

CABINET OF MINISTERS OF UKRAINE

RESOLUTION

of December 30, 2015 No. 1407-r

Kyiv

On Approving the Strategy of Development of the System for Preventing and Countering Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism, and Financing of Proliferation of Weapons of Mass Destruction until 2020

1. Approve the attached Strategy of Development of the System for Preventing and Countering Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism, and Financing of Proliferation of Weapons of Mass Destruction until 2020.
2. The State Financial Monitoring Service, together with other executive authorities, shall ensure before December 1 annual development and submittal for the Cabinet of Ministers of Ukraine approval of the action plan on implementation of the Strategy approved by this Ordinance
3. This Ordinance shall become effective as of January 1, 2016.

Prime Minister of Ukraine

A. YATSENYUK

APPROVED

by the Cabinet of Ministers of Ukraine
Ordinance
of December 30, 2015 No. 1407-r

STRATEGY of Development of the System for Preventing and Countering Legalization (Laundering) of Proceeds of Crime, Financing of Terrorism, and Financing of Proliferation of Weapons of Mass Destruction until 2020

General

One of the most important issues in the fight against laundering of proceeds of crime is implementation of efficient methods for preventing and countering corruption in Ukraine.

At the current stage of development of Ukraine, corruption and laundering of proceeds of crime are closely related.

Designated state authorities, together with competent foreign authorities, actively investigate the facts of laundering of proceeds of corruption, embezzlement and appropriation of state funds and assets to establish and subsequently block the bank accounts and other assets abroad.

One of the main results of criminal cases is confiscation of criminal assets and entering them to the state budget.

To prevent and counter financing of terrorist activities, detect individuals and their financial transactions related to such activities, it is necessary to establish close cooperation between the designated state authorities and competent foreign agencies on detection of international payment transactions which may be aimed at financing of terrorist activities.

A prerequisite for efficient addressing of these issues is pooling and continuous coordination of the efforts of the designated state authorities, financial and credit institutions, and other organizations involved in the national system for preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction, as well as cooperation with such international institutions as Financial Action Task Force (FATF), Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), International Monetary Fund, World Bank, and others.

Situation Analysis

Currently, designated state authorities pursue development of the national system for preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction, the requirements for which were significantly stepped up in line with the updated FATF Recommendations approved by the Financial Action Task Force (FATF).

In order for Ukraine to implement the updated FAFT Recommendations, on October 14, 2014 the Verkhovna Rada of Ukraine passed the [Law of Ukraine “On Preventing and Countering Legalization \(Laundering\) of Proceeds of Crime, Financing of Terrorism and Financing of Proliferation of Weapons of Mass Destruction”](#) aiming to protect the rights and legitimate interests of citizens, society, and state, to guarantee the national security by identifying the legal mechanism for preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction, and to develop a database for providing the designated state authorities and competent foreign agencies with a possibility to identify and investigate the crimes related to money laundering and other illegal financial transactions.

The Cabinet of Ministers of Ukraine, together with the National Bank, annually approve an action plan for preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction, which determines the actions aimed to ensure efficient operation of the national system for preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction, and to implement the FATF Recommendations in the national legislation.

The said plan also includes actions to prevent the emergence of conditions for legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction, to minimize the risks of using the financial system for legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of

weapons of mass destruction, to improve the efficiency of law enforcement and other designated state authorities, and to develop international cooperation.

Aim and main areas of implementing the Strategy

The aim of Strategy is legislative, organizational, and institutional improvement and ensuring of stable operation of the national system on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction.

To achieve this aim, the following actions need to be taken:

ensure the establishment of the status of Ukraine as a reliable partner of the international community in preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction by:

- bringing national legislation in line with requirements of international standards;
- decriminalizing and legalizing economic relations;
- principled, consistent, and efficient countering of terrorism and its financing;
- consistent and efficient countering of corruption;
- improving investment attractiveness of the national economy for foreign investors;
- shaping of a positive international image of Ukraine;

preclude the emergence of conditions for legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction by:

- ensuring implementation of the provisions of the [Law of Ukraine “On Preventing and Countering Legalization \(Laundering\) of Proceeds of Crime, Financing of Terrorism, and Financing of Proliferation of Weapons of Mass Destruction”](#);
- annual drafting of an action plan for preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;
- improving methods of monitoring financial flows and combating illegal and unproductive cash outflow from Ukraine, pseudo investment in Ukraine, pseudo export and pseudo import;
- increasing the efficiency of analysis methods and financial schemes for legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction, and performing typological research in the sphere;
- identifying and suppressing illegal operation of conversion centers and enterprises with attributes of fictitiousness, including securities issuers (promissory notes, shares, bonds, investment certificates, etc.) which participate in legalization (laundering) of proceeds of crime or financing of terrorism;

- identifying and suppressing illegal activities of financial pyramids involved in the legalization (laundering) of proceeds of crime or financing of terrorism;
- establishing and ensuring continuous operation and updating, based on proposals of the designated state authorities, of the publicly available register of identification data of legal entities and individuals involved in illegal activities;
- identifying and suppressing legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction in the offshore zones and jurisdictions with a favorable climate for legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;
- establishing conditions and possibilities for identification of end beneficiary owners (controllers);
- identifying and suppressing by the state financial monitoring subjects of illegal activities of legal entities and individuals which essentially provide financial services on attracting and transfer of funds (including electronic money), crediting, currency exchange and other financial transactions without corresponding licenses and permits;
- improving the procedure for drafting by law enforcement authorities of statistical reports on countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;
- ensuring drafting of recommendations on applying some articles of the [Criminal Code of Ukraine](#) and the [Code of Criminal Procedure of Ukraine](#) in the sphere of preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;
- identifying financial transactions related to financing of terrorism and actions committed aimed at a violent change or overturn of the constitutional order or capturing state power, a change in the boundaries of the territory or state border;
- identifying facts of cybercrime and legalization (laundering) of proceeds of crime obtained through committing cybercrimes;
- reducing the risk of capital outflow abroad for legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;
- improving the means of monitoring cash transactions, specifically its withdrawal from accounts at financial institutions, movement through the state border;
- improving the means for monitoring of financial flows related to the use and administration of state funds and assets;
- preventing, identifying, and suppressing illegal activities on appropriation and embezzlement of funds of the state and local budgets, funds and assets of state and communal enterprises, institutions, organizations, business entities with a government share in the authorized capital, identifying and suppressing other offenses in the relevant area;
- identifying and suppressing of obtaining improper advantage by persons authorized to perform functions of the State or of local government, as well as identifying and suppressing facts of unlawful enrichment;

- establishing cooperation with competent foreign agencies with the purpose of finding, identifying, tracking, stopping, arresting and confiscating unlawfully gained state assets and income;
- transferring to the electronic form of interaction of the state monitoring subjects and the primary financial monitoring subjects with the State Financial Monitoring Service of Ukraine;
- authorizing third persons within financial groups to identify participants of financial transactions;
- improving the standards of countering abuse in the stock market using insider information;
- introducing new approaches to countering manipulations in the stock market;
- obtaining intelligence outside Ukraine on the operation in the territory of our country of conversion centers, enterprises with attributes of fictitiousness (including securities issuers), facts of cybercrimes, as well as financial pyramids and transactions used in the schemes of the said unlawful activities;

improve the legislation on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction by:

- developing and adopting laws on improving the mechanisms of state regulation of state cash lotteries and gambling;
- making the legislation on auditing in terms of cooperation with financial intelligence authorities in compliance with Regulation (EU) 537/2014 of the European Parliament and Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC;
- implementation in the national legislation of Directive (EU) 2015/849 of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing [Directive 2005/60/EC of the European Parliament and of the Council](#) and [Commission Directive 2006/70/EC](#);
- further implementation of FAFT Recommendations, [United Nations Convention against Corruption](#), [Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism](#), and other international documents;
- ensuring efficient operation of relevant divisions within the law enforcement authorities, whose main activities are to prevent and counter legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;
- ensuring efficient countering of cybercrime through intensified international cooperation on harmonization of the national legislation with international recommendations, as well as in the sphere of operational response to incidents related to damaging of computer systems;

minimize the risks of using the financial system for legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction by:

- increasing information transparency of the financial system;

