

STATE FINANCIAL MONITORING SERVICE OF UKRAINE

2020 Annual Report



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Kyiv - 2021

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«The modern model of globalization has made it possible to spread international terrorism and international crime, in particular in cyberspace, drug trafficking, human trafficking, religious and ideological fundamentalism and extremism, separatism, illegal migration, legalization (laundering) of proceeds from crime, proliferation of weapons of mass destruction, etc. fueled by from abroad»

***Clause 10 of the Strategy of the National Security
of Ukraine approved by the Decree of the President of
Ukraine of 14.09.2020 No. 392/2020***



**Decree
of the President of Ukraine
On the Day of the Financial Monitoring System Employee**

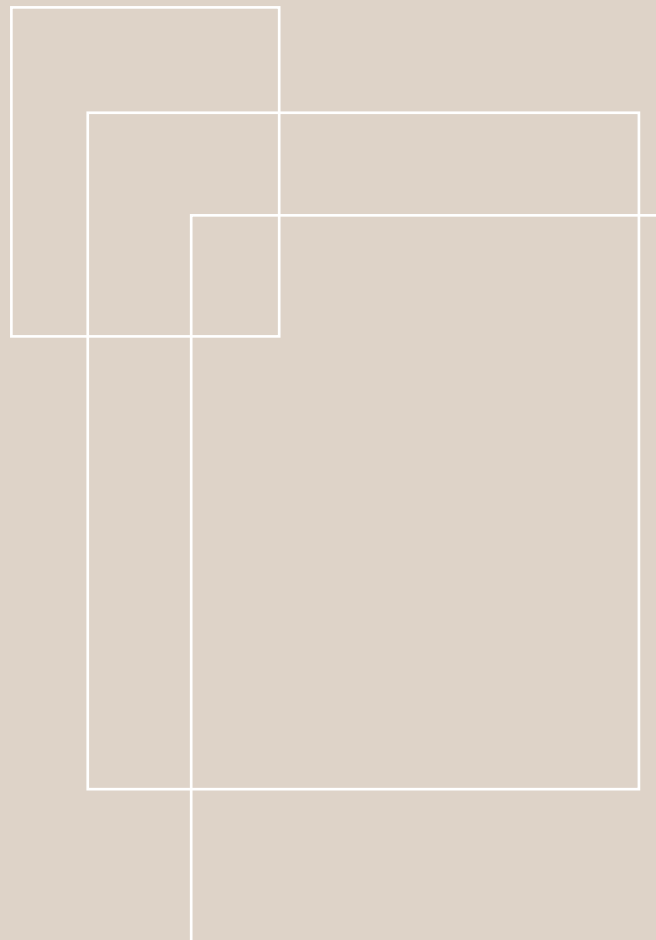
Given the significant contribution of employees of the financial monitoring system in establishing Ukraine's status as a reliable partner of the international community in the area of preventing and counteracting to legalization (laundering) the proceeds from crime, terrorist financing and financing proliferation of weapons of mass destruction, in support of the initiative of the Cabinet of Ministers of Ukraine, I **order**:

1. To establish a professional holiday in Ukraine - the Day of the Financial Monitoring System Employee, which is celebrated annually on November 28.
2. This Decree shall enter into force on the day of its publication.

President of Ukraine

V. ZELENSKYI

Kyiv
28 November 2020
No. 523/2020



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

Dear Ukrainians!

I have the honor to present to you the Report on the work of the State Financial Monitoring Service of Ukraine for 2020.

Despite the fact that the past year has been a time of continuous challenges and threats for all of us, we have found the strength to carry out balanced operational work on conducting financial investigations as part of effectiveness and efficiency.

The SFMS has done very fruitful work on the implementation of international standards in the national system of financial monitoring for the adoption by the Government of all bylaws on the implementation of the updated Basic Law.

In the international arena, the positive decision of MONEYVAL with regard to the second Follow-up Report following the results of the 5th round of mutual evaluation shall be noted.

The expected event was the signing by the President of Ukraine the Decree “On the Day of the Financial Monitoring System Employee”, which determines the significant contribution of the employees of the financial monitoring system in establishing the authority of Ukraine in the international arena.

In 2021, we have ambitious and important tasks which we will persistently and constructively carry out in coordination with other state authorities, the private sector and the public.

Respectfully

Igor CHERKASKYI



1.

ABOUT THE SFMS



1.1. KEY RESULTS OF THE SFMS WORK IN 2020



Financial investigations

The SFMS prepared and sent to law enforcement agencies 1036 materials with suspicions worth almost UAH 76.2 billion

National coordination

Ensured coordination of the implementation of the Action Plan for the improvement of the national AML/CFT system following the results of the MONEYVAL 5th round of mutual evaluation of Ukraine



International cooperation

Within the framework of the 2nd MONEYVAL Intersessional Consultation (May 22 – July 10, 2020) the second Follow-up Report of Ukraine was adopted

Legislative initiative

In order to implement the updated Basic Law, the Cabinet of Ministers of Ukraine adopted 10 Resolutions developed by the SFMS



Training activity

The Academy of Financial Monitoring has introduced a digital-platform for distance training. The SFMS representatives took part in 84 educational events

Methodical activity

With the assistance of the OSCE Project Co-ordinator in Ukraine the Guidance on a Risk-Oriented Approach for Specially Designated Reporting Entities and the Guidelines for Disclosure of Information on UBOs have been prepared



National Risk Assessment

The Resolution of the Government and the NBU on the Procedure for Conducting the NRA has been updated. The implementation of a 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 has been continued

Typological study

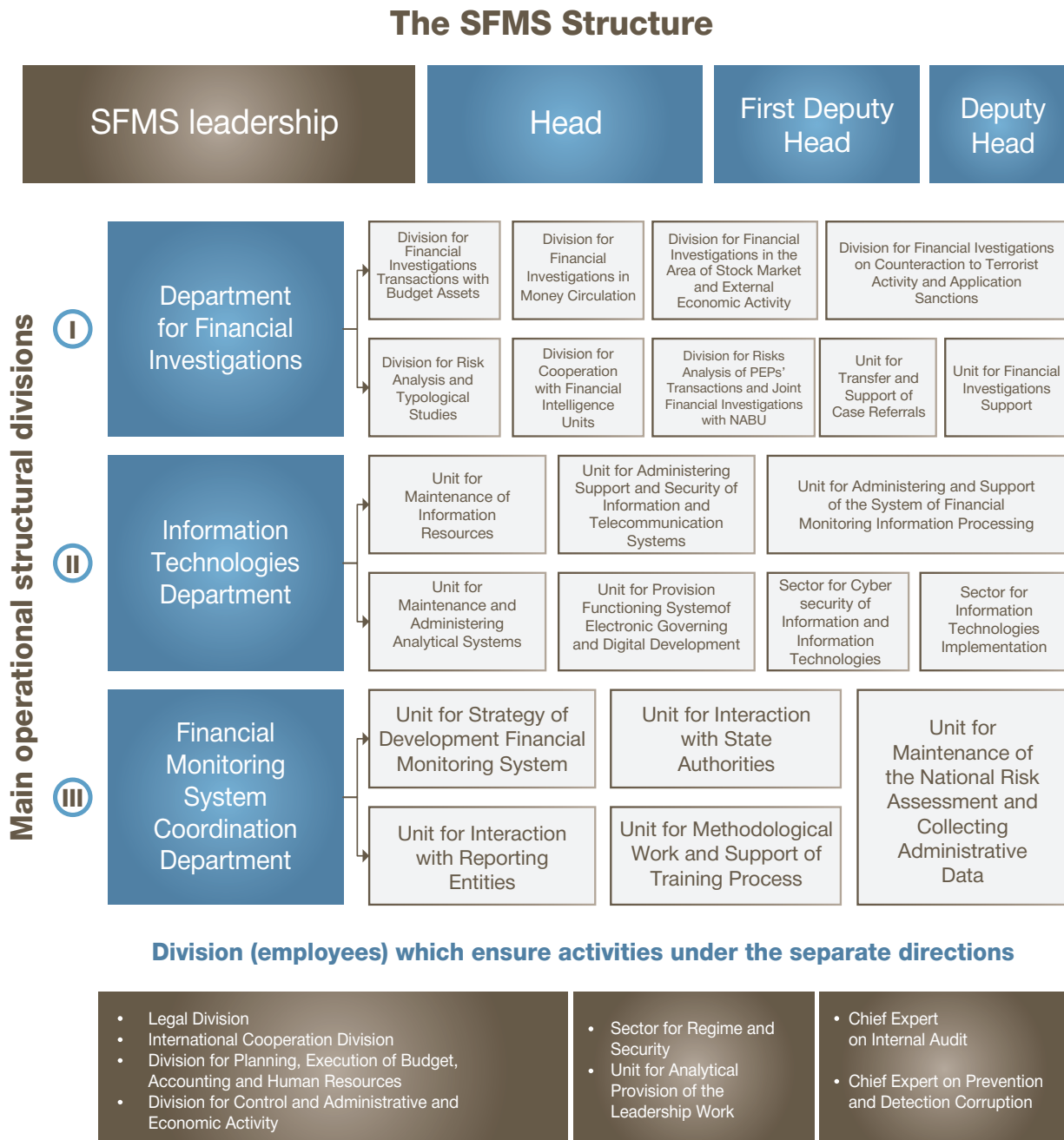
A typological study on the “Money Laundering of Serious Tax Crimes” has been prepared and published



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.

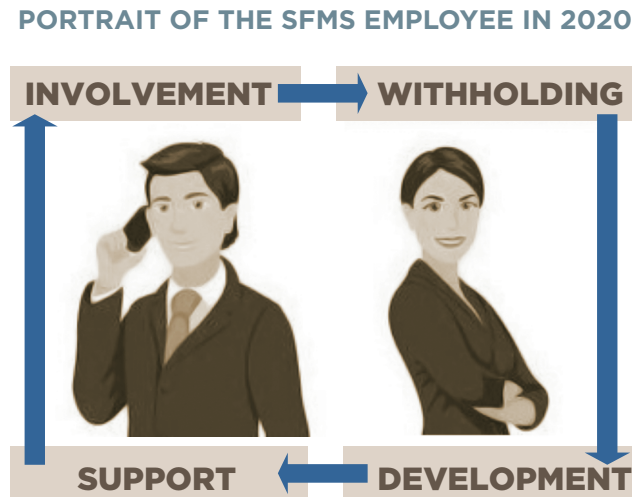


Pic. 1.1

The priority areas of the HR-strategy of the SFMS are:

- strengthening the capacity of HR administration to maximize the achievement of strategic goals and objectives of the SFMS;
- planning, selection, adaptation of personnel to meet the needs of the SFMS in qualified specialists;
- organizational and professional development of the employees;
- maintaining a balance between the interests of the employees and the employer through a system of evaluation and surveys.

The picture 1.2 and table 1.1 below present a portrait of the SFMS employee in 2020.

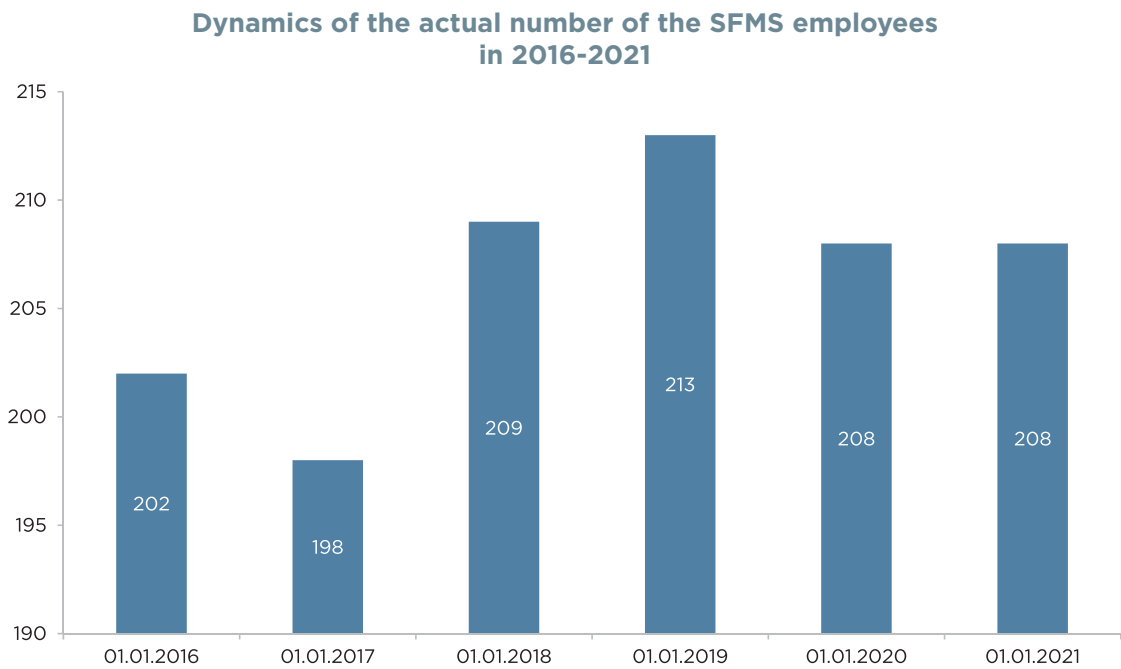


Pic. 1.2

Age groups	Less than 28 years old – 72, 29 – 35 years old – 72, 36 – 46 years old – 33, 47 – 60 years old – 28, more than 60 years old – 3
Average age	Up to 35 years old
Gender balance	Men – 82 (39,4%), Women – 126 (60,6%)
Leadership (category B)	Men – 28, 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 authorized staff complement of the SFMS is 237 persons. As of January 1, 2021, 206 employees and 2 service staff actually work in the SFMS. Dynamics of the actual number of the SFMS employees in 2016-2021 is provided on Pic. 1.3.



Pic. 1.3

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.

In 2020, the SFMS has organized and held 2 selections for filling civil servants vacancies for the period of quarantine, established to prevent the spread of acute respiratory disease COVID-19 caused by coronavirus SARS-CoV-2 in Ukraine, in which 42 persons participated. Following the results of the selection, the SFMS has concluded civil service contracts with 11 persons.

1.3. Financing the SFMS

In 2020, the SFMS was financed from the state budget within the budgetary allocations pursuant to the Law of Ukraine «On State Budget of Ukraine for 2020»

In 2020, according to budgetary allocations obtained, the SFMS expended UAH 113.2 million. The structure of funds expenditure is provided in Table 1.2 below.

The structure of the SFMS budgetary allocations in 2020

Expenditures	Amount in UAH thousand
Salaries and charges	103 414,3
Utility services and energy carriers expenditures	1 550,3
Business trip expenditures	41,8
Other expenditures to ensure activity and maintenance of the State Information System and Information and Analytical System of the SFMS	8 222,6
Total	113 229,0

Table.1.2

2.

DEVELOPMENT OF THE AML/CFT LEGISLATION



In 2020, the SFMS took measures for the development of proposals to improve the AML/CFT regulations.

Thus, in the reporting period, 21 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 2020, with the active participation of the SFMS, the following was adopted:

- ➔ 10 resolutions of the Cabinet of Ministers of Ukraine;
- ➔ 4 orders of the Ministry of Finance of Ukraine;
- ➔ 4 joint orders of the Ministry of Finance of Ukraine and other authorities.

In addition, on the initiative of the SFMS and the Ministry of Finance of Ukraine, the President of Ukraine signed the Decree “On the Day of the Financial Monitoring System Employee” No. 523/2020 dated 28.11.2020, which determines the significant contribution of the national financial monitoring system to Ukraine’s positive status at the international level.

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

Thus, in 2020, 71 draft regulations have been agreed developed by other state authorities, 54 of them have been agreed without comments, and 17 with comments.

3.

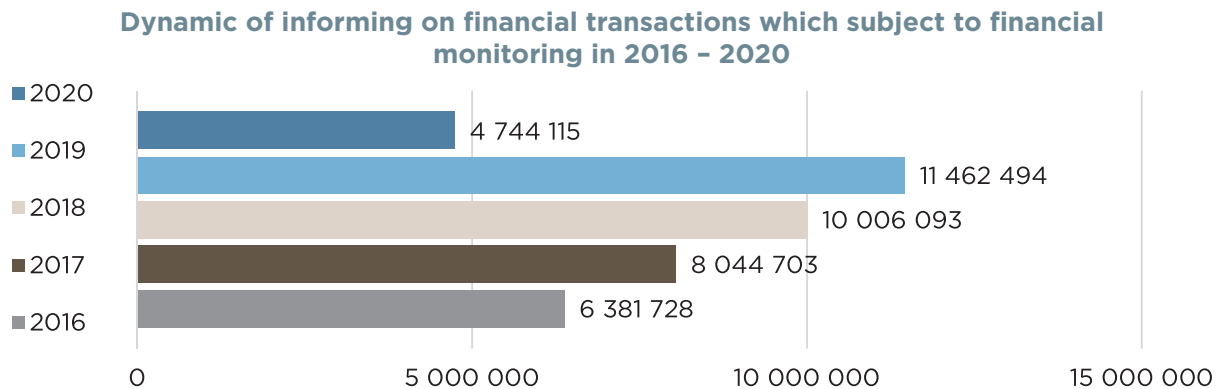
STATISTICS ON THE REPORTS RECEIVED



3.1. General dynamics of the reports received

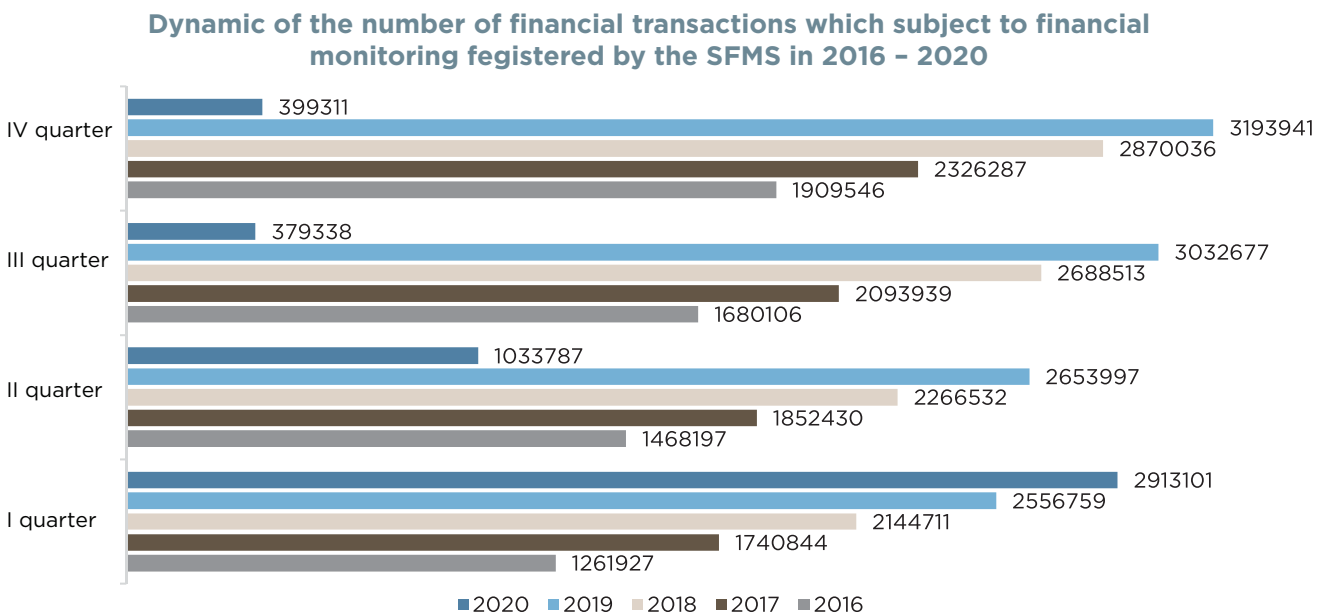
In accordance with the basic AML/CFT Law, the reporting entities submit to the SFMS information on threshold financial transactions and suspicious financial transactions (activity).

In total, since the beginning of the SFMS Financial Monitoring Information System operation, 53 585 101 reports on financial transactions subject to financial monitoring have been received and processed among which 4 744 115 reports have been received during 2020 (Pic. 3.1).



Pic. 3.1

It should be mentioned that in 2020, the SFMS registered 4 725 537 reports on financial transactions which is 58,7% less than in 2019 (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.



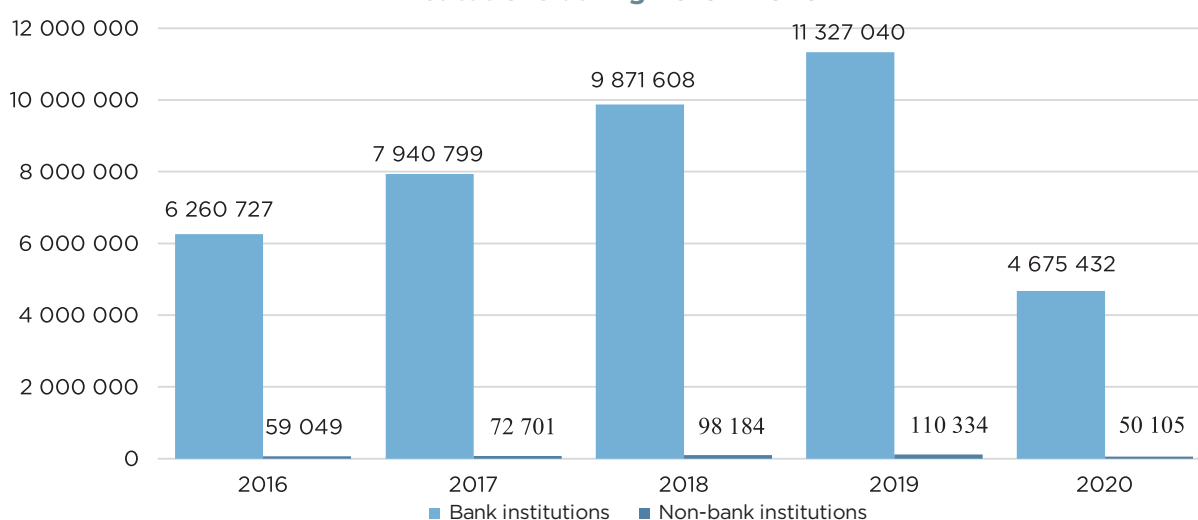
Pic. 3.2

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 that are subject to financial monitoring.

During 2020, the SFMS registered 98,94% 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 bank institutions and non-bank institutions during 2016 - 2020



Pic. 3.3

Also, it should be mentioned that the proportion of mistakes in the reports is 0.06 % of the total number of reports received by the SFMS during 2020.

Thus, the percentage of reports on financial transactions correctly submitted by the reporting entities to the SFMS during 2020 was 99.94 % of the total number of reports.

Number of reports on financial transactions registered by the SFMS by the types of submitting as of 01.01.2021

Type of institution	Number of reports in electronic form	Number of reports in paper form
Bank institutions	4 675 432	-
Non-bank institutions	49 552	553

Table. 3.1

In 2020, a number of reports on financial transactions received and registered by the SFMS from non-bank institutions in electronic form decreased by 55 % in comparison to 2019 and amounts to 98.90 % of the total number of reports registered by the SFMS which were received from the mentioned type of reporting entities.

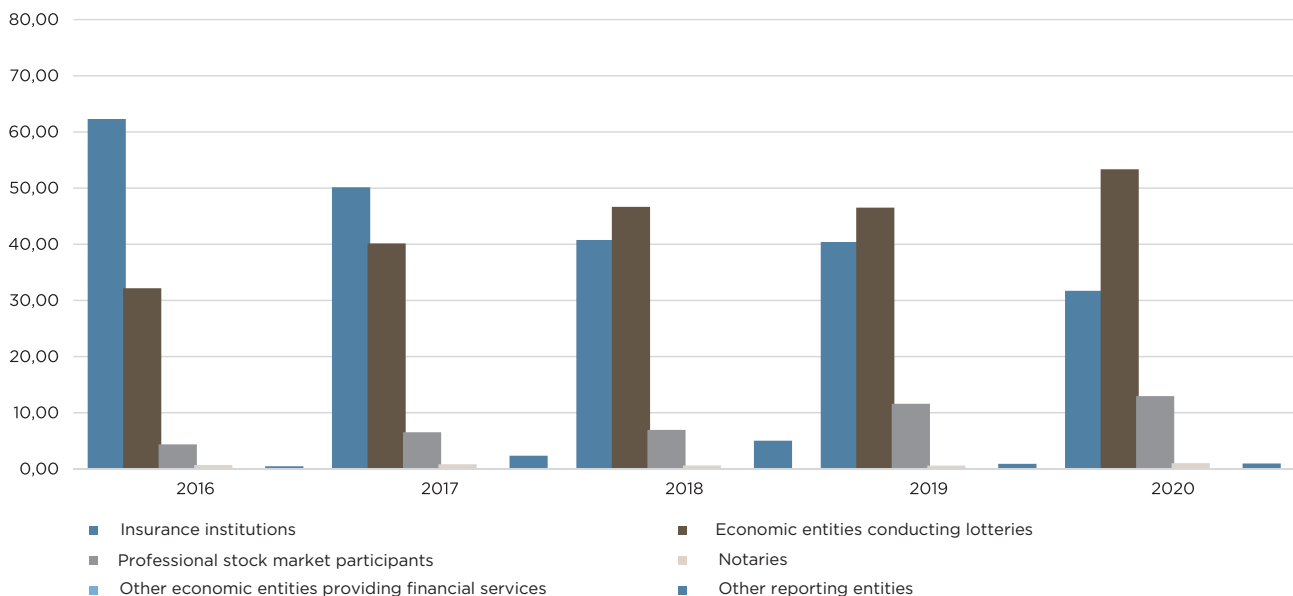
Among the non-bank institutions, the professional stock market participants are the most active in reporting. The share of such reports in the total amount of the reports registered by the SFMS which were received from non-bank sector amounted to 53.35 % (Table 3.2 and Pic. 3.4).

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 2020

Type of institution	Number of reports	Share, %
Professional stock market participants	26 730	53,35
Insurance institutions	15 882	31,70
Other economic entities providing financial services	6 489	12,95
Economic entities conducting lotteries	511	1,02
Notaries	14	0,03
Other reporting entities	479	0,96

Table 3.2

Dynamic of the share of financial transactions, which are recorded by the SFMS during 2016-2020, 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 2017, 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 with signs of obligatory financial monitoring/threshold financial transactions (since 29.04.2020), registered by the SFMS from professional stock market participants and a decrease in the number of insurance institutions in Ukraine.

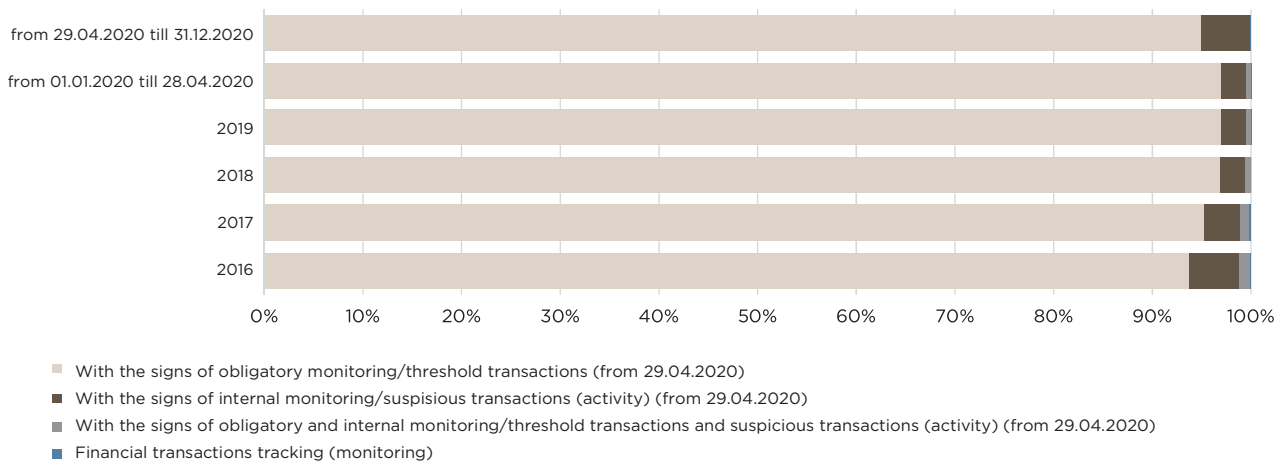
The distribution of the reports registered in the 2020 in terms of signs of financial monitoring is as follows (Pic. 3.5):

- ➔ with the signs of obligatory monitoring/threshold financial transactions (since 29.04.2020) – 96,54% (4 562 082);
- ➔ with the signs of internal monitoring/suspicious financial transactions (activity) (since 29.04.2020) – 3,10% (146 484);

3. STATISTICS ON THE REPORTS RECEIVED

- ➔ with the signs of obligatory and internal monitoring/threshold transactions and suspicious transactions (activity) (since 29.04.2020) - 0,35% (16 435);
- ➔ financial transactions received on the request of tracking (monitoring) financial transactions - 0,01% (536).

Share of financial transactions in total amount registered by the SFMS under the signs of financial monitoring



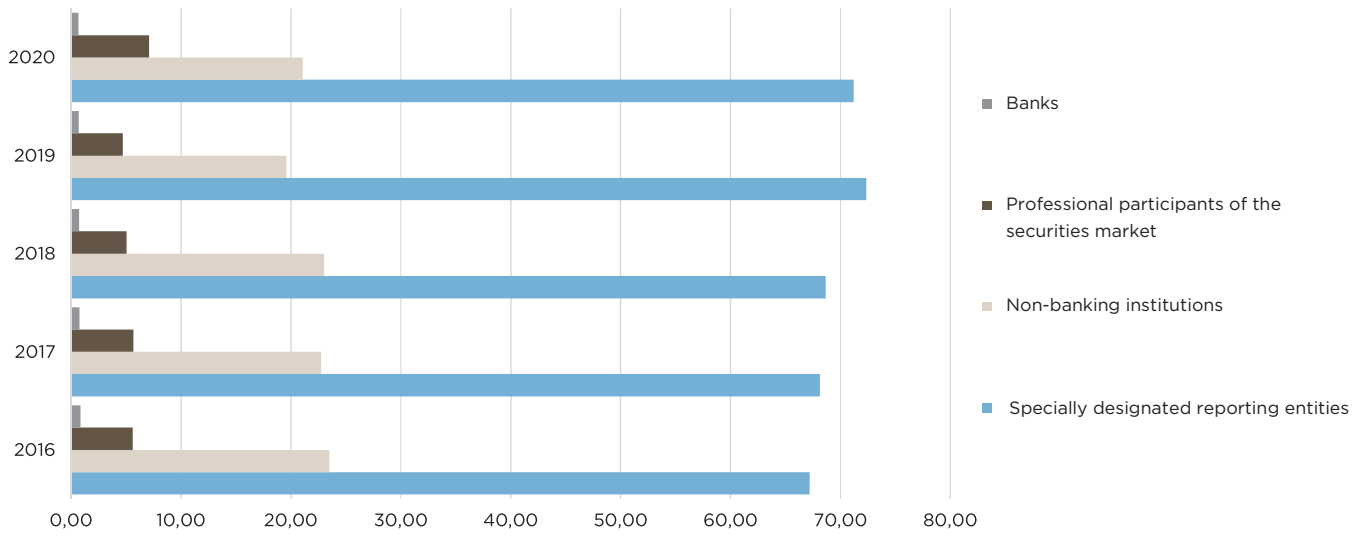
Pic. 3.5

From 2017 until the entry into force of the updated Basic Law, there was a rapid increase in the share of financial transactions registered by the SFMS with signs of obligatory financial monitoring with a simultaneous decrease in the share of financial transactions with signs of internal financial monitoring. However, from April 29, 2020, there was an increase in the share of suspicious financial transactions and a simultaneous decrease in the share of threshold financial transactions in the total number of reports received from the reporting entities.

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

As of 01.01.2021, 22,451 reporting entities (including 11,079 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 authorities;
- ➔ 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 assistance 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.

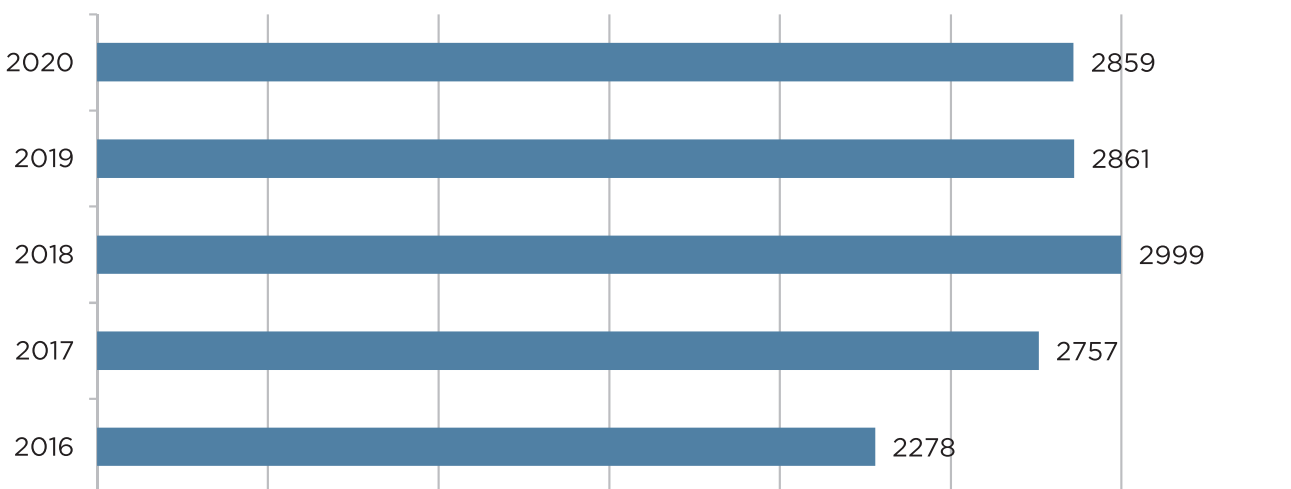
All the reports received which get to the warehouse of the SFMS are divided by risk levels and are subject to a detailed analysis, taking into account all available information. Following the results of the analysis, dossiers are created for conducting financial investigations.

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

Thus, for the period from 28.04.2020 to 31.12.2020, the SFMS received 11 379 reports of suspicious financial transactions (activities) from reporting entities.

In total, during 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). For comparison, in 2019, the SFMS selected 530 393 reports on financial transactions for active work.

Dynamics of dossier creation in 2016-2020



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.

4. ANALYTICAL ACTIVITY

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

In comparison with the previous 2019, a number of reports on financial transactions, which became the basis for creation of dossiers, increased by 131,8% or by 699 267 reports.

In 2020, as a result of dossiers processing, 1 036 referrals, including 607 case referrals та 429 additional case referrals were submitted to the law enforcement and intelligence agencies.

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

Thus, during 2020, the SFMS has sent 13 070 files-requests on providing additional information to 76 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 2020, the SFMS has sent 21 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 «Money Laundering from Tax Crime» (Pic.4.2).

This typological study is aimed at analyzing existing schemes of money laundering from tax crimes and analysis of ways to implement them, as well as assisting participants of the AML system in their detection.

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



Pic. 4.2. Title page of the Typology

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 2020, the SFMS has suspended financial transactions of 184 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;
- laundering of proceeds from corruption;
- theft of state funds and state enterprises funds;
- money laundering from tax crimes, use of cash in schemes of legalization (laundering) of proceeds from crime.

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

Given the negative impact on the country's economy of tax crimes and money laundering, resulting in budget losses and the country's inability to form a balanced budget, as well as extending the volumes of such crimes and the scale of the use of specific schemes, the SFMS has revealed the main schemes of money laundering of tax crimes in a typological study.

The study of various ways of committing tax crimes and money laundering from such crimes will allow to form an effective mechanism for combating such crimes.

The use by the reporting entities of the risk-oriented approach to customers is of great importance for the detection and disclosure of the facts of money laundering from tax crimes.

The above-mentioned typological study "Money Laundering from Tax Crime" conducted by the SFMS in 2020 contains an analysis of existing schemes of money laundering from tax crimes and an analysis of ways to implement them.

4.3.1. Counteracting terrorism and separatism financing

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

In 2020, the SFMS has submitted to the law enforcement authorities 75 referrals (52 case referrals and 23 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:

- ➔ 10 referrals (1 case referrals and 9 additional case referrals), which are related to the implementation of financial transactions on the accounts of 4 individuals, whose identification data coincide with the identification data of persons included in the list of persons related to terrorist activities or in respect of whom international sanctions have been applied;
- ➔ 2 referrals (1 case referrals and 1 additional case referrals), which are related to the implementation of financial transactions with the participation of 2 individuals included in the Annex 1 to the decision of the National Security and Defense Council of Ukraine as of 21.06.2018, put into effect by the Decree of the President of Ukraine dated 21.06.2018 No. 176/2018, and in the Annex 1 to the decision of the National Security and Defense Council of Ukraine dated 19.03.2019, put into effect by the Decree of the President of Ukraine dated 19.03.2019 No. 82 / 2019, accordingly;
- ➔ 36 referrals (32 case referrals and 4 additional case referrals), which are related to suspicion of financial transactions involving 56 individuals and 3 legal entities, possibly involved in the activities of the international terrorist group "Islamic State of Iraq and the Levant" or other extremist groups;
- ➔ 27 referrals (18 case referrals and 9 additional case referrals), which contained information on financial transactions of 50 individuals and 65 legal entities suspected in commission of terrorism/separatism and its financing (including financing of illegal armed groups in the temporarily occupied territories in Donetsk and Luhansk oblasts).

Of the 75 submitted referrals:

- ➔ in 52 referrals (43 case referrals and 9 additional case referrals) the information received from the SSU and the PGO was used;
- ➔ 10 referrals (6 case referrals and 4 additional case referrals) contained information on the identified relations with Russian Federation;
- ➔ 13 referrals (4 case referrals and 9 additional case referrals) contained information about the suspension of financial transactions. As a result of the 57 decisions made, funds in the amount of UAH 14.68 million were blocked.

The main instruments used in the referrals submitted:

- ➔ cash;
- ➔ electronic payment systems;
- ➔ payment cards;
- ➔ financing under the guise of financial assistance/loans;
- ➔ international contracts for the supply of equipment for the manufacture of weapons.

4.3.2. Laundering of proceeds from corruption

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

In particular, in 2020, the SFMS has submitted 204 referrals to the law enforcement authorities (61 case referrals and 143 additional case referrals), which are related to suspicion of corruption, in particular to:

- ➔ the NABU - 168 referrals (54 case referrals and 114 additional case referrals);
- ➔ the prosecutor offices of Ukraine - 11 referrals (1 case referrals and 10 additional case referrals);
- ➔ the fiscal service offices of Ukraine - 1 additional case referrals;
- ➔ the NP - 2 referrals (1 case referrals and 1 additional case referrals);
- ➔ the SBI - 5 referrals (3 case referrals and 2 additional case referrals);
- ➔ the SSU - 17 referrals (2 case referrals and 15 additional case referrals).

In these materials, the amount of financial transactions that may be related to the legalization of funds and the commission of another crime under the Criminal Code of Ukraine is UAH 8.1 billion.

Participants of suspicious financial transactions in these 204 referrals were persons authorized to perform the functions of state or local self-government and persons equated to them.

Tools that have been used:

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

Case study 1. Illegal use of funds of a state-owned enterprise with the use of business entities with signs of fictitiousness

The SFMS jointly with law enforcement authorities revealed a scheme of illegal use of funds of a state-owned enterprise with the use of business entities with signs of fictitiousness (Pic. 4.3).

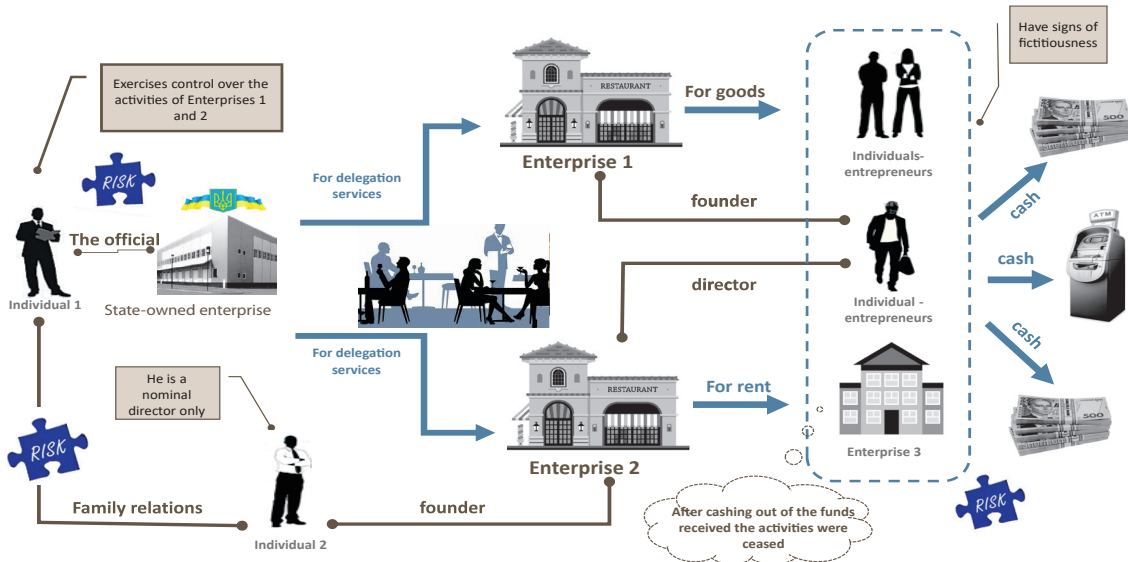
It was established that the State-Owned Enterprise had been transferring budget funds for some time to the accounts of Enterprise 1 and Enterprise 2 as payment for servicing delegations. At the same time, control over the activities of these enterprises is exercised by Individual 1, who is at the same time an official of the State-Owned Enterprise and may dispose of its funds.

The received funds were transferred by these enterprises in small structured payments to the accounts of related individual entrepreneurs, as well as in favor of Enterprise 3 as a rent.

These entities have signs of fictitious activities, in particular, do not declare income, