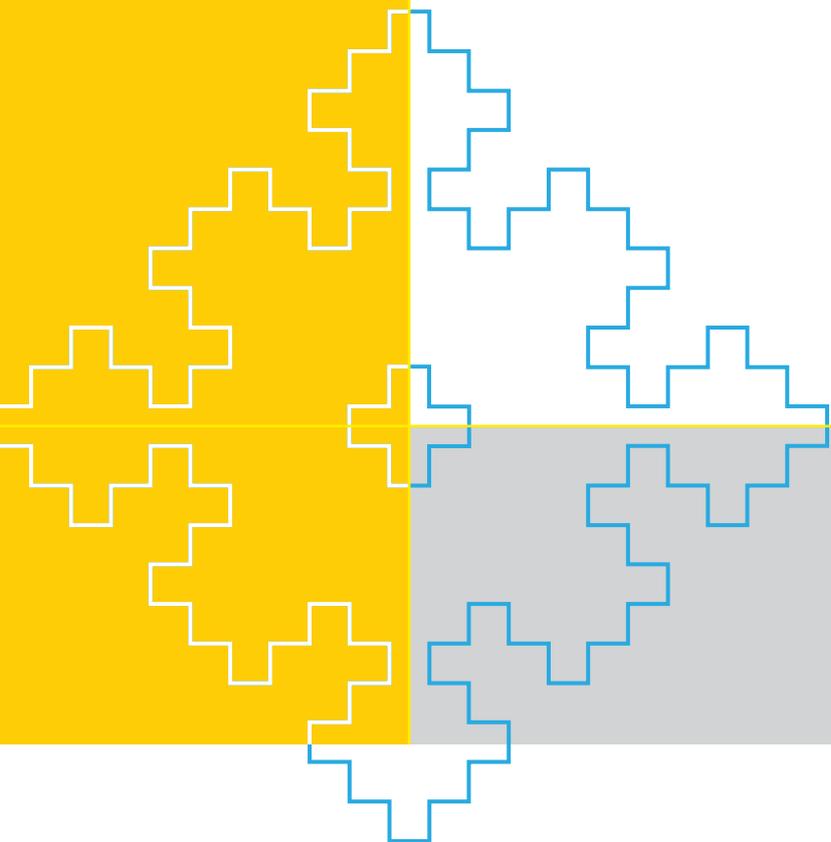


STATE FINANCIAL
MONITORING
SERVICE OF UKRAINE
**2021 ANNUAL
REPORT**



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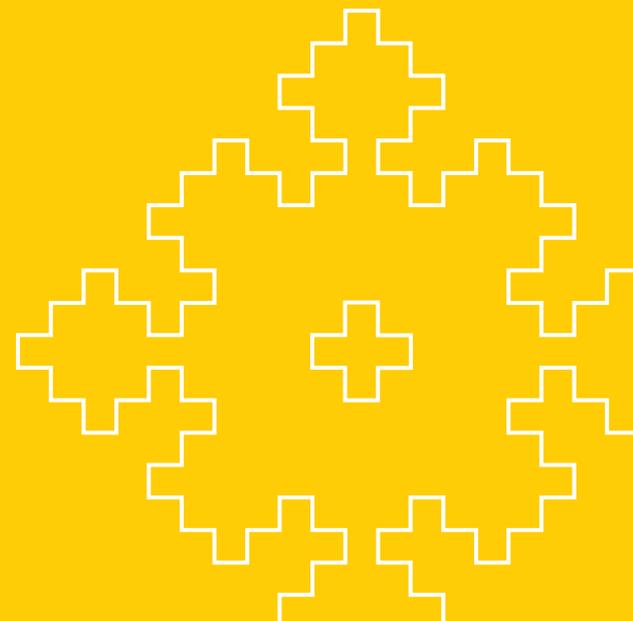
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«8. The main challenges and threats in the field of financial security are... the spread of the phenomenon of legalization (laundering) of the proceeds from crime »

«21.1. Tasks in the field of financial security... protection of the national financial system from legalization (laundering) of the proceeds from crime, terrorist financing and financing proliferation of weapons of mass destruction»



Strategy of economic security of Ukraine for the period up to 2025, approved by the Decree of the President of Ukraine of 11.08.2020 No.347/2021



«Today, money laundering, terrorist financing and financing proliferation of weapons of mass destruction are among the greatest threats in Ukraine and other countries. Legalized criminal funds are resources for criminal organizations and perpetrators for committing new crimes and evading responsibility for committing them»

«Minimizing the threat of money laundering and terrorist financing requires targeted and coordinated efforts by all participants in the system for preventing and counteracting to legalization (laundering) of the proceeds from crime, terrorist financing and financing proliferation of weapons of mass destruction»



The main directions of the development of the prevention and counteraction to legalization (laundering) of the proceeds of crime, terrorist financing and financing of proliferation of weapon of mass destruction system in Ukraine for up to 2023, approved by the Regulation of the Cabinet of Ministers of Ukraine of 12.05.2021 No. 435-p

Address of the Head of the State Financial Monitoring Service of Ukraine Mr. Igor CHERKASKYI

Dear Ukrainians!

We bring to your attention the report on the implementation in 2021 by the State Financial Monitoring Service of Ukraine of the state policy in the area of prevention and counteraction to legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction.

20 years ago, the Government of Ukraine began an institutional history in the area of combating money laundering - created the SFMS, which took on the role of leader of anti-legalization coordination processes.

Today, the SFMS, as a national financial intelligence unit, is one of the key financial security bodies of Ukraine.

In the international arena, the SFMS is recognized as a reliable and effective partner of the global community in financial monitoring issues.

We keep our hands on the pulse of all international trends and at the legislative level have helped to bring the legislation up to world standards.

In 2021, our work focused on further legal support for the national financial monitoring system, deepening the work on financial investigations and implementing new national strategies for the anti-legalization containment system.

Last year, the SFMS provided constructive cooperation with state authorities, public organizations, as well as international structures, and provided methodological support for the financial monitoring system.

Since February 24, 2022, the Russian Federation (RF) has been carrying out a full-scale armed aggression (bloody war) against Ukraine, threatening the statehood of Ukraine and its territorial integrity.

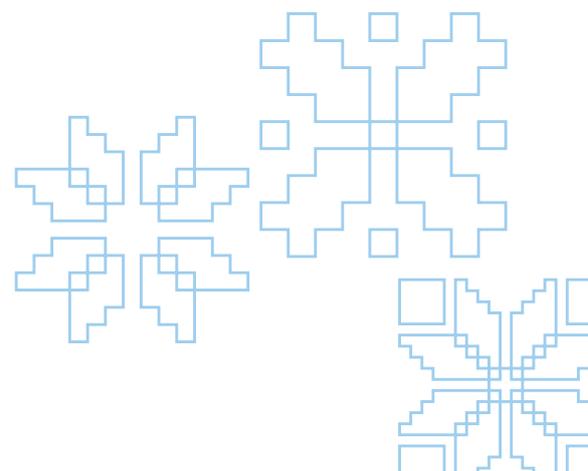
Under martial law, we are vigorously taking enhanced and comprehensive measures to further isolate RF economically in the international arena in cooperation with national partners and taking proactive steps towards Ukraine's complete victory.

Glory to Ukraine!



Respectfully
Igor CHERKASKYI

A handwritten signature in blue ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name Igor CHERKASKYI.



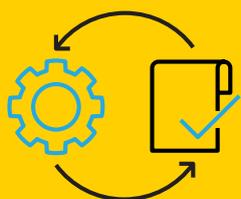
1. ABOUT THE SFMS

1.1. KEY RESULTS OF THE SFMS WORK IN 2021



INTERNATIONAL COOPERATION

In course of the 62nd MONEYVAL Plenary meeting (December 13-17, 2021) information on the progress and effectiveness of the procedures applied in the process of tax amnesty taking place in Ukraine was presented



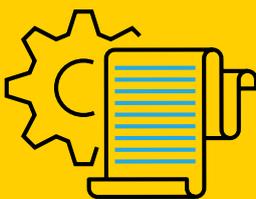
NATIONAL COORDINATION

The Government of Ukraine has adopted and the SFMS ensured the implementation of the action plan for the implementation of the main directions of development of the national AML/CFT system



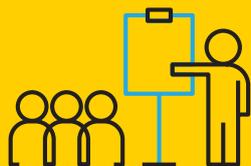
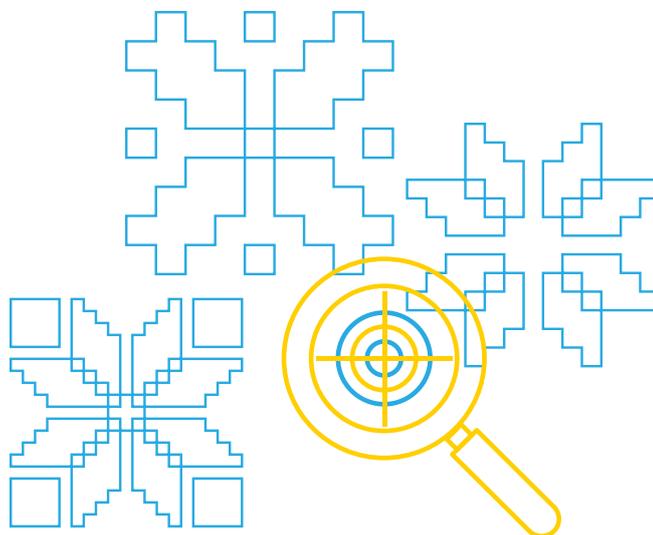
FINANCIAL INVESTIGATIONS

The SFMS prepared and sent to law enforcement agencies 1170 referrals with estimated worth UAH 103.2 billion



LEGISLATIVE INITIATIVE

Under the development by the SFMS, in order to implement the updated Basic Law, the Ministry of Finance of Ukraine adopted 14 orders, including joint ones with other authorities



TRAINING ACTIVITY

2,315 people were trained at the Academy of Financial Monitoring, and about 1,000 people took part in scientific and practical events. In total, representatives of the SFMS took part in 83 educational events



METHODICAL ACTIVITY

Guidelines: "Managing business relations with Politically Exposed Persons", "World experience in conducting National Risk Assessments of money laundering and terrorist financing", "Horizontal review of mutual evaluation reports in the AML/CFT" are promulgated



NATIONAL RISK ASSESSMENT

Methodology of National Risk Assessment on Money Laundering and Terrorist Financing is updated, comprehensive administrative reporting indicators are approved



TYPOLOGICAL STUDIES

A typological study on the topic: «Current techniques, practices and instruments of money laundering and terrorism (separatism) financing» is prepared

1.2. Human resources

The human resources policy of the SFMS is implemented according to the requirements of the Constitution of Ukraine, the legislation on public service, ensuring principles of prevention and counteraction to corruption, other legal regulations under which the state creates conditions for citizens to realize the right to work, for staff training and professional development according to social needs.

The below mentioned Pic. 1.1. provides the SFMS structure.

The main objectives of the human resources policy of the SFMS are to involve, support and develop staff.

The priority areas of human resources

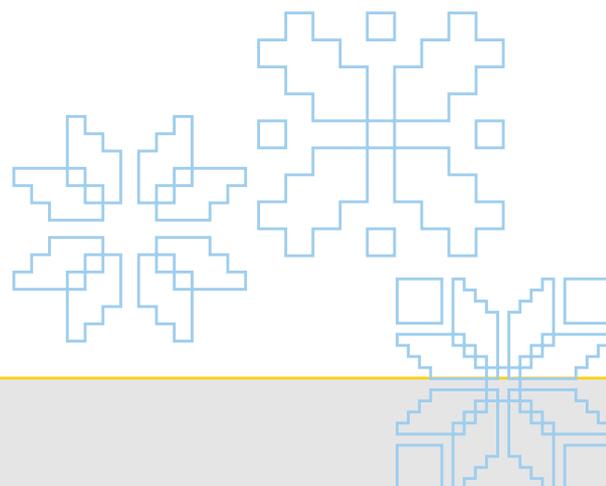
management in the SFMS are the achievement of strategic goals and objectives of the SFMS, specifically:

- *planning, selection, adaptation of staff to meet the needs of the SFMS in qualified specialists;*
- *organizational and professional development of staff;*
- *maintaining a balance between the interests of staff and the employer through a system of evaluation and surveys.*

The table 1.1 below presents a portrait of the SFMS employee in 2021.

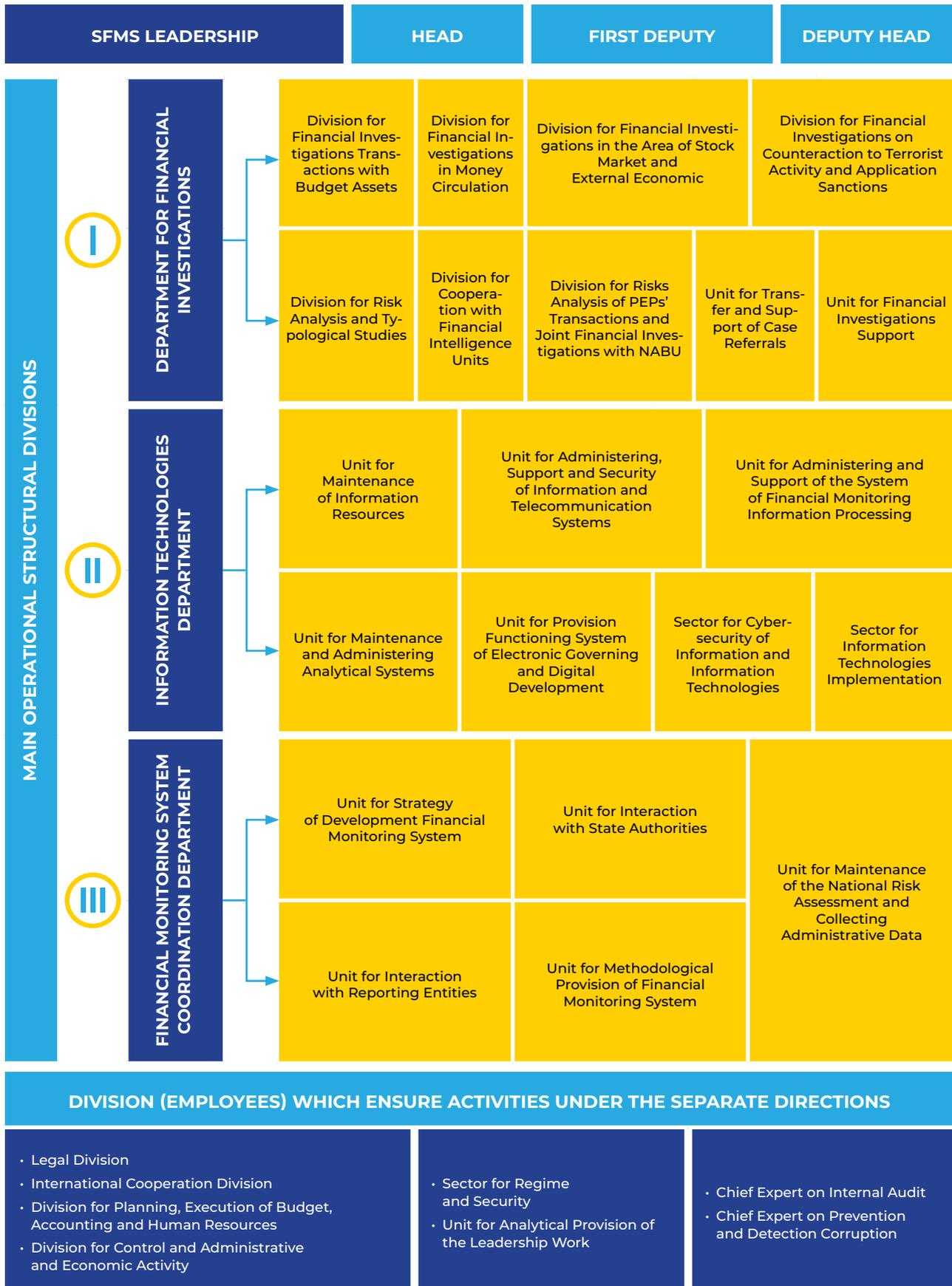
Age groups	Less than 28 years old – 51, 29 – 35 years old – 71, 36 – 46 years old – 35, 47 – 60 years old – 43, more than 60 years old – 3
Average age	Up to 35 years old
Gender balance	Men – 83 (40,8%), Women – 120 (59,2%)
Leadership (category B)	Men – 36, Women – 38
Work experience	5 – 10 years is an average work experience in the SFMS
Experience	Employees have experience in tax and banking sphere
Basic abilities and competencies	Flexible thinking, analytical skills, adaptability

Table 1.1



THE SFMS STRUCTURE

Pic. 1.1



The authorized staff complement of the SFMS is 237 persons. As of January 1, 2022, 203 employees and 2 service staff actually work in the SFMS. Dynamics of the actual number of the SFMS employees in 2018-2022 is provided on Pic. 1.2.

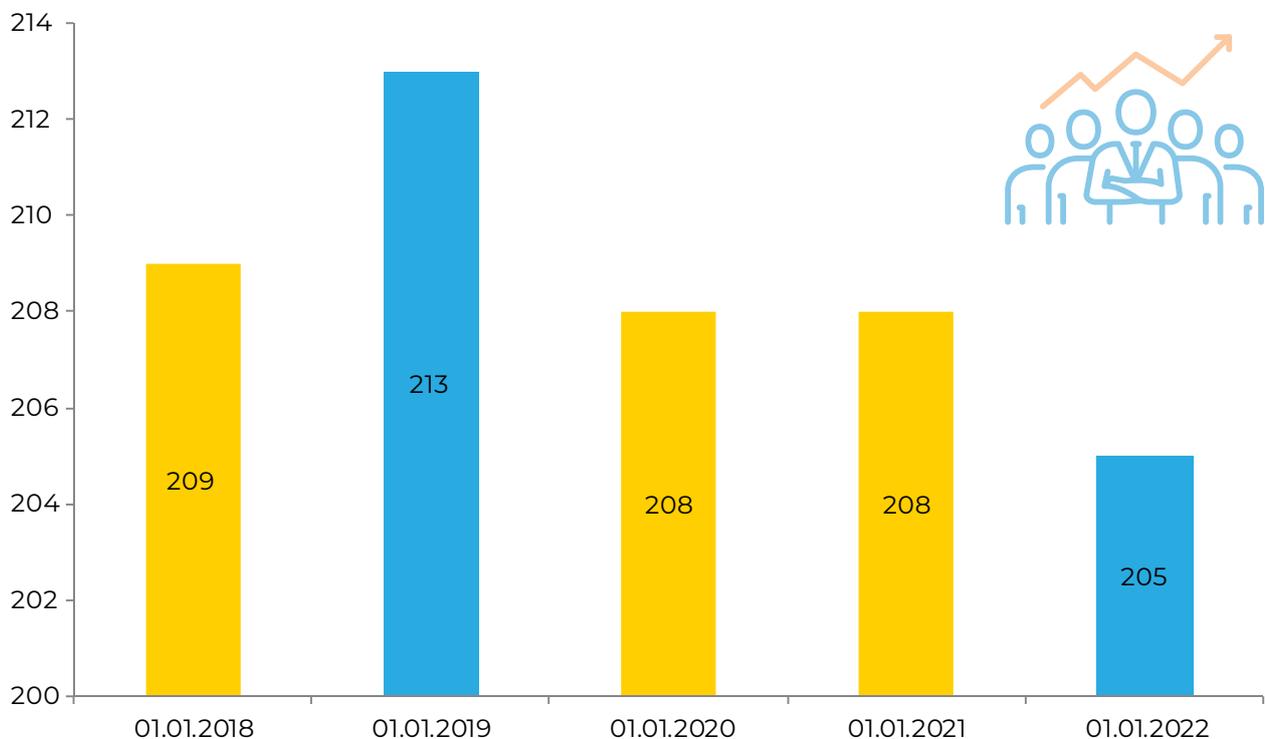
The SFMS staff consists of highly qualified specialists with complete higher education. 10 SFMS employees have a scientific degree, 5 of them have an academic degree. 12 SFMS employees have a Master's degree in Public Administration.

During 2021, the SFMS organized and conducted one selection to fill vacancies for the period of quarantine established to prevent the spread of respiratory disease COVID-19 caused by coronavirus SARS-CoV-2 in Ukraine and considered 16 ap-

plications. According to the results of the selection, three candidates are recommended for appointment by concluding a contract for civil service for the period of quarantine. There were also six competitive selections to fill vacancies in the civil service. Documents for participation in the competition for 150 candidates have been prepared, 21 winners of the competitive selection have been recommended for appointment.

In 2021, professional development was provided for 189 civil servants working in the SFMS by passing professional training programs, participating in workshops, webinars and trainings. This was 93% of the actual total number of employees.

DYNAMIC OF THE ACTUAL NUMBER OF THE SFMS EMPLOYEES IN 2018-2022



Pic. 1.2

1.3. Financing of the SFMS

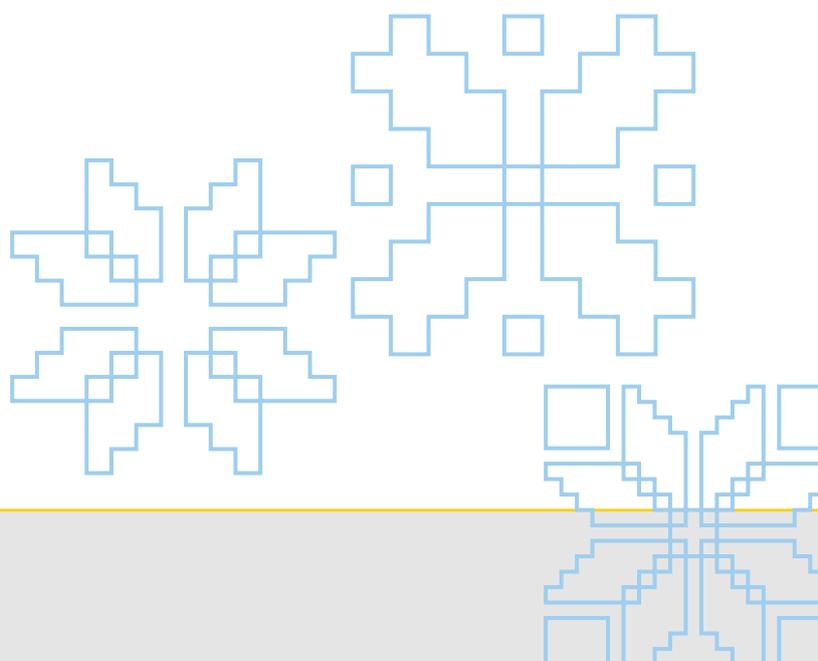
In 2021, the SFMS was financed from the state budget within the budgetary allocations pursuant to the Law of Ukraine «On State Budget of Ukraine for 2021»

In 2021, according to budgetary allocations obtained, the SFMS expended UAH 143.9 million. The structure of funds expenditure is provided in Table 1.2 below.

THE STRUCTURE OF THE SFMS BUDGETARY ALLOCATIONS IN 2021

Expenditures	Amount in UAH thousand
Salaries and charges	104 088,1
Utility services and energy carriers expenditures	2 233,7
Business trip expenditures	83,2
Other expenditures to ensure activity and maintenance of the State Information System and Information and Analytical System of the SFMS	37 488,7
Total	143 893,7

Table 1.2



2. DEVELOPMENT OF THE AML/CFT LEGISLATION

In 2021, the SFMS took measures for the development of proposals to improve the AML/CFT regulations.

Thus, in the reporting period, 16 regulations developed by the SFMS have been adopted (the list is mentioned in the Annex A).

In order to implement the requirements of the updated Basic Law, which entered into force on April 28, 2020, and to bring the AML/CFT regulations in line with the Law, during 2021, with the active participation of the SFMS, the following was adopted:

- 1 regulation of the Cabinet of Ministers of Ukraine;
- 7 orders of the Ministry of Finance of Ukraine;
- 7 joint orders of the Ministry of Finance of Ukraine and other authorities.

At the same time, the SFMS, within its competence, has agreed the draft AML/CFT regulations in the manner prescribed by law.

Thus, in 2021, 69 draft regulations have been agreed developed by other state authorities, 52 of them have been agreed without comments, and 17 with comments.



Рис. 2.1

3. STATISTICS ON THE REPORTS RECEIVED

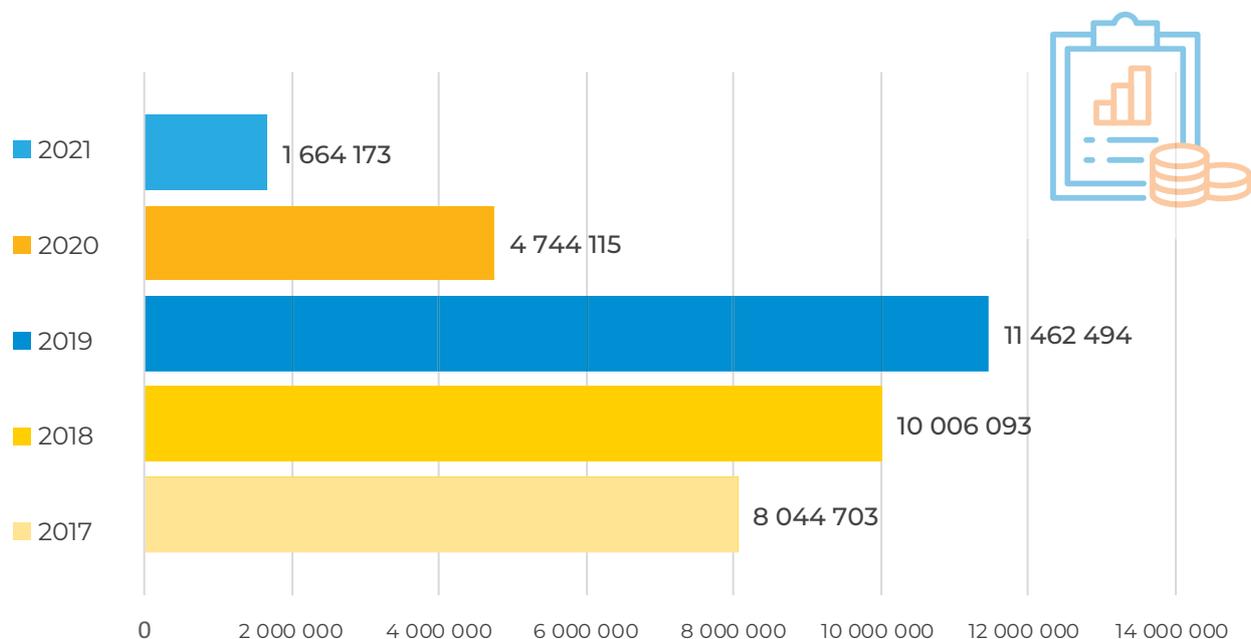
3.1. General dynamics of the reports received

In accordance with the Basic Law, the reporting entities submit to the SFMS information on threshold financial transactions and suspicious financial transactions (activity).

In total, since the beginning of the SFMS

Financial Monitoring Information System operation, **55 244 872 reports** on financial transactions subject to financial monitoring have been received and processed among which **1 664 173 reports** have been received during 2021 (Pic. 3.1.).

