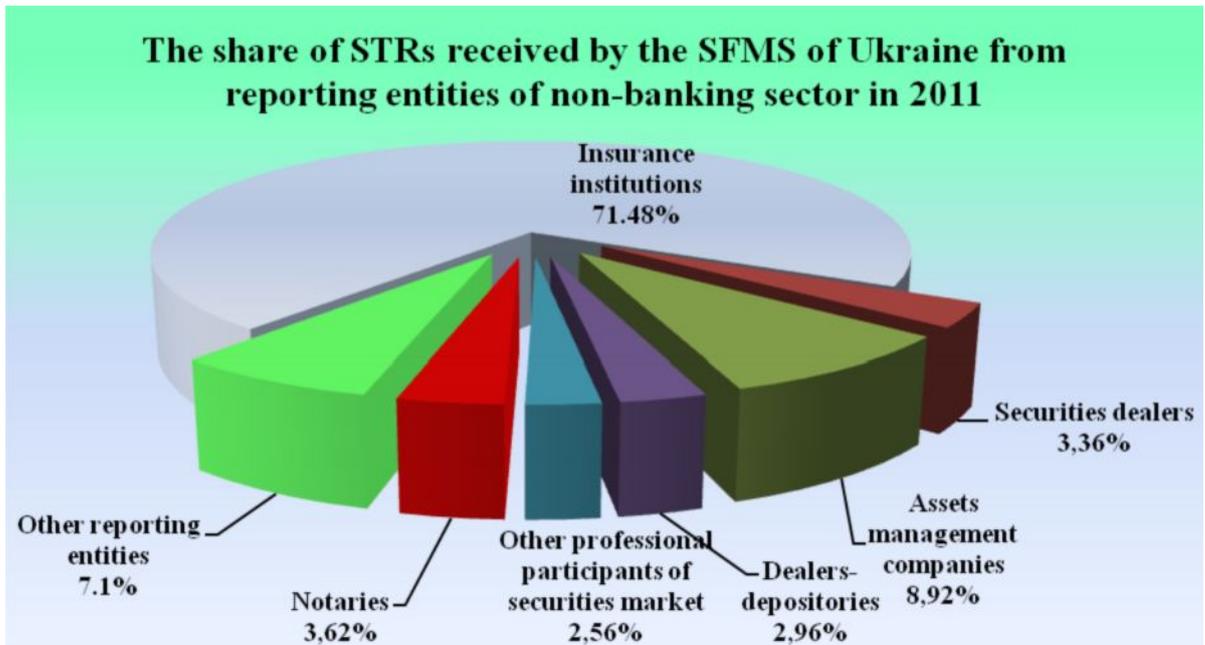
<b>Type of institution</b>	<b>Number of STRs received in electronic form</b>	<b>Number of reports received in hard copy</b>
Banks	1 062 215	-
Non-banking institutions	29 364	4 304

In 2011 the number of STRs received in electronic form by the SFMS of Ukraine from non-banking institutions increased in comparison with 2010 on 9,31 % and constitutes 87,21 % from total number of transactions received by the SCFM from the mentioned category of reporting entities.

Among non-banking institutions the most active reporting entities are insurance companies. The specific gravity of such STRs subject to financial monitoring in total number of STRs of non-banking sector constitutes 71, 48 %.

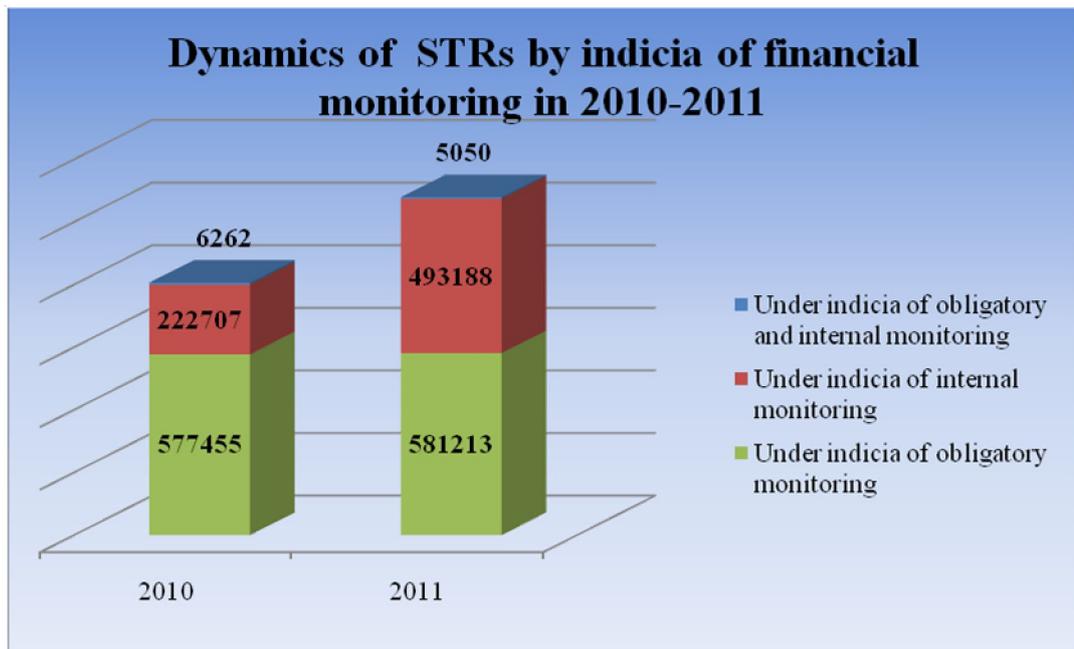
**The share of reports in total number registered STRs received by the SFMS of Ukraine from non-banking sector in 2011**

<b>Type of institution</b>	<b>Number</b>	<b>Share</b>
Insurance institutions	23 138	71,48 %
Securities dealer	1 087	3,36 %
Assets management companies	2 890	8,92 %
Dealers-depositories	959	2,96 %
Other professional participants of securities market	828	2,56 %
Notaries	1 172	3,62 %
Other reporting entities	366	1,23 %



Distribution of reports registered in reporting period in perspective of financial monitoring indicia is the following:

- under indicia of obligatory monitoring – 53,84 % (581 213);
- under indicia of internal monitoring – 45,69% (493 188);
- under indicia of obligatory and internal monitoring – 0,47 % (5 050).

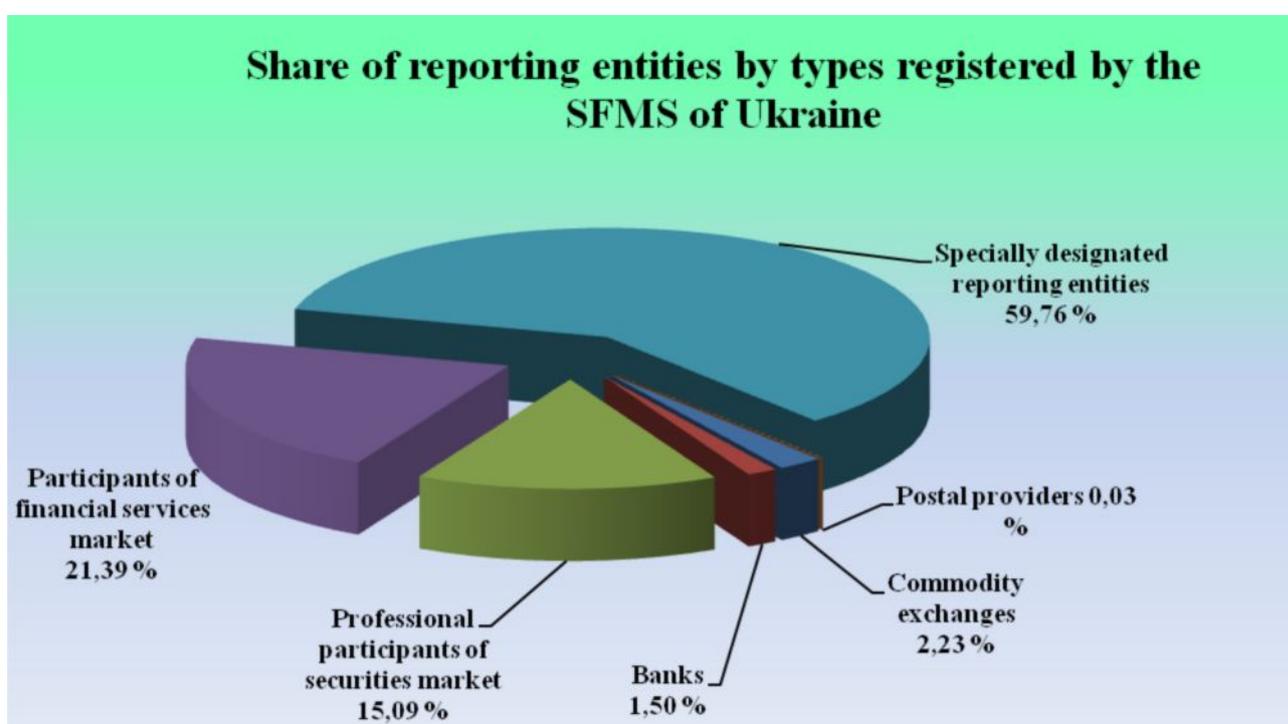


Pursuant to the Article 6 part 2 (1) of the Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime or Terrorist Financing” reporting entities are obliged to be registered by the SFMS of Ukraine.

As of 01.01.2011 the SFMS of Ukraine registered 11 701 reporting entities.

**Share of reporting entities registered by the SFMS of Ukraine as of  
01.01.2011\***

Types of reporting entity	Number	Share
Banking institution	175	1,50%
Participants of financial services market	2503	21,39%
Professional participants of securities market	1766	15,09%
Commodity exchanges	261	2,23%
Postal providers	4	0,03%
Specially designated reporting entities	6992	59,76%



\* Data without considering separate units

## **4. ANALYTICAL ACTIVITY**

### **4.1. Information Analysis Process**

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

Information for analysis is received from the following sources:

- reporting entities;
- law enforcement agencies;
- regulators and other state agencies;
- Financial Intelligence Units of other countries.

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

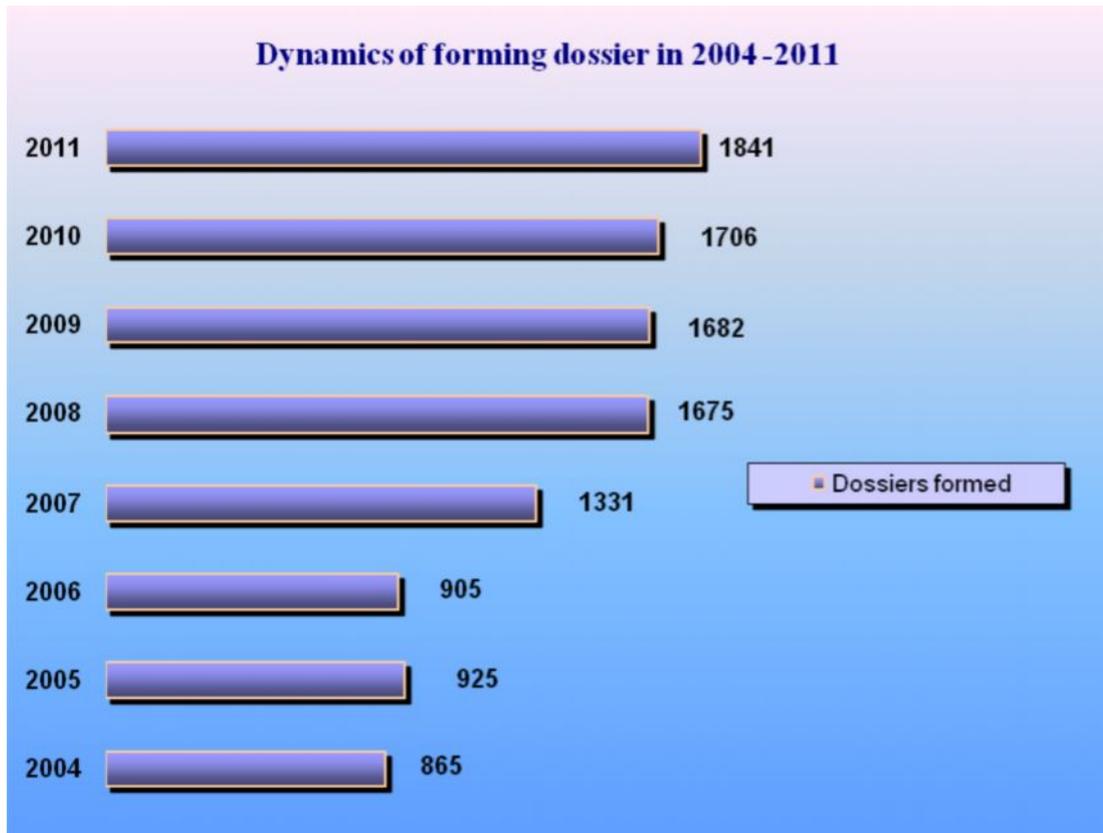
Initial analytical information processing is performed in analytical segment of the Unified state information system on financial monitoring.

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

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

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

During reporting period 205 543 reports were chosen for active work and became the bases for 1 841 dossiers.



As a result of dossiers consideration 580 case referrals and additional case referrals were submitted to the law enforcement agencies in 2011.

Analysis of reports received is conducted on the basis of additional information. The Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime or Terrorist Financing” provides a tool for such information receipt - tracking (monitoring) of financial transactions.

Information on tracking (monitoring) financial transactions is submitted to the SFMS of Ukraine as reports.

During the reporting period the SFMS of Ukraine prepared 1 340 requests for tracking (monitoring) of financial transactions to reporting entities concerning 1 340 participants of financial transactions.

During the reporting period the SFMS of Ukraine in compliance with the Article 18 and 20 of the Law of Ukraine “On Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime or Terrorist Financing” sent 91 decisions on suspension of financial transaction and debit transactions, including:

- 8 decisions - according to the part 2 Article 17 of the Law;
- 38 decisions - according to the part 3 Article 17 of the Law;
- 45 decisions - according to the part 5 Article 17 of the Law.

#### **4.2. Money laundering schemes. Typologies**

In 2011 the priority was given to the following directions:

- detection and termination of illegal activities of “conversion” centers and fictitious entities engaged in money laundering;
- investigation of transactions in the area of trade transactions and non-financial services;
- investigation of transactions with securities and debt instruments;
- investigation of transactions related to public funds and other public assets;
- investigation of transactions related to illegal outflow of funds overseas;
- investigation of transactions in the insurance sector;
- investigation of transactions related to cybercrime;
- investigation of transactions in investment sector;
- investigation of transactions related to terrorist financing;

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

In 2011 one of key priorities of the SFMS of Ukraine were the transactions related to transfer (conversion) of non-cash funds into cash as the aim of such transactions are:

- concealment of traces of origin of the proceeds of crime;
- concealment of persons that obtained (obtaining) proceeds of crime and those who initiate money laundering process;
- providing convenient and operative access to the proceeds of crime;
- ensuring conditions for convenient use of the proceeds of crime;
- ensuring conditions for safe investment into legal business;
- keeping assets in liquid forms.

During 2011 the SFMS of Ukraine prepared and submitted to the law enforcement agencies of Ukraine 400 case referrals related to withdrawal of cash.

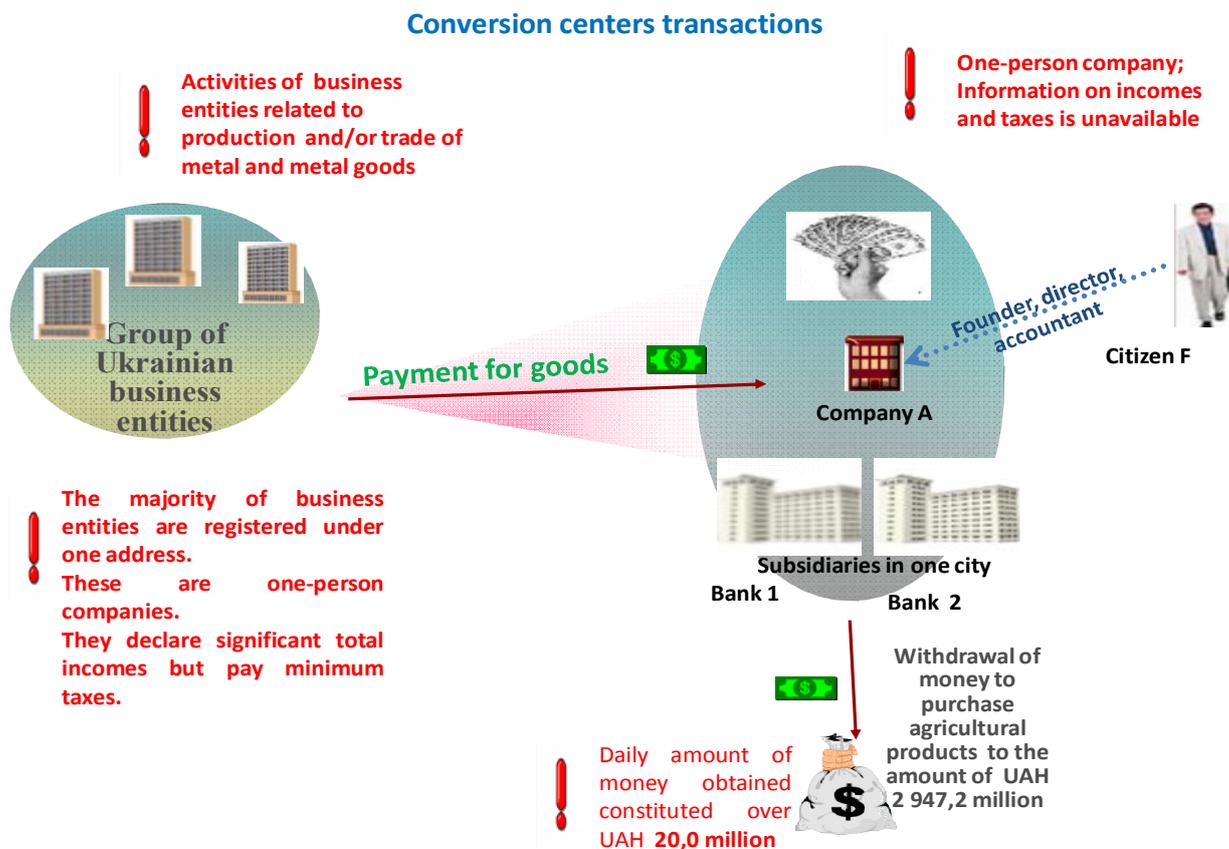
The major part of grounds to withdraw money is the following:

- purchase of agricultural products – 38,2%;
- purchase of goods/payment of services – 10,0%;
- financial aid/loan – 5,1%;
- purchase/payment of securities – 3,7%;
- non-specified (other) aims – 43,0%.

#### **Case study 1**

The movement of funds aimed at conversion of cashless funds into cash was detected. The funds to the total amount of UAH 2 947,2 million were withdrawn from the accounts of the business entity.

The funds withdrawn to purchase agricultural products were obtained from a significant number of business entities with different payment purpose not related to agricultural activity.



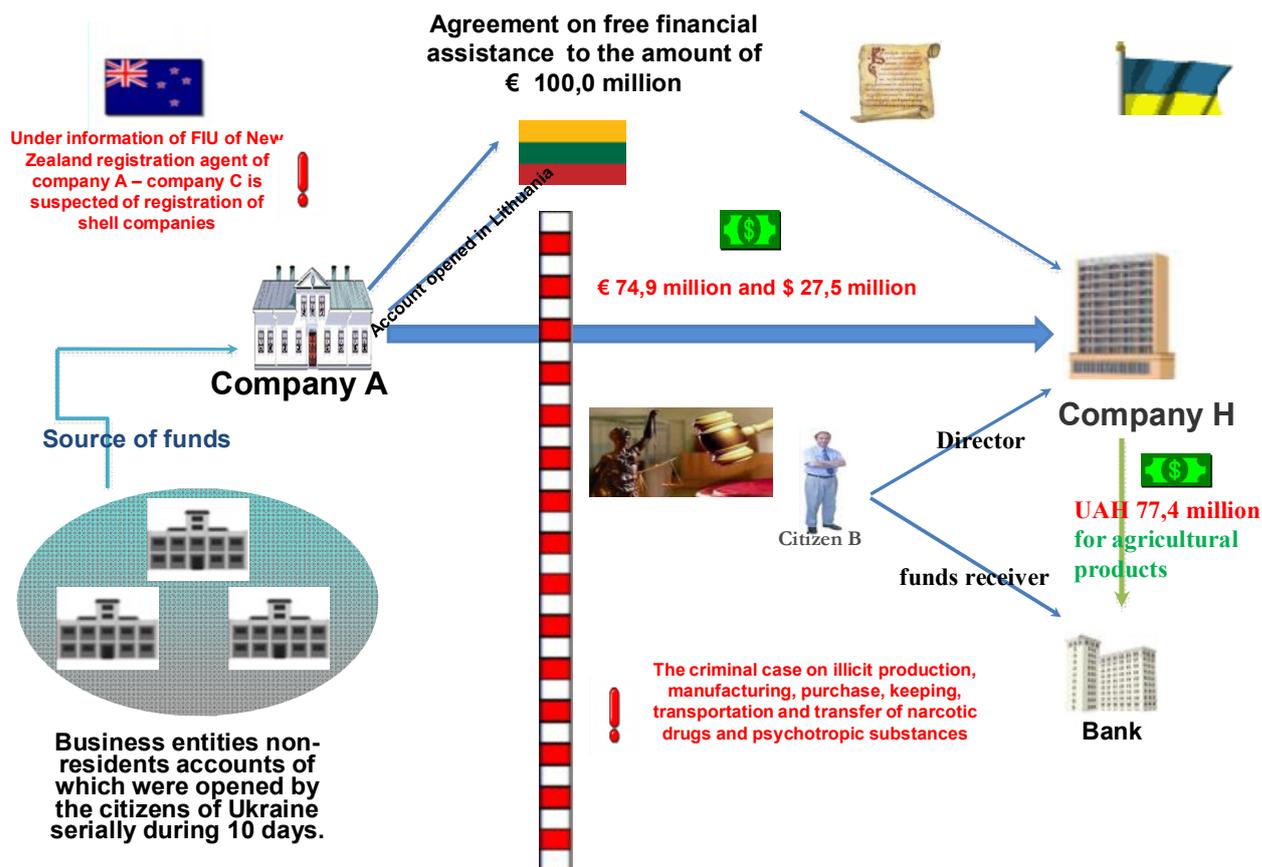
Limited liability company A is a one-person company. The incomes and taxes were not declared and not paid.

Besides, the activity of business entities that transferred funds to the accounts of company A is related to collection of metal scrap, metal trade, therefore, is not typical for agricultural activities. Consequently, there is no economic sense in conducting such transactions.