- strengthening partner relations with the private sector on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;
- increasing the share of cashless payments and narrowing the sphere of using cash;
- improvement and expansion of unified information space of electronic interaction of state authorities that are participants of the national system for preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;
- reforming the state administration system;
- improving the forms and methods of the risk-oriented approach in the financial monitoring sphere;
- performing of the national risk assessment;
- establishing efficient interaction and cooperation of the State Financial Monitoring Service of Ukraine with the National Anti-Corruption Bureau;
- establishing relevant punishment for legalization of proceeds, manipulation on the securities market, unlawful trading in insider information, and violation of the legislative norms on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;

improve the activities of the designated state authorities on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction by:

- improving the interaction mechanism between law enforcement agencies and the State Financial Monitoring Service of Ukraine, namely while working on summarized materials on financial transactions which may be related to laundering proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction, as well as during criminal investigations;
- development and implementation of efficient mechanisms of searching for unlawfully obtained funds and assets for their arrest and confiscation in due course;
- implementation of the procedure for special confiscation of the assets related to legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction, and other predicate crimes;
- improving the institutional framework for preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction, strengthening interagency interaction and coordination;
- improving the procedure for detecting and subsequent freezing of the assets of persons involved in financing of terrorism and proliferation of weapons of mass destruction;
- submittal by the state authorities to the State Financial Monitoring Service of Ukraine of information identified during discharge of their functions on financial transactions suspected of

relation to legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction, or to the persons subjected to international sanctions;

- implementing agreements on mutual legal assistance which facilitate exchange of information between countries for investigation of criminal cases and prosecuting perpetrators;

improve the mechanism of regulation and supervision over the primary financial monitoring subjects by:

- improving the efficiency of regulation and supervision over the primary financial monitoring subjects in line with the policy, procedures, and control systems, risk assessment on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;

- improving the procedure for developing and submittal of administrative reports by the state financial monitoring subjects on the results of supervision over the primary financial monitoring subjects on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;

- precluding building up of authorized funds of the relevant primary financial monitoring subjects at the expense of the funds, whose sources of origin are not officially confirmed;

- applying a clear mechanism for verification of business reputation of the persons who manage and control the primary financial monitoring subjects;

professional development of specialists by:

- organizing training for representatives of the primary financial monitoring subjects, including the designated ones;

- carrying out coordination activities on advanced training and professional development of specialists of the state authorities and primary financial monitoring subjects on financial monitoring related to preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destructions, specifically at the educational institution which belongs to the SFMSU management sphere;

- improving the efficiency of activities on training and professional development of employees of special units of the law enforcement agencies involved in detection, exposure, and investigation of facts of legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;

- organizing trainings on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction for the employees of the SFMSU, law enforcement, intelligence and court authorities;

organize efficient international cooperation by:

- continuing Ukraine's participation in international events on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction occurring in the framework of the Financial Action Task Force (FATF), Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), European Union, World Bank, International

Monetary Fund, Egmont Group of Financial Intelligence Units, and other international organizations and institutions;

- continued work to prepare and conclude international agreements (memorandums) on cooperation on countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;

- ensuring efficient interaction and information exchange between competent foreign agencies and international organizations whose operation aims at preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;

ensure informing of the public on the actions taken to prevent and counter legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction by:

- developing an efficient access mechanism for natural persons and legal entities, as well as mass media to public information on the results of the state authorities' activities on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction;

- ensuring transparency of the state authorities' activities on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction.

Expected results

Implementation of this Strategy will ensure:

system-based implementation of the state policy on preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction in line with the world standards;

harmonization of the national system for preventing and countering legalization (laundering) of proceeds of crime, financing of terrorism, and financing of proliferation of weapons of mass destruction with the world standards;

reduction in the corruption level;

effective cooperation and continuous exchange of information with the executive authorities and other state agencies which are subjects of the state financial monitoring, as well as competent foreign agencies and international organizations in the said sphere;

professional development of state authorities' specialists on financial monitoring and primary financial monitoring subjects' employees;

transparent and efficient use of the state budget funds;

stimulating an inflow of foreign investment to the national economy;

increasing of the state budget revenues;

facilitating liberalization of the EU visa regime for citizens of Ukraine.

Implementation of the Strategy will help develop Ukraine as a democratic, law-based state, ensuring protection of its national interests, enhancing social and economic relations, and shaping the foundations of the civil society.