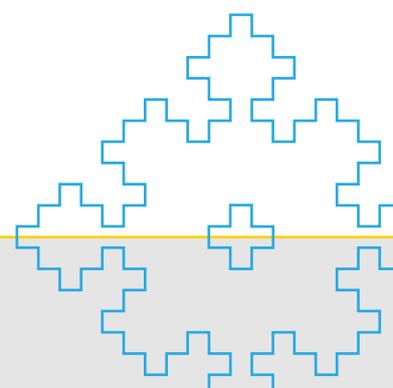
DYNAMIC OF INFORMING ON FINANCIAL TRANSACTIONS IN 2017 – 2021



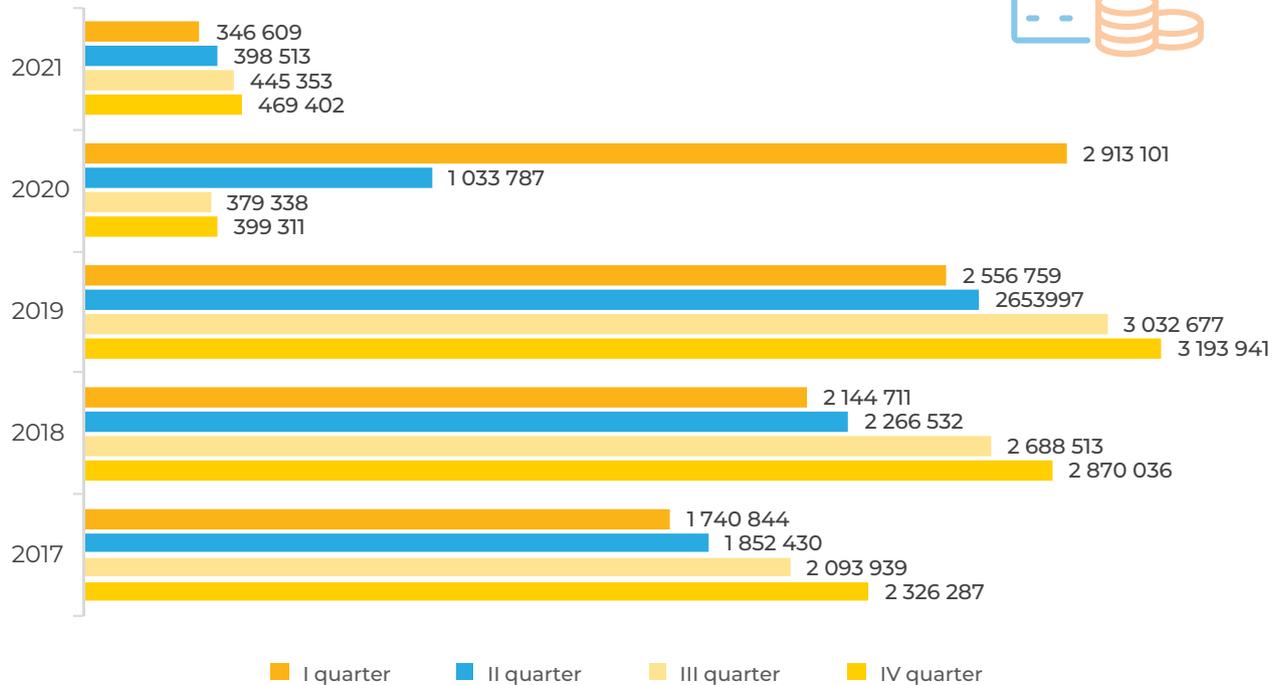
Pic. 3.1

It should be mentioned that in 2021, the SFMS registered 1 659 877 reports on financial transactions which is 64,9% less than in 2020 (Pic. 3.2). The decrease in the number of the reports received by the SFMS from the reporting entities was due

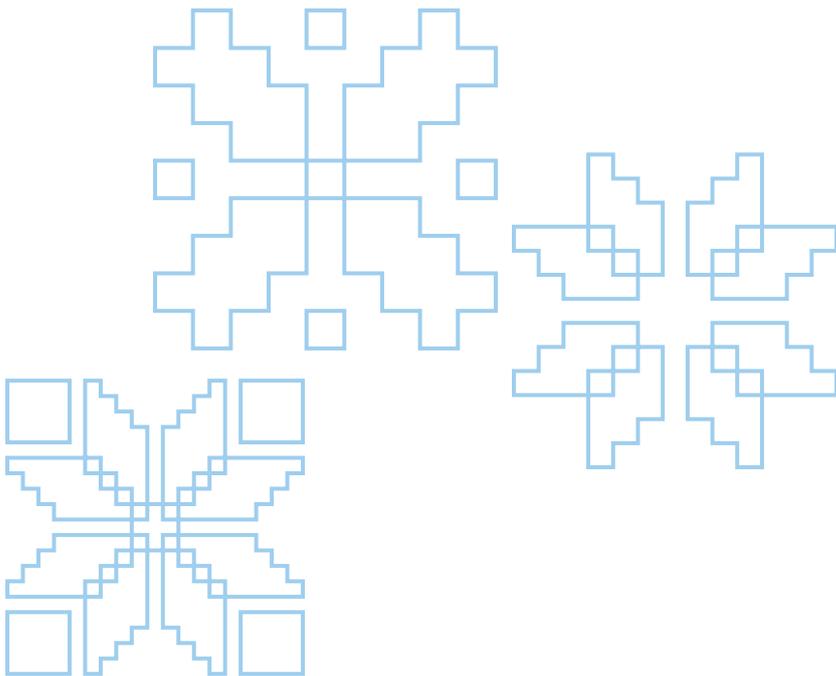
to the fulfillment by the reporting entities the requirements of the updated Basic Law, which changed the approach to the detection of financial transactions with the signs of financial monitoring.



DYNAMIC OF THE NUMBER OF REPORTS ON FINANCIAL TRANSACTIONS REGISTERED BY THE SFMS IN 2017 – 2021



Pic. 3.2

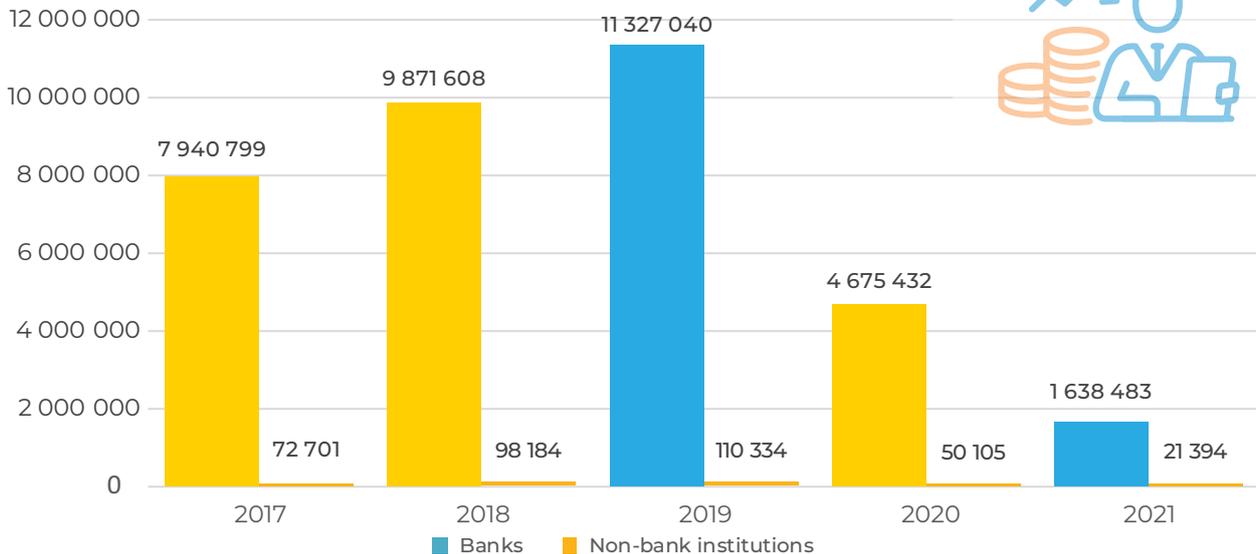


3.2. Dynamics of the reports received from the reporting entities

The most active reporting entities in the reporting system are banks that submitted the majority of reports on financial transactions which subject to financial monitoring.

During 2021, the SFMS registered 98,71% reports on financial transactions received from banks of a total number of reports on financial transactions (Pic. 3.3).

DYNAMIC OF REPORTING ON FINANCIAL TRANSACTIONS BY BANKS AND NON-BANK INSTITUTIONS DURING 2017 – 2021



Pic. 3.3

Also, it should be mentioned that the proportion of mistakes in the reports is 0.16 % of the total number of reports received by the SFMS during 2021.

Thus, the percentage of reports on financial transactions correctly submitted by the reporting entities to the SFMS during 2021 was 99.84 % of the total number of reports.

In 2021, the share of reports on financial transactions received and registered by the SFMS from non-bank institutions in electronic form increased by 0,28% in comparison to 2020 and amounts to 99.17% of the total number of reports registered by the SFMS which were received from the mentioned type of reporting entities (see Table 3.1).

NUMBER OF REPORTS ON FINANCIAL TRANSACTIONS REGISTERED BY THE SFMS BY THE TYPES OF SUBMITTING AS OF 01.01.2022

Type of institution	Number of reports in electronic form	Number of reports in paper form
Banks	1 638 483	–
Non-bank institutions	21 217	177

Table 3.1

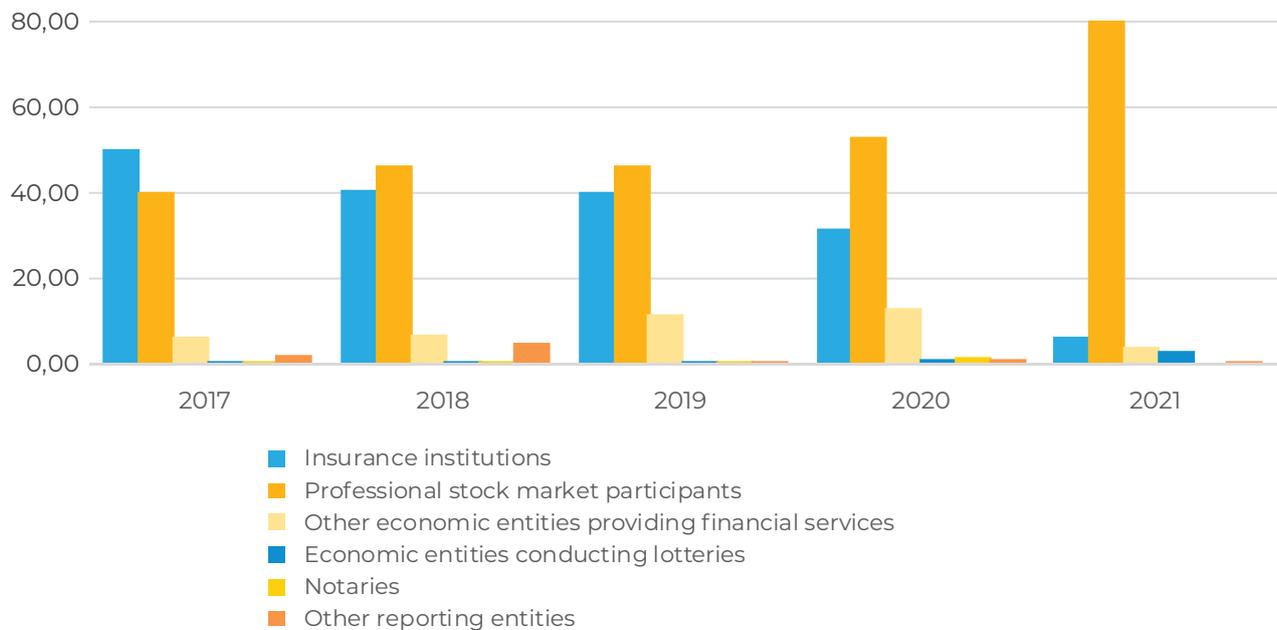
Among the non-bank institutions, the professional stock market (securities market) participants are the most active in reporting. The share of such reports in the total amount of the reports registered by the SFMS which were received from non-bank sector amounted to 53.35 % (Table 3.2, Pic. 3.4).

THE SHARE OF REPORTS IN THE TOTAL AMOUNT OF THE REPORTS ON FINANCIAL TRANSACTIONS RECEIVED FROM NON-BANK SECTOR AND REGISTERED BY THE SFMS IN 2021

Type of institution	Number of reports	Share, %
Professional stock market participants	18 202	85,08
Insurance institutions	1 385	6,47
Other economic entities providing financial services	843	3,94
Economic entities conducting lotteries	612	2,86
Notaries	6	0,03
Other reporting entities	346	1,62

Table 3.2

DYNAMIC OF THE SHARE OF FINANCIAL TRANSACTIONS, WHICH ARE REGISTERED BY THE SFMS DURING 2017-2021, BY TYPES OF ENTITIES OF THE NON-BANKING SECTOR



Pic. 3.4

As it is shown on the Pic. 3.4, the share of financial transactions registered by the SFMS from professional stock market participants in the total number of non-bank reporting entities has a tendency to increase from 2018, with a simultaneous decrease in the share of financial transactions submitted by insurance institutions. This tendency is primarily due to an increase of the number of financial transactions, registered by the SFMS from professional stock market participants and a decrease in the number of insurance institutions in Ukraine.

The distribution of the reports registered in 2021 in terms of signs of financial monitoring is as follows (Pic. 3.5):

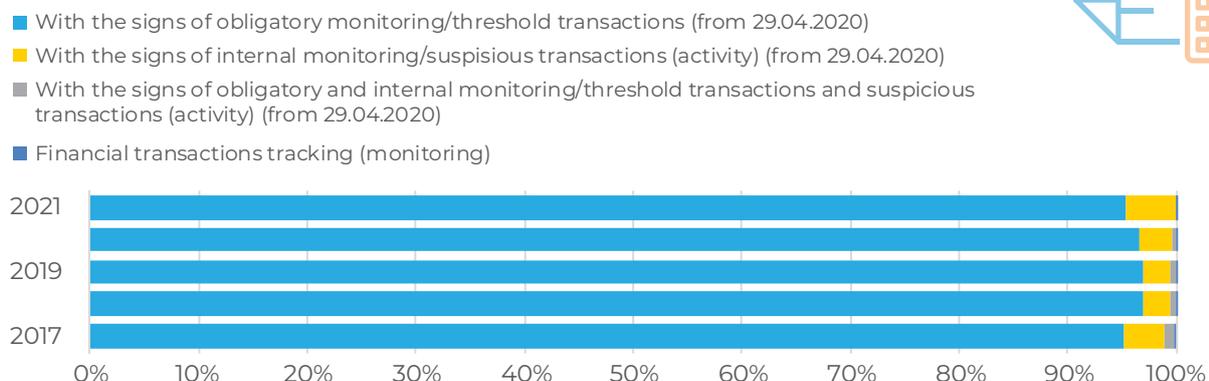
- *threshold financial transactions* – 96,54% (1 582 370);
- *suspicious financial transactions (activity)* – 3,10% (76 501);

- *threshold and suspicious transactions (activity)* – 0,35% (421);
- *financial transactions received on the request of tracking (monitoring) financial transactions* – 0,01% (585).

In 2021, the share of suspicious financial transactions continues to grow with a simultaneous decrease in the share of threshold financial transactions in the total number of reports submitted by the reporting entities, which began after the entry into force in 2020 of the new version of the Basic Law of 06.12.2019 No. 361-IX.

In accordance with paragraph 1 of part two of Article 8 of the Basic Law, the reporting entities are required to be registered in the SFMS.

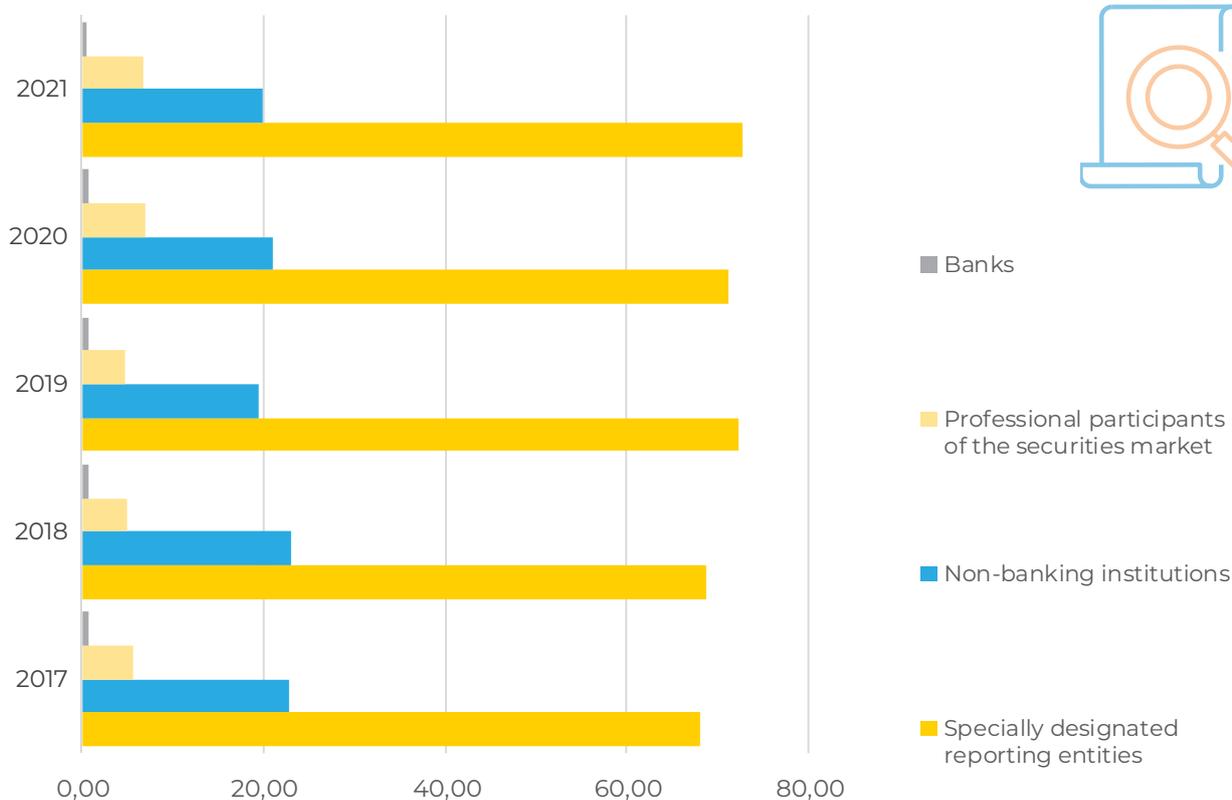
SHARE OF FINANCIAL TRANSACTIONS IN TOTAL AMOUNT REGISTERED BY THE SFMS UNDER THE SIGNS OF FINANCIAL MONITORING



Pic. 3.5

As of 01.01.2022, 14 557 reporting entities (including 3 007 separate subdivisions) were registered in the SFMS (Pic. 3.6).

GROWING UP THE SHARE OF REPORTING ENTITIES REGISTERED IN THE SFMS BY THEIR TYPES



Pic. 3.6

4. ANALYTICAL ACTIVITY

4.1. The process of information analysis

The SFMS, in accordance with its powers, on a permanent basis collects, processes and analyses information on financial transactions subject to financial monitoring, other financial transactions or information that may be related to ML/FT suspicion.

Information for analysis (operational and strategic) comes from:

- *Reporting entities;*
- *Law enforcement and intelligence agencies;*
- *State financial monitoring entities and other state authorities;*
- *Foreign FIUs.*

The SFMS performs a comprehensive analysis of the received information and identifies suspicious financial transactions performed with the involvement of financial and non-financial intermediaries in the public and commercial sector.

Initial processing and analysis of the information are carried out in the analytical segment of the Financial Monitoring Information System.

All the reports received which get to the warehouse of the SFMS are divided by risk levels and are subject to a detailed analysis, taking into account all available information. Following the results of the analysis, dossiers are created for conducting financial investigations.

It should be noted that with the entry into force of the updated Basic Law (28.04.2020) the transition to a risk-based approach and case reporting when submitting reports of suspicious financial transactions (activities) by reporting entities is introduced.

Thus, in 2021, the SFMS received 36 516 reports on suspicious financial trans-

actions (activities) with certain signs of suspicion. In 2020 (from 28.04.2020 to 31.12.2020), the SFMS received from reporting entities 11 379 reports on suspicious financial transactions (activities) with certain signs of suspicion.

In total, in 2021, the SFMS selected 488 088 reports on financial transactions for active work, which became the basis for the formation of 5 575 dossiers.

In 2020, the SFMS selected 1 229 660 reports on financial transactions for active work, which became the basis for the formation of 2 859 dossiers (Pic. 4.1).

Dossier is analysed to identify reasons to believe a financial transaction may be related to ML/TF or the commission of other act defined by the Criminal Code of Ukraine.

The SFMS conducts an analysis of financial transactions on a risk oriented approach considering the AML/CFT international experience.

In comparison with the previous 2020 a number of created dossiers, increased by 95% or by 2 716 dossiers.

In 2021, as a result of dossiers processing, the SFMS submitted to law enforcement and intelligence agencies 1 170 referrals, including 767 case referrals and 403 additional case referrals.

The analysis of the reports received is carried out taking into account the additional information received upon the SFMS requests.

Thus, during 2021, the SFMS has sent 14 679 files-requests on providing additional information to 74 bank institutions.

The Basic Law provides for a tool for the receipt of an additional information – tracking (monitoring) of financial transactions.

Information on tracking (monitoring) of financial transactions is submitted to the SFMS in the form of reports on financial transaction.

During 2021, the SFMS has sent 9 requests to the reporting entities for tracking (monitoring) of financial transactions.

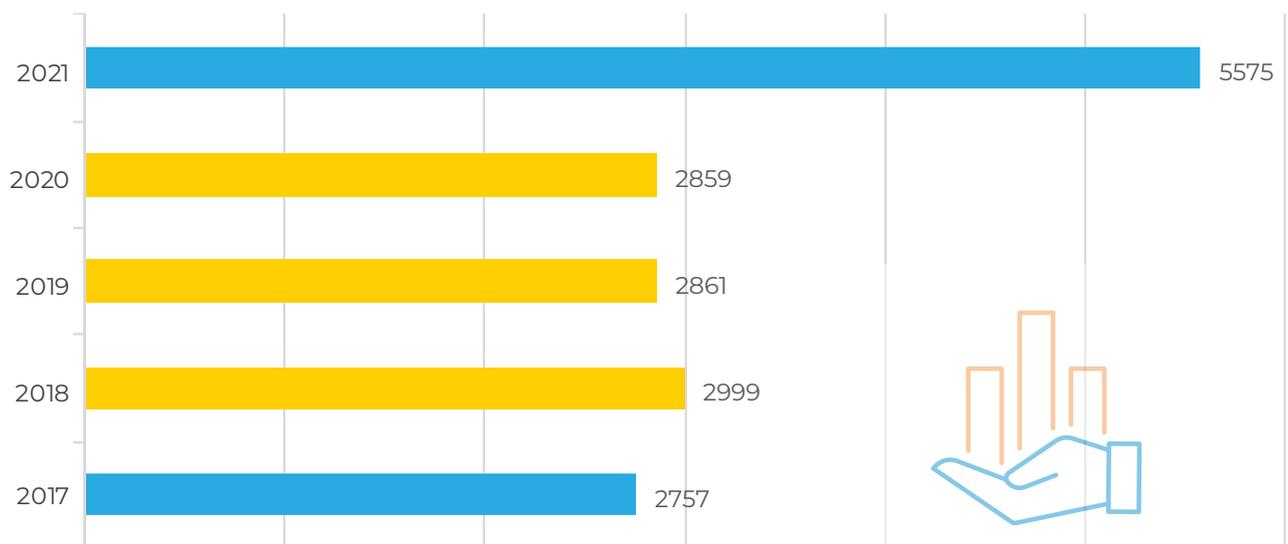
Using the own practice and practice of other participants of the national financial monitoring system, the SFMS has prepared typological study on «Current techniques, practices and instruments of money laundering and terrorism (separatism) financing».

The typological study examined issues related to the detection, disclosure and investigation of current schemes of money laundering and terrorism (separatism) financing.

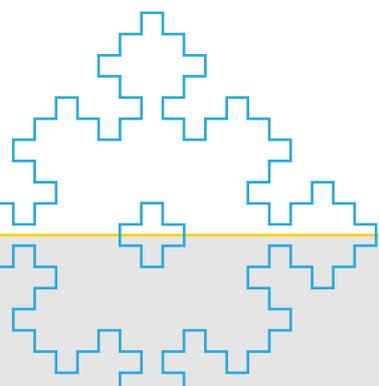
Techniques, practices and instruments of money laundering and terrorism (separatism) financing, indicators of detection of participants in illegal schemes are highlighted.

The typological study is published on the SFMS official website (<https://fiu.gov.ua>) in the section «Activity/Typologies/Typologies of the SFMS».

DYNAMICS OF DOSSIER CREATION IN 2017 - 2021



Pic. 4.1



4.2. Suspension of financial transactions

The Basic Law authorizes the SFMS to suspend financial transactions.

In accordance with Article 23 of the Basic Law, the SFMS takes appropriate decisions and instructions to suspend financial transactions, namely:

- *on further suspension of financial transaction in accordance with part two of Article 23 of the Basic Law;*
- *on suspension of debit transactions on the accounts of reporting entities clients (persons) in accordance with the part three of Article 23 of the Basic Law;*

- *on revoking its decision on further suspension of the relevant financial transactions or suspension of debit financial transactions in accordance with part nine of Article 23 of the Basic Law;*

- *on entrusting reporting entity to suspend/renew or conducting or ensuring monitoring of financial transactions of the relevant person in response to a request from an authorized authority of a foreign state, in accordance with part three of Article 31 of the Basic Law.*

During 2021, the SFMS has suspended financial transactions of 151 persons.

4.3. Financial investigations

The SFMS, as the FIU of Ukraine, takes enhanced practical AML/CFT measures.

According to the results of the analysis and summarizing of the identified (typical and new) methods, ways, financial instruments and ML/FT schemes, the following priority directions of financial investigations were defined:

- *terrorism and separatism financing;*
- *money laundering from corruption;*
- *theft of state funds and state enterprises funds;*
- *money laundering from tax crimes, use of cash in schemes of legalization (laundering) of the proceeds from crime;*
- *money laundering related to fraudulent seizure of funds of citizens and legal entities by deception;*
- *money laundering related to computer systems and data (cybercrimes).*

It should be noted that other financial investigations directions also require attention from all participants of the national financial monitoring system and law enforcement agencies.

Given the negative impact of criminal proceeds on the country's economy from various spheres and types of crimes, the SFMS reviewed in a typological study the issues related to the detection, disclosure and investigation of current schemes of money laundering and terrorism (separatism) financing.

The typological study: «Current techniques, practices and instruments of money laundering and terrorism (separatism) financing» conducted by the SFMS in 2021 highlights techniques, practices and instruments of money laundering and terrorism (separatism) financing, indicators of detection of participants in illegal schemes.

4.3.1. Counteracting terrorism and separatism financing

In accordance with the legislation of Ukraine, the SFMS jointly with the law enforcement agencies takes measures aimed at preventing and counteracting the financing of terrorist activities, separatism.

In 2021, the SFMS has submitted to the law enforcement authorities 109 referrals (83 case referrals and 26 additional case referrals) related to financial transactions of persons who, including under the information from law enforcement authorities, may be involved in the financing of terrorism/separatism; persons who publicly call for the violent change or overthrow of the constitutional order or the change of borders of the territory or state border of Ukraine, as well as persons to whom sanctions have been applied, of which:

- 49 referrals (42 case referrals and 7 additional case referrals), which contained information on financial transactions of 118 individuals and 78 legal entities, suspected of terrorism/separatism and its financing (including financing of illegal armed groups in the temporarily occupied territories of Donetsk and Luhansk region);
- 29 referrals (12 case referrals and 17 additional case referrals), which are related to conducting financial transactions with the participation of 15 individuals and 66 legal entities, included to the annexes of the decision of the National Security and Defense Council of Ukraine, put into effect by the Decrees of the President of Ukraine of 26.06.2018 No. 176/2018, of 14.12.2020 No. 546-27r (as amended by the decision of the National Security and Defense Council of Ukraine of 28.01.2021, put into effect by the Decree of the President of Ukraine of 28.01.2021 No. 29/2021), of 02.02.2021 No. 43/2021, of 19.02.2021 No. 64/2021, of 03.04.2021 No. 140/2021, of 21.04.2021 No. 169/2021, of 21.05.2021 No. 203/2021, of 24.06.2021 No. 266/2021 and of 20.08.2021 No. 375/2021;

- 20 referrals (19 case referrals and 1 additional case referral), which contained information on 76 individuals, suspected of involvement in the criminal offenses - mercenaries, trespassment on the territorial integrity and inviolability of Ukraine and the creation of unforeseen by law paramilitary or armed groups;
- 11 referrals (10 case referrals and 1 additional case referral) related to suspicions of conducting financial transactions with the participation of 22 individuals, possibly involved in the financing of international terrorist organizations and/or extremist groups.

From 109 submitted referrals:

- 98 referrals (75 case referrals and 23 additional case referrals) used information received from the SSU, the PGO, the NPU and the SBI;
- 28 referrals (17 case referrals and 11 additional case referrals) contained information on identified connections with Russian Federation. Mentioned referrals were submitted to the SSU and PGO.
- 5 referrals (3 case referrals and 2 additional case referrals) contained information on the suspension of financial transactions. As a result of adopted 340 decisions, funds in the amount of UAH 0,8 million were blocked.

In addition, 1 case referral of the financial transactions of a person included in the OFAC sanctions list was submitted to the SFS.

The main tools used in the sent referrals:

- cash;
- electronic payment systems;
- international transfers;
- payment cards;

- financing under the guise of financial assistance/loans;
- informal financial and settlement sys-

tem, built on money transfers by one-time messages by e-mail, fax or phone calls (hawala).

EXAMPLE 1.

Financing separatism using NPO

The SFMS has identified a scheme of financing by foreign charitable foundations and institutions of Ukrainian enterprises and NPOs as charitable assistance and grants with subsequent transfer to the accounts of individuals and legal entities (pic. 4.2).

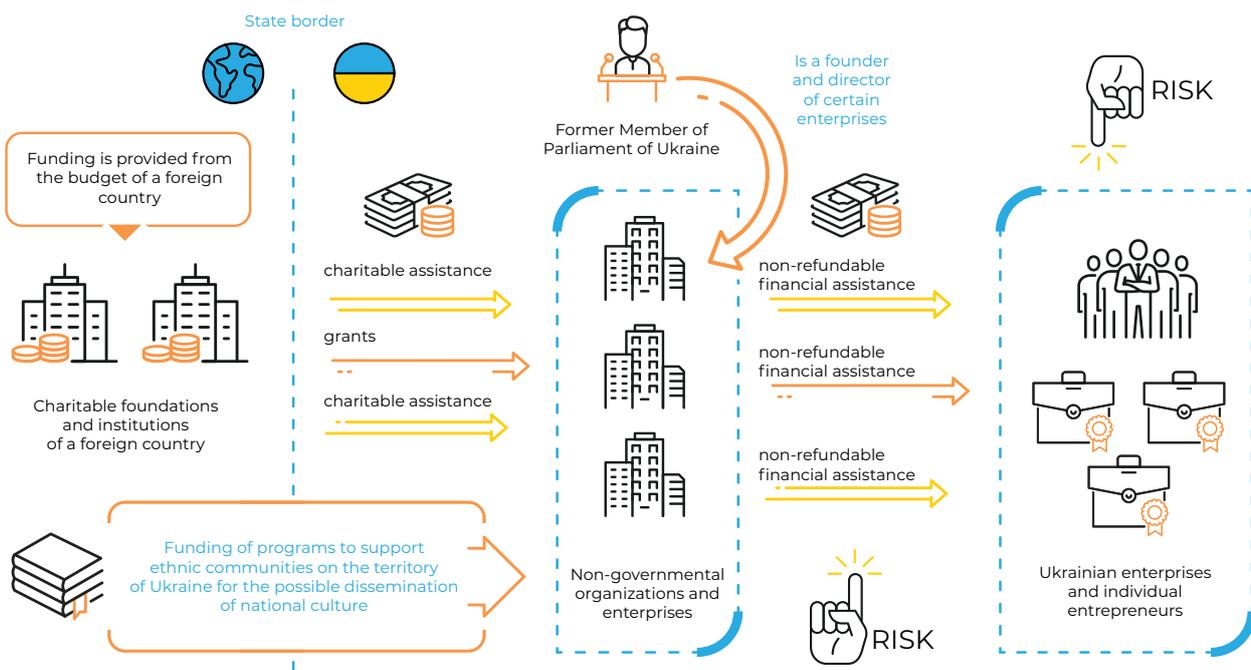
In the course of the financial investigation it was established that in recent years **Charitable foundations and institutions** of a foreign country have regularly transferred millions of funds to the accounts of Ukrainian **Non-governmental organizations and enterprises** as charitable assistance. Subsequently, these funds were transferred to the accounts of individual entrepreneurs and legal entities as non-refundable financial assistance.

It was found that most individual entre-

preneurs were registered before receiving financial assistance.

According to open sources information, the government of a foreign country through the **State funds and institutions** provides financial assistance to promote economic development of the border region of Ukraine, which borders this country and has many ethnic representatives among its citizens.

At the same time, the funds are used to cover activities aimed at destabilizing the socio-political situation in certain regions of Ukraine by conducting anti-Ukrainian radical actions and measures (dissemination of separatist literature, distortion of history, damage to cultural monuments to incite ethnic hatred, etc.).



Pic. 4.2

One of the founders of enterprises to which funds from foreign NPOs are transferred is a former Member of Parliament

of Ukraine.

The law enforcement agency is conducting a pre-trial investigation.

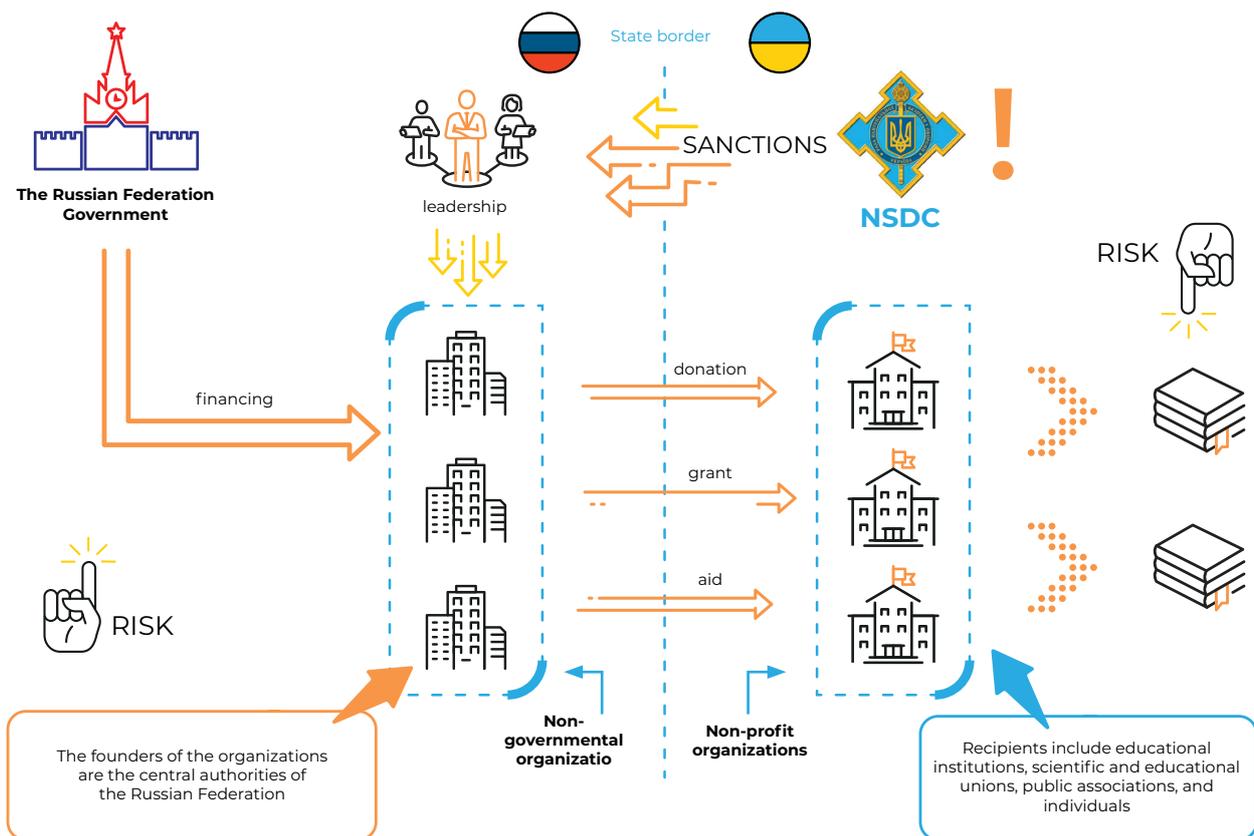
EXAMPLE 2.

Use of non-governmental organizations to finance separatism

The SFMS has identified a financing scheme of Ukrainian NPOs by russian public organizations, the purpose of which is to support and promote Russian standards in Ukraine (Pic. 4.3).

In the course of the financial investigation it was established that for several years the Russian **non-governmental or-**

ganization has been crediting/trying to credit funds in the form of grants, aid, donations to various Ukrainian **NPOs**, which mostly operate in the field of education. The same transfers in favor of these **NPOs** came from other non-governmental organizations (funds) established in Russian federation.



Pic. 4.3

It is noteworthy that the founders of these russian funds are the central authorities of russian federation (ministries), and the leaders are russian high-ranking officials who are included in the national

sanctions lists by the decision of the National Security and Defense Council of Ukraine (NSDC).

Subsequently, the funds received were transferred to NPOs in favor of various

legal entities and individuals in order to print publications for further distribution in educational institutions of Ukraine and the organization of mass educational events. At the same time, the subject of these measures gives grounds to consider

them elements of a hybrid war aimed at spreading of pro-russian information propaganda.

The law enforcement agency is conducting a pre-trial investigation.

4.3.2. Money laundering from corruption

The SFMS pays special attention to the investigation of the facts of money laundering from corruption.

In particular, in 2021, the SFMS has sent 160 referrals (44 case referrals and 116 additional case referrals) to law enforcement agencies, which are related to suspicion of corruption, in particular:

- *the NABU - 110 referrals (36 case referrals and 74 additional case referrals);*
- *the SBI - 15 referrals (6 case referrals and 9 additional case referrals);*
- *the PGO - 5 referrals (1 case referrals and 4 additional case referrals);*
- *the NPU - 2 additional case referrals;*
- *the SSU - 27 additional case referrals;*
- *the SFS - 1 case referral.*

In these referrals, the amount of financial transactions that may be related to money laundering and other crimes under the Criminal Code of Ukraine is UAH 9.3 billion.

Participants in suspicious financial transactions in these 160 referrals were persons authorized to perform functions of state or local self-government and equated to them.

Tools used:

- *financial assistance (loans);*
- *cash;*
- *deposits;*
- *securities.*

EXAMPLE 3.

Laundering of income by family members of a national politically exposed person by investing in expensive property

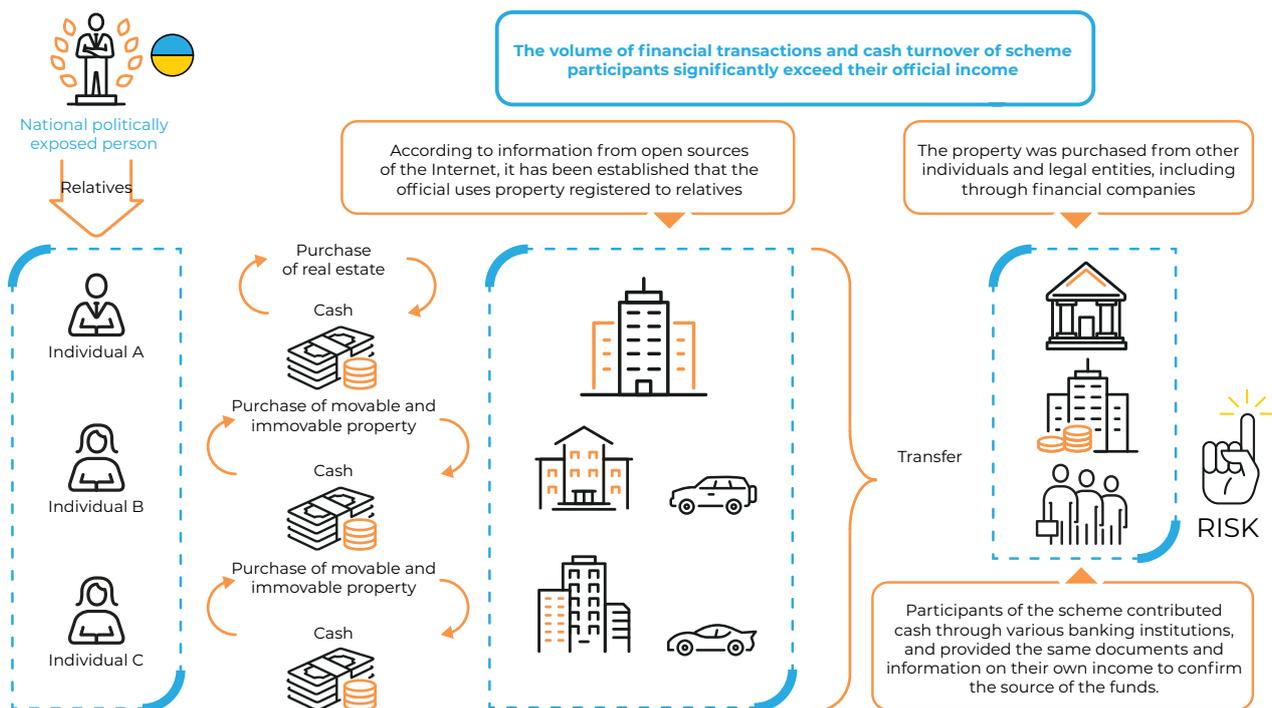
A joint investigation by law enforcement agency and the SFMS has revealed a scheme of concealing the sources of illegal income (Pic. 4.4).

During the financial investigation, it was established that the **family members of the national politically exposed person** acquired movable and immovable property. At the same time, according to information from open sources of the Internet, it was established that the mentioned property was in the use of this **national politically exposed person**.

Acquisition of property was carried out for cash from other individuals and legal

entities, financial companies. The participants of the scheme contributed cash through various banking institutions, and provided the same documents on the sources of origin to confirm the sources of the funds.

At the same time, the volumes of financial transactions and cash flows on the accounts of the scheme participants significantly exceeded the officially declared income. This may indicate that the financial transactions were aimed at legalizing (laundering) of the proceeds from crime (use of funds from unconfirmed sources).



Pic. 4.4

4.3.3. Investigation of transactions related to budget funds and other state assets

In 2021, the SFMS has sent to law enforcement agencies 64 referrals (63 case referrals and 1 additional case referral) on the facts of misuse of budget assets.

According to the referrals, the amount of financial transactions that may be related to money laundering and other crimes defined by the Criminal Code of Ukraine is almost UAH 2 billion. The amount of attracted state funds amounted to UAH 5.4 billion.

The transferred referrals are related to the theft of budget funds by:

- *misappropriation of non-monetary state assets;*
 - *overpricing during procurement procedures.*
- Tools used:
- *financial assistance agreements (loans);*
 - *freight contracts;*
 - *payment of agency fees;*
 - *financial risk insurance;*
 - *transit operations;*
 - *acquisition of corporate rights;*
 - *cash;*
 - *deposits;*
 - *loans;*
 - *dividends;*
 - *"twists".*
- *the use of non-resident companies, including those with signs of fictitiousness;*
 - *scattering of funds between related business entities;*
 - *transfer to replenish the deposit;*

EXAMPLE 4.

Laundering of proceeds from the embezzlement of budget funds using companies with signs of fictitiousness and hidden cashing

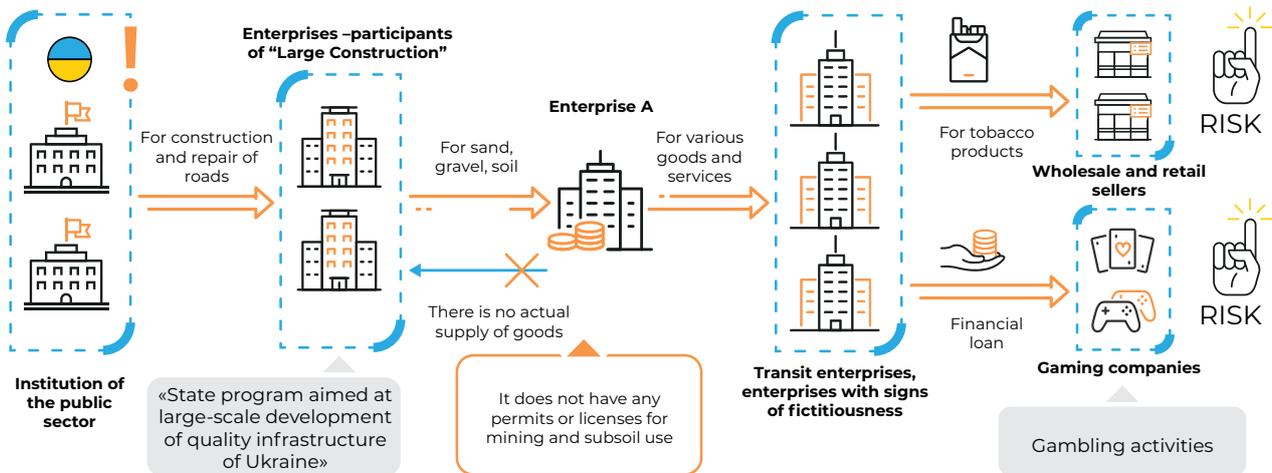
The law enforcement agency, together with the SFMS, have identified a scheme of embezzlement of funds of state enterprises involved in road construction (Pic. 4.5).

In the course of the financial investigation it was established that the funds previously transferred from public sector institutions in favor of enterprises participating in the State Program “Large Construction” as payment for construction and repair of roads, were transferred to **Enterprise A** as payment for sand, gravel, soil.

Enterprise A does not have any permits

and licenses for mining, it is an intermediary, the actual supply of goods for the benefit of enterprises participating in the State Program did not take place.

The funds received by **Enterprise A** from the enterprises-participants of the “Large Construction” in the future with the use of a number of enterprises with signs of fictitious by transit were transferred as payment for various works, services and as financial assistance to business entities that potentially own cash and operate in the field of wholesale and retail trade, as well as in the field of gambling (lotteries).



Pic. 4.5

4.3.4. Money laundering from tax crimes. Use of cash in schemes of money laundering

The SFMS has taken measures to identify the facts and stop the illegal activities of “conversion” centers and enterprises with signs of fictitiousness involved in the ML/FT schemes.

In 2021, the SFMS has transferred to law enforcement agencies 56 referrals (32 case referrals and 24 additional case referrals) related to cash withdrawals.

The total amount of financial transactions related to money laundering amounted to UAH 25.4 billion.

Including cash withdrawals - UAH 24.2 billion, in particular, for the following purposes:

- *UAH 17.8 billion for the purchase of scrap metal;*
- *disbursement of funds - UAH 3.9 billion;*
- *purchase of goods/payment for services - UAH 2.4 billion;*
- *other - UAH 0.1 billion.*

Also, the SFMS has taken measures to identify facts related to the activities of “conversion centers” related to the mechanism of “counter-flows”.

Thus, in 2021, the SFMS has transferred 111 referrals (56 case referrals and 55 additional case referrals) to law enforcement agencies, which are related to the mechanism of “counter-flows”.

The total amount of “converted” funds on these referrals is UAH 22.9 billion.

EXAMPLE 5.

Money laundering through “counter flows”

The SFMS together with the law enforcement agency has identified a large-scale scheme involving a professional network for money laundering, which contributes to tax evasion by artificially forming a VAT tax credit with subsequent transfer of non-cash funds in cash through the mechanism of “counter flows” using wholesale and retail trade in tobacco products (Pic. 4.6).

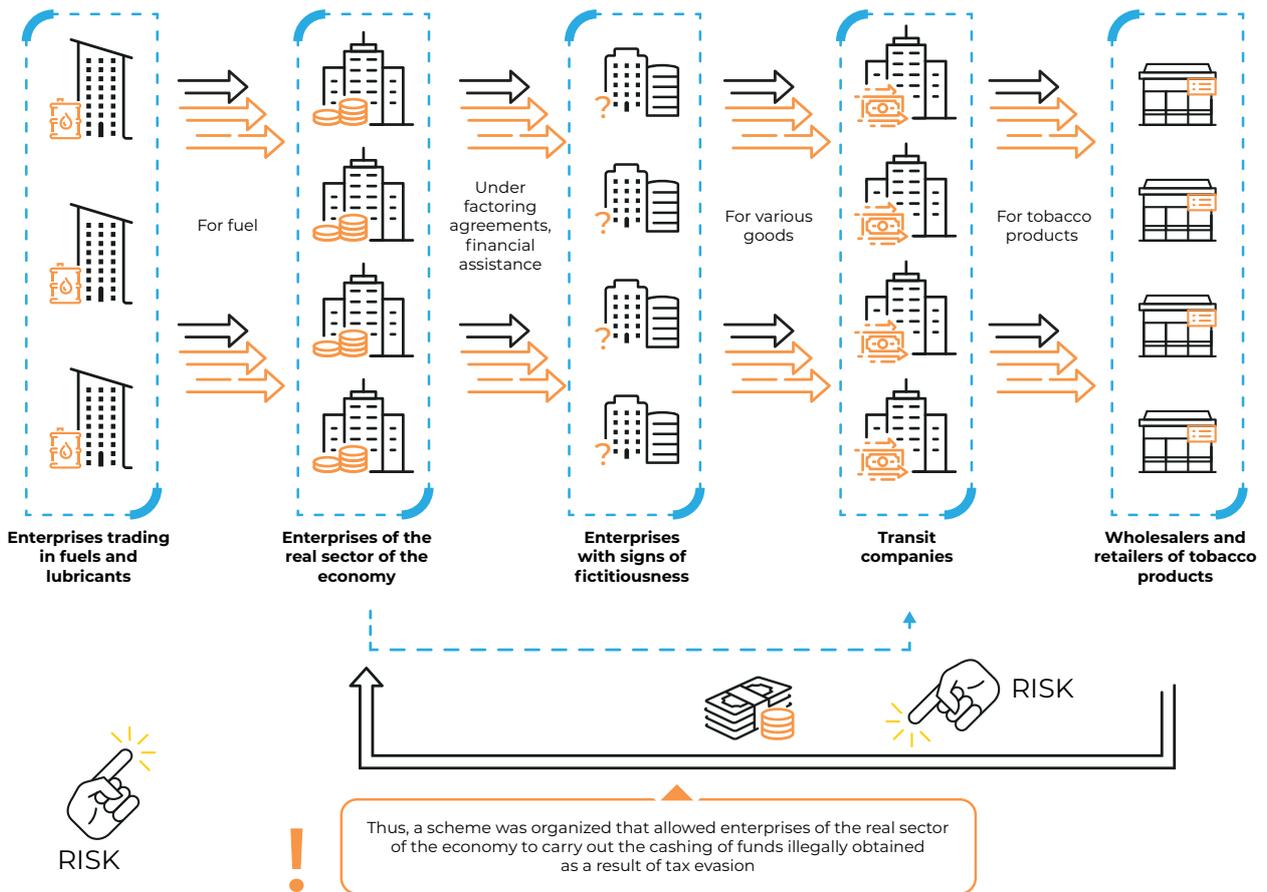
The financial investigation has established that the accounts of the **Group of enterprises** with signs of fictitiousness were receiving funds from a number of **Enterprises of the real sector of the economy**, which in turn received them from other enterprises operating in the market of fuel and lubricants sale.

It is noteworthy that when transferring funds in favor of the **Group of enterprises with signs of fictitiousness** (newly established companies with sole founding

staff, enterprises do not declare income and do not pay taxes, no resources for business activities) such financial instruments were used as “factoring contractual payment” and “financial assistance”, which are used to break the chain of movement of goods in accordance with tax invoices, which complicates the unification of separate business entities into a single conversion and transit group.

It was further established that using the “counter flows” mechanism, the funds from the accounts of the **Group of enterprises with signs of fictitiousness** through transit enterprises were transferred to the **wholesalers and retailers of tobacco products**, which provide services for the transfer of non-cash funds into unaccounted cash.

The law enforcement agency is conducting a pre-trial investigation.



Pic. 4.6

EXAMPLE 6.

Laundering of misappropriated funds of banking institutions using the mechanism of “twist”

The SFMS, taking into account the information received from the law enforcement agency, identified a scheme of misappropriation and laundering of funds of banking institutions using the mechanism of “twist” (Pic. 4.7).

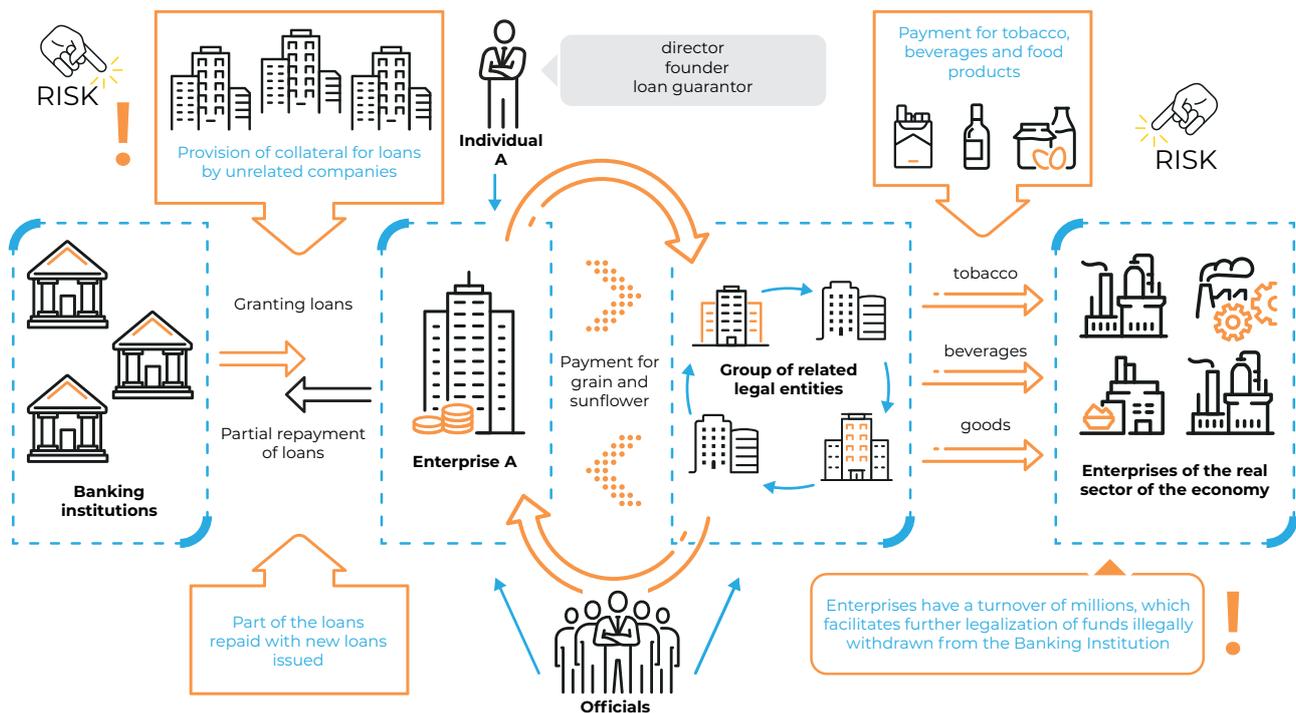
In the course of the financial investigation, it was established that during the year **Enterprise A** consistently executed credit agreements with various banking institutions with the pledge of property of unrelated enterprises. In this case, the guarantor was **Individual A** – director and founder of **Enterprise A**.

Subsequently, part of the funds received by **Enterprise A** under these agreements was transferred to the repayment of previously received loans (to obtain a

new tranche). The main part of the funds was transferred to the **Group of related legal entities** and in the form of a series of cyclical operations, such as payment for grain and sunflower, was transferred between their accounts in order to simulate active activities and improve the image of **Enterprise A**.

At the last stage, these funds were transferred in the form of payments for tobacco, beverages and food products in favor of the **Group of enterprises in the real sector of the economy**, which have significant volumes of turnover, which facilitated the legalization of such funds.

The law enforcement agency is conducting a pre-trial investigation.



Pic. 4.7

In addition to the use of schemes related to laundering of the proceeds from crime through “classic” conversion centers and the use of the mechanism of “counter-flows”, “twists”, there is also a demand for schemes related to foreign economic sphere.

Such money laundering schemes are serviced by professional networks providing illegal services, which usually involve domestic legal entities, non-resident companies controlled by Ukrainian citizens, and foreign shell companies. This creates the appearance of real financial and economic activities.

EXAMPLE 7.

Money laundering, tax evasion through illegal import transactions

The SFMS has identified an activity scheme of the professional network for the provision of illegal services (Pic. 4.8).

In the course of the financial investigation it was established that **Enterprise A** received funds from the **Group of enterprises** as payment for goods for various purposes, which in full were transferred by **Enterprise A** for customs clearance.

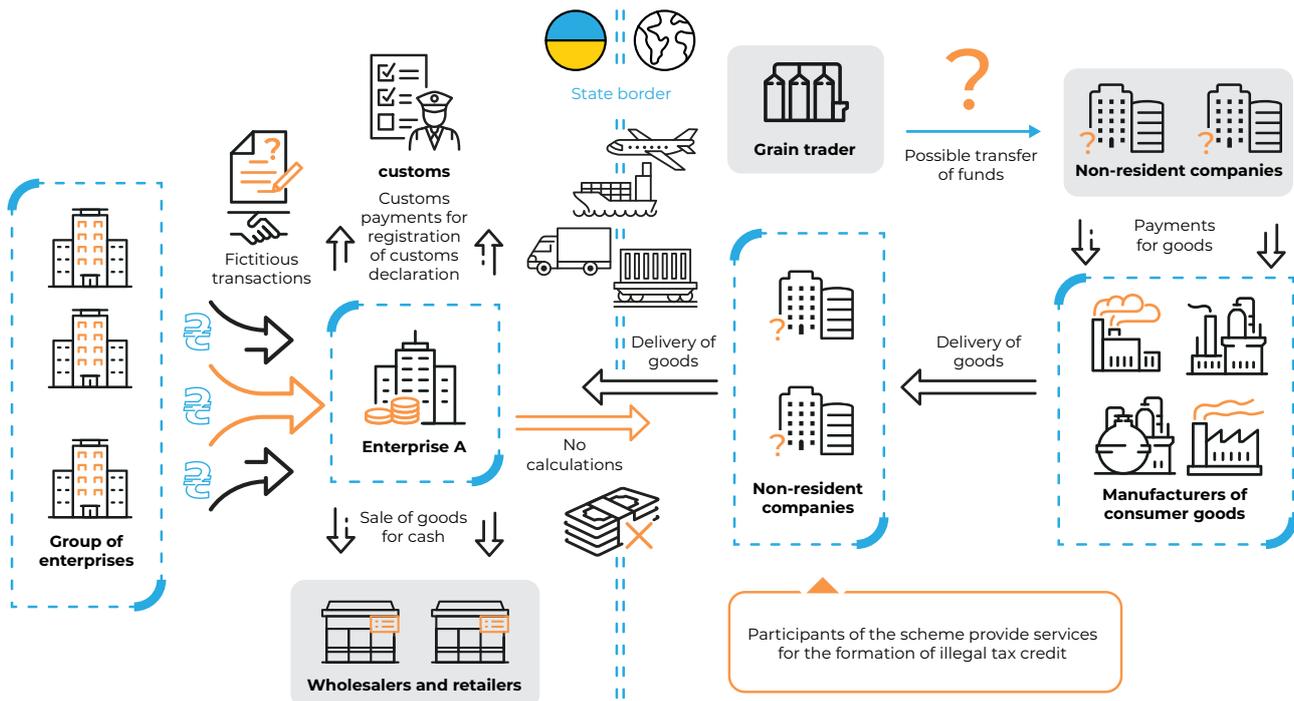
At the same time, the bank does not have foreign economic agreements, and **Enterprise A** did not transfer funds outside Ukraine.

According to the State Customs Service, **Enterprise A** has issued import cargo and

customs declarations for consumer goods received from **non-resident companies**. At the same time, the manufacturers of these goods are various companies located mainly in Asian countries. The lack of payment in favor of non-residents indicates that payments for imported goods are made outside Ukraine with funds that may be of criminal origin.

In the future, imported goods are sold through a network of wholesalers and retailers for cash, without being reflected in accounting and tax records.

The law enforcement agency is conducting a pre-trial investigation.



Pic. 4.8

4.3.5. Money laundering related to the fraudulent misappropriation of funds of citizens and legal entities through deception

In 2021, the SFMS has sent 203 referrals (195 case referrals and 8 additional case referrals) to the NPU, the SSU and the PGO, which were related to suspicions of fraudulent misappropriation of funds of citizens and legal entities who became victims of fraud by malefactors.

In these referrals, the amount of financial transactions that may be related to money laundering and other crimes under the Criminal Code of Ukraine is more than UAH 800 million.

Fraudulent misappropriation of funds was carried out by:

- use of social engineering methods, including vishing (telephone fraud involving the extortion of bank card details or other confidential information, coercion to transfer funds to the card of thieves);
- use of computer technology, Internet-Client-Bank remote account management system and "Mobile Banking" service;
- use of the Telegram cloud messenger;
- use of "cloud mining" on a platform called MiningExpress for cryptocurrency payments;

- use of MoneySend, Portmone, Money-Transfer, Global24 and other money transfer services;
- forgery of documents for the use of the online service for accommodation, search and short-term rental housing;
- provision of car sales and customs clearance services;
- submission of forged documents to banking institutions (writs of execution on forced debt collection);
- buying/selling of goods and services via the Internet, including usage of the OLX online advertising platform and fraudulent copies of well-known web resources.

Tools used:

- goods and services;
- international transfers;
- investments;
- cash.

EXAMPLE 8.

Fraudulent misappropriation of funds of legal entities using forged documents

The SFMS has established the use of a private executor's bank account by unknown persons for the purpose of fraudulently misappropriation of funds of a number of legal entities of the pharmaceutical industry located in different cities of Ukraine by sending payment claims to write off debt to banking institutions of Ukraine (Pic. 4.9).

It was established that attempts were made to write off funds from the accounts of **three pharmaceutical companies** opened in two banking institutions to the account of a **private executor** opened in another banking institution as debt collection in accordance with writs of execution. Financial transactions were suspended by the banking institution.

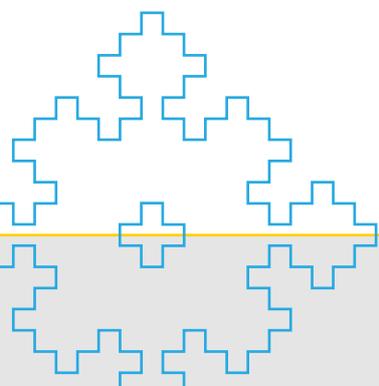
Attempts to write off funds were made on the basis of payment requirements, which provide for the transfer of funds to the recipient's account without the consent of the payer.

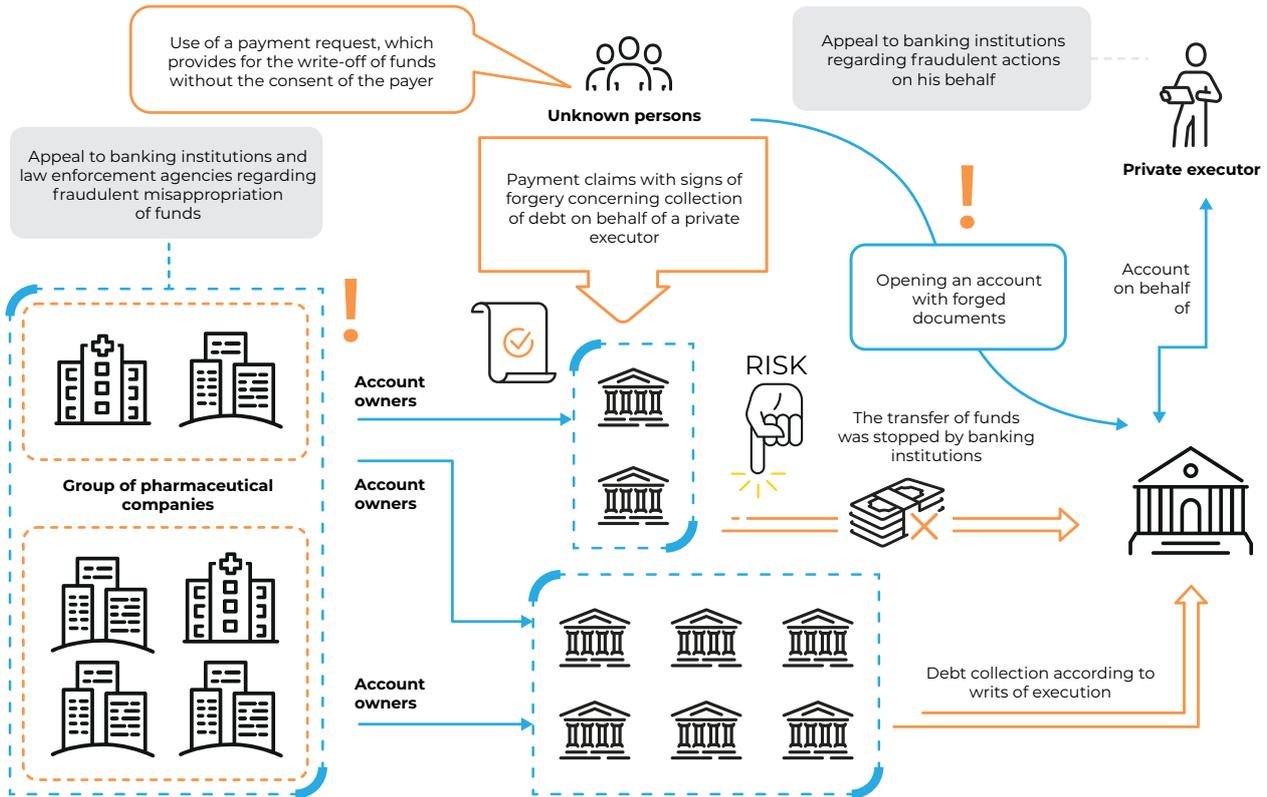
The companies appealed to the banking institution and law enforcement agencies regarding fraudulent actions of unknown persons on behalf of a **private executor**. The real **private executor** informed that he hasn't opened the above-mentioned account and hasn't sent payment requests.

An analysis of documents from different banking institutions revealed that the signatures of **private executor** differ from each other, which indicates the forgery of documents.

It was also established that in the same period the account opened on behalf of a private executor was credited with funds from another group of companies of the pharmaceutical industry with similar purposes.

The law enforcement agency is conducting a pre-trial investigation.





Pic. 4.9

EXAMPLE 9.

Forgery of documents in order to conceal the sources of cash

The SFMS has revealed a scheme of forgery of documents provided by the client to the servicing bank as confirmation of the sources of cash origin (Pic. 4.10).

In the course of the financial investigation it was established that **Individual A** deposited a significant amount of cash on his own account. As documents confirming the sources of these funds, **Individual A** submitted to **Bank A** a contract for the sale of his own apartment to **Individual B**. The sale price was several times higher than the market value of such real estate.

As confirmation of the sources of origin of funds from **Individual B**, which were used to purchase an apartment, securities purchase and sale agreements were provided, according to which **Individual B** sold to **Individual C** the securities belonging to him, which were recorded in securities accounts, opened in **Bank B**.

At the same time, according to the information received from **Bank B**, it was established that **Individual B** has never opened accounts in securities specified in the purchase and sale agreements. In addition, it was established that the person worked in a working specialty at one of the factories, which does not provide income in the amount sufficient to purchase securities in the millions.

According to the information of the law enforcement agency, **Individual A** is one of the organizers of a fraudulent scheme to attract funds from individuals from different countries through web resources, which allegedly allow to make a profit by buying and selling various assets (bank metals, cryptocurrencies, shares, etc.), and further to appropriate borrowed funds through a chain of controlled enterprises.

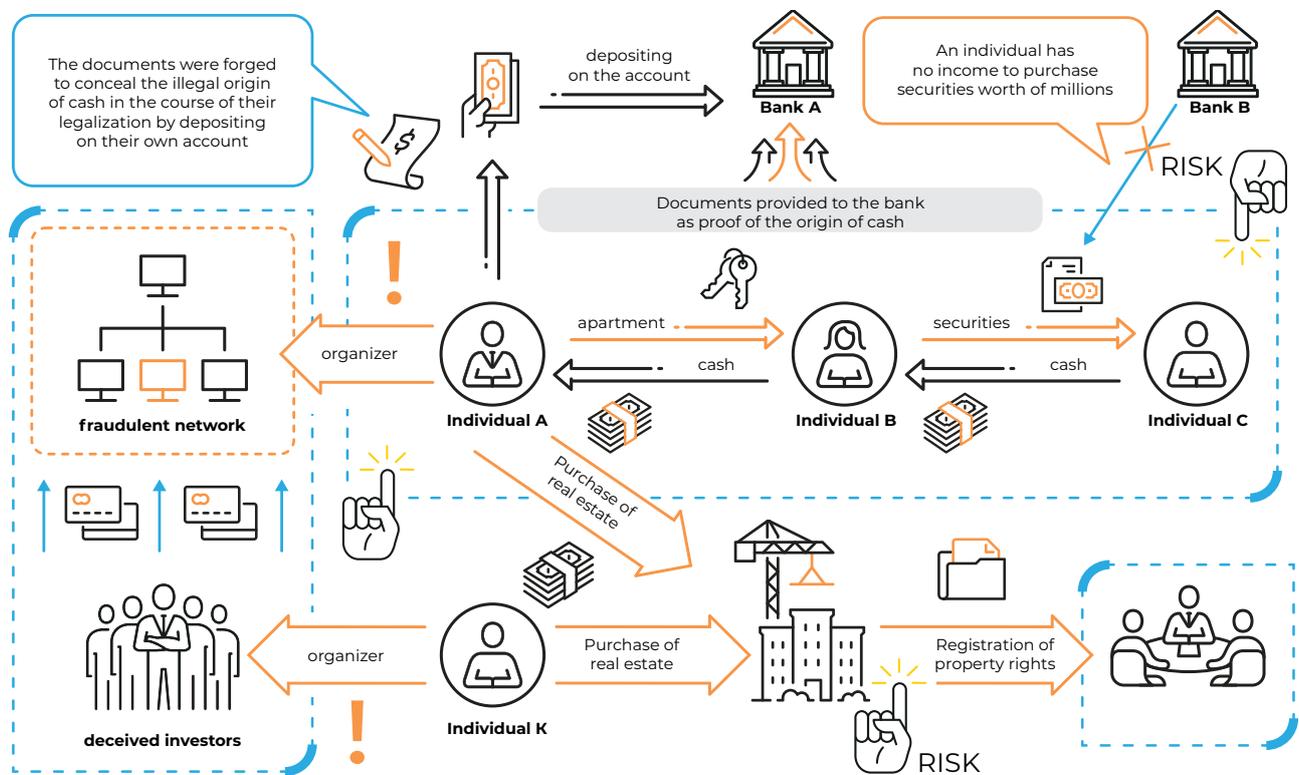
The documents submitted to the bank-

ing institution were falsified by **Individual A** to conceal the illegal origin of cash when legalizing it by depositing it in his own account.

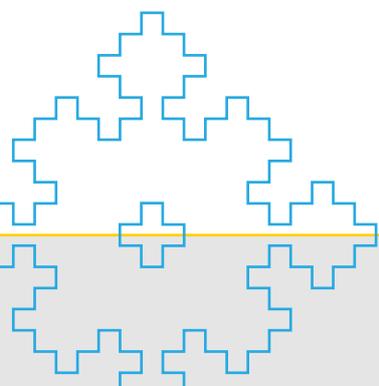
It is noteworthy that the apartment purchased by **Individual B** from **Individual A** is encumbered with a mortgage encumbered by **Individual B** from another person who is a business partner of **Individual A**. As a result, **Individual B** may not dispose of real estate registered in his own name, which may indicate the fictitious

change of ownership of real estate and the conclusion of an agreement solely for the legalization of funds.

In addition, the investigation has established that **Individual A**, together with another organizer of the fraudulent scheme – **Individual K**, using the misappropriated funds of defrauded investors, bought a large amount of real estate, part of which through fictitious mortgage agreements reissued to their business partners to avoid identification.



Pic. 4.10



4.3.6. Money laundering related to computer systems and data (cybercrimes)

In 2021, the SFMS has revealed 13 cases of embezzlement of funds of individuals and legal entities through cybercrimes.

In 2021, the SFMS has sent 22 referrals (19 case referrals and 3 additional case referrals) to the NPU, the SSU and the SFS, which were related to suspicions of unauthorized write-offs and attempts to write off funds from clients' accounts without their knowledge.

In these referrals, the amount of financial transactions that may be related to money laundering and other crimes under the Criminal Code of Ukraine is UAH 71.6 million.

Unauthorized access to customer accounts was carried out by illegal interference with operation of the computers and mobile devices via the Internet, namely:

- *use of malicious software;*

EXAMPLE 10.

Seizure of funds of non-resident companies through a hacker attack

The SFMS, taking into account the information received from the foreign FIU, has revealed a scheme of fraudulent seizure of funds of non-resident companies (Pic. 4.11).

As a result of the hacker attack, the funds of **Non-resident company A** were debited to **Company Yu's** account in **Bank 1**.

On the client's account there was an unusually fast passage of funds "in transit". Foreign currency funds credited from the **Non-resident company A** after the sale were immediately transferred to the accounts of the group of companies in other banks.

- *hacking e-mail to send forged documents;*
- *re-issuance of the mobile operator's SIM card for further entry into mobile banking;*
- *illegitimate formation of payment documents from different IP addresses;*
- *use of the "Client-Bank" remote account management system and the "Mobile Banking" service;*
- *use of MoneySend, TransferWise, MoneyGram and Western Union money transfer services.*

Tools used:

- *financial aid;*
- *goods, various services;*
- *cash;*
- *international (cross-border) transfers;*
- *payment cards.*

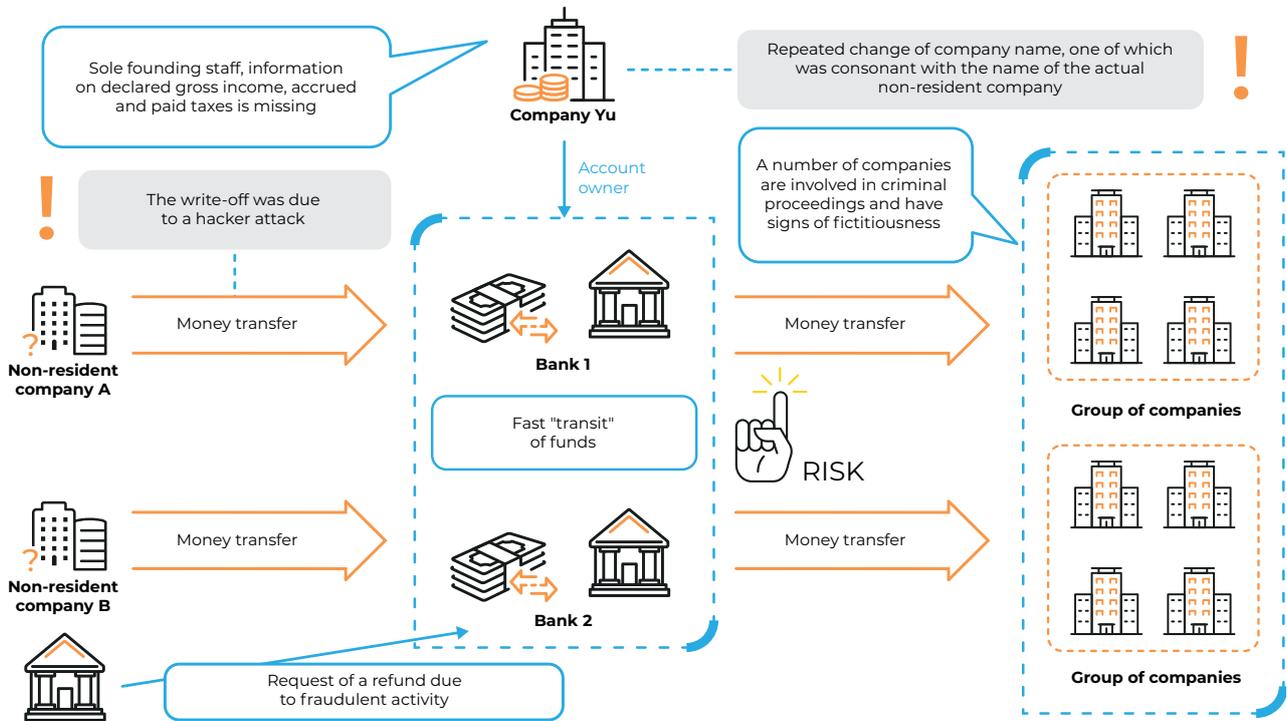
The bank's relationship with the client has been established recently (less than three months). However, the bank could not contact him according to the contact details provided.

In addition, foreign currency funds from the **Non-resident company B** were credited to **Company Yu's** account in **Bank 2**. At the same time, a request was received from a foreign bank about **Company Yu's** fraudulent actions. In the future, the funds received were transferred to a group of companies with signs of fictitiousness. A number of companies are involved in criminal proceedings.

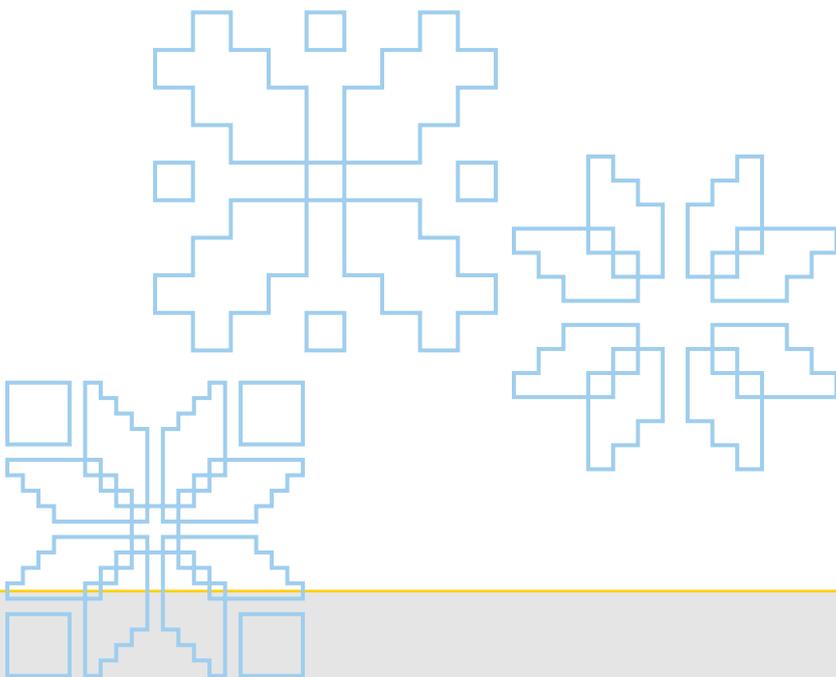
It should be noted that **Company Yu** has changed its name several times, one of which was consonant with the name of the real non-resident company. Also, **Company Yu** has a sole founding staff,

there is no information on declared gross income, accrued and paid taxes.

The law enforcement agency is conducting a pre-trial investigation.



Pic. 4.11



EXAMPLE 11.

Illegal seizure of the assets of a non-resident company by unauthorized write-off of funds

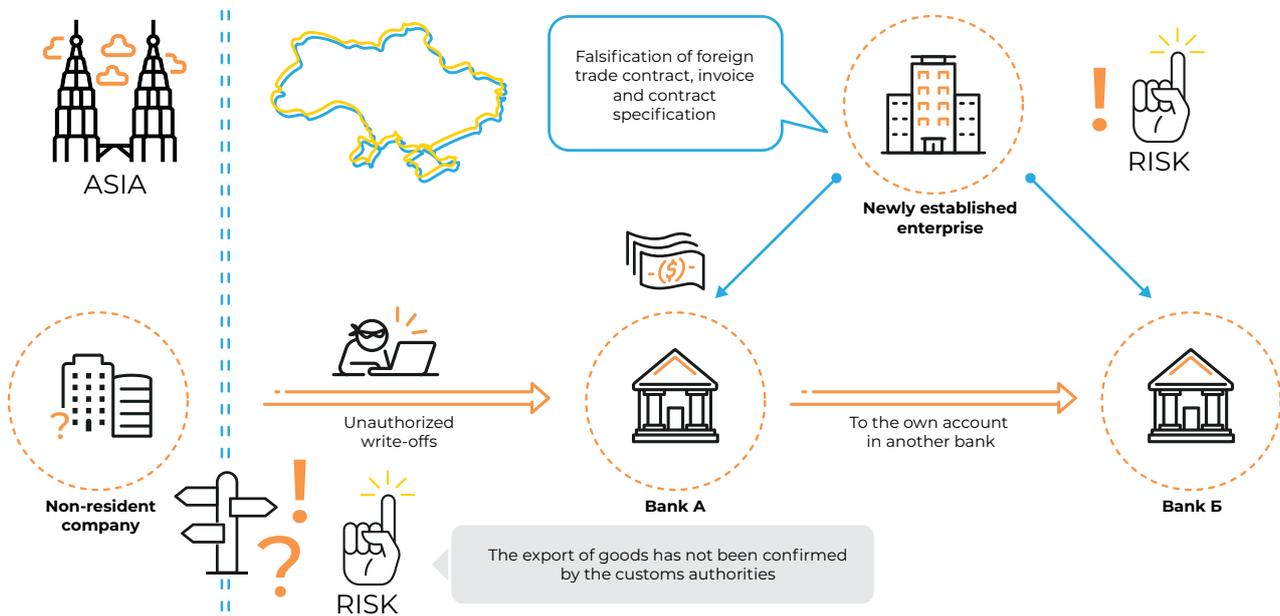
In the course of the financial investigation, the SFMS revealed a fraudulent scheme aimed at illegal seizure of monetary assets by the **Newly established enterprise** by unauthorized debiting of funds from the account of a **Non-resident company** (Pic. 4.12).

The Newly established enterprise attempted to transfer funds from its own account opened with **Bank A** to another own account opened with **Bank B**. At the same time, **Bank A** was provided with a falsified foreign trade contract, invoice and specification to the contract as a source of funds on the account of the **Newly established enterprise**.

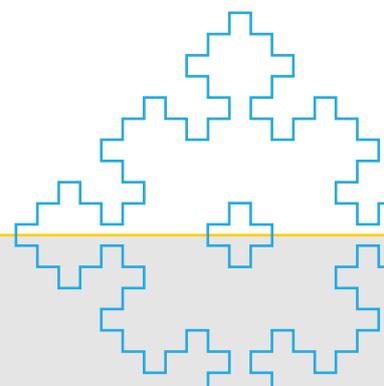
It should be noted that the export of goods has not been confirmed by the customs authorities.

It is noteworthy that the **Newly established company** is not a manufacturer of goods specified in the specification, and during the state registration it used the name of a well-known brand of a foreign company to commit fraud and misappropriation of funds of bona fide legal entities and individuals.

The law enforcement agency is conducting a pre-trial investigation.



Pic. 4.12



5. CASE REFERRALS

Pursuant to the Basic Law and in accordance with the Procedures for submission and consideration of case referrals approved by orders of the Ministry of Finance of Ukraine and law enforcement agencies, the SFMS expert commission for consideration of case referrals and additional case referrals prepared for submission to law enforcement agencies, in case of reasonable grounds, makes a decision concerning submission of such referrals to law enforcement and intelligence agencies.

During 2021, the SFMS has prepared 1170 referrals (including 767 case referrals and 403 additional case referrals), which were sent to (Pic. 5.1):

- NPU – 399 referrals (including 345 case referrals and 54 additional case referrals);
- bodies of the fiscal service of Ukraine

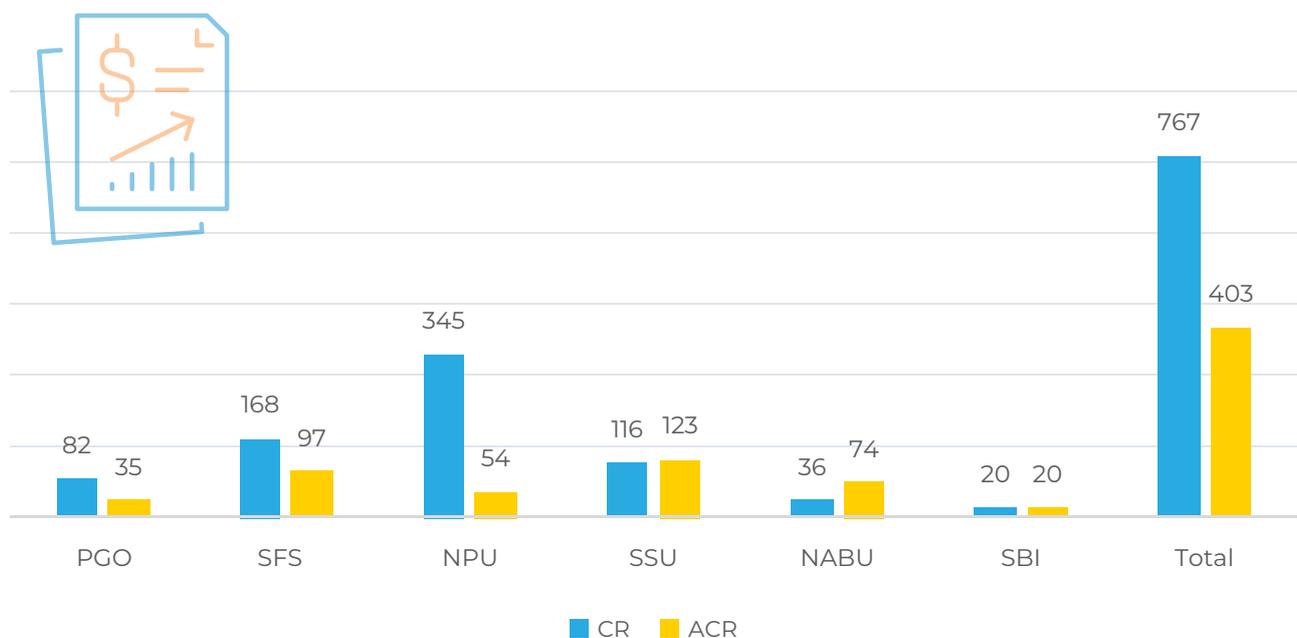
– 265 referrals (of which 168 case referrals and 97 additional case referrals);

- SSU – 239 referrals (including 116 case referrals and 123 additional case referrals);
- prosecutor's offices – 117 referrals (including 82 case referrals and 35 additional case referrals);
- NABU – 110 referrals (including 36 case referrals and 74 additional case referrals);
- SBI – 40 referrals (including 20 case referrals and 20 additional case referrals).

In the mentioned referrals, the amount of financial transactions that may be related to:

- money laundering is UAH 86.5 billion;
- commission of another criminal offense, defined by the Criminal Code of Ukraine, is UAH 16.7 billion.

CASE REFERRALS AND ADDITIONAL CASE REFERRALS SUBMITTED IN 2021



Pic. 5.1

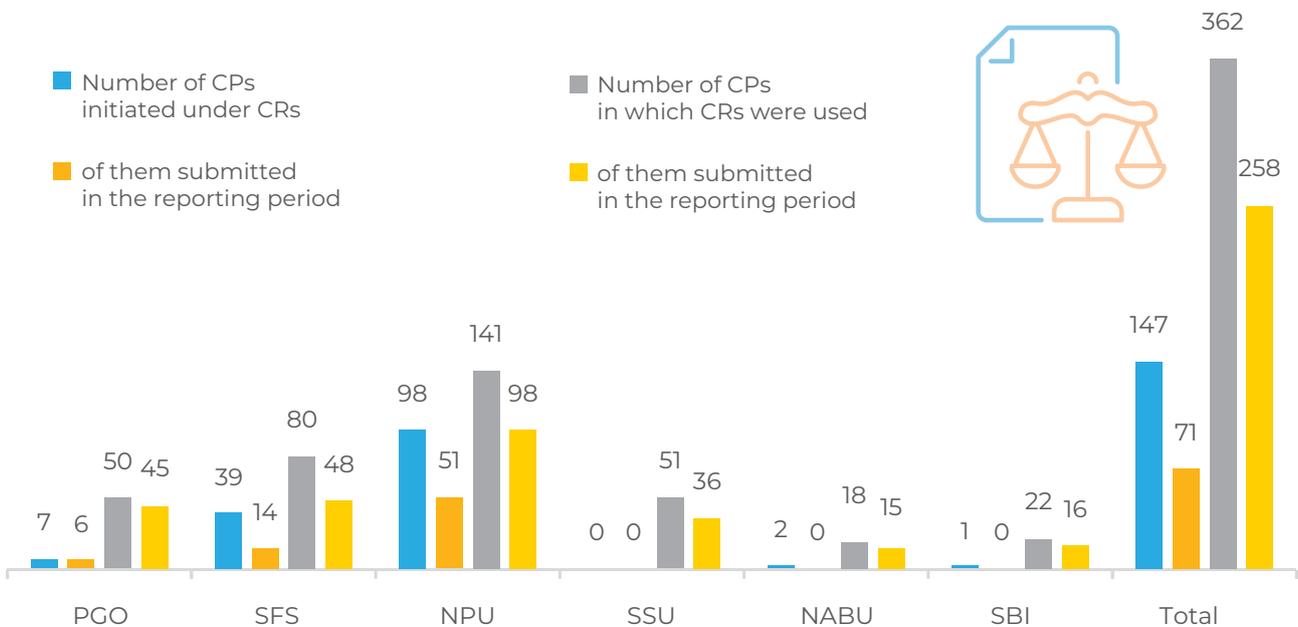
538 case referrals of the SFMS (including those provided in previous years) were initiated/used by law enforcement agencies during pre-trial investigations in 509 criminal proceedings (Pic. 5.2), in particular:

- according to the results of the inspection of 147 case referrals 147 criminal proceedings were initiated;
- 391 case referrals were used in 362 criminal proceedings.

Law enforcement agencies have completed 15 criminal proceedings in connection with the appeal to the court with an indictment, initiated on the basis of 15 case referrals.

The courts have considered 32 criminal cases initiated as a result of consideration of 32 case referrals, with a conviction or rendering ruling on non-rehabilitative circumstances.

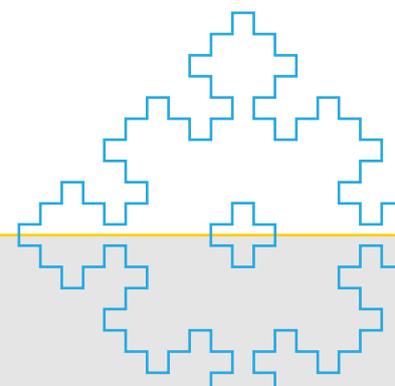
CRIMINAL PROCEEDINGS HAVE BEEN INSTITUTED ON THE BASIS OF CASE REFERRALS (USED IN CRIMINAL PROCEEDINGS) IN 2021



Pic. 5.2

According to the information received by the SFMS in 2021, in criminal proceedings initiated by law enforcement agencies based on the results of the SFMS's

case referrals, the total value of seized and confiscated property (funds) is UAH 510.8 million.



6. ENSURING FUNCTIONING AND DEVELOPMENT OF THE UNIFIED INFORMATION SYSTEM IN THE AML/CFT AREA

During the reporting period, the SFMS, in accordance with the main tasks defined in Article 25 of the Basic Law, ensured functioning of the Unified Information System in the AML/CFT area (hereinafter - the FMIS).

Continuous technological processes for obtaining, primary and analytical processing of information from reporting entities and state authorities, as well as support of the information environment of interaction with financial monitoring entities have been provided. The FMIS operates round-the-clock (24/7) in accordance with the regulations approved by the orders of the SFMS. The SFMS ensures the operation of all FMIS hardware and software systems in normal mode.

Development of the FMIS was carried out in accordance with the promising areas of state policy in this area, which were approved by the Regulation of the Cabinet of Ministers of Ukraine of 17.02.2021 No. 365-p "Some issues of digital transformation".

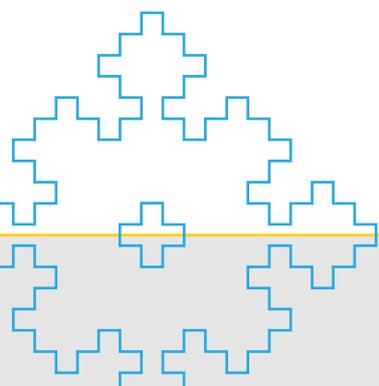
Efforts of the SFMS were aimed at ensuring electronic interaction between the financial monitoring system's entities, as well as improving the operational and strategic analysis of the SFMS, in particular measures to improve the basic platform of the Analytical System "e-case of financial monitoring" and introduction of API technologies for access of the SFMS to state electronic infor-

mation resources (hereinafter – the SEIR), as defined by the Resolution of the Cabinet of Ministers of Ukraine of 22.07.2020 No. 627 "Some issues of the Unified state information system in the area of preventing and counteracting to legalization (laundering) of the proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction".

In order to ensure access to the SEIR, technical protocols were developed and adopted in the reporting period to organize access to information of the Pension Fund of Ukraine, the Ministry of Justice, the State Tax Service, the State Customs Service and the State Border Guard Service of Ukraine. Work was continued on the coordination of technical protocols for information exchange for connection to the SEIR of the Ministry of Internal Affairs.

As part of improvement of the analytical component of the FMIS, measures were taken concerning implementation of information retrieval services from the SEIR using API technologies and tools of SEI SEIR "Trembita", the SEIR data update was provided in the FMIS data warehouse, a software environment was developed to consolidate information from various sources of FMIS and SEIR.

Measures have been taken to implement the Information and Telecommunication



System “Electronic Cabinet of the Financial Monitoring System” (hereinafter – the ITS “E-Cabinet of the FMS”).

The Order of the Ministry of Finance of Ukraine of 04.06.2021 No. 322 “On approval of the Procedure for information exchange on financial monitoring” defines new and updated formats of information interaction between the SFMS and the REs.

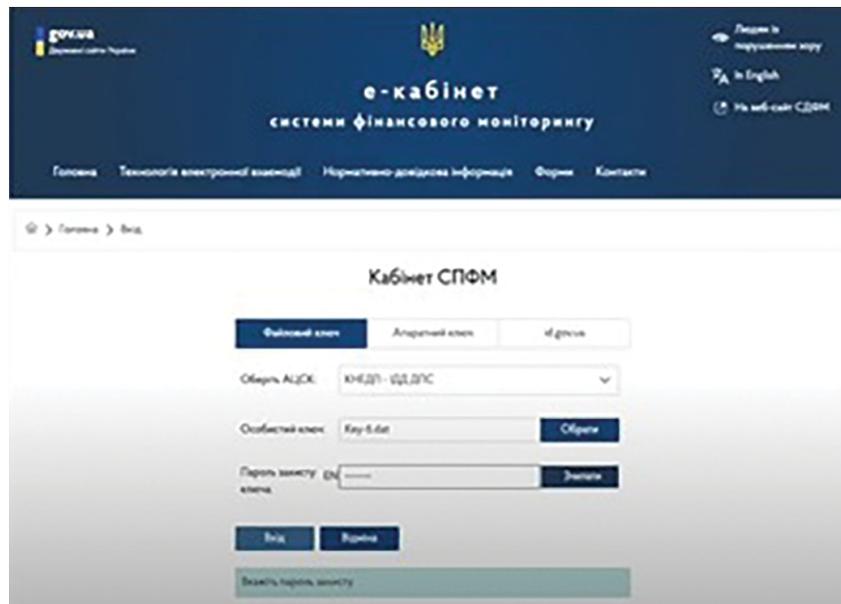
Within the framework of the project “European Union Anti-Corruption Initiative in Ukraine” (EUACI) the ITS software “E-cabinet of the FMS” was adapted to the requirements of the Order of the Ministry of Finance of Ukraine of 04.06.2021 No. 322.

In accordance with the Order of the SFMS of 16.11.2021 No. 130, the updated functionality of the ITS “E-cabinet of the FMS” was tested for compliance with the requirements of the above-mentioned Order. The implementation of these changes did not require additional state examination of the

integrated information security system (hereinafter – the IISS) ITS “EC FMS”.

In order to ensure the functioning of the ITS “E-cabinet of the FMS”, the APK of the FMIS was updated to increase its accessibility, productivity and reliability, and to ensure information security a set of qualified electronic signatures was introduced – network crypto modules “Hriada-301”, qualified electronic seal “State Financial Monitoring Service of Ukraine E-cabinet” for certification of electronic messages, as well as in ITS “E-cabinet of the FMS” SSL-certificate has been installed and configured, which provides secure access and information exchange.

By the Order of the SFMS of 24.12.2021 No. 152, the ITS “E-cabinet of the FMS” and its IISS were put into commercial operation as part of the FMIS node since 04.01.2022 (Pic. 6.1).



Pic. 6.1

7. INTERAGENCY COOPERATION

7.1. Relations with regulators and other state authorities

In 2021, the interagency cooperation of the SFMS was focused on the measures to coordinate the financial monitoring system, in particular:

- implementation of the strategy for the development of the national financial monitoring system;
- ensuring the activities of the AML/CFT Council;
- ensuring coordination in the implementation of actions to improve the national system of financial monitoring based on the results of the MONEYVAL's 5th round mutual evaluation of Ukraine and the preparation of the Third Follow-up report;

- concluding joint interagency documents with state authorities and public organizations;

- direct exchange of information with the SFMEs;

- strengthening interaction with the public.

Implementation of the strategy for the development of the national financial monitoring system

The SFMS continues to actively implement measures for the preparation and implementation of acts of the national anti-legalization strategy (Pic. 7.1).

ANTI-LEGALIZATION STRATEGY



Pic. 7.1

According to the provisions of the National Security Strategy of Ukraine, approved by the Decree of the President of Ukraine of 14.09.2020 No. 392/2020, legalization (laundering) of the proceeds, terrorism and proliferation of weapons of mass destruction are identified as threats to the current model of globalization.

In its turn, the Annual National Program under the auspices of the NATO-Ukraine Commission for 2021 (Decree of the President of Ukraine of 11.05.2021 No. 189/2021) defines Purpose 1.9.5. "Society and the state are protected by an effective system of preventing and counteracting to the legalization (laundering) of proceeds from crime, financing of terrorism and financing of the proliferation of weapons of mass destruction, capable of counteracting modern challenges" to Strategic goal 1.9 (the international community perceives Ukraine as a reliable partner in the international security system). In order to achieve the goal, the expected results by the end of 2025 have been determined.

According to the Strategy of Economic Security of Ukraine for the period up to 2025 (Decree of the President of Ukraine of 11.08.2021 No. 347/2021), in the preparation of which the SFMS has taken part, the main challenges and threats in the field of financial security include the spread of legalization (laundering) of the proceeds from crime. In addition, the strategic course in the field of economic security includes the tasks in the field of financial security to protect the national financial system from legalization (laundering) of the proceeds.

In order to implement the updated Basic Law and international AML/CFT standards, the SFMS has developed an Action plan, which was approved by the Regulation of the Cabinet of Ministers of Ukraine of 12.05.2021 No. 435-r "On Approval of Main Directions of the Development of the Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime, Terrorist Financing and Financing

of Proliferation of Weapons of Mass Destruction System in Ukraine for up to 2023 and Action plan for Their Implementation" (hereinafter – the Regulation of the CMU No. 435).

This Plan provides for a range of measures aimed at:

- *development of the AML/CFT legislation;*
- *improvement of the activity of the SF-MEs and other authorities;*
- *improvement of the efficiency of law enforcement agencies and other state authorities;*
- *strengthening of international cooperation.*

During 2021, the SFMS has analyzed and summarized the information received for the implementation of this Plan from state authorities, and subsequently sent it to the Cabinet of Ministers of Ukraine.

At the same time, for the implementation of item 17 of the Plan in November 2021, the indicators of complex administrative reporting in the area of preventing and counteracting to legalization (laundering) of the proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction were approved. These indicators are designed to meet international obligations to maintain complex statistics on the AML/CFT system effectiveness.

In addition, in accordance with the requirements of the Regulation of the CMU No. 435, by the submission of the SFMS, the Strategic Development Program of the State Financial Monitoring Service of Ukraine for the period up to 2024 was approved by the Order of the Ministry of Finance of Ukraine of 17.01.2022 № 16.

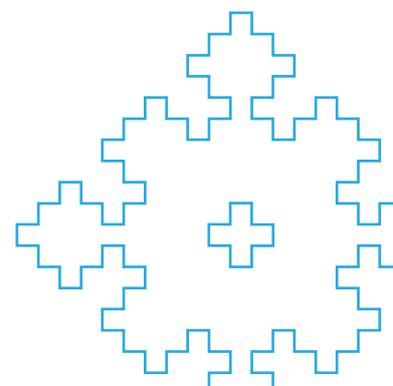




Рис. 7.2. Twelfth meeting of the Council, 30.11.2021

Activity of the AML/CFT Council

During 2021, the SFMS has organized 2 meetings (the first one in videoconference format) of the Council, which was established by the Resolution of the Cabinet of Ministers of Ukraine of 08.09.2016 No. 613, where important issues for the financial monitoring system were discussed (Pic. 7.2).

First of all, in 2021, the activity of the Council, as an advisory body, was aimed at consideration and submission of the proposals to state authorities on the implementation of the following main tasks, in particular:

- the state of implementation of the items of the Action Plan, which, in particular, relate to the need to amend the Criminal and Criminal Procedure Codes of Ukraine;
- preparation of a regulation on eviden-

tiary standards of reasonable suspicion for inclusion/exclusion in/from the relevant sanctions lists, including the list of persons related to terrorist activities or with regard to whom international sanctions have been applied;

- bringing by the SFMEs of AML/CFT regulations in line with the updated Basic Law and the results of the supervision of the REs in the AML/CFT area, taking into account the risk-oriented approach;
- review of the practice of applying the provisions of the legislation on special confiscation as a type of measure of a criminal law nature based on the results of consideration of the relevant criminal proceedings in cassation;
- ratification of the Additional Protocol to the Council of Europe Convention on the Prevention of Terrorism (concerning foreign terrorist fighters), etc.

Ensuring coordination concerning implementation of the Action Plan on improvement of the national financial monitoring system based on the results of the MONEYVAL's 5th round mutual evaluation of Ukraine and preparation of the Third Follow-up Report

During 2021, the SFMS has continued to coordinate the implementation by the interested state authorities of the Action Plan on improvement of the national financial monitoring system based on the results of the MONEYVAL's 5th round mutual evaluation of Ukraine (hereinafter – the Action Plan).

Thus, during the reporting period, the SFMS has quarterly sent the relevant inquiries to 21 interested state authorities and law enforcement agencies regarding the status of implementation of the Action Plan. In response, about 87 letters were received with information on the measures taken.

Based on the results of summarizing of the information provided by the interested state authorities, the SFMS has prepared and sent to the Cabinet of Ministers of Ukraine and the Ministry of Finance of Ukraine 4 reports on the status of its implementation.

Moreover, at the beginning of 2021, the SFMS, together with interested state authorities, has processed a template for the third Follow-up Report on the results of the MONEYVAL's 5th round mutual evaluation of Ukraine.

Subsequently, a completed template on the third Follow-up Report of Ukraine was submitted to MONEYVAL for consideration, which was considered in a “written procedure”.



Pic. 7.3

Concluding of joint interagency documents with the state authorities and public organizations as of today

In order to improve the mechanisms of information interaction between the participants of the financial monitoring system, as of today the documents on interagency cooperation between the SFMS and 4 state financial monitoring entities, 26 state authorities, 28 other institutions and organizations have been concluded.

Thus, in the framework of interagency cooperation, in January 2021, the SFMS signed an Agreement on interagency cooperation between the SFMS and the Commission for the Regulation of Gambling and Lotteries (Pic. 7.3).

The purpose of this Agreement is to establish cooperation and information exchange for the AML/CFT in the field of or-

ganization and conducting gambling and lotteries. This agreement agreed on:

- *exchange of experience and information in the AML/CFT area on the organization and conducting gambling and lotteries, including through meetings, seminars and conferences;*
- *exchange of statistical and reference materials, methodical recommendations and information of mutual interest;*
- *implementation of joint measures aimed at professional development of employees, providing assistance in the development and implementation of effective models of training of employees and others, in accordance with the competence of the Parties.*

In addition, it is planned that the cooperation will not be limited to the measures specified in this Agreement, but will be developed in order to ensure an effective partnership.

Also, during 2021, 15 interagency documents on information exchange have been concluded, including with the Ministry of Justice, the State Tax Service, the State Customs Service, the Administration of the State Border Guard Service of Ukraine and the Pension Fund of Ukraine.

The direct information exchange with the SFMEs

During 2021, the SFMS, in order to increase the efficiency of the supervision over the compliance by the REs with the requirements of the AML/CFT legislation, in the framework of the signed joint orders on cooperation with the Ministry of Finance of Ukraine, the National Securities and Stock Market Commission, the Ministry of Justice of Ukraine, the Ministry of Digital Transformation of Ukraine and the National Bank of Ukraine, has provided the following information to the SFMEs, in particular:

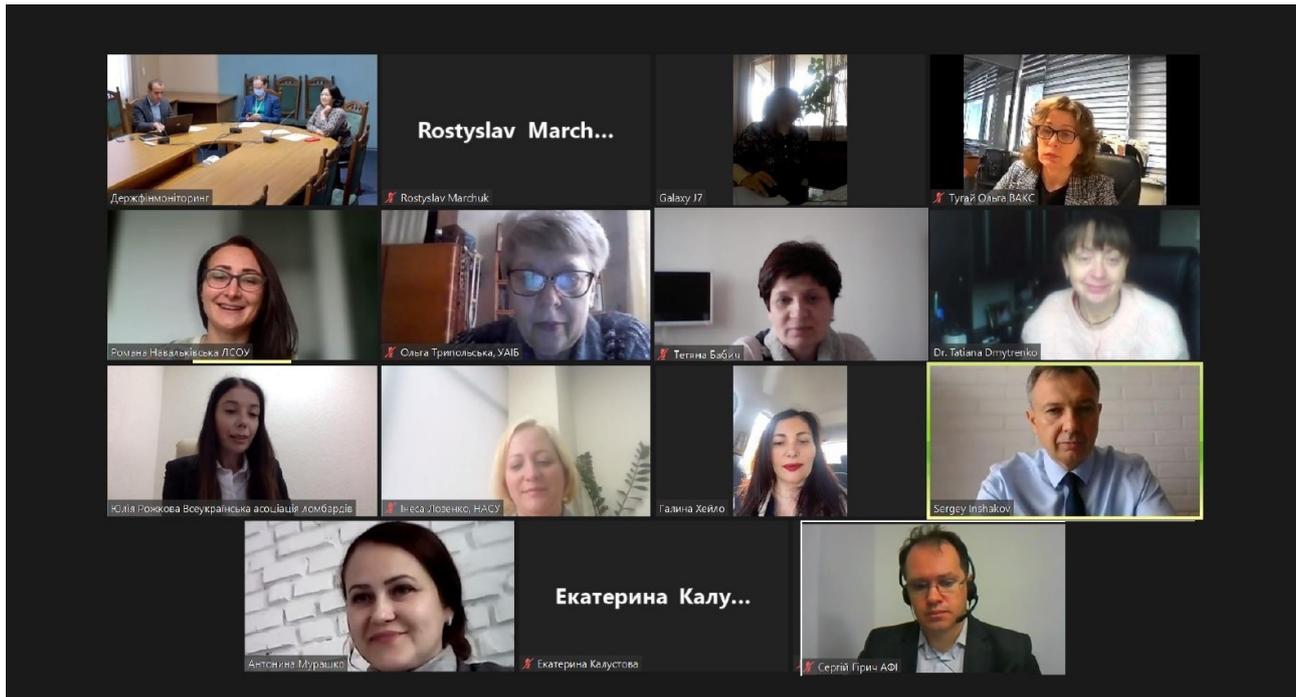
- *administrative data on financial transactions subject to financial monitoring, received by the SFMS from the reporting entities;*
- *information on mistakes made by the reporting entities when submitting information about financial transactions subject to financial monitoring;*
- *data on the registration of the reporting entities in the SFMS;*
- *information on the facts detected by the SFMS that may indicate the violation of the requirements of the law by the reporting entities;*
- *information on the protocols drawn up by the SFMS on administrative violations committed by the officials of the reporting entities and the results of their consideration;*
- *data on the analysis of the methods and financial schemes of ML/FT.*

Interaction with the public

On the occasion of the anniversary of the entry into force of the updated Basic Law (April 28, 2021), the Head of the State Financial Monitoring Service of Ukraine Igor Cherkaskyi gave an extended interview to the information portal "Minfin".

During the interview, Igor Cherkaskyi provided answers to the current anti-legalization topics of interest to the public and the professional community, including:

- *cooperation of the SFMS with the private sector and exchange of information with other participants of the financial monitoring system;*
- *measures taken in the implementation of the system of verification of information on ultimate beneficiaries in the USR;*
- *issues of ML/FT risk management in the area of cryptocurrency circulation, etc.*



Pic. 7.4. Constituent meeting of the Public Council in videoconference format

The full text of the interview can be reached by: <https://minfin.com.ua/ua/2021/04/29/64036482/>.

Also, on April 2, 2021, the Public report was presented by the Head of the SFMS with the aim to inform the public more about the national system of financing monitoring.

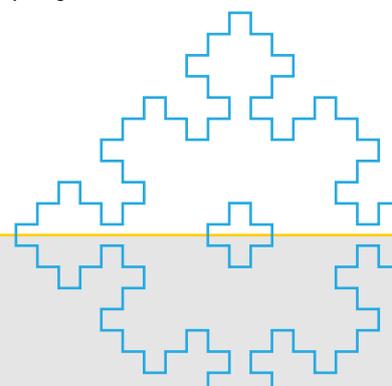
At the same time, in 2021, the SFMS provided close cooperation with the participants of the public society which consisted primarily in:

- *organization of work of the Public Council at the SFMS;*
- *conducting public examination of draft regulations;*
- *informing in media about the accomplished work.*

In 2021, the SFMS, in order to improve the mechanisms of interaction between

the SFMS and the public upon the implementation of the Resolution of the Cabinet of Ministers of Ukraine as of November 11, 2010 No. 996 «On ensuring participation of the public in the formation and implementation of the state policy», has promoted the activities of the Public Council at the SFMS.