## Case study 2

Company non-resident converted on the territory of Ukraine through Ukrainian business entity foreign currency that later was withdrawn.

## Money laundering through foreign economic and foreign exchange transactions



Limited liability company H (Ukraine) and company A (New Zealand) concluded agreement on free financial assistance to the amount of €100 million.

During certain period limited liability company H took into account funds from company A to the amount of € 74,9 million and \$ 27,5 million (UAH 1,0 billion), part of which was converted without delay into national currency and through the cash desk of the bank institution was withdrawn in cash by citizen B, director of limited liability company H, to purchase agricultural products to the amount of UAH 77,4 million.

The law enforcement agencies instituted criminal proceedings against citizen B and forwarded the case to the court on illicit production, manufacturing, purchase, keeping, transportation or traffic in narcotic drugs, psychotropic substances, and their analogues without the aim of sale. This citizen was put on the wanted list under suspicion of robbery associated with burglary.

Within the framework of investigation the information of FIU of New Zealand was received that the funds that entered into an account of company A originated from funds of companies non-residents, the accounts of which were opened by the citizens of Ukraine serially during 10 days.

Registration agent of company A – company C is suspected of the activity related to registration of shell companies.

## Investigations of transactions in the area of trade transactions and non-financial services

Under results of the analysis of the information on financial transactions conducted in the area of trade transactions and non-financial services 257 case referrals were submitted to the law enforcement agencies.

The case referrals in the area of non-financial services are related to the following:

- transfer from accounts to the accounts of individual entrepreneurs for agricultural products, securities, insurance services and goods;
- withdrawal of money from card account;
- transfer of money overseas with further withdrawal;
- topping up of corporate cards with further withdrawal of cash.

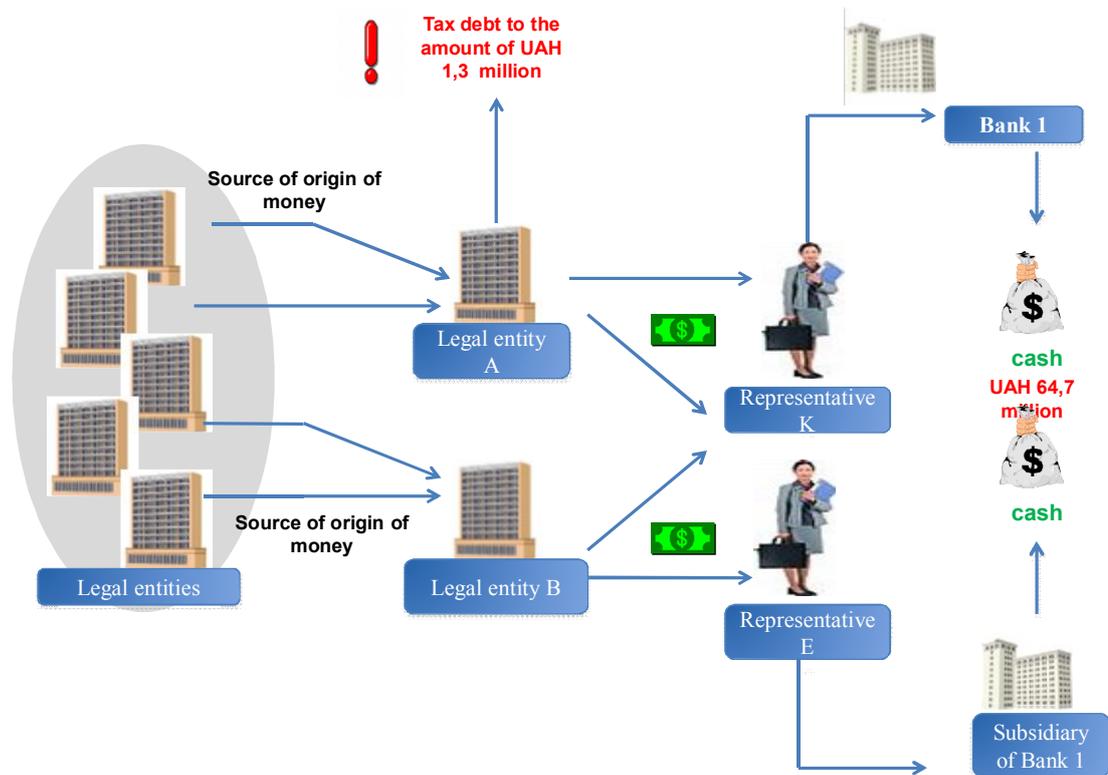
The schemes involved the following financial instruments:

- transfer of money to shell business entities with further transfer through a number of accounts of business entities and withdrawal by individual entrepreneurs.

### Case study

There was detected a scheme of using by individuals K and E of Bank 1 to cash out money in significant amount under the guise of withdrawal money to purchase household goods.

#### Cashing out money under the guise of withdrawal to purchase household goods



The account of legal entities A and B accumulated cashless funds from a number of business entities with the following payment purposes: for goods, for services, for materials etc.

The funds obtained were cashed out to purchase household goods by two individuals that are sole directors of these business entities. What attracts attention is that legal entity B is a founder of legal entity A.

Total amount of the cash withdrawn constitutes UAH 64,7 million.

Legal entity A has a tax debt to the amount of UAH 1,3 million.

### **Investigation of transactions with securities and debt instruments**

Under results of the analysis of the information on financial transactions related to payment/ acquittance of securities and debt instruments, 66 case referrals were prepared and submitted to the law enforcement agencies.

Securities and financial assistance were used as the financial instruments in the schemes, including:

- use of securities with the signs of fictitiousness and junk securities;
- return of “dubious” financial assistance that was further withdrawn in cash;
- withdrawal of cash that previously was provided to shell entities.

### **Case study**

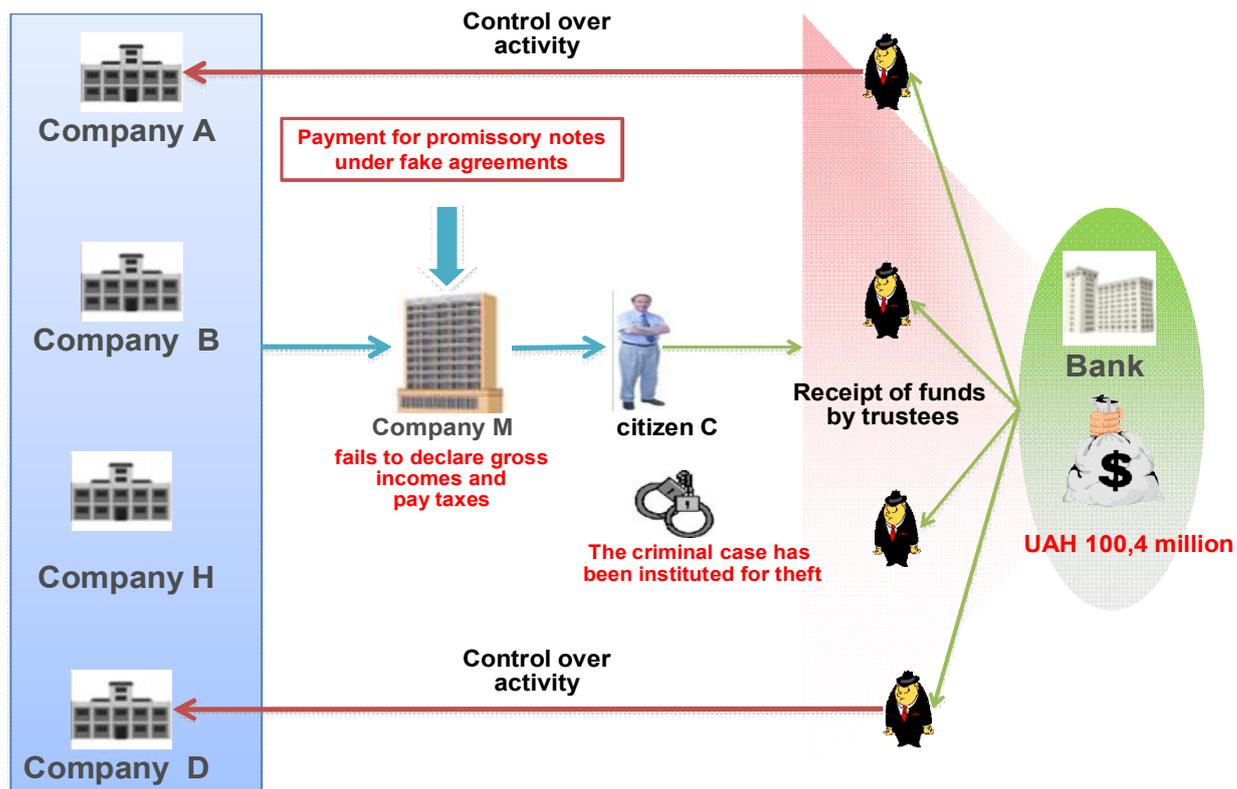
While analyzing financial transactions similar financial transactions related to accumulation of funds on settlement account of limited liability partnership M in the guise of sale-purchase of promissory notes were revealed.

Later accumulated funds to the amount of UAH 100,4 million were transferred to the account of citizen C and fully withdrawn in cash by four trustees. These persons exercised control over the activity of business entities that transferred money to the account of company M.

In the course of processing copies of documents related to payment for promissory notes it was clarified that the issuers, promisors and promisees failed to declare gross incomes. Therefore, issue of promissory notes was carried out under fake sale-purchase agreements.

The law enforcement agency instituted criminal proceedings against individual C for theft.

### Use of promissory notes in the activity of conversion centers



### Investigation of transactions related to public funds and other public assets

Under results of the analysis of the information on financial transactions related to alleged embezzlement of public funds 37 case referrals were prepared and submitted to the law enforcement agencies.

The case referrals are related to embezzlement of public funds by means of:

- misuse of funds;
- misuse of funds transferred to supply equipment and execute works for Atomic Electric Station of Ukraine;
- concluding agreement on supply of goods with non-resident without competitive bidding and further transfer of funds to the latter without supply of goods;
- transfer of public funds allocated to implement state programs in favor of fictitious business entities;
- transfer of public funds to the accounts of business entities that later have been converted into cash (cashed out).

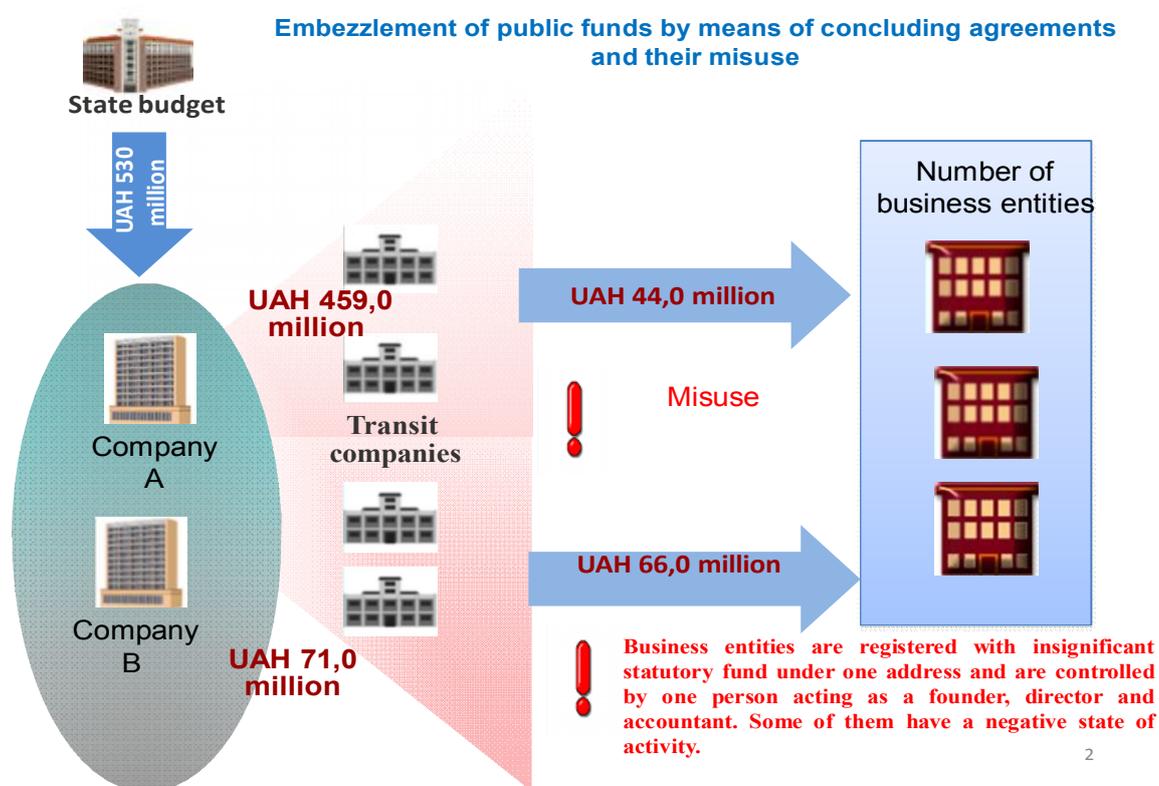
The following methods were used in embezzlement and misappropriation schemes:

- transfer of funds overseas without actual supply of goods;

- transfer of funds to the winner of competitive bidding with further payment of promissory note and cash withdrawal;
- transfer of funds to shell business entities with further transfer through a number of accounts of legal entities and withdrawal of cash.

### Case study

In order to misappropriate public funds an organized group of persons concluded contracts with limited liability partnership A and limited liability partnership B on supply of goods. The latter, after having misappropriated public funds, illegally disposed funds at sole discretion transferring them to the accounts of various business entities instead of using them to supply goods to the public institution.



### Transactions related to illegal outflow of funds overseas

Under results of the analysis of the information on financial transactions 14 case referrals concerning illegal outflow of funds overseas and illegal transfer of foreign currency in significant amount by natural persons (cash-couriers) were submitted by the SFMS of Ukraine to the law enforcement agencies.

The following methods were applied in the schemes:

- transfer of foreign currency in significant amount by natural persons (cash couriers);
- payment of import contracts without actual supply of goods to the custom territory of Ukraine;
- purchase of goods under overestimated prices;

- import of products of underestimated cost.

The following countries constitute the largest share of destination countries:

- Russian Federation and Moldova to which, under the information obtained from the law enforcement agencies, natural persons transferred 84,7% of foreign currency;
- Lithuania - 6,8%;
- Latvia - 5,3%;
- Republic of Cyprus - 3,2%.

### Case study

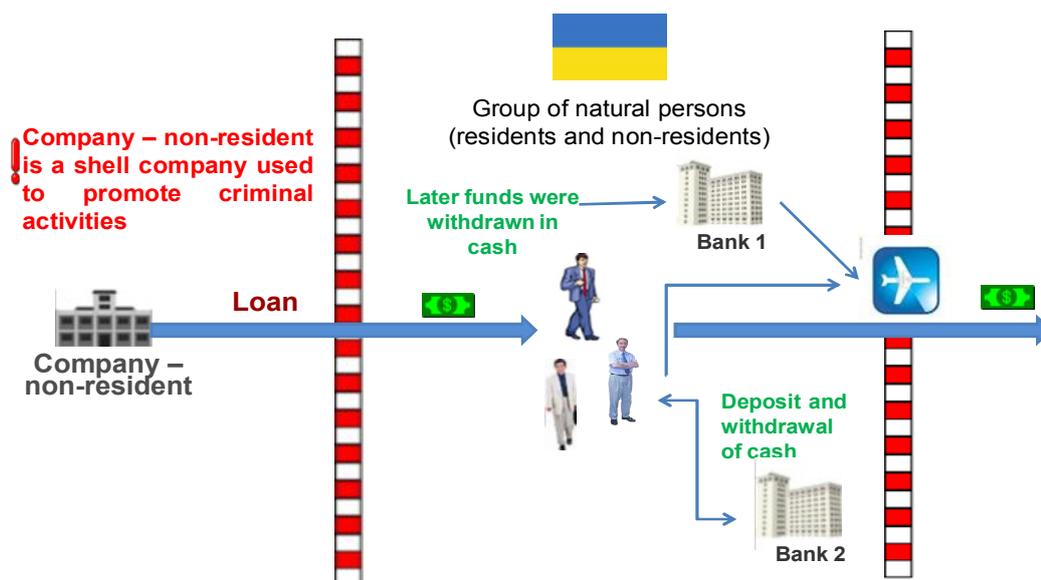
Under the information of the law enforcement agency of Ukraine, an organized criminal group involving several individuals - residents and non-residents of Ukraine, established the channels of illicit outflow of foreign currency overseas.

Under the information received, during a particular period foreign currency in significant amount was systematically transferred overseas by avia (approximately \$ 10 million during one transportation).

The source of origin of funds were transfers from companies – non-residents in favor of members of the group in Ukraine, followed by full cash withdrawal.

Under the information of FIU of the country of registration of the company – non-resident, the latter was a shell company used in criminal activities.

#### Systematic outflow of criminal proceeds in foreign currency by natural persons to other countries (cash-couriers)



Moreover, members of the organized group deposited cash to the accounts of another bank institution in order to obtain receipt about the balance of the account (to

prove the source of origin of funds on the custom border of Ukraine) followed by transportation of cash overseas by avia.

### **Investigation of transactions in the insurance sector**

Under results of the analysis of the information on financial transactions in the insurance sector 10 case referrals were submitted by the SFMS of Ukraine to the law enforcement agencies.

The case referrals submitted relate to the following in the insurance sector:

- use of insurance payments (insurance fee, insurance premium and insurance reimbursement) in the schemes of transfer of funds from/to the accounts of business entities followed by full cash out;
- blocking access to the work place of Compliance person one of the insurance companies.

The scheme involved money transfer to shell companies followed by money transfer through a number of accounts of legal entities and cash withdrawal.

#### **Case study**

There was found out use of insurance reimbursement payment under insurance agreements with fake insurance act and relevant expert assessment on insured event.

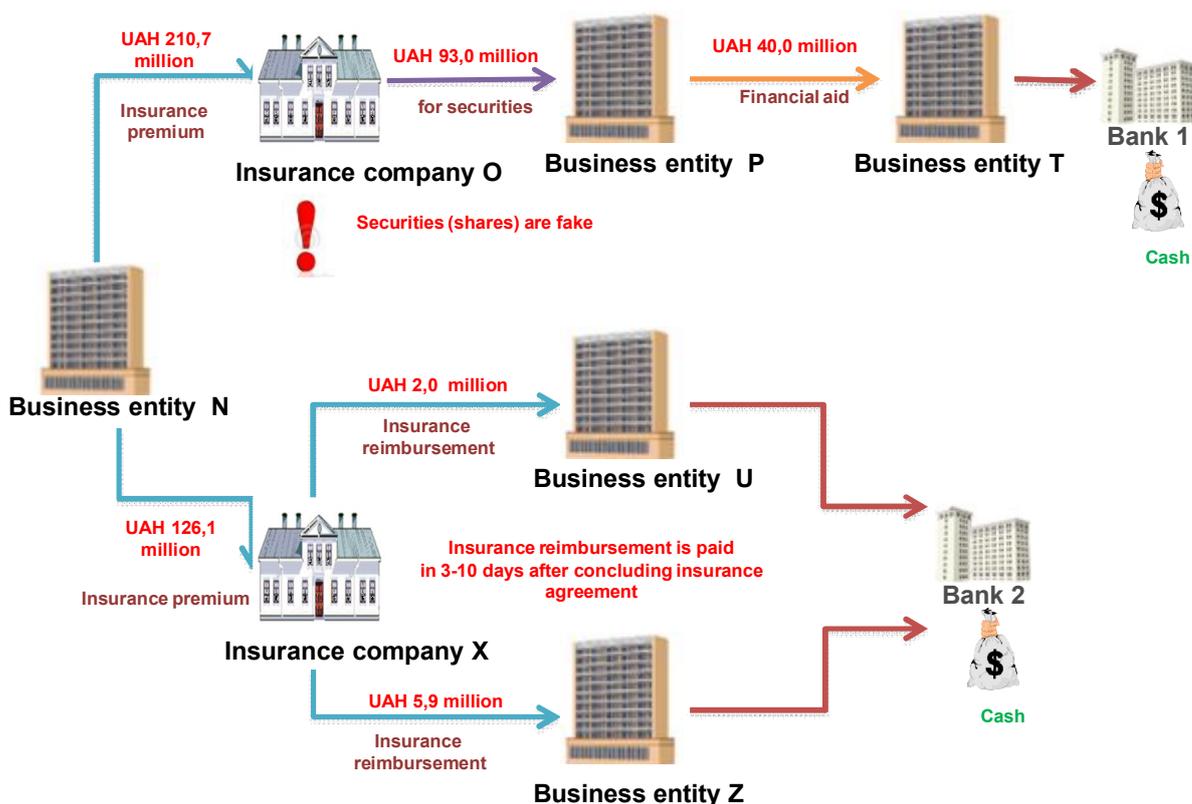
Business entity N transferred to insurance company O UAH 210,7 million as an insurance premium out of total amount of which insurance company O transferred to business entity P UAH 93 million as payment for securities. It was clarified that the securities have the indications of fictitiousness.

Business entity P transferred UAH 40 million to business entity T as financial aid that later was withdrawn.

Meanwhile business entity N transferred UAH 126,1 million to insurance company X. Out of total amount transferred to insurance company, UAH 2 million was paid as insurance reimbursement to business entity Y under insurance agreement concluded 5 days before the insured event and funds to the amount of UAH 5,9 million as insurance reimbursement to business entity Z under insurance agreement concluded 7 days before the insured event.

Business entities U and Z are involved into conversion center. Insurance premium under insurance agreements concluded failed to have been paid by business entities U and Z.

## Money laundering of private company by means of insurance transactions and securities



### Investigation of transactions related to cybercrime

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 9 case referrals were submitted by the SFMS of Ukraine to the law enforcement agencies.

#### Case study

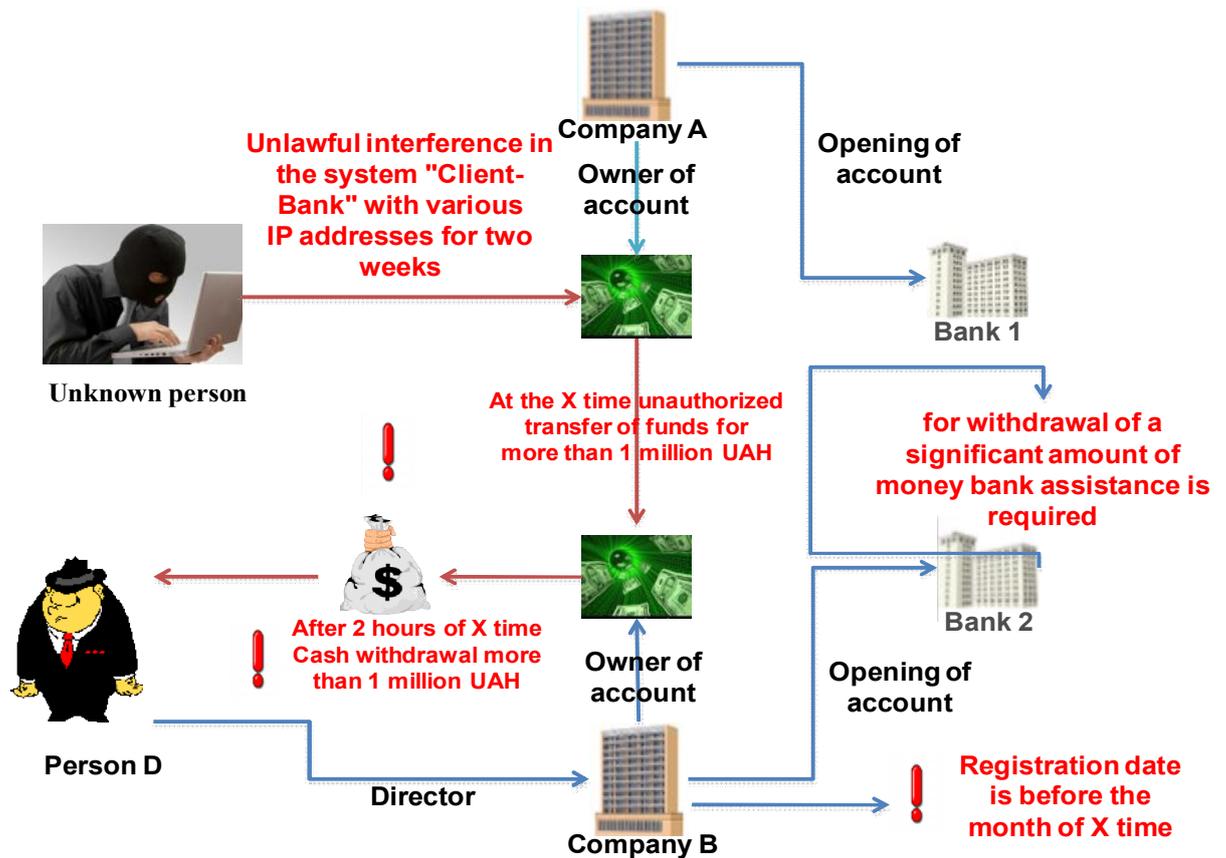
When conducting analysis of reports on financial transactions and additional information obtained from reporting entities there was revealed the fact of interference with electronic payment system of Bank 1.

Using various IP addresses unidentified person attempted to interfere illegally with electronic payment system installed into computer of limited liability partnership A.

Using keyboard sniffer there was made password attack to the access of electronic payment system followed by theft from the account of business entity A of more than UAH 1 million by means of transfer to the account of newly established business entity B opened in Bank 2.

Later money was cashed out by citizen of Ukraine D that is a director of business entity B.

## Illegal interference in the automated banking system for fraud of financial resources



### Investigating of transactions involving investment

According to the results of the analysis of information on financial transactions involving investment, 2 case referrals were submitted to the law enforcement authorities of Ukraine.

Submitted case referrals involving investment are connected with the following:

- transferring abroad superprofit obtained from sell and purchase securities transactions under excessive price 36 times as much;
- obtaining noncash (investments) from a company-nonresident, through depositing it in the statutory capital of Ukrainian enterprise that has been further transferred into cash involving one legal person and two natural persons.

### Case study

Non-resident company "M" transferred money for conducting investments in the amount of UAH 1,8 mln. (0,2 mln. US dollars) from personal account opened in Bank 1 to personal account opened in Bank 2.

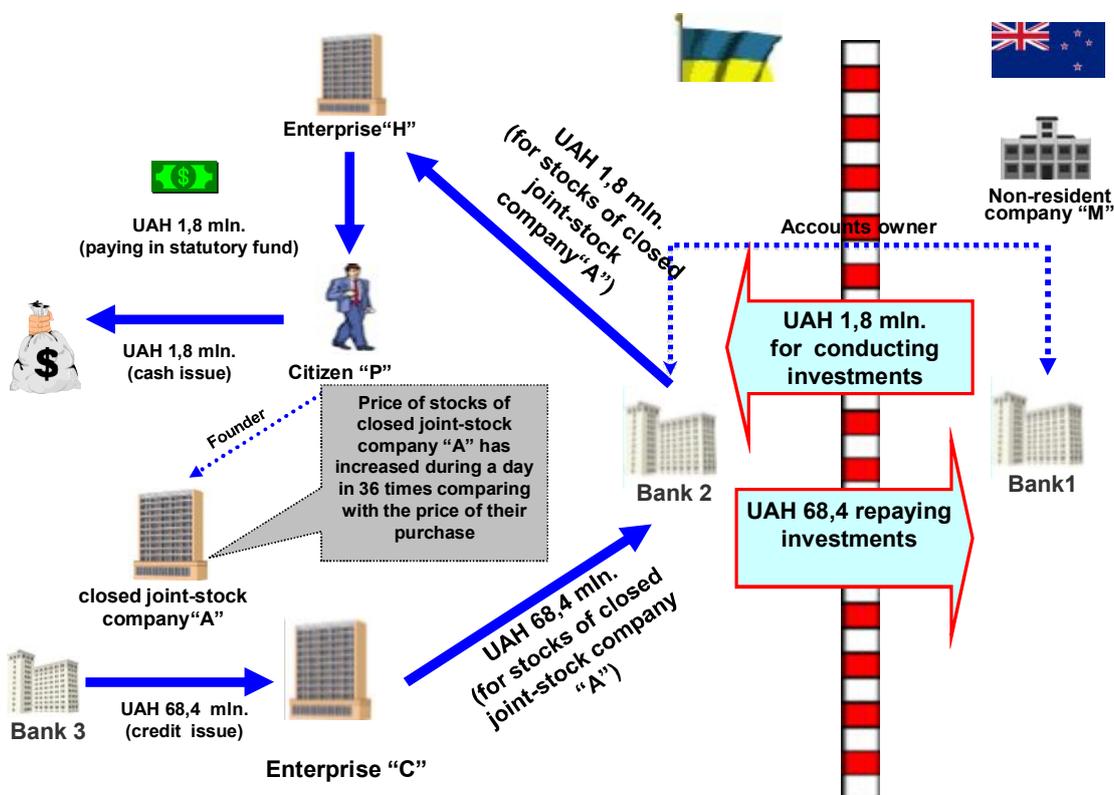
Money in the amount of UAH 1,8 mln. have been transferred by non-resident company "M" in favour of company "H" for stock of closed joint-stock company

“A”. Received money have been transferred by enterprise “H” to citizen “P” as paying in statutory fund that further received money in cash.

Non-resident company “M” has sold received stock at the same day to enterprise “C” for UAH 68,4 mln., that have been received by enterprise “C” in Bank 3 as a credit under mortgage of closed joint-stock company “A”.

Non-resident company “M” has transferred received money from personal account opened in Bank 2 abroad to personal account opened in Bank 1, as repaying investments.

Thus, non-resident company “M”, enterprises “H” and “C” have established a scheme to conduct an inefficient outflow of money abroad, received from sale of stocks the price of which has increased during a day in 36 times comparing with the price of their purchase.



### Investigating of transactions related to terrorist financing

4 case referrals which contained description of suspicious financial transactions (copies of documents) conducted by persons whose name or surname partially coincided with the List of persons related to terrorist activity or regarding whom international sanctions are applied were submitted to law enforcement agencies.

## **5. Case referrals**

### **5.1. Case referrals consideration by law enforcement agencies**

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

According to the mentioned Procedure, the SFMS expert commission on consideration of case referrals, prepared for submission to law enforcement agencies, takes decision concerning submission such materials to law enforcement agencies, in case of reasonable grounds. Specialists of subdivisions of law enforcement agencies are involved in participating in meeting of expert commission as experts.

In 2011 the SFMS of Ukraine prepared and submitted to law enforcement agencies 323 case referrals and 257 additional case referrals, prepared on the base of 135 758 financial transactions reports subject to financial monitoring.

Accordingly they were submitted to:

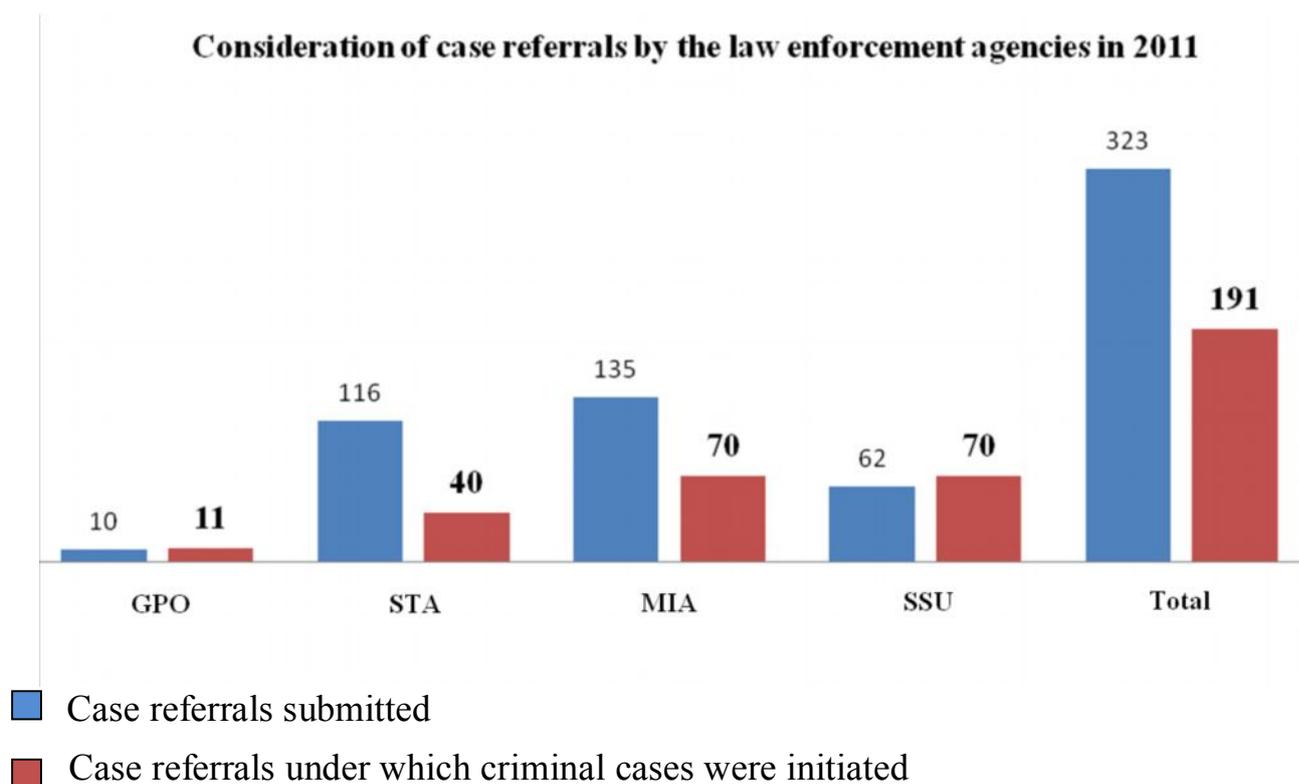
- the General Prosecutor's Office of Ukraine (GPO) – 18;
- the State Tax Service of Ukraine (STA) – 227;
- the Ministry of Interior of Ukraine (MIA) – 236;
- the Security Service of Ukraine (SSU) –105.

Under results of consideration of 323 case referrals (considering case referrals submitted during 2003-2011):

- by law enforcement divisions under results of inspection of 76 case referrals which were received in reporting period or which were present at the beginning of reporting period and on them there were no decisions taken, there were 85 criminal cases initiated and 115 case referrals in 118 criminal cases used;
- 142 criminal cases were submitted to court;
- accounting criminal cases submitted to court during 2003-2011, courts considered 37 criminal cases under which verdicts of guilty were passed or decisions under no-rehabilitating circumstances were taken.

According to information of law enforcement agencies in 2010 there were money and other property in total UAH 88,6 mln. arrested and UAH 258,3 ml. confiscated in course of investigations of criminal cases by law enforcement.

### Consideration of case referrals by the law enforcement agencies in 2011



## 6. AML/CFT information systems of the SFMS of Ukraine

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

- collection, processing and analysis of the information on financial transactions subject to financial monitoring, other financial transactions or information which may be suspected of legalization of the proceeds of crime, or terrorist financing;
- establishment and ensuring operation of unified state information system in AML/CFT sphere.

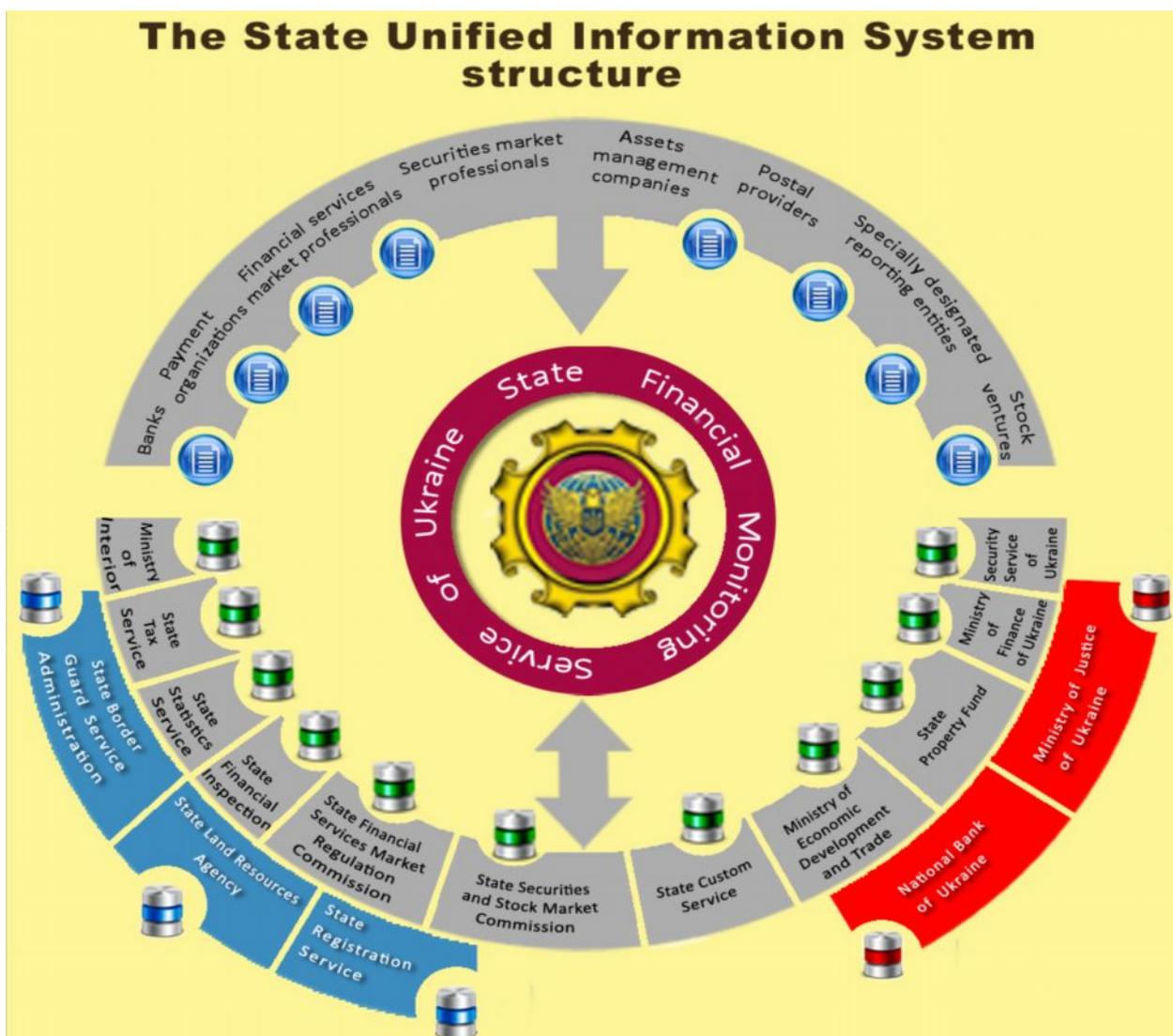
Pursuant to these objectives the SFMS of Ukraine ensures functioning of the information systems supporting integrated information area and carry out information processing.

### 6.1. The Unified State Information System on Financial Monitoring

In 2011 the Unified State Information System was operating in AML/CFT area.

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

Fund, the State Securities and Stock Market Commission, the State Financial Inspection.



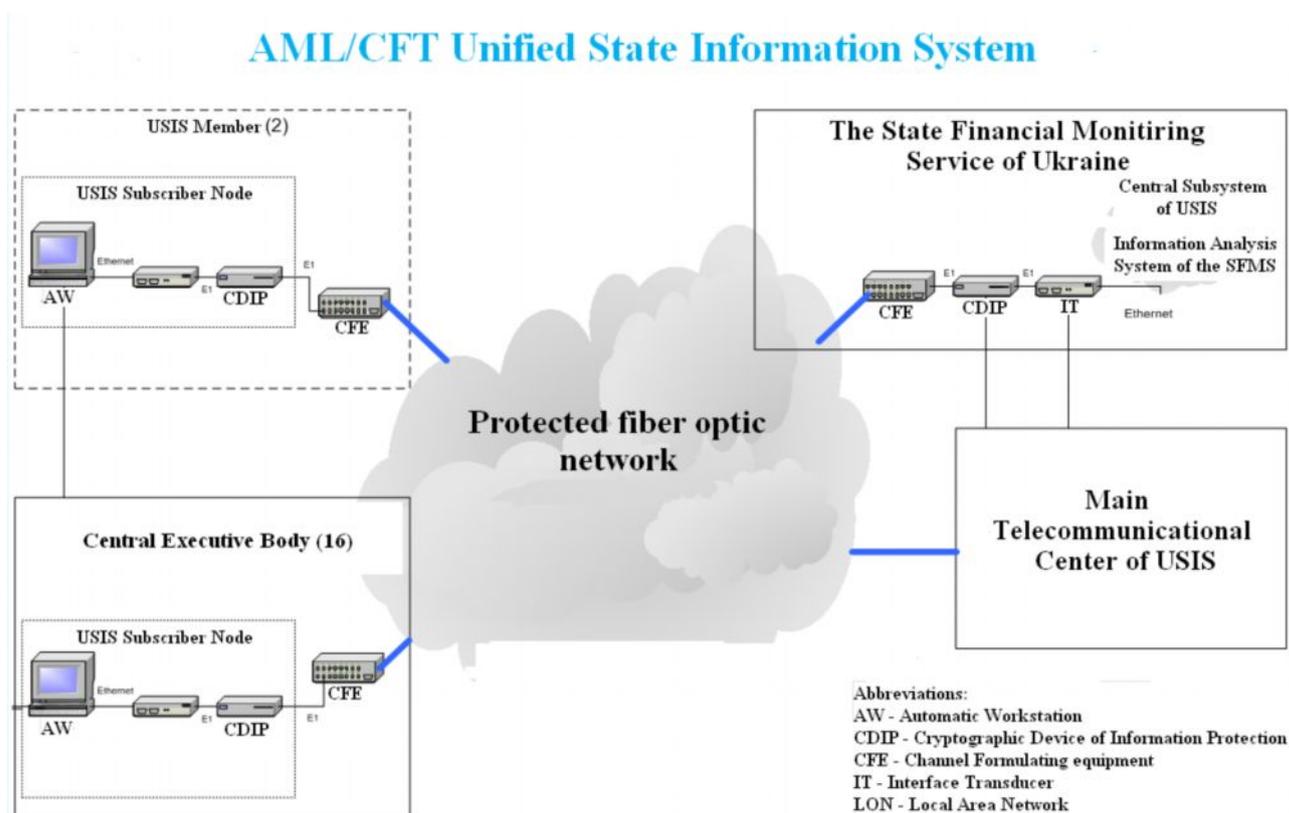
In order to ensure effective analysis of the information on financial transactions by the means of the Unified State Information System, additional information from the state authorities has been obtained in response to regulation requests to functional subsystems of the state authorities – subjects of the Unified Information System (4 130 434 million requests sent).

In order to insure the necessary level of information protection in the Unified State Information System on Financial System, additional state expertise of complex information protection system of subscriber stations of financial monitoring information and telecommunication system of the AML/CFT Unified State Information System has been held in:

- the State Financial Monitoring Service of Ukraine;
- the Ministry of Interior of Ukraine;
- the State Property Fund;

- the State Securities and Stock Market Commission;
- the State Tax Service;
- the State Custom Service;
- the State Financial Inspection;
- the State Statistics Service;
- the Administration of the State Border Guard Service of Ukraine.

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



## 6.2. FINNET Corporate System

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

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

In order to comply with new requirements of the National bank of Ukraine resolution dated 25.05.2011 № 164 on enactment requirements to the reporting entities-banks identified by AML/CFT Law the schemes for processing financial transactions reports have been modernized and the updated software has been put into operation.

## **7. Interagency cooperation**

*In 2011 the organization of AML/CFT interagency cooperation has been carried out in accordance with:*

- the AML/CFT Law;
- the Strategy for Developing Anti-Money Laundering and Counter Terrorist Financing System for the Period up to 2015 approved by the decree of the Cabinet of Ministers of Ukraine dated 09.03.2011 № 190-p;
- the Anti Money Laundering and Counter Terrorist Financing Action Plan for 2011 **approved by the resolution of the Cabinet of Ministers of Ukraine and the National bank of Ukraine dated 09.03.2011 № 270.**

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

- coordination of implementation by state authorities the Anti Money Laundering and Counter Terrorist Financing Action Plan for 2011 **as well as notifying the Cabinet of Ministers of Ukraine and the National bank of Ukraine on the results of its implementation;**
- organizing and conducting meetings of the AML/CFT methods and trends council;
- processing and coordinating draft legal acts of the state financial monitoring entities and other state authorities;
- signing of joint agreements, protocols, other documents on cooperation with state authorities;
- organizing and conducting joint working sessions on adjusting cooperation, interaction, coordination and information exchange with state authorities – participants of AML/CFT system;
- participating of the SFMS of Ukraine representatives in working groups established under the Cabinet of Ministers of Ukraine or other state authorities;
- generalizing, preparing and forwarding information on the state of prevention and counteraction to legalization (laundering) of the proceeds of crime, or terrorist financing to the Administration of the President of Ukraine, the Committee of the Parliament of Ukraine for finance and bank activities, the Committee of the Parliament of Ukraine for counteraction to organized crime and corruption and the Cabinet of Ministers of Ukraine as well as an analysis of actions effectiveness, functioning of financial

monitoring system in the state on the base of information received by state authorities;

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

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

From the beginning of the activity the SFMS of Ukraine has concluded 62 joint acts with 19 state authorities and 17 self-regulatory organizations including 19 agreements, 17 protocols to agreements, 8 orders and 17 Memoranda.

In 2011 the SFMS of Ukraine has concluded 2 agreements on general bases of cooperation: 18.07.2011 – with the State Custom's Service of Ukraine and 31.08.2011 – with the Foreign Intelligence Service of Ukraine.

Also, 15.04.2011 Memorandum of general bases of cooperation in AML/CFT area was concluded between the SFMS of Ukraine and the Association "Ukrainian Stock Exchange Traders".

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

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

During 2011 the SFMS of Ukraine has organized and held 4 meetings of AML/CFT methods and trends council established by the resolution of the Cabinet of Ministers of Ukraine dated 06.01.2010 № 25 during which important issues for *financial monitoring system* were discussed.

During 2011 the SFMS of Ukraine has processed and coordinated 62 draft legal acts of the state financial monitoring entities and other state authorities, in particular:

- the State Securities and Stock Market Commission – 33;
- the National bank of Ukraine – 12;
- the Ministry of Economic Development and Trade – 4;

- the Ministry of Finance of Ukraine – 10;
- the State Commission on Financial Services Markets Regulation – 2;
- the Security Service of Ukraine – 1.

Also, the SFMS of Ukraine representatives have participated in 16 inspections of the reporting entities which were held by other state financial monitoring entities (the Ministry of Finance of Ukraine, the Ministry of Justice of Ukraine, the State Securities and Stock Market Commission, the State Commission for Regulation of Financial Services Markets of Ukraine,).

In 2011 the SFMS of Ukraine conducted 4 meetings of Public council under the SFMS of Ukraine during which a range of important issues on interaction with the public were discussed. Public council's materials are posted at the official web-site of the SFMS of Ukraine.

It should be mentioned that in 2012 in order to develop scientific approaches to implementation of state AML/CFT policy the Scientific and expert council under the SFMS of Ukraine was established.

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

In 2011 the SFMS of Ukraine on the permanent base conducted analysis of effectiveness of the reporting entities' activity in AML/CFT area.

Under result of the mentioned analysis in 2011 the SFMS of Ukraine has developed a number of methodical recommendations and explanations, in particular:

- on filling in certain fields of registration forms and submitting information related to performing financial monitoring;
- on clients' classification considering risk criteria;
- clarifying data on qualifying holders;
- on registration by the SFMS of Ukraine or refusal to register financial transactions reports;
- for banks on: formation of a code, type of financial transaction that is subjected to financial monitoring; peculiarities of the procedure of providing answers by banks to files-requests and files-decisions; registration of financial transactions and providing information to the SFMS of Ukraine; financial transactions that are subjected to obligatory and financial monitoring;
- for non-banks on: information sources containing typologies of international organizations that carry out AML/CFT activities;
- for specially designated reporting entities on appointment compliance office and his/her activities; identification of clients; revealing, registration and submitting financial transactions that are subjected to financial monitoring to the SFMS of Ukraine

The above mentioned recommendations are posted at the official web-site of the SFMS of Ukraine for use by the reporting entities in their work.

During 2011 3 meetings of the Working group on consideration problem issues of the reporting entities-non-banks were organized.

In course of the meetings of the Working group actual issues of implementation by the reporting entities of AML/CFT legislation were considered on the permanent base.

During 2011 17 reporting entities state regulation and supervision over the activities on implementation the AML/CFT legislation of which conducts the SFMS of Ukraine were inspected.

Results of 16 inspections were considered in course of meetings of the SFMS of Ukraine Commission on imposition sanction for infringement AML/CFT Law requirements and/or legal acts that regulate AML/CFT activities. Under results of consideration, penal sanctions in total UAH 43 180 were applied to the reporting entities inspected.

In course of inspections 14 protocols on administrative offence under the Article 166<sup>9</sup> of the Code of Ukraine of Administrative offences for infringement of AML/CFT legislation by compliance officers of the reporting entities were composed and forwarded to the court.

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

To ensure methodical provision of the reporting entities and the state authorities during 2011 the SFMS of Ukraine has done the following work:

- organized and held 47 training arrangements where more than 2000 persons took part;
- training of 540 persons of the reporting entities and 611 persons of the state authorities at the Training Center of the SFMS of Ukraine;
- provided more than 6000 hot line consultations for the reporting entities;
- forwarded near 500 letters of methodical nature to the entities.

## **8 INTERNATIONAL COOPERATION**

### **8.1. Cooperation with international organizations**

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

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

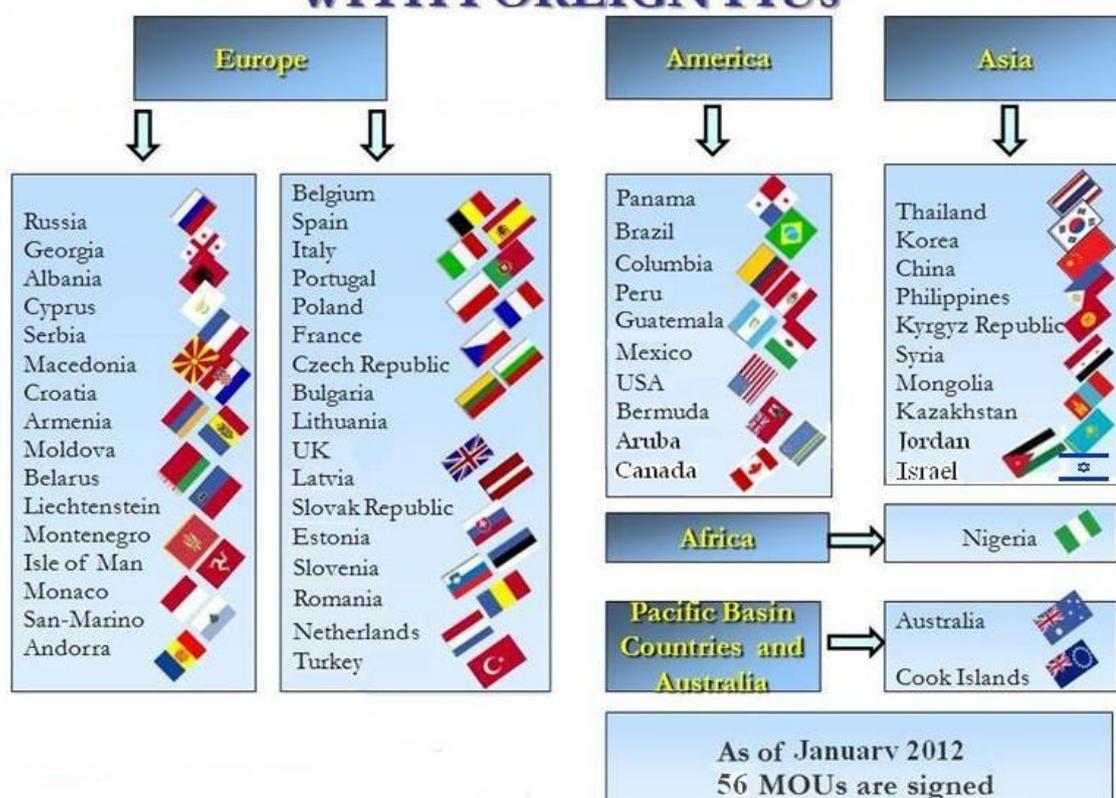
During 2011 the SFMS of Ukraine hosted 3 high level expert missions:

- FATF expert mission;
- The UN Security Council experts mission;
- European Union mission in framework of visa liberalization for Ukraine.

During 2011 the SFMS of Ukraine organized and held 8 international meetings with assistance of IMF, World Bank, UNO, OECD, U.S. Department of Justice and the Basel Institute on Governance, also organized study visits for the representatives of FIU of Tanzania and FIU of Kazakhstan to the SFMS of Ukraine.

The SFMS of Ukraine as specially authorized agency of executive power on financial monitoring concludes interagency international agreements (Memoranda of Understanding) with foreign FIUs. As of 01.01.2012 the SFMS of Ukraine concluded 55 Memoranda of Understanding.

## MEMORANDA OF UNDERSTANDING WITH FOREIGN FIUs



### 8.1.1. Cooperation with FATF

In 2011 the representatives the SFMS of Ukraine actively participated in FATF meetings.

Ukrainian delegation participated in Plenary meetings, ICRG meetings and EERG meetings, where representatives of the SFMS of Ukraine presented new information concerning the AML/CFT progress of Ukraine.

In 2011 the SFMS of Ukraine made arrangements on implementation of Action Plan agreed with FATF in order to remove strategic deficiencies of the AML/CFT system. Thus, the SFMS of Ukraine sent to Financial Action Task Force Group on Money Laundering (FATF) AML/CFT Progress Reports of Ukraine and informed

regarding adoption of new Laws, as well as normative-legal acts aimed at its execution.

On the FATF Plenary meeting on 20-24 June 2011 FATF members admitted Ukraine's progress on improving of the AML/CFT system by adopting legislation acts that finally solve an issue on criminalization of money laundering and terrorist financing, and also the freeze of terrorists assets according to the U.N. Security Council Resolution 1373.

During the FATF Plenary meeting was decided to forward FATF expert mission to Ukraine for confirmation of the implementation of all required reforms in order to remove all defined deficiencies.

5-6 September 2011 Ukraine hosted FATF expert mission in order to estimate the results of implementation of the Action Plan.

As a result of mission experts approved a report which stated the following: "Ukraine has implemented the Action Plan, a team of experts can confirm that the process of implementing the necessary reforms and actions began and continues."

Participants of the FATF International Co-operation Review Group (ICRG) had discussed the results of FATF visit to Ukraine that held in September 2011, and implementation of all articles of the Action Plan by Ukraine and also determined it necessary to continue the implementation of reforms in the area AML/CFT.

Participants of ICRG and FATF Plenary meeting 24-28 October 2011, unanimously confirmed that Ukraine has fulfilled its obligations, and decided to stop monitoring Ukraine and to exclude it from the list of countries that have strategic deficiencies in combating money laundering and terrorist financing system.

### **8.1.2. Cooperation with Egmont group**

The SFMS of Ukraine representatives continuously participate in Working Groups meetings, Egmont Committee meetings, Egmont Plenary meetings and Egmont Group study visits.

Moreover, the representative of the SFMS of Ukraine represents Ukraine and European countries in the Egmont Group Committee (the governing body of this organization). Also, the SFMS of Ukraine representative takes part in the activities of the Project Group concerning the revision of the Statute of the Egmont Group of Financial Intelligence Units.

### **8.1.3. Cooperation with the Council of Europe/European Commission**

On a regular basis the SFMS of Ukraine continues close cooperation with the MONEYVAL Committee. In 2011 delegation of the SFMS of Ukraine took part in 3 MONEYVAL Plenary Meetings. During the Plenary meetings Ukraine presented new legislation, adopted on implementation of the agreed with FATF Action Plan and new information concerning the progress on the ratings of "not compliant" and "partly compliant" set out in the third round of MONEYVAL mutual evaluation.

Close cooperation of the SFMS of Ukraine and MONEYVAL was presented by project on typologies research “Trade based on money laundering in economies with big turnover of cash” on the 10-th MONEYVAL expert meeting on typologies on anti-money laundering measures and the financing of terrorism.

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

#### **8.1.4. Cooperation with Eurasian group**

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

The confirmation of active participation of the SFMS of Ukraine in Eurasian group is involvement of Ukraine in EAG joint research, including the typological study "Vulnerabilities of transactions with intangible assets (intellectual property), allowing their use for money laundering and terrorist financing", joint training activities and participation of representatives of the SFMS of Ukraine in the Mutual Evaluation of EAG member countries (Turkmenistan) and in the work of EAG (representative of the SFMS of Ukraine appointed co-chaired of the Working Group on typologies).

#### **8.1.5. Cooperation with IMF**

An interaction with the International Monetary Fund is continuing as part of technical assistance "Combating Money Laundering - Ukraine - Module 5: Structure and Instruments" for the state agencies that regulate and supervise the activities of entities that are non-bank institutions.

In 2011 the SFMS of Ukraine actively participated in the events organized with assistance of International Monetary Fund, particularly there were organized two seminars for non-banking institutions and relevant state regulators and law enforcement authorities.

As a result of visiting IMF mission there was prepared Report for technical assistance in combating money laundering and terrorist financing.

Also together with the IMF there was held a round table with representatives of specially designated state financial monitoring entities, and were organized other meetings which helped to start the work on raising awareness regarding the introduction of new legislation on counteraction to legalization (laundering) of proceeds from crime and terrorism financing.

#### **8.1.6. Cooperation with OSCE**

In 2011, cooperation with the Organization for Security and Cooperation in Europe (OSCE) was enhanced. In particular, joint regional seminar on seizing and recovering the illegal proceeds of drugs and crime, and regional roundtable on strengthening cooperation between FIUs, financial control services and law enforcement agencies in combating money laundering of illegal profits through the use of new payment methods were organized. In addition, representatives of the SFMS of Ukraine take part as experts in OSCE activities.

#### **8.1.7. Cooperation with OECD**

With the assistance of the SFMS of Ukraine the OECD organized joint seminar “Investigation and prosecution of corruption, financial investigations and links with money laundering” in order to assist exchange practical experience and leading practice between the representatives of law enforcements, prosecutor authorities and FIU’s of East Europe, which are in charge of investigation and prosecution of corruption and money laundering.

#### **8.1.8. Technical assistance for foreign FIUs**

During 2011 the SFMS of Ukraine representatives provided technical assistance to foreign counterparts to develop and improve national AML/CTF systems in the framework of Egmont Group and EAG.

Moreover, the SFMS of Ukraine organized study visits for representatives of Tansania and Kazakhstan FIUs.

The SFMS of Ukraine was sponsoring and assisting Kazakhstan and Azerbaijan FIUs regarding their joining to Egmont group. As the result of this cooperation, Kazakhstan and Azerbaijan FIUs had joined the Egmont Group in 2011.

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

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

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

In 2011 the SFMS of Ukraine closely cooperated with 111 FIUs of other countries in the AML/CFT area.

In 2011 the SFMS of Ukraine sent 467 requests to 58 foreign FIUs and received 430 responses on mentioned requests from 52 foreign FIUs.

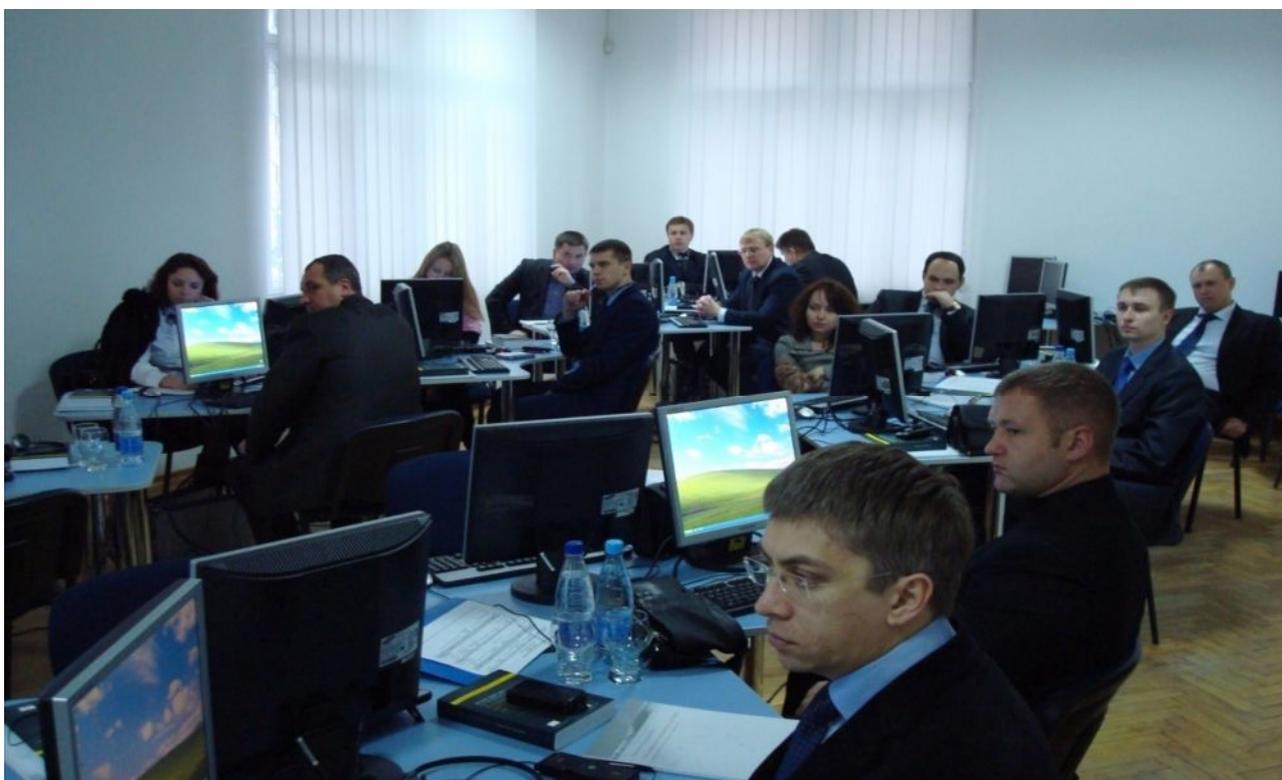
The most active information exchange was held with FIUs of Latvia – 84 requests, Cyprus – 41 requests, Great Britain – 40 requests, Russian Federation – 30 requests, Lithuania – 30 requests, USA – 27 request, British Virgin Islands – 27 requests.

At the same time the SFMS of Ukraine received 187 requests from 48 FIUs. The SFMS of Ukraine responded on 189 requests to 48 foreign FIUs.

In 2011 through the Egmont Secure Web (ESW) the SFMS of Ukraine had sent 462 requests and received 176 requests from foreign FIUs.

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

The Training Center of the SFMS of Ukraine provides AML/CTF professional development of specialists. It provides training for the state financial monitoring entities, law-enforcement authorities and judicial authorities, specialists of the financial services market, professionals participants of the securities market and its staff responsible for financial monitoring, officers responsible for financial monitoring of reporting entities – nonfinancial institutions.



In 2011 Training Center trained 1151 specialists:

611 professionals of the state authorities (the year planned rate is made on 102%):

- 239 – representatives of the state financial monitoring entities;
- 372 – representatives of law enforcement and judicial authorities.

- 540 compliant officers of the reporting entities (the year planned rate is made on 120 %):

- 461 – participants of financial market services;
- 79 persons – professionals of non-financial institutions.

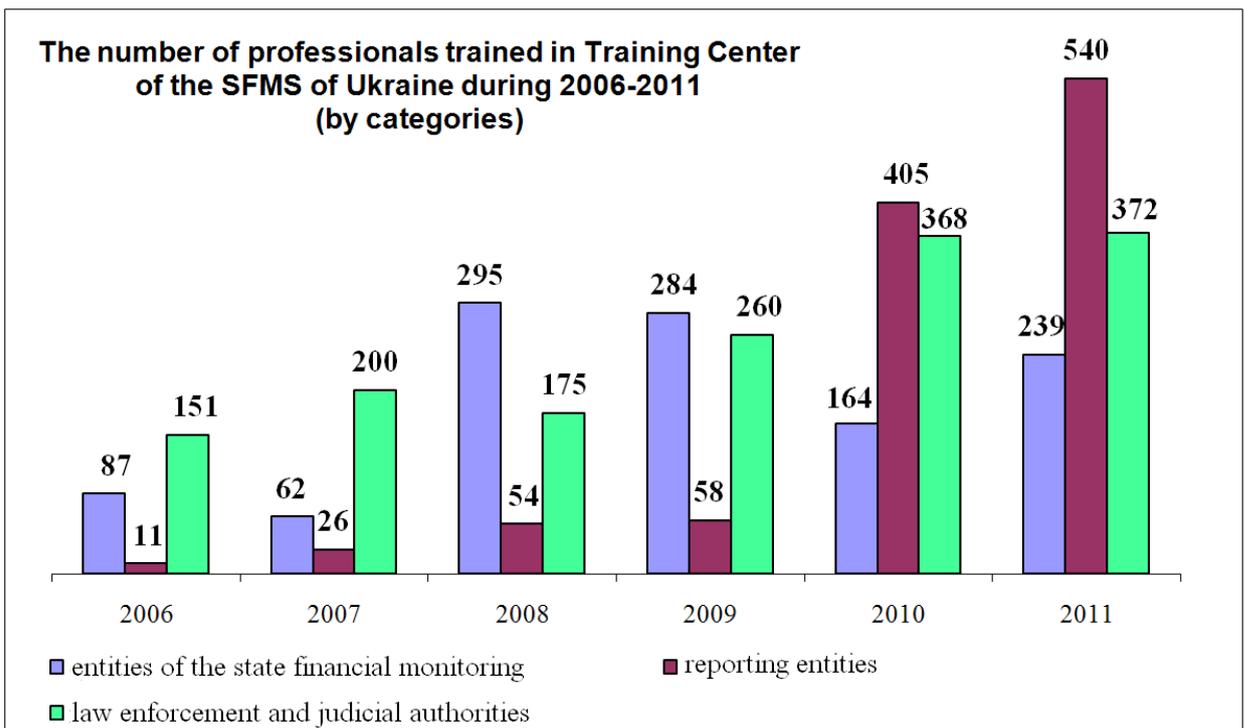


In 2011, trainings at the Training Centre were based in Kyiv, Kharkiv and Lviv, in particular:

- in Kiev trained 125 representatives of the entities of state financial monitoring, 146 law enforcement and judicial authorities, 254 participants of financial market services and 69 experts from non-financial institutions;

- in Kharkiv trained 59 representatives of the entities of state financial monitoring, 124 representatives of law enforcement and judicial authorities, 131 participants of financial market services and 10 experts from non-financial institutions;

- in Lviv trained 55 representatives of the entities of state financial monitoring, 102 representatives of law enforcement and judicial professionals and 145 participants of financial market services.



## **10. PLANS FOR 2012. DEVELOPMENT PERSPECTIVES**

The strategic objectives of the SFMS of Ukraine for 2012 on implementation of the AML/CFT state policy are as follows:

- implementing AML/CFT legislation;
- strengthening by Ukraine a status of reliable partner of the international community in AML/CFT area;
- carrying out the national AML/CFT risk assessment;
- developing and improving the unified state information system in AML/CFT area;
- organizing and coordinating of work on retraining and professional development for specialists of state authorities on financial monitoring and specialists of the reporting entities responsible for financial monitoring in AML/CFT area on the basis of the Training Center of the SFMS of Ukraine.