

THEMATIC COMPILATION OF RELEVANT INFORMATION SUBMITTED BY ARMENIA

ARTICLE 14 UNCAC

PREVENTION OF MONEY-LAUNDERING

ARMENIA (SIXTH MEETING)

The point of formation of the AML/CFT system in the Republic of Armenia was the criminalization of money laundering and terrorism financing. Money laundering was criminalized in 2003 under Article 190 of the Criminal Code, while terrorism financing was criminalized in 2004 under Article 217.1 of the Criminal Code.

In the Republic of Armenia, the first AML/CFT Law was adopted on 14 December 2004, which entered into force on 30 March 2005. Later, in pursuit of eliminating the weaknesses and closing the gaps in the system, the second AML/CFT Law¹ was adopted by the National Assembly of the Republic of Armenia on 26 May 2008, which entered into force on 31 August 2008.

In 2009, the 3rd round mutual evaluation of the AML/CFT system in the Republic of Armenia was carried out. The draft report was heard and adopted at the 30th plenary meeting of MONEYVAL. The assessment report recognized the significant progress of the Republic of Armenia in legal, financial, and law enforcement aspects of the AML/CFT framework, as well as the improved efficiency of preventive measures. However, taking into consideration the FATF 40 Recommendations that were revised in 2012, recommendations made in 2009 by the experts of the IMF and MONEYVAL in their 3rd round mutual evaluation, as well as problems, weaknesses, gaps, and contradictions identified from the experience of implementing AML/CFT provisions in practice, the Law of the Republic of Armenia on Making Amendments to the AML/CFT Law was adopted by the National Assembly of the Republic of Armenia on 21 June 2014, which entered into force on 28 October 2014 (other laws were adopted to make corresponding amendments to 14 other related laws).

The AML/CFT Law governs the implementation of AML/CFT preventive measures, defines the roles and responsibilities of the AML/CFT Authorized Body (i.e., the CBA) and its corresponding department (i.e., the national financial intelligence unit – the FMC), the relationships of the AML/CFT Authorized Body with supervisory and prosecution authorities, the international cooperation, sanctions for breaching the requirements of the law and derivative secondary legislation, etc.

Supervision over reporting entities for their compliance with the requirements of the AML/CFT Law and the legal statutes adopted on the basis thereof are exercised by the Central Bank, which is the mega-regulator for the financial sector, and relevant supervisory authorities (Ministry of Finance, Ministry of Justice, Chamber of Advocates, etc.) which act as regulators for different

¹ More details are available at https://www.cba.am/Storage/EN/FDK/Regulation/aml_cft_law_eng.pdf

types of DNFBPs (e.g. casinos, notaries etc.). At that, the Central Bank as an authorized body may exercise supervision over those types of reporting entities, for which there is no legally defined supervisory authority or a legislative regulatory framework for the supervisory authority to perform the functions assigned to it in the field of combating money laundering and terrorism financing (e.g. realtors, dealers in precious metals etc.).

b. Show that, at minimum, banks and non-bank financial institutions ensure effective customer and beneficial owner identification, monitoring of transactions accurate record-keeping, and have in place a reporting mechanism on suspicious transactions

According to Article 3 of the AML/CFT Law the framework of reporting entities comprises financial institutions (banks, credit organizations, insurance (including reinsurance) companies and entities providing intermediary insurance (including reinsurance) services, entities engaged in foreign currency broker-dealer trade transactions, foreign currency exchange, etc.), non-financial institutions and entities (entities engaged in realtor activities, notaries, attorneys, as well as sole practitioner lawyers and legal firms, sole practitioner accountants and accounting firms, auditing firms and auditors, etc.), as well as other reporting entities (credit bureaus, the authorized body in charge of maintaining the integrated state cadaster of real estate, the state authority in charge of registering legal persons).

Article 16 of the AML/CFT Law stipulates that Reporting entities should undertake **customer due diligence**, when:

- Establishing a business relationship;
- Carrying out an occasional transaction (linked occasional transactions), including domestic or international wire transfers, at an amount equal or above the 400-fold of the minimal salary, unless stricter provisions are established by the legislation;
- Doubts arise with regard to the veracity or adequacy of previously obtained customer identification data (including documents);
- Suspicions arise with regard to money laundering or terrorism financing.

Reporting entities may establish a business relationship or conduct an occasional transaction with a customer only after obtaining identification information (including documents) on the customer², and verifying the customer's identity. Reporting entities should establish any

² For natural persons or sole practitioners, information obtained on the basis of the identification document or other official documents without failure bearing a photograph of the person shall at least contain the forename and surname, citizenship, registration address (if available) of the person, year, month, and date of birth, serial and numerical number of the identification document, and year, month, and date of its issuance; and for sole practitioners – also the number of registration certificate and the taxpayer identification number, as well as other data defined by the law. Reporting entities shall establish the customer's place of residence, as well.

For legal persons, information obtained on the basis of the state registration document or other official documents shall at least contain the company name, domicile, individual identification number (state registration, individual record number etc.) of the legal person, forename and surname of the chief executive officer and, if available, the taxpayer identification number, as well as other data defined by the law.

beneficial owner and, as applicable, identify the beneficial owner and verify his identity in the same manner prescribed for customers.

Reporting entities should **maintain the information** (including documents) required under the AML/CFT Law, including the information (documents) obtained in the course of customer due diligence, regardless of the fact whether the transaction or business relationship is an ongoing one or has been terminated, inclusive of:

- Customer identification data, including the data on the account number and turnover, as well as business correspondence data;
- All necessary records on transactions or business relationships, both domestic and international (including the name, the registration address (if available) and the place of residence (domicile) of the customer (and the other party to the transaction), the nature, date, amount, and currency of transaction and, if available, type and number of the account), which would be sufficient to permit full reconstruction of individual transactions or business relationships;
- Information on suspicious transactions or business relationships, as well as information concerning the process of review (conducted analysis) and findings on transactions or business relationships not recognized as suspicious etc. (Article 22 of the AML/CFT Law).

Reports on suspicious transactions or business relationships shall be filed by all reporting entities, as per the types of transactions or business relationships determined for each reporting entity, regardless of the amounts involved (Article 6 of the AML/CFT Law).

c. Extend the requirements mentioned above to other bodies particularly susceptible of money laundering.

Please refer to the response on Question b.

d. Ensure that agencies involved in anti-money laundering can cooperate and exchange information at national and international levels

In order to effectively combat money laundering and terrorism financing, the FMC cooperates with other state bodies in the manner and within the framework established by the AML/CFT Law, including cooperation with supervisory and criminal prosecution authorities, by means of concluding bilateral agreements, or without doing so³.

The cooperation of the various authorities responsible for AML/CFT is also realized within the ambit of an Interagency Committee on Combating Counterfeit Money, Fraud with Plastic Cards and Other Payment Instruments, and Money Laundering in the Republic of Armenia (hereinafter

For government bodies or local self-government bodies, the obtained information shall at least contain the full official name and the country of the government body or local self-government body.

³ For more details please refer to Articles 9, 13, 29 of the AML/CFT Law.

Interagency Committee), as established on 21 March 2002 by the Decree No. 1075-NK of the President of the Republic of Armenia that is an evidence of high-level commitment.

The members of the Interagency Committee are: Chairman of the Central Bank of the Republic of Armenia (Chairman of the Committee), Head of the Financial Monitoring Centre at the Central Bank of the Republic of Armenia (Secretary of the Committee), Assistant to the President of the Republic of Armenia, Deputy Prosecutor General of the Republic of Armenia, Deputy Minister of Justice of the Republic of Armenia, Deputy Minister of Foreign Affairs of the Republic of Armenia, Deputy Ministers of Finance of the Republic of Armenia (coordinating both customs and tax affairs), Deputy Director of the National Security Service at the Government of the Republic of Armenia, Deputy Head of Police at the Government of the Republic of Armenia, Deputy Chairman of the Investigative Committee of the Republic of Armenia, Head of the National Central Bureau of Interpol in the Republic of Armenia, Chairman of the Criminal Chamber of the Cassation Court of the Republic of Armenia, and Chairman of the Union of Banks in the Republic of Armenia.

The objectives of the Committee are to:

- Make recommendations towards the implementation of a unified national AML/CFT policy in the Republic of Armenia,
- Assess and analyze challenges in this space,
- Develop comprehensive action programs for policy implementation in this space etc.

The FMC and relevant state bodies cooperate with international structures and relevant bodies of foreign countries (including foreign financial intelligence bodies) involved in combating money laundering and terrorism financing within the framework of international treaties or, in the absence of such treaties, in accordance with international practice⁴.

The tables below present 2010-2014 statistics on notifications and requests made by the FMC to LEAs, foreign FIUs and vice-versa.

Table 1

	2010	2011	2012	2013	2014	Total
FMC notifications to LEAs	23	17	11	25	28	104
FMC requests to LEAs	15	33	11	17	17	93
LEA requests to FMC	53	58	61	36	66	274

⁴ For more details please refer to Article 14 of the AML/CFT Law.

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1. Financial institutions ordering a wire transfer should obtain and maintain the following information:
 - 1) Forename and surname or company name of the originator and the beneficiary of the transfer;
 - 2) Account numbers of the originator and the beneficiary of the transfer (or, in the absence thereof, the unique reference number accompanying the transfer);
 - 3) With regard to the originator of the transfer, details of the identification document for natural persons or individual identification number (state registration, individual record number etc.) for legal persons.
2. For all wire transfers, the ordering financial institution should include the information specified under Part 1 in the payment order accompanying the transfer. Where more than one wire transfers are bundled in a batch file, the ordering financial institution may choose to include in each individual transfer only the originator information as specified under Clause 2, Part 1, provided that the batch file contains full information required under Part 1 of this Article.
3. All intermediary financial institutions involved in the processing of wire transfers should ensure that the information accompanying a wire transfer specified under Part 1 of this Article is transmitted with the transfer. Where technical limitations prevent the intermediary financial institution from transmitting the information accompanying a cross-border wire transfer specified under Part 1 with the related domestic wire transfer, the intermediary financial institution should maintain that information in the manner and timeframes established by this Law.
4. Obligations under this Article shall not apply to:
 - 1) Transfers and settlements between financial institutions on their own behalf;
 - 2) Transactions carried out through the use of credit, debit or prepaid cards, provided that the information on the card number is available in all messages (accompanying correspondence) that flow from conducting and documenting (recording) the transaction. Such exclusion shall apply to the transactions related to withdrawals through an ATM machine, payments for goods and services; and it shall not apply to the cases, when credit, debit or prepaid cards are used in a payment system for effecting wire transfers.
5. Intermediary and beneficiary financial institutions should adopt effective risk-based policies and procedures for identifying and taking relevant measures (including refusal or suspension) with regard to the wire transfers that lack the information specified under Part 1. In the case of a wire transfer lacking the information specified under Part 1, a financial institution should consider terminating correspondent or other similar relationships with the financial institutions involved in the given wire transfer”.

Besides, Article 27 stipulates that ordering financial institutions should refuse any cross-border wire transfer equal or above the 400-fold amount of the minimum salary, which lack the

information specified under Part 1 of Article 20 of the Law, as well as any cross-border wire transfer below the 400-fold amount of the minimum salary, which lack the information specified under Clauses 1 and 2, Part 1 of Article 20 of the Law, and should consider recognizing them as suspicious.

i. Refer to or use as a guideline regional or multilateral anti-money laundering initiatives

A range of international documents issued by organizations such as UN, FATF, World Bank, EU, EEU (Eurasian Economic Union) etc. were considered while establishing and developing domestic AML/CFT regulatory and supervisory regime.

The Republic of Armenia has ratified the following international conventions on AML/CFT:

- United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 20 December 1988 (Vienna Convention) – ratified on 24 May 1993,
- United Nations Convention Against Transnational Organised Crime, 12 December 2000 (Palermo Convention) – ratified on 25 March 2003,
- Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, 8 November 1990 (Strasbourg Convention) – ratified on 8 October 2003,
- United Nations International Convention for the Suppression of the Financing of Terrorism, 9 December 1999 (New York Convention) – ratified on 3 March 2004,
- Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, 16 May 2005 (Warsaw Convention) – ratified on 18 March 2008.

With the view of strengthening the regulation in the AML/CFT system the guidance, best practices and other documents issued by FATF are considered. Besides, as a member of the Council of Europe MONEYVAL Committee, Armenia is regularly evaluated for the compliance of its AML/CFT system with FATF standards. Hence, when making amendments in the legislation, FATF standards are taken into account.

j. Demonstrate use of mutual legal assistance, administrative or judicial cooperation in cases of money laundering among law enforcement, judicial authorities and financial regulatory authorities.

k. Regulate cooperation and information exchange with relevant agencies (for instance on matters related to asset declarations, real estate transactions, tax matters).

Please refer to the response on Question d.

2. Please outline actions required to strengthen or improve the measures described above and any specific challenges you might be facing in this respect.

In 2014 a national assessment of ML/FT risks was carried out in the Republic of Armenia which was summarized in the "Report on National Assessment of Money Laundering and Terrorism Financing Risk in the Republic of Armenia" document⁵. Challenges identified during the assessment include the lack of relevant knowledge, experience and expertise among law enforcement and judicial authorities.

3. Do you require technical assistance in relation to the measures described above? If so, please specify the forms of technical assistance that would be required. In case you have received or are receiving technical assistance to implement these measures, please indicate so in your response.

There is a need for law enforcement and judicial authorities for additional trainings, seminars, and programs for exchange of experience with international counterparts.

⁵ Concise versions of the report were published on the FMC website. More details are available at https://www.cba.am/Storage/EN/FDK/risk_assesment/2014_NRA_key_findings_eng.pdf

Information

1. On measures for preventing money laundering

1. According to the investigative jurisdiction one criminal case on money laundering (Article 190 of the RA Criminal Code) pertinent in the proceeding of the Investigation Department of the RA Ministry of Finance was submitted to the RA Investigation Committee during 2014.

At the same time, please be informed that in such cases the preliminary investigation of the RA Criminal investigation department cooperates with the Financial Monitoring Center of the Central Bank of Armenia for disclosing the possible cases of money laundering, in the framework of the Memorandum of Understanding signed on 02.09.2008 between the former RA State Revenue Committee, the Financial Monitoring Center of CBA and the RA Prosecutor's General.

2. According to Clause "h", part 2, Article 18 of the RA law "On Anti Money Laundering and Terrorism Financing" the person carrying out audit activity must be responsible for the duties prescribed by the RA law "On Anti Money Laundering and combating the financing of terrorism" and other laws. At the same time, in accordance with Part 3, Article 5 of the RA Law "On Accounting" the accounting of the organization is carried out by ensuring the requirements of the RA Law "On Anti Money Laundering and combating the financing of terrorism". Meanwhile, pursuant to Part 1, Article 6 of the RA Law "On Anti Money Laundering and combating the financing of terrorism" the reporting person (in this case auditors and audit companies, independent entrepreneur accountants and the legal entities engaged in accounting process) reports to the authorised body on suspicious transactions or business relationship and(or) transaction subject to mandatory reporting.

RA Law "On Anti Money Laundering and combating the financing of terrorism" envisages provisions for customer's (inter alia authorised body and real beneficiary) identification and verification of identity.

ARMENIA (SECOND MEETING)

In order to increase the effectiveness of efforts to combat corruption, the national police have put forward proposals for the introduction of significant legislative amendments. Specifically, draft legislative acts amending and supplementing the Criminal Code of the Republic of Armenia and related acts—namely the Bank Secrecy Act, the Act on

Combating Money-Laundering and the Financing of Terrorism and the Act on Operational and Investigative Activities — have been drawn up. A draft law on the implementation of amendments and additions to the Law of the Republic of Armenia on Operational and Investigative Activities has been prepared by the General Directorate for Combating Organized Crime. The proposed amendments are aimed at improving the procedure for the conduct of investigative operations known as “operational exercises”, which are carried out chiefly during operational and investigative activities and particularly in the detection and uncovering of corruption-related offences. The adoption of the draft law will therefore help to increase the effectiveness of actions to combat such offences.