In general, in 2021, the Public Council at the SFMS has held 2 meetings in the videoconference format, where the members of the Council were informed about the implementation by the SFMS of the AML/CFT policy. On September 30, 2021, the constituent meeting was held, during which a new composition of the Public Council at the SFMS was formed (Pic. 7.4) and it's first two meetings were held. In particular, the second meeting of the Public Council (November 26, 2021) was held as part of events dedicated to the Day of the financial monitoring system employee.



The materials of the meeting of the Public Council at the SFMS are posted on the SFMS's official website.

Also, the SFMS has adopted and implemented the Tentative plan for public consultations for 2021, which was agreed with the Public Council at the SFMS and published on the SFMS's official website.

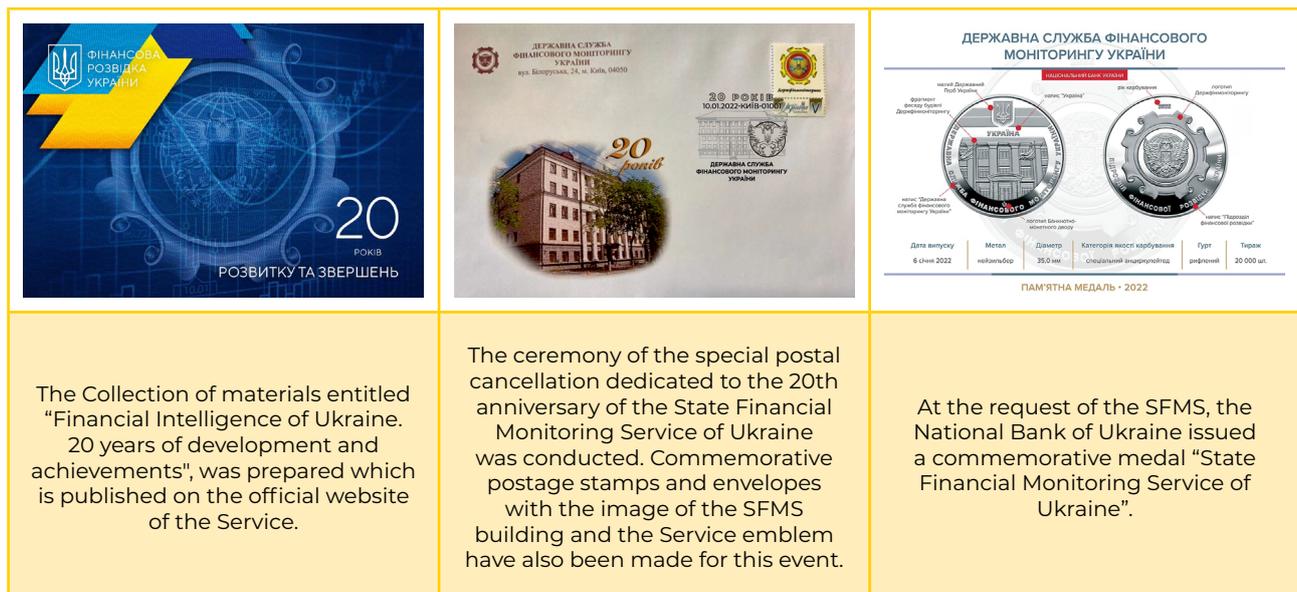
In total, in 2021, within the framework of interaction with the public, the SFMS has organized:

- participation of the public representatives in the international scientific AML/CFT workshops;
- publishing over 450 information notifications on financial monitoring on the SFMS's official website;

- publishing the information on the SFMS's activities on its own pages in social networks: Facebook, Twitter, LinkedIn, Telegram, YouTube;
- publishing 9 SFMS's information materials on the Government's web-portal.
- submission to the Cabinet of Ministers of Ukraine of information on measures to conduct public consultations.

Celebrating the 20th anniversary of the SFMS's establishment

In 2021, as part of the events dedicated to the 20th anniversary of the SFMS's establishment, a number of organizational events have been conducted:



The Collection of materials entitled "Financial Intelligence of Ukraine. 20 years of development and achievements", was prepared which is published on the official website of the Service.

The ceremony of the special postal cancellation dedicated to the 20th anniversary of the State Financial Monitoring Service of Ukraine was conducted. Commemorative postage stamps and envelopes with the image of the SFMS building and the Service emblem have also been made for this event.

At the request of the SFMS, the National Bank of Ukraine issued a commemorative medal "State Financial Monitoring Service of Ukraine".

Pic. 7.1

7.2. Interaction with reporting entities

In 2021, the SFMS on a permanent basis conducted an analysis of the effectiveness of reporting entities activity in the AML/CFT area.

As a result of this analysis, the SFMS posted on its official website clarifications on electronic cooperation on financial monitoring in the context of the suspension of financial transactions and on es-

tablishing and support business relations with politically exposed persons.

Also, in September 2021, the Working Group for consideration problematic issues of reporting entities - banking and non-banking institutions meetings were conducted. At the meetings, the actual issues of reporting entities when complying with the requirements of the AML/CFT

legislation were discussed, in particular, concerning:

- numbering of operations in registers;
- entering data on clients - foreign legal entities and individuals who are foreign

citizens or stateless persons;

- *procedure for freezing assets of customers of leasing companies;*
- *freezing assets of customers who received a loan from a credit union and others.*

7.3. Methodical support, training of financial monitoring entities' staff

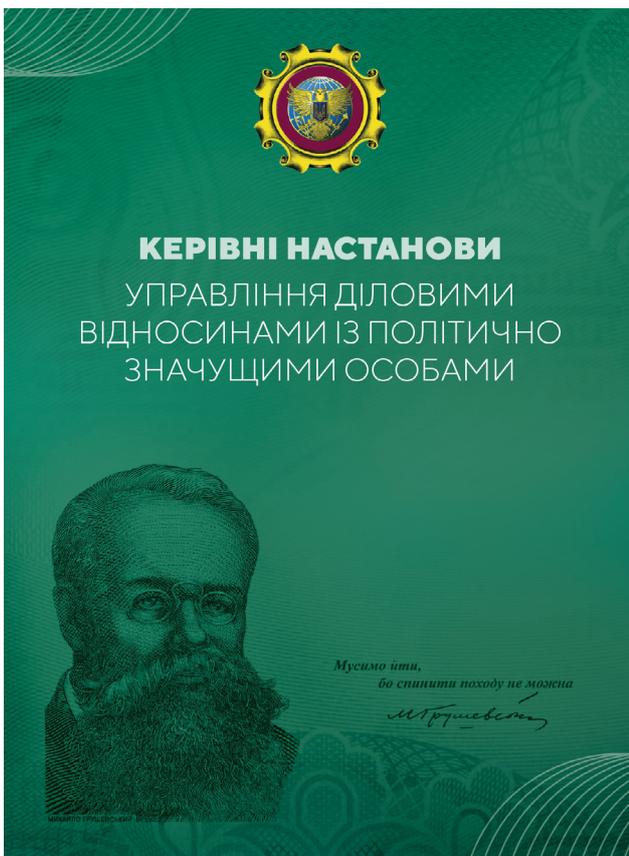


Рис. 7.5

In 2021, the SFMS, in order to provide assistance to the AML/CFT participants' activities, has actively worked in the methodological field. Thus, the SFMS, taking into account the requirements of EU Directives 2015/843 and 2018/843 based on the results of generalization of national legislation, best international practices, case studies and unresolved issues, has prepared and published Guidelines: "Managing Business Relations with Politically Exposed Persons" (Pic.7.5).

The Guidelines address key issues of compliance with international standards and due diligence regarding politically exposed persons. Particular emphasis is made on "red flags" for identification of politically exposed persons and their activities.

Particular attention is paid to the peculiarities of the risk-oriented approach, as well as the measures taken by reporting entities.

From a practical point of view, recommendations on open information sources on identification of politically exposed persons are relevant, as well as typological studies of the SFMS on participation of politically exposed persons in schemes related to possible money laundering.

At the same time, the SFMS together with other interested bodies in this field in the framework of the projects "Strengthening measures to counter money laundering and financing of terrorism in Ukraine" (PGG) and «EU Action against Drugs and Organised Crime (EU-ACT): Enhanced Cooperation and Capacity Building to address Drug related Organised Crime along the Heroin Route" participated in the preparation of the Manual on certain aspects of financial investigations (analysis of financial relations (Pic. 7.6).

This Manual aims to provide an understanding of the concept of financial investigation and approaches to its implementation for government officials involved in combating crimes, including those with an economic component, asset recovery and corruption.



Pic. 7.6

The Guidelines are practical and contain:

- examples of preparation of law enforcement requests to the SFMS and ARMA for international legal assistance;
- information that can be obtained from certain state authorities;
- investigative situations and basic criminal procedural documents on financial investigations;
- practice of the European Court of Human Rights in cases concerning ML and more.

Moreover, the appearance of this edition is aimed at demonstrating Ukraine's progress following the results of the MONEYVAL's 5th round mutual evaluation with regard to the Immediate Outcome 7 (Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportion-

ate and dissuasive sanctions).

Also, the SFMS, with the assistance of the OSCE Project Co-ordinator in Ukraine, has prepared a publication "Horizontal review of mutual evaluation reports in the AML/CFT area" (Pic. 7.7).

The publication is a large-scale (over 700 pages) and currently the most important collection of conclusions and recommendations of international organizations on 43 countries of the FATF/MONEYVAL region in the AML/CFT area, including Ukraine, which outlines key conclusions and recommendations following the results of external independent country assessments.



Pic. 7.7

In addition, in order to increase the capacity of Ukrainian prosecutors to procedurally manage pre-trial investigation and support public prosecution in criminal proceedings of ML, the SFMS has published on its official website a Handbook



Pic. 7.8. Participants in the discourse

on Money Laundering Identification, Investigation and Prosecution prepared by international experts of the Council of Europe within the framework of the project on “Strengthening measures to counter money laundering and financing of terrorism in Ukraine” (PGG).

At the same time, during 2021, the SFMS representatives took part in 27 educational events organized by the Academy of Financial Management, the Institute of Law and Postgraduate Education of the Ministry of Justice, the Institute for Professional Development “Radnyk” and others.

The events were attended by more than 2343 persons – representatives of reporting entities and scientists.

In particular, on July 1-2, an interagency discourse organized by the SFMS under the auspices of the OSCE Project Coordinator in Ukraine and the project “Strengthening measures to counter money laundering and financing of terrorism in Ukraine” (PGG) on: “Transparency of beneficiary property: lessons and perspectives” took place in Odesa (Pic. 7.8).

Representatives of the Verkhovna Rada of Ukraine, the OSCE Project Coordinator in Ukraine, the CoE/EU Partnership for Good Governance Programme (PGG), the

Council of Europe Office in Ukraine, the Secretariat of the Cabinet of Ministers of Ukraine, the SFMS, the Office of the National Security and Defense Council of Ukraine, the NBU, the Ministry of Finance, the Ministry of Digital Transformation of Ukraine, the Ministry of Justice, ARMA, the Commission on Regulation of Gambling and Lotteries, the NSSMC, law enforcement agencies, etc. took part in the discourse.

The discourse focused on issues that will help to understand the current problems of verification of UBO data, as well as increase the effectiveness of the disclosure regime, which ensures the transparency of ownership and control structures. Particular emphasis during the discussion was placed on key aspects of identifying hidden levers of control and abuse of corporate governance mechanisms in terms of AML/CFT.

At the same time, on November 18, the SFMS conducted an international workshop on “Financial investigations involving the offshore component, trusts, virtual assets and PEPs”, organized with the support of the project “EU Anti-Corruption Initiative in Ukraine” (EUACI) (Pic. 7.9).

The workshop was attended by the in-



Pic. 7.9

ternational expert, representatives of the SFMS, the NABU, the SBI, ARMA, the High Anti-Corruption Court, the Specialized Anti-Corruption Prosecutor's Office and the National Agency on Corruption Prevention.

During the workshop, the best international practices and trends in financial investigations with the involvement of PEPs and trusts have been discussed; the specifics of using complex corporate structures to conceal the UBO in money laundering schemes have been determined; special attention has been paid to the issues of virtual assets use to hide the proceeds of crime. The participants have been presented with the general practice of conducting financial investigations by the NABU exploiting analytical products (IT systems).

Also, on December 2-3, an integrated panel discussion was conducted in Lviv, organized by the SFMS with the support of the OSCE Project Coordinator in Ukraine

and the project of EU Anti-Corruption Initiative in Ukraine (EUACI) on the topic: "Financial Monitoring 2021".

Representatives of the Verkhovna Rada of Ukraine, the Secretariat of the Cabinet of Ministers of Ukraine, the Ministry of Finance, the Ministry of Digital Transformation of Ukraine, the Ministry of Justice, the Ministry of Economy of Ukraine, the SFMS, the NBU, the NSSMC, ARMA, the Commission on Gambling Regulation and Lotteries, the Supreme Court, representatives of professional organizations of reporting entities took part in the discussion.

The event was also attended by international experts in the AML/CFT area, including the Chairman of MONEYVAL, leading international experts, representatives of the OSCE Project Coordinator in Ukraine and the project "EU Anti-Corruption Initiative in Ukraine" (EUACI).

During the discussion, the issues related to the peculiarities of the implementation of anti-legalization legislation

have been discussed, taking into account current challenges and recent trends in Ukraine's development. The participants of the discussion pay special attention to the general trends, problems and prospects of development of the AML/CFT system from the point of view of regulation and supervision of reporting entities and practical AML/CFT aspects.

7.4. National Risk Assessment

In preparation for the next (third) AML/CFT National Risk Assessment (hereinafter – the NRA), which is planned to be conducted in 2022, the SFMS, taking into account the conducted analysis of international practice of conducting national risk assessments and with the assistance of the OSCE Project Coordinator in Ukraine, prepared the publication “World experience in conducting National Risk Assessments of money laundering and terrorist financing”, which was published on the official website of the SFMS (Pic. 7.10).

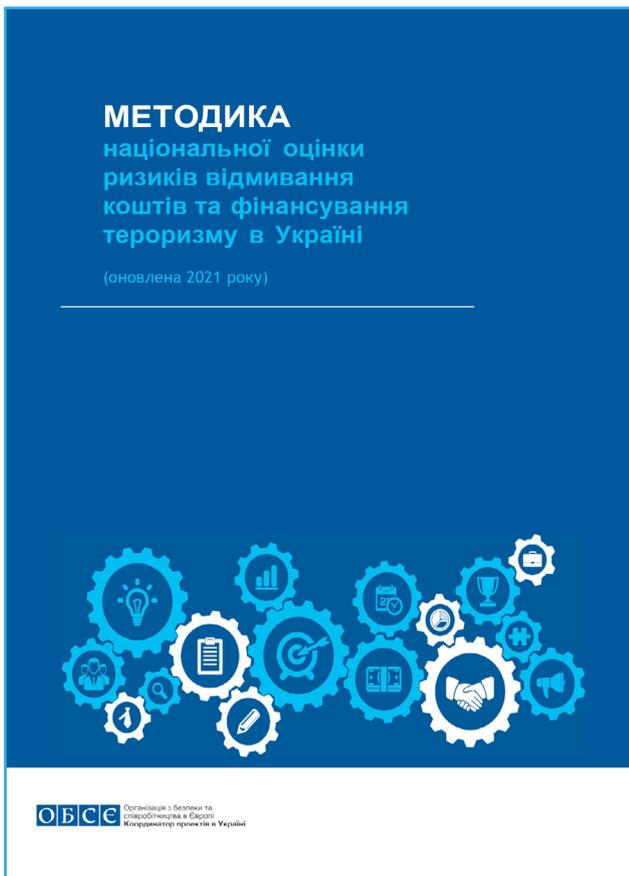
The publication contains best practices, deficiencies and suggestions for conducting NRA. In particular, the leading international documents on conducting NRA have been reviewed, more than 80 reports on conducting NRA by foreign countries have been analyzed, as well as the results have been studied and prospects of the NRA in Ukraine have been determined.

Also, during 2021, the SFMS representatives took part in 56 educational events organized by the Academy of Financial Monitoring, which were attended by 2035 listeners.

In total, during 2021, the SFMS representatives took part in 83 educational events held for 4378 persons.



Pic. 7.10



Pic. 7.11

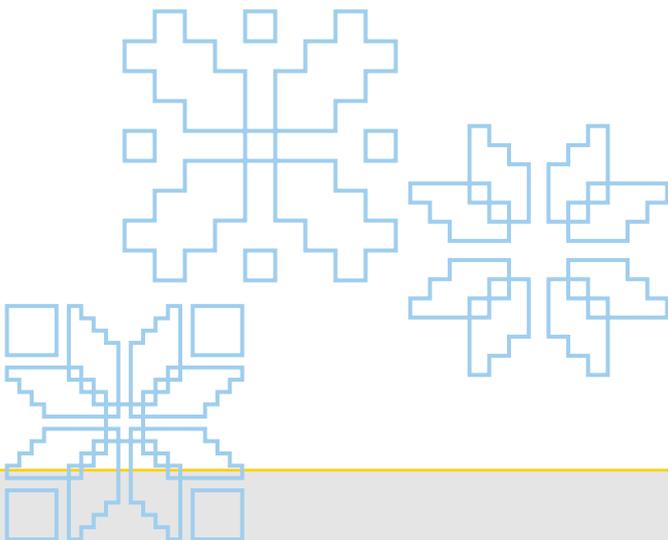
Also, taking into account the requirements of the updated FATF Recommendations, and the analysis of world experience in conducting national risk assessments, with the assistance of the OSCE Project Coordinator in Ukraine, the Methodology of National Risk Assessments on Money Laundering and Terrorist Financing in Ukraine was updated (Pic. 7.11), which in

the manner prescribed by law was agreed with the Ministry of Finance and approved at the 12th meeting of the AML/CFT Council (hereinafter - the Council) on November 30, 2021.

The updated Methodology, in particular, determines:

- *features of FT risk assessment;*
- *risk assessment mechanism for non-profit organizations and various organizational and legal forms of legal entities;*
- *features of risk assessment of the use of VAs and VASPs for the purpose of ML/FT;*
- *recommendations for state financial monitoring entities on conducting sectoral ML/FT risk assessments of supervised reporting entities;*
- *a mechanism for assessing risks of financing of proliferation of weapons of mass destruction in Ukraine.*

In addition, in order to facilitate the coordination of the NRA participants, determine the indicative plan for conducting the NRA, an extent (level, degree) of involvement of each NRA participant, a list of information needed to assess risks of using non-profit organizations for ML/FT purpose, as well as resolving problematic issues that arise during its conducting, the Council established a Working group for conducting national risk assessment, which includes representatives of the NRA participants.





8. ACTIVITIES OF THE ACADEMY OF FINANCIAL MONITORING

The Academy of Financial Monitoring in accordance with its basic tasks conducts retraining and professional development of specialists on financial monitoring in the AML/CFT area in order to ensure the unified approach to retraining and professional development of specialists of state financial monitoring entities, law enforcement and judicial authorities, representatives of reporting entities in charge of its conducting, as well as representatives of foreign states and international organizations.

The educational process of the Academy is closely connected with practice and is based on modern achievements of academic science.

During the professional development lectures, listeners of each group had the opportunity to ask questions, get answers to them, discuss problematic practical situations with employees of the State Financial Monitoring Service of Ukraine.

Among the teachers of the Academy are representatives of the SFMS as a specially authorized body, as well as state regulators in the AML/CFT area - the NBU, the Ministry of Finance and the NSSMC.

Practical trainings at the Academy were also conducted by compliant officers of reporting entities, professors and associate professors of higher education institutions, and other representatives of the expert community.

During its activity, the Academy has improved the qualification of 19,751 specialists in financial monitoring.

In 2021, the Academy of Financial Monitoring trained 1,878 listeners who are representatives of law enforcement, intelligence, judicial, other state authorities and state financial monitoring entities, including:

- 665 specialists - representatives of law enforcement, intelligence, judicial and other state authorities (pic. 8.1);
- 1213 specialists – compliant officers of reporting entities (pic. 8.2).

Also, in 2021, the Academy held thematic web-seminars, which were attended by 437 representatives of reporting entities. The seminars were held on the following topics:

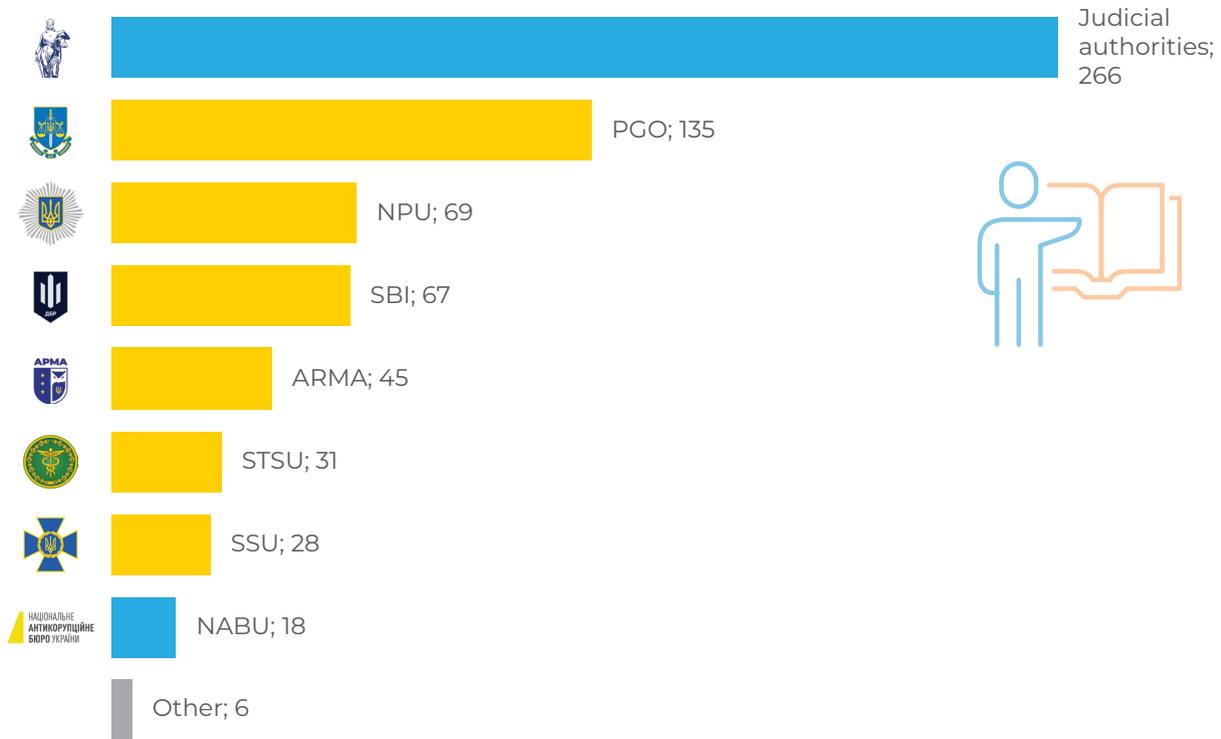
- “Notary as a reporting entity”;
- “Identification of the UBO and due diligence during the initial financial monitoring”;
- “Customer due diligence: risk categories and ownership structure”;
- “Automation of financial monitoring processes: regulatory requirements and examples of practical application”.



МІНІСТЕРСТВО
ФІНАНСІВ
УКРАЇНИ

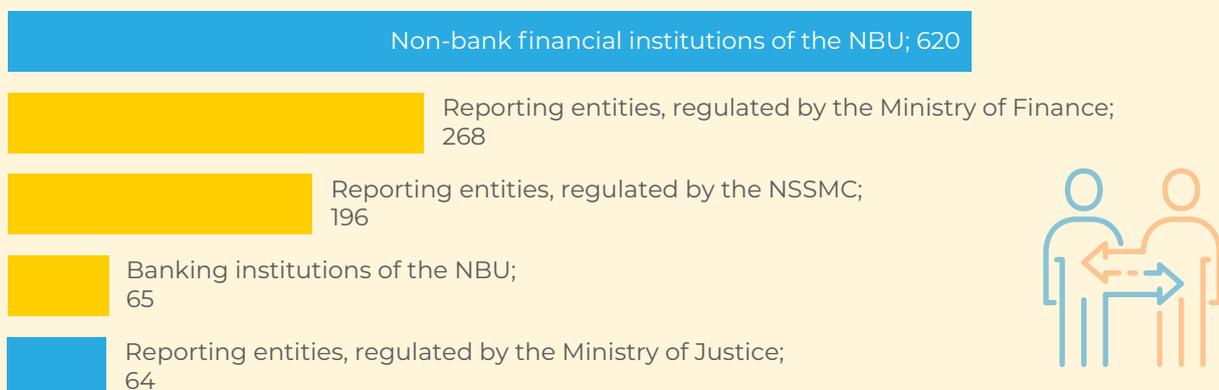


NUMBER OF GOVERNMENT OFFICIALS TRAINED IN 2021



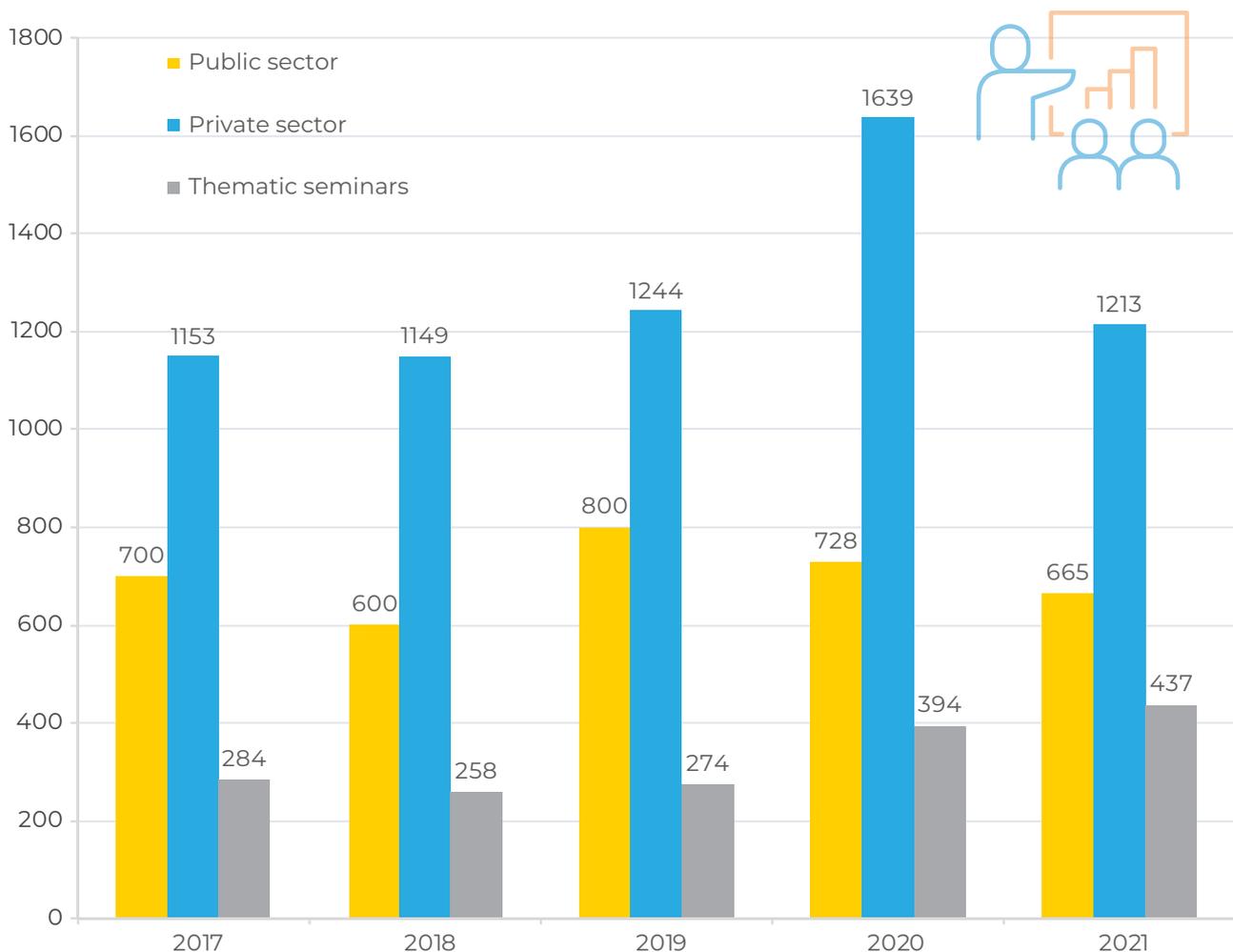
Pic. 8.1

NUMBER OF COMPLIANT OFFICERS OF REPORTING ENTITIES TRAINED IN 2021



Pic. 8.2

THE DYNAMICS OF TRAINING INDICATORS AT THE ACADEMY



Pic. 8.3.

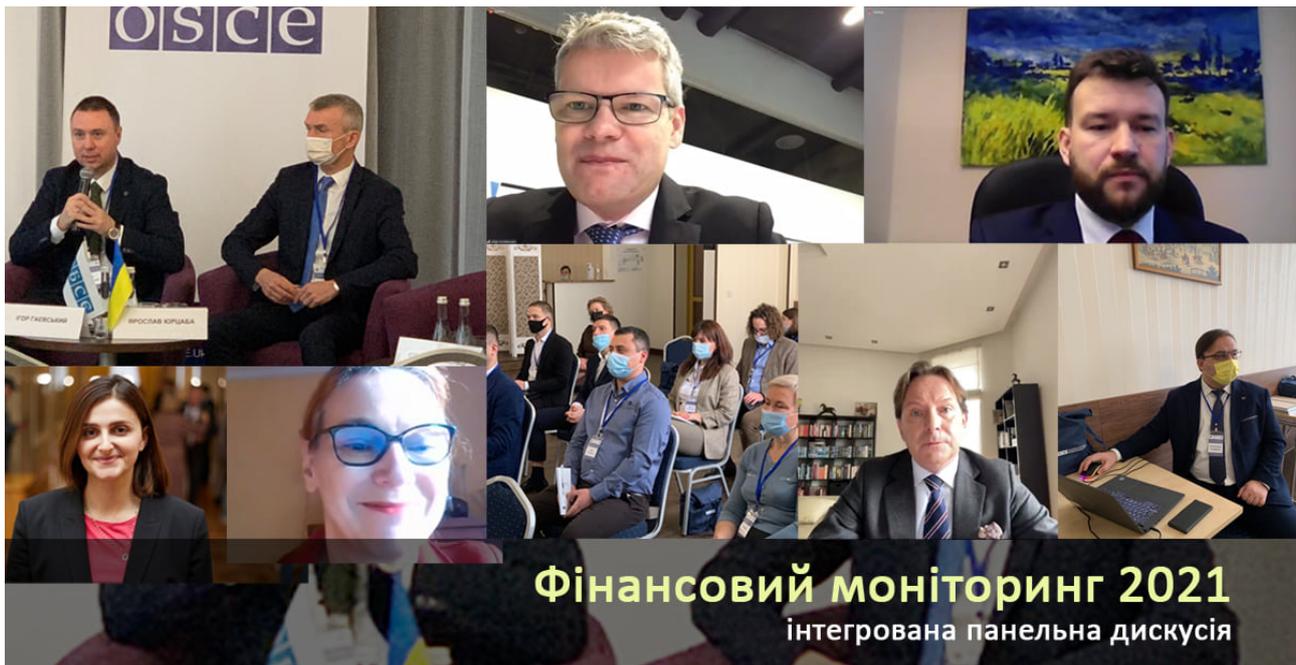
At the same time, in 2021, the Academy of Financial Monitoring took part in the preparation and implementation of the following communication activities:

- *interagency discourse “Transparency of beneficiary property: lessons and perspectives” (July 1 - 2, 2021, Odessa) - with the support of the OSCE Project Coordinator in Ukraine in cooperation with the SFMS and the project “Strengthening measures to counter money laundering and financing of terrorism in Ukraine” (PGG);*
- *integrated panel discussion “Financial Monitoring 2021” (December 2 - 3, 2021, Lviv) - jointly with the OSCE Project Coordinator in Ukraine, the SFMS and the project “EU*

Anti-Corruption Initiative in Ukraine”(EUA-CI) (pic. 8.4).

These events were attended by about a thousand people who had the opportunity to communicate with the leadership of international organizations, foreign FIUs, public authorities, public organizations, financial institutions, educational institutions, research institutions.

Over the past year, the Academy has expanded its range of partners, including signing memoranda of understanding with “YouControl”, “DataOcean” (pep.org.ua), AI Fintech, the National School of Judges of Ukraine, and the Western Ukrainian National University, Eugene



Pic. 8.4

Berezniak Military Diplomatic Academy, Kyiv Regional Center for Advanced Training, Center for Operational and Strategic Analysis (COSA), Association of Financial Institutions, public organizations, including Transparent Democracy, Civil Society Development Forum.

Directions of cooperation are: training and professional development of employees in the AML/CFT area, conducting joint scientific conferences, seminars, meetings, workshops, scientific researches in the AML/CFT area, etc.

In addition, the Academy employees took part in events organized by the State Education Quality Service of Ukraine, Taras Shevchenko National University of Kyiv, the National Academy of Internal Affairs, the State Tax University, Prosecutor's Training Center of Ukraine, and Ukrainian National Bar Association.

In order to promote measures for financial monitoring, the Academy together with the company "YouControl" has developed in a comprehensible form a series of articles – "anti-advice" "How to run into a fine" (pic.8.5). This educational illustrative material aims to use specific examples to deal with the main AML/CFT violations,

responsibility for them, as well as practices to prevent such situations. A series of 9 typical examples was posted on the Academy's website (<https://finmonitoring.in.ua>) and the Academy's Facebook page, as well as on leading financial web resources (Finance.ua, etc.).

The Academy has developed new educational programs that take into account the use of modern technologies for ML and counteract this negative phenomenon.

During the Academy of Financial Monitoring trainings, listeners had the opportunity to learn about the use of open sources for information analysis, technology for visualization and analysis of financial documents, software that allows you to track transactions with virtual assets that may be involved in ML.

The priorities of the Academy's development are the practical orientation of training programs and their compliance with the current trends in the AML/FT system, further expansion of partnership, development and implementation of new formats of educational activities, including thematic seminars that meet current requests and needs of financial monitoring entities.

Антипоради з фінмоніторингу

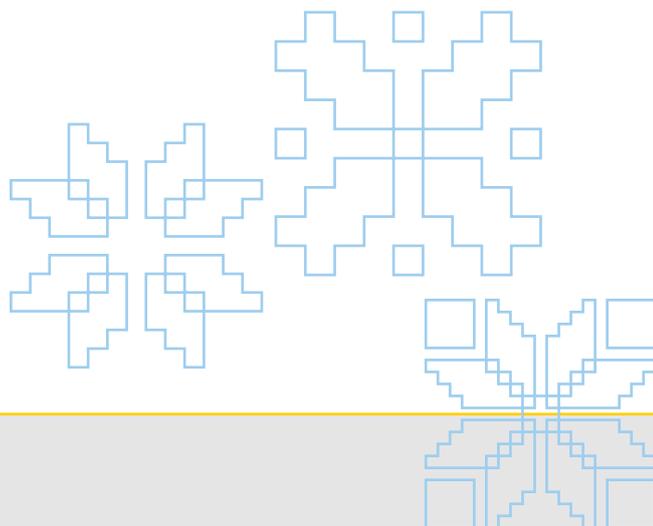
Не підвищуй свою кваліфікацію



Як потрібно діяти насправді?

Відповідальний працівник за фінансовий моніторинг повинен не рідше, ніж один раз на 3 роки, проходити підвищення кваліфікації. Це варто робити з метою актуалізації знань щодо вимог нормативно-правових актів. А також, щоб орієнтуватися в інформації про новітні технології здійснення фінансового моніторингу, бути в курсі сучасних типологій відмивання брудних коштів.

Рис. 8.5



9. INTERNATIONAL COOPERATION

9.1. Cooperation with international organizations

One of the important components of the SFMS activity is to set cooperation with international institutions and foreign partners responsible for the organization of the effective AML/CFT measures.

During 2021, the SFMS actively cooperated with leading international organizations and institutions dealing with ML/FT counteracting issues, such as: Financial Action Task Force (FATF), Egmont group of Financial Intelligence Units, Council of Europe (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism (MONEYVAL)), European Union, United Nations, World Bank, NATO, Organization for Security and Co-operation in Europe (OSCE), Organisation for Economic Co-operation and De-

velopment (OECD) and other international organizations.

Also, in 2021, the SFMS's representatives presented Ukrainian AML/CFT experience as well as improved cooperation in course of international workshops conducted with the assistance of the leading international organizations.

Moreover, the SFMS, in accordance with its tasks, concludes international interagency agreements (Memoranda of Understanding) with foreign financial intelligence units. During 2003-2021, the SFMS has signed 82 Memoranda of understanding. In 2021, the Memoranda of Understanding with the FIU of the Kingdom of Saudi Arabia, the Republic of Malta and the Holy See (Vatican) were signed.

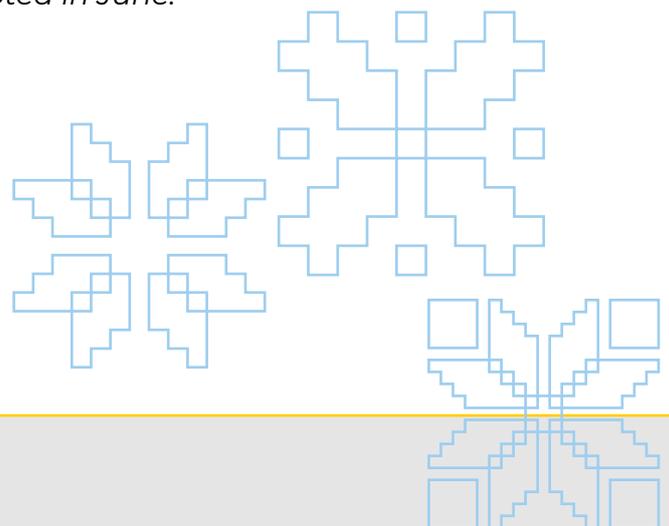
9.1.1. Cooperation with Financial Action Task Force (FATF)

In 2021, the SFMS representatives have participated in the following FATF events:

- *online consultations with MONEYVAL delegations on key issues on the agenda of the FATF Plenary Session (February 10);*
- *online webinar on trade-based money laundering (March 18);*
- *online FATF Plenary meeting (June 22-25);*
- *joint online meeting of the FATF RTMG - EG IEWG on Digital Transformation (September 20);*
- *FATF webinars on money laundering from environmental crime (September 30);*
- *separate sessions of the virtual joint meeting of FATF experts (November 29 - December 20).*

Also the following has been sent to the FATF Secretariat:

- *comments on the second draft RTMG asset recovery report;*
- *updated information on the funding of ISIS, Al Qaeda and related organizations;*
- *information on the RTMG questionnaire on terrorist financing risk indicators;*
- *information on the measures taken to implement the FATF Public Statement adopted in June.*



9.1.2. Cooperation with Egmont Group of Financial Intelligence Units

During 2021, the SFMS representatives took part in the following events:

- a virtual meeting of the IEWG project team on concerning the project "Flexible, consistent standards of information exchange" (January 29);
- virtual meeting of the Working group on information exchange (IEWG) (February 1 - 4);
- virtual meeting of the Technical Assistance and Training Working group (TATWG) (February 8 - 9);
- a virtual meeting of the Working group on policy and procedures (PPWG) (February 10);
- virtual meetings of EUROPE II (March 4 and July 12);
- online seminar of the Egmont Centre of FIU Excellence and Leadership (ECOFEL) for Europe I Regional Group "Cooperation and Information Exchange between Financial Intelligence Units, Law Enforcement Agencies and Prosecutors" (May 25);
- IEWG out-of-session meetings (June 28);
- Egmont Group Working groups meetings (June 29);
- 27th Plenary Meeting of the Egmont group (5 – 9 July);
- Europe II online seminar on "Information exchanged by FIUs, law enforcement and supervisors", organized by ECOFEL (October 12);
- online meetings with representatives of the German FIU, organized in cooperation with the Secretariat of the Egmont group (October 13);
- online meeting on the project "Asset Recovery - the role of the FIU" (November 2);
- virtual project meeting on Work Flow II (IEWG) (December 16).

In addition, the SFMS is actively working within the project "Asset recovery - role of the FIU", during which constant com-

munication with the team of this project is maintained, the working version of the part of the report of this project is developed, conference calls and other work are carried out, including with the participation of the Secretariat of the Egmont Group. The project also developed a special electronic catalog (e-Catalog) for use in the search for assets.

At the same time, the SFMS is a participant in the project "Large scale cross-border ML schemes", initiated by the German FIU, which is finalizing the approval of the received work (address book on shell companies, macros to identify risky financial transactions with such companies, as well as methodologies for identifying financial transactions that may contain risk indicators) in order to implement them in the analytical process to identify risk schemes of ML and to use them in the work of ML risk indicators developed by project participants.

Also, the following was sent to the Egmont Group Secretariat:

- statistical information for the Egmont Group's annual report in the context of the international exchange of information between FIUs;
- information on a number of draft reports that Egmont group members are working on;
- statistical information for the Egmont group's annual report in the context of the international exchange of information between FIUs;
- completed questionnaire on the current state of cases in the FIU on digital transformation in the AML/CFT;
- comments on the strategic discussion on the implementation of the revised support and compliance process;
- information within the project: "The role of the FIU in the fight against ML in the

context of COVID-19”;

- completed questionnaire on the IEWG Work plan for 2021-2022;
- information on the election of Vice-Chairs of the Working group with ex-

change information of Egmont group;

- information on disconnecting Afghanistan from the ESW of Egmont group;
- information on the standardized form of information exchange request.

9.1.3. Cooperation with Council of Europe

Committee of Experts on the Evaluation of Anti-Money Laundering Measure and the Financing of Terrorism (MONEYVAL)

In February 2021, the SFMS sent to MONEYVAL a completed questionnaire on the 3rd FUR following the results of the MONEYVAL's 5th round mutual evaluations of Ukraine. The report was considered in a “written procedure”.

Also, representatives of the SFMS took part in the following MONEYVAL events:

- MONEYVAL online training on the implementation of FATF Standards (March 30 - 31);
- online meetings of the Working groups and the 61st MONEYVAL Plenary meeting (April 26-30);
- MONEYVAL online coordination meeting before the FATF Plenary (June 4);
- online meeting on MONEYVAL typologies (September 28);
- 62nd MONEYVAL Plenary meeting (December 13 - 17, online and physically in Strasbourg, France) (pic 9.1).

During the meeting, the Head of the Ukrainian delegation to MONEYVAL presented information on the progress and effectiveness of the procedures applied in the process of tax amnesty taking place in Ukraine.

In addition, the following has been sent to the MONEYVAL Secretariat:

- case study on the digital transformation of the FIU;

- case study and a completed questionnaire on money laundering from environmental crimes;
- completed questionnaire on legislative changes and major institutional changes in accordance with the MONEYVAL Recommendations implemented in the field of AML/CFT during 2020;

- a completed questionnaire for the typological project “Supervision in the field of AML/FT during the crisis and challenges caused by external factors”.

- information on Ukraine's compliance with the principles of compliance with tax legislation;

- comments on the progress reports of Albania and MONEYVAL 5th Round Evaluators Meeting on the evaluation of the Czech Republic;

- a completed questionnaire for the second 12-month review of the revised FATF Virtual Asset Standards/Virtual Asset Service Providers;

- comments on the 3rd report on digital transformation (operational bodies);

- information on the questionnaire on the risks of ML/TF arising from migrant smuggling;

- information on the questionnaire on arms trafficking and terrorist financing;

- information on international cooperation associated with risk of Estonia, Monaco and the Netherlands.

Conference of the Parties to the Council of Europe Convention No. 198 - state of implementation in the field of combating ML/FT by Ukraine and the experience of foreign countries, monitoring mechanism and other



Pic. 9.1. Representatives of Ukraine take part in MONEYVAL virtual meeting

On 12 May, a representative of the SFMS took part in an online meeting of the Conference of the Parties to the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (C198-COP).

In addition, the information for the draft Report on the 12th meeting of C198-COP was sent to the Ministry of Justice of Ukraine.

Also, the SFMS, within its competence, provided the Ministry of Justice of Ukraine with information on the Questionnaire on thematic monitoring of the implementation by member states of articles of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism 2005.

On November 17-18, a representative of

the SFMS took part in the 13th meeting of the C198-COP.

Project “Strengthening measures to counter money laundering and financing of terrorism in Ukraine” under the Program of EU/CoE “Partnership for good governance” (PGG)

With the assistance of the project, the following activities were carried out for representatives of the SFMS and the public sector in the AML/CFT area:

- *training on international cooperation in the investigation of cybercrime and electronic evidence (January 18 - 20);*
- *seminar on “Indicators of financing the proliferation of weapons of mass destruction” (22 January);*
- *online training on detecting and inves-*

tigating terrorist financing (April 13, 20, 27, 30);

- online webinar “On the use of extrajudicial seizure and confiscation” (April 28);
- an online meeting with an international expert of the Council of Europe to discuss various aspects related to the draft Law No. 4218, first of all, the context and preconditions for this legislative initiative (April 29);
- online training “Procedural guidance and support of public prosecution in cases of legalization (laundering) of proceeds from crime” (May 25 - 27);
- international conference on Advancing Beneficial Ownership Transparency (June 24-25);
- online discussion of the draft Law No. 5807 (September 15 and October 4);
- presentation of the “Manual of some aspects of financial investigations (analysis of financial relations)” (September 30);
- online training “Criminal proceedings on terrorist financing” (October 5);
- online seminar “Assessing the risks of ML/FT of the virtual assets sector and virtual asset service providers” (November 15);
- working meeting (online) with an inter-

national expert of the Council of Europe on the risks of AML/FT related to non-profit organizations (November 17);

- meeting of the steering committee of the project “Strengthening measures to combat ML/FT in Ukraine” (November 25);
- training on risk-oriented regulation and supervision of the non-profit sector (December 6, December 20);
- professional discussion “Application of the updated Article 209 of the Criminal Code of Ukraine (legalization (laundering) of property obtained by criminal means in the national practice of Ukraine)” (December 14).

Also, during the reporting period, the project provided assistance in assessing the IT needs of the SFMS aimed at strengthening its AML/CFT capacity.

CyberEast

On November 8-10, the representatives of the SFMS took part in the online training “Financial investigations, virtual currencies and DarkNet”.

9.1.4. Cooperation with European Union

The Danish Ministry of Foreign Affairs and the European Commission in the framework of the project “EU Anti-Corruption Initiative in Ukraine, Phase II”

During the reporting period, in the framework of the implementation of the second phase of the project aimed at strengthening the institutional AML/CFT capacity of the SFMS, the following activities were implemented for the SFMS:

- 18 IT training courses;
- online webinar on the 5th and 6th EU Directives of AML (4 August);
- assistance in conducting the international seminar “Financial investigations with the involvement of the offshore com-

ponent, trusts, virtual assets and public figures” (November 18, Kyiv);

- support in the organization of the integrated panel discussion “Financial Monitoring 2021” (December 2-3, Lviv);
- assistance in drafting the SFMS Development Program;
- prepared and concluded a document to support the SFMS.

In addition, as part of the project implementation, the representatives of the SFMS participated in the Steering Committee meetings of the project, as well as working meetings with project representatives to discuss the implementation of activities provided for by the project.

International and Ibero-American Foundation for Administration and Public Policies (FIIAPP) within the framework of the project “EU Action against Drugs and Organised Crime (EU-ACT): Enhanced Cooperation and Capacity Building to Address Drug-related Organised Crime along the Heroin Route”

On June 17, the representative of the SFMS took part in the closing Ceremony of the Project “EU-ACT”.

On September 30, the representatives of the SFMS took part in the online presentation of the Manual on some aspects of financial investigations, prepared in the framework of the project.

Global Fund of European Union to combat money laundering and terrorist financing/Office for the prevention and combating of money laundering of the Republic of Moldova

On July 13-14, representatives of the SFMS took part in an online seminar “Identification of beneficial owners by financial intelligence units: tools available at the national, regional and international levels.”

Association Committee between Ukraine and European Union

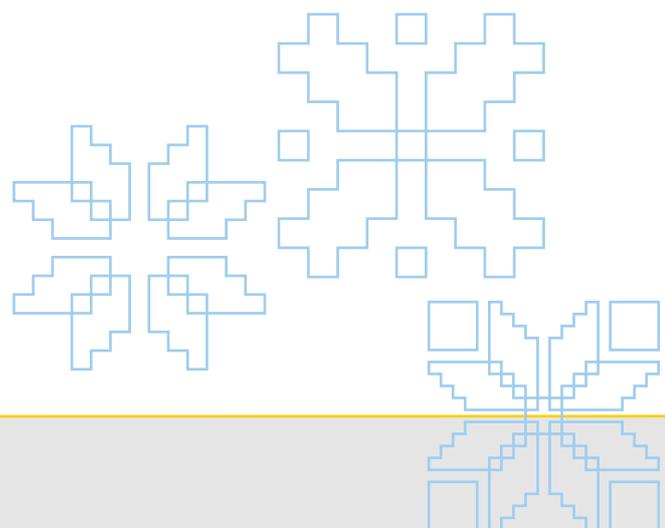
On November 29-30, the representative of the SFMS took part in the 7th meeting of the Committee in the format of a video conference Kyiv - Brussels.

Subcommittee on justice, freedom and security of the Committee of association between the EU and Ukraine

On May 19, the representative of the SFMS took part in 7th meeting of the Subcommittee on freedom, justice and security of the Committee of association between the EU and Ukraine in the format of a video conference Kyiv-Brussels.

Subcommittee on economic and other sectoral cooperation of the Committee of association between EU and Ukraine

On October 26, the representative of the SFMS took part in Cluster 1 of the Subcommittee on economy and other sectoral cooperation of the Committee of association between EU and Ukraine.



9.1.5. Cooperation with United Nations

United Nations Office on Drugs and Crime (UNODC)

On July 28-30, the representatives of the SFMS took part in an online seminar on “International Money Laundering Networks”, organized by UNODC.

On October 7-8, the representative of the SFMS took part (online) in a meeting of Working group of experts of the Paris pact.

On November 15-16, the representatives of the SFMS took part (online) in the 15th meeting of Advisory group of the questions policy of Paris pact.

Program Office of UNODC in the Republic of Kazakhstan

On July 26-28, the representatives of the SFMS took part in a national seminar on combating ML/FT: strengthening the capacity of the competent authorities of Turkmenistan.

UNODC Regional Office for South-East Asia and the Pacific (co-organized by Germany, Singapore and INTERPOL)

On May 19, the representative of the SFMS took part in an online event en-

titled “International money laundering networks: creating an effective basis for tracking, confiscating and recovering proceeds from crime” at the 30th session of the Commission on crime prevention and criminal justice (CCPCJ).

UN Convention against Corruption

On September 2-3, the representative of the SFMS took part in an online training for coordinators and government experts participating in the second cycle of the UN Convention against Corruption Review Mechanism.

United Nations Interregional Crime and Justice Research Institute (UNICRI).

On September 28, the representatives of the SFMS took part in a meeting with the UNICRI representatives to discuss issues of bilateral cooperation.

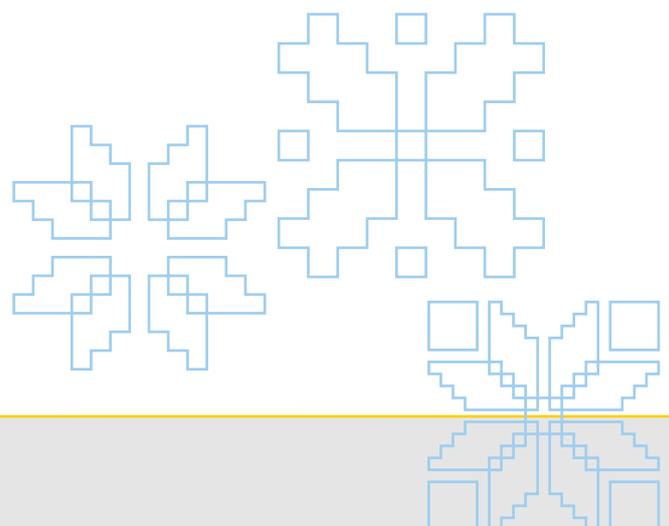
On November 30 - December 2, the representative of the SFMS took part in a training mission to the asset recovery offices in Brussels (Kingdom of Belgium).

Also, the SFMS provided comments and suggestions on the Draft report on illegal financial flows and asset recovery in Ukraine, prepared by UNICRI.

9.1.6. Cooperation with World Bank

Swiss Confederation, International Asset Recovery Center, World Bank/United Nations Office on Drugs and Crime Stolen Asset Recovery Initiative

On September 2-3, the representative of the SFMS took part in the XI Lausanne online seminar: «Strengthening asset recovery cooperation - exploring the potential of private sector involvement and public-private cooperation».



9.1.7. Cooperation with NATO in the framework of Annual National Programme for NATO-Ukraine cooperation

During the reporting period, the SFMS provided the Ministry of Foreign Affairs of Ukraine with the information on the implementation of the Action Plan for the implementation of the Annual national program under the auspices of the NATO-Ukraine Commission for 2021.

Thus, the representatives of the SFMS took part in activities under the Annual national program under the auspices of the NATO-Ukraine Commission, namely:

- *online training module on equality between men and women (April 20-21);*
- *consultation with a group of experts from the NATO International Secretariat to assess Ukraine's implementation of the Annual National Program for 2021 (October 27);*
- *training under the general short-term training program «Development, monitoring and evaluation of the results of the implementation of the Annual National Programs under the auspices of the NATO-Ukraine Commission» (October - November).*

9.1.8. Cooperation with Organization for Security and Co-operation in Europe (OSCE)/OSCE Project Co-ordinator in Ukraine

During the reporting period, in the framework of the implementation of the international technical assistance project of the OSCE Project Co-ordinator in Ukraine: «Strengthening the readiness of the financial monitoring system to resist money laundering and terrorist financing», the following events were held for the representatives of the SFMS, public and private sector in the AML/CFT area:

- *interagency discourse on "Transparency of beneficiary property: lessons and perspectives" (July 1-2);*
- *integrated panel discussion «Financial Monitoring 2021» (December 2-3).*

With the assistance of the project the following was published:

- *typological study «Money laundering from tax crimes»;*

- *guidelines «Managing business relations with politically exposed persons»;*
- *publication "World experience in conducting National Risks Assessments of money laundering and terrorist financing";*
- *Horizontal review of mutual evaluation reports in the AML/CFT area.*

Also, within the specified project:

- *assistance was provided in the development of software for administrative AML/CFT reporting;*
- *a working visit of the SFMS representatives to the Money Laundering Reporting Office Switzerland (MROS) was organized in order to study the peculiarities of the functioning of the AML/CFT system of Switzerland, as well as holding a series of working meetings with the representatives of the public financial sector of Switzerland (October 11 - 15) (pic. 9.2).*



Pic. 9.2

In addition, in the framework of cooperation with the OSCE, the representatives of the SFMS participated in the OSCE on-

line conference: «Combating drug trafficking and related crime by tracking funds» (June 1).

9.1.9. Cooperation with Organization for Economic Cooperation and Development (OECD)/US Embassy in Ukraine

During 2021, the representatives of the SFMS took part in the following events:

- a virtual training course on: «Combating Comprehensive Corruption and Money Laundering» (February 2-4 and February 9-11);
- online course on «Conducting Financial Investigations (Fundamentals)» February 8-19);
- online meeting with OECD experts to discuss issues regarding the ultimate beneficial owners of legal entities and legal arrangements (February 19);
- the second part of the in-depth training course for law enforcement practitioners «Combating complex corruption and related money laundering» (June 16-18);
- training course on «Combating Comprehensive Corruption and Money Laundering» held in Odessa (September 27-30);
- presentation of Typologies of corruption crimes in the energy sector in Ukraine (December 23).

9.1.10. Other international events

Academy for the Investigation of Economic Crimes of the London City Police

On February 15-19, the representatives of the SFMS took part in an online training: «Overcoming corruption and bribery».

US Embassy in Ukraine

During 2021, the representatives of the SFMS took part in the following events:

- a training course on countering the financing of the proliferation of weapons of mass destruction (February 22-26);
- a virtual workshop on the use of data analysis to identify threats in international supply networks (October 27 - 29).

FIU of Germany

On March 11, the representative of the SFMS took part in a virtual meeting to discuss the database of shell companies and red flags of operations.

Also, to the FIU of Germany was sent information on the results of testing by banks of AML/CFT macros.

FIU of Latvia

On June 2 and December 2, the representatives of the SFMS took part in a meeting of the International Working Group on Financial Intelligence (IFIT).

European Institute for Socio-Economic Development (ISES) in cooperation with the National Anti-Fraud Coordination Services (AFCOS) of Italy and Bulgaria

On June 8-9, the representatives of the SFMS took part in a specialized training within the project: «European Neighborhood Policy: Training, Cooperation and Enlargement».

Financial Intelligence Office of the Ministry of Finance of Northern Macedonia, Konekt European Center for Non-Profit Law

On June 10, the representatives of the SFMS took part in an online forum of regional government and civil society: «Non-profit organizations and risk assessment - interaction and experience for effective implementation».

World Customs Organization, Egmont Group of Financial Intelligence Units and FIU of Hungary

On July 29, the representatives of the SFMS participated online in the global webinar on «Cooperation between national customs and financial intelligence units: operational issues, challenges and solutions».

Bremen University of Public Administration

On August 18, the representatives of the SFMS took part in a meeting with a special adviser of the University of Public Administration in Bremen to discuss further cooperation in the fight against financial crime and money laundering.

FIU of Moldova

The SFMS commented on the EU regional action on Global assistance conducted by FATF on Recommendation 8.

FIU of the Kingdom of Saudi Arabia

On August 31, a Memorandum of Understanding was signed within the official visit of the representatives of the FIU of the Kingdom of Saudi Arabia to the FIU of Ukraine. (pic. 9.3).

The SFMS and the FIU of the Kingdom of Saudi Arabia will exchange information on financial transactions suspected of being related to money laundering, terrorist financing and related crimes and individuals.

Also after the signing of the Memorandum, Igor Cherkaskiy and Mohammed Al-muhana discussed topical issues of global cooperation in financial monitoring and bilateral cooperation between national FIUs.

CEELI Institute

On October 4 – 8, the representatives of the SFMS took part in the professional

training «Asset Recovery and International Cooperation» in Prague (Czech Republic).

Seattle Research Center (USA)

On October 26, the representatives of the SFMs took part in a webinar on combating funding for the proliferation of weapons of mass destruction.

Embassy of the United Kingdom in Ukraine

On October 25-28 and December 14-17, the representatives of the SFMS took part in a basic online course on the topic: «Overcoming corruption and bribery».



Pic. 9.3. Signing of the Memorandum

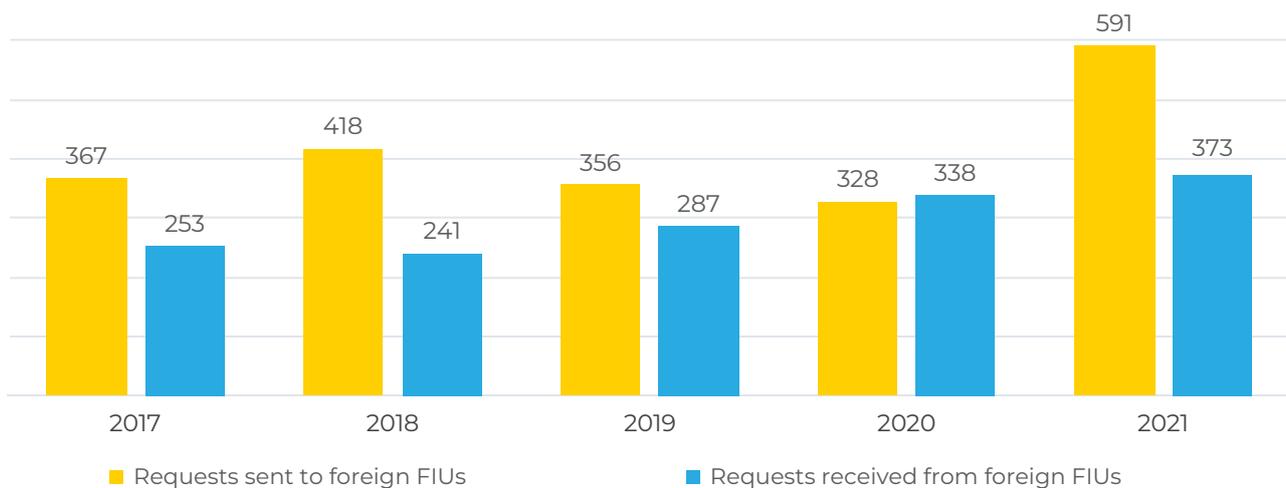
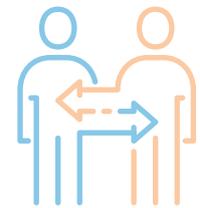
9.2. Exchange of information with foreign financial intelligence units

The SFMS provides interaction and information exchange with the competent authorities of foreign countries and international organizations whose activities are aimed at AML/CFT.

In 2021, the SFMS ensured interaction and information exchange with the competent authorities of foreign countries and international organizations. The SFMS cooperated with 83 FIUs.

During 2021, the SFMS sent 591 requests to 78 FIUs of foreign countries and received 722 responses to requests from 77 FIUs of foreign countries. Also, the SFMS received 373 requests from 55 foreign FIUs and 559 responses were provided to 60 FIUs of foreign countries (pic. 9.4).

STATISTICS OF THE REQUESTS SENT AND RECEIVED



Pic. 9.4.

In 2021, the SFMS's most active exchange of information, in terms of sending requests, was carried out with:

- FIU of Latvia (sent 49 requests);
- Swiss FIU (43 requests sent);
- FIU of Poland (42 requests sent);
- FIU of Cyprus (28 requests sent);
- FIUs of Germany and the United States (25 requests sent).

Also, in 2021, the largest number of requests by the SFMS was received from:

- FIU of Latvia (101 requests received);
- FIU of Germany (29 requests received);
- FIU of Poland (22 requests received);
- FIU of Montenegro (15 requests received);
- FIUs of Moldova and Lithuania (13 requests received from each FIU).

STRATEGIC DIRECTIONS OF THE SFMS WORK IN 2022

STRATEGIC GOAL 1	STRATEGIC GOAL 2	STRATEGIC GOAL 3
 <p>Analysis of financial transactions, cooperation, interaction and information exchange with law enforcement and other state authorities</p>	 <p>Research of ML/TF methods and financial schemes</p>	 <p>Improving interagency cooperation between state authorities - participants in the national financial monitoring system and providing methodological, methodic and other assistance to reporting entities</p>
WAYS OF IMPLEMENTATION:		
 <p>Analysis (operational and strategic) of information on financial transactions subject to financial monitoring, other financial transactions or information that may be related to suspicion of ML/TF</p>	 <p>Research of ML/TF methods and financial schemes and bringing them to the attention of the participants of AML/CFT system</p>	 <p>Holding meetings of the AML/CFT Council on a regular basis (Resolution of the Cabinet of Ministers of Ukraine No. 613 of September 08, 2016) and of working groups on addressing problem issues of reporting entities</p>
 <p>Carrying out, together with law enforcement agencies, financial investigations into money laundering from corruption, embezzlement (misappropriation) of public funds (property) and transactions related to the circulation of virtual assets, in particular on the basis of platforms for tracking the movement of sources of origin of virtual assets</p>	 <p>Identifying the facts of financing the activities of terrorist organizations through affiliates, «conversion» centers and enterprises with signs of fictitiousness, smuggling operations, channels of illegal migration, movement across the customs border and transit of drugs through the territory of Ukraine (psychotropic substances, their analogues or precursors), illegal movement across the customs border of Ukraine of goods, funds, circulating monetary documents, other currency, cultural values, precious metals and precious stones and products thereof, which may be related to ML/TF</p>	 <p>Coordination of state authorities during the implementation of the Action Plan for the implementation of the Main directions of the development of the prevention and counteraction to legalization (laundering) of the proceeds of crime, terrorist financing and financing of proliferation of weapon of mass destruction system in Ukraine for up to 2023, and informing the Cabinet of Ministers of Ukraine about the results of its implementation</p>

WAYS OF IMPLEMENTATION:



Preventing the commission of terrorist acts and terrorist activities by timely detection and effective blocking of sources of their financing



Detection of facts of concealment or masking of illegal origin of income, determination of sources of their origin, location and movement, directions of use



Coordination of the activities of state authorities to ensure the implementation of the Action Plan to improve the national system of financial monitoring based on the results of the MONEYVALS's 5-th round mutual evaluation of Ukraine



Submission of case referrals (additional case referrals) to law enforcement/intelligence authorities



Ensuring the implementation of complex AML/CFT administrative reporting



Cooperation with state regulators and ensuring in cooperation with the NBU, supervisory and law enforcement authorities the implementation of a set of measures aimed at preventing the participation of financial institutions in illegal financial transactions



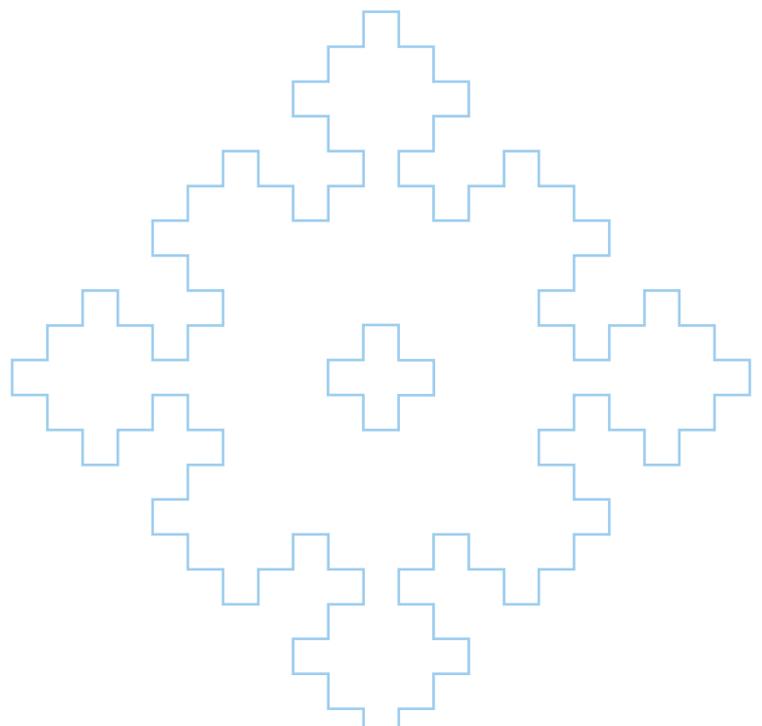
Organizing and conducting the third round of the National AML/CFT Risk Assessment



Forming changes to the list of persons related to terrorist activities or persons to whom international sanctions were applied, ensuring its updating and informing financial monitoring entities

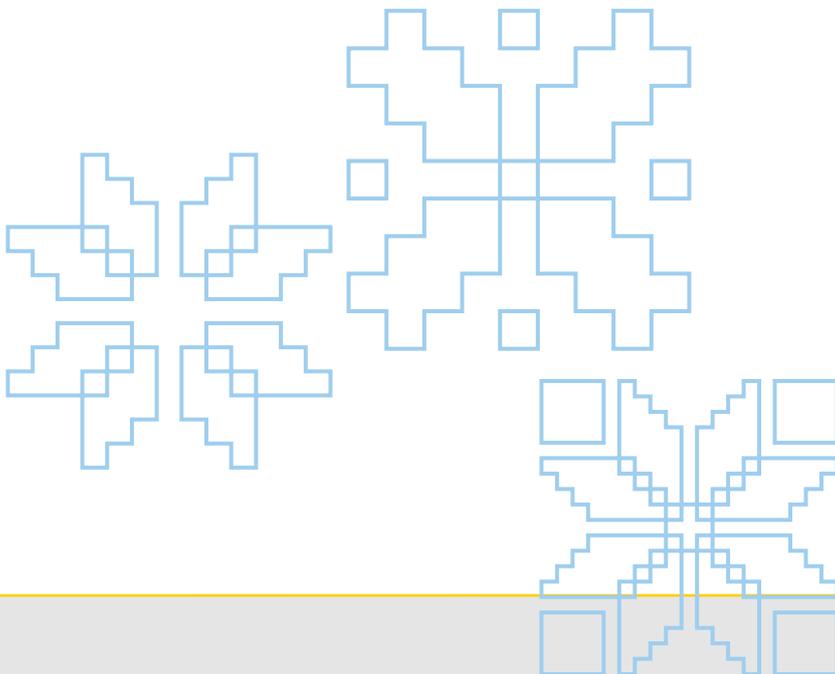


Participation in improving the efficiency of the system of detection of financial transactions aimed at ML/TF



STRATEGIC DIRECTIONS OF THE SFMS WORK IN 2022

STRATEGIC GOAL 4	STRATEGIC GOAL 5	STRATEGIC GOAL 6
 <p>Ensuring electronic interaction between financial monitoring system entities, as well as improving the operational AML/CFT analysis</p>	 <p>Participation in the international AML/CFT cooperation</p>	 <p>Improving AML/CFT legislation and adapting it to the international standards</p>
WAYS OF IMPLEMENTATION:		
 <p>Ensuring the functioning of the Unified Information System in the AML/CFT area</p>	 <p>Ensuring the presentation of the next Follow-up report following the results of the fifth round mutual evaluation of Ukraine for its approval by MONEYVAL, taking into account the information provided in the previous Follow-up report of Ukraine</p>	 <p>Participation in the development of draft regulations, as well as in the improvement and clarification of certain legal AML/CFT provisions</p>



WAYS OF IMPLEMENTATION:



Implementation and development of a secure information and telecommunication system «e-cabinets of the financial monitoring system», that will ensure the digital transformation of information exchange between the SFMS and reporting entities



Ensuring effective cooperation with international AML/CFT organizations and institutions



Participation in ensuring the implementation and enforcement of the provisions of new international AML/CFT standards



Modernization of the analytical component of the Financial Monitoring Information System, which will ensure the integration into the single space of the Analytical System «e-case financial monitoring» (AS «e-case FM») effective means of automation of data preparation, access to state electronic information resources, collection of additional information, operational analysis, electronic cases of financial investigations and support of case referrals



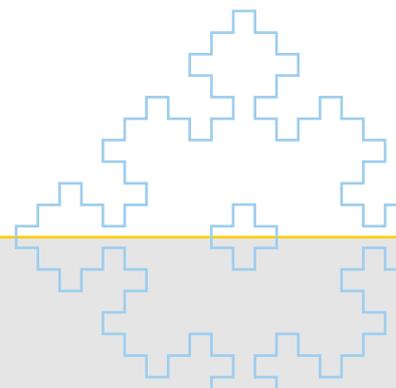
Organization of international AML/CFT training events and exchange of experience



Concluding international interagency agreements with the competent authorities of foreign countries in the AML/CFT area



Participation in the work of bilateral bodies of the EU-Ukraine Association, in particular: EU-Ukraine Association Committee, Cluster 1 of the Subcommittee on economic and other sectoral cooperation of the EU-Ukraine Association Committee and the Subcommittee on freedom, security and justice of the EU-Ukraine Association Committee



ANNEXES

Annex A

LIST OF REGULATIONS ADOPTED IN 2021 DEVELOPED BY THE SFMS

Acts of the Cabinet of Ministers of Ukraine

1. Resolution of the Cabinet of Ministers of Ukraine of April 28, 2021 No. 422 «On Amendments to the Resolution of the Cabinet of Ministers of Ukraine of September 8, 2016 No. 613».
2. Regulation of the Cabinet of Ministers of Ukraine of May 12, 2021 No. 435-r «On Approval of Main Directions of the Development of the Prevention and Counteraction to Legalization (Laundering) of the Proceeds of Crime, Terrorist Financing and Financing of Proliferation of Weapons of Mass Destruction System in Ukraine for up to 2023 and Action Plan for Their Implementation».

Orders of the Ministry of Finance of Ukraine, which the SFMS is guided by in its activities

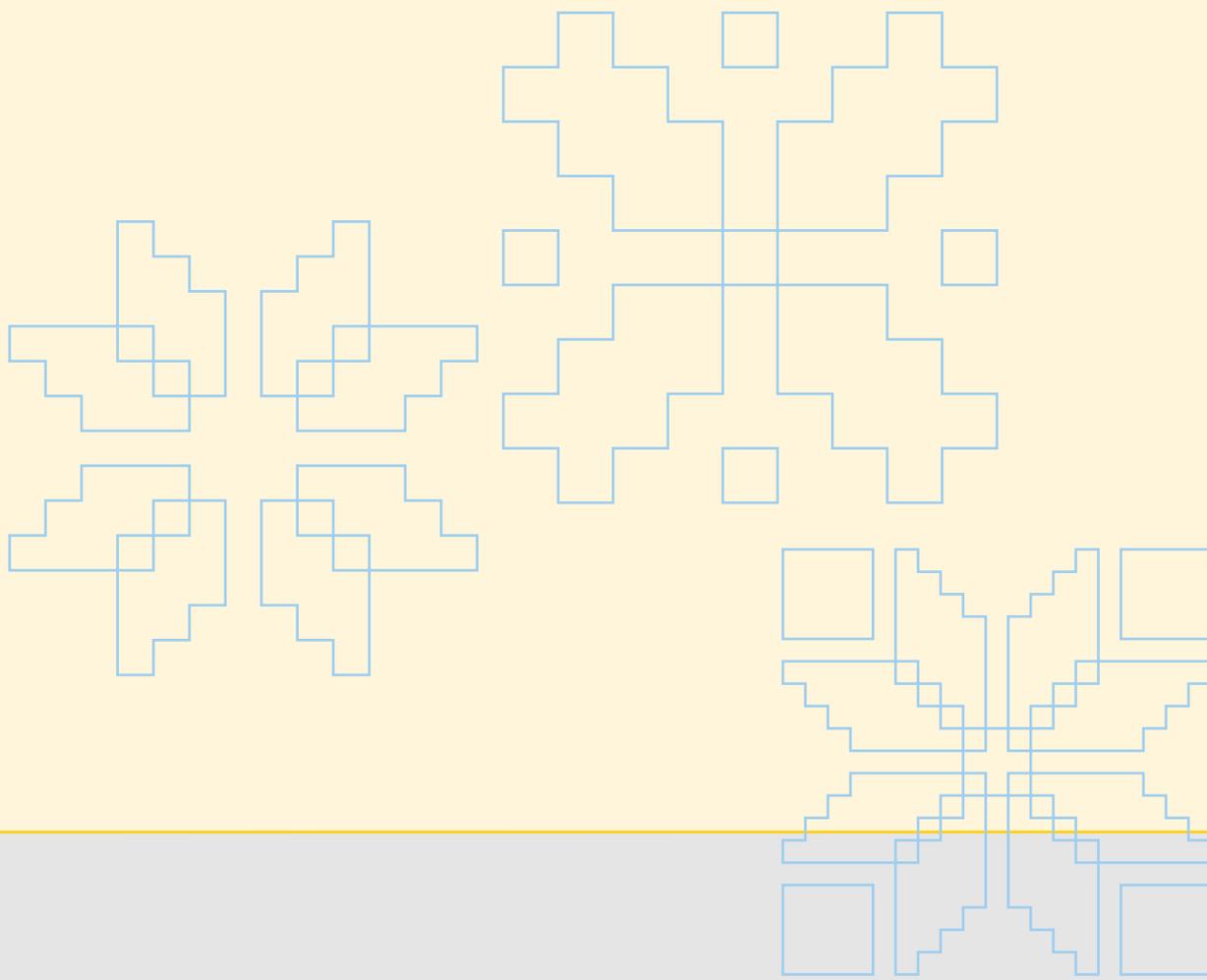
1. Order of the Ministry of Finance of Ukraine of January 14, 2021 No. 8 «On approval of the Procedure for adopting by the State Financial Monitoring Service of Ukraine of decisions (instructions) on the suspension of financial transactions», registered with the Ministry of Justice of Ukraine on March 5, 2021, No. 297/35919.
2. Order of the Ministry of Finance of Ukraine of February 09, 2021 No. 68 «On approval of the Procedure for notifying reporting entities of the List of persons related to terrorist activity or persons to whom international sanctions were applied, and the Instructions for entering information into such a list», registered with the Ministry of Justice of Ukraine on March 25, 2021 No. 389/36011.
3. Order of the Ministry of Finance of Ukraine of April 05, 2021 No. 196 «On approval of the Procedure for providing information on tracking (monitoring) of financial transactions», registered with the Ministry of Justice of Ukraine on April 28, 2021 No. 576/36198.
4. Order of the Ministry of Finance of Ukraine of April 28, 2021 No. 240 «On approval of the Procedure for providing information from the register of insured persons of the State Register of Compulsory State Social Insurance by the Pension Fund of Ukraine at the request of the State Financial Monitoring Service of Ukraine», registered with the Ministry of Justice of Ukraine on June 29, 2021 No. 843/36465.

5. Order of the Ministry of Finance of Ukraine of June 04, 2021 No. 322 «On approval of the Procedure for exchanging information on financial monitoring», registered with the Ministry of Justice of Ukraine on August 06, 2021 No. 1035/36657.
6. Order of the Ministry of Finance of Ukraine of August 02, 2021 No. 440 «On approval of Principles of processing information on financial operations received from reporting entities, that subject to financial monitoring and the criteria for analyzing such transactions», registered with the Ministry of Justice of Ukraine on August 18, 2021 No. 1087/36709.
7. Order of the Ministry of Finance of Ukraine of September 14, 2021 No. 504 «On approval of the List of indicators of the complex administrative reporting», registered with the Ministry of Justice of Ukraine on November 19, 2021 No. 1519/37141.

Joint acts of the Ministry of Finance of Ukraine

1. Order of the Ministry of Finance of Ukraine and the Security Service of Ukraine of December 31, 2020 No. 837/390 «On approval of the Form of submission by the Security Service of Ukraine to the State Financial Monitoring Service of Ukraine of information on persons related to terrorist activity or persons to whom international sanctions were applied», registered with the Ministry of Justice of Ukraine on January 20, 2021 No. 82/35704.
2. Order of the Ministry of Finance of Ukraine and State Bureau of Investigation of December 31, 2020 No. 836/888 «On approval of the Procedure for granting the State Financial Monitoring Service of Ukraine to the State Bureau of Investigation case referrals (additional case referrals) and receipt by the State Financial Monitoring Service of Ukraine of information on the progress of their consideration», registered with the Ministry of Justice of Ukraine on March 04, 2021 No. 293/35915.
3. Order of the Ministry of Finance of Ukraine and the Ministry of Infrastructure of Ukraine of February 16, 2021 No. 105/57 «On repealing the Order of the Ministry of Finance of Ukraine and the Ministry of Infrastructure of Ukraine of April 23, 2015 No. 458/148», registered with the Ministry of Justice of Ukraine on March 05, 2021 No. 299/35921.
4. Order of the Ministry of Finance of Ukraine and Ministry of Justice of Ukraine as of February 22, 2021 No. 113/669/5 «On approval of the Procedure for submission to the State Financial Monitoring Service of Ukraine of information from the State register of civil status acts on the death of individuals», registered with the Ministry of Justice of Ukraine on March 11, 2021 No. 311/35933.
5. Order of the Ministry of Finance of Ukraine and the National Anti-Corruption Bureau of Ukraine of March 03, 2021 No. 144/32 «On approval of the Procedure for providing the State Financial Monitoring Service of Ukraine to the National Anti-Corruption Bureau of Ukraine case referrals (additional case referrals) and receipt by the State Financial Monitoring Service of Ukraine of information on the progress of their consid-

- eration», registered with the Ministry of Justice of Ukraine on May 11, 2021 No. 624/36246.
6. Order of the Ministry of Finance of Ukraine and the Security Service of Ukraine of July 14, 2021 No. 394/237 «On approval of the Procedure for providing by the State Financial Monitoring Service of Ukraine to the Security Service of Ukraine case referrals (additional case referrals) and receipt by the State Financial Monitoring Service of Ukraine of information on the progress of their consideration», registered with the Ministry of Justice of Ukraine on August 06, 2021 No. 1025/36647.
 7. Order of the Ministry of Finance of Ukraine and the Ministry of Internal Affairs of Ukraine of July 14, 2021 No. 395/535 «On approval of the Procedure for providing by the State Financial Monitoring Service of Ukraine to the National Police of Ukraine case referrals (additional case referrals) and receipt by the State Financial Monitoring Service of Ukraine of information on the progress of their consideration», registered with the Ministry of Justice of Ukraine on August 06, 2021 No. 1026/36648.



Annex B

LIST OF ABBREVIATIONS

- FATF** – Financial Action Task Force
- MONEYVAL** – Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
- ARMA** – Asser Recovery and Management Agency
- Basic Law** – Law of Ukraine of December 06, 2019 No. 361-IX «On preventing and counteracting to legalization (laundering) of the proceeds from crime, financing of terrorist and financing of proliferation of weapons of mass destruction»
- ML** – money laundering
- ML/TF** – legalization (laundering) of proceeds from crime, terrorist financing and financing the proliferation of weapons of mass destruction
- SBI** – State Bureau of Investigation
- SCS** – State Customs Service of Ukraine
- SFMS** – State Financial Monitoring Service of Ukraine
- STS** – State Tax Service of Ukraine
- SFS** – State Fiscal Service of Ukraine
- EU** – European Union
- UIS** – Unified information system in the area of preventing and counteracting to legalization (laundering) of the proceeds from crime, financing of terrorist and financing of proliferation of weapons of mass destruction
- UBO** – ultimate beneficial owner (s)
- MIA** – Ministry of Internal Affairs
- MFA** – Ministry of Foreign Affairs of Ukraine
- MFU** – Ministry of Finance of Ukraine
- MDT** – Ministry of Digital Transformation of Ukraine
- MJU** – Ministry of Justice of Ukraine
- NABU** – National Anti-Corruption Bureau of Ukraine
- NBU** – National Bank of Ukraine
- NSSMC** – National Securities and Stock Market Commission
- NRA** – National AML/CFT risk assessment
- NPO** – non-profit organizations
- NPU** – National Police of Ukraine
- OSCE** – Organization for Security and Co-operation in Europe
- PGO** – Prosecutor General's Office of Ukraine
- AML/CFT** – preventing and counteracting to legalization (laundering) of the proceeds from crime, financing of terrorist and financing of proliferation of weapons of mass destruction
- FIU** – financial intelligence unit (s)
- SSU** – Security Service of Ukraine
- SFME** – state financial monitoring entity (s)
- RE** – reporting entity (s)
- TF** – terrorist financing



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Twitter – <https://bit.ly/3rhibCu>
LinkedIn – <https://bit.ly/3pNuiXm>
Telegram – <https://bit.ly/3jaSYH1>
YouTube – <https://bit.ly/2LeQv1H>



GOOGLE MY BUSINESS TA GOOGLE MAPS
<https://bit.ly/36CSW5u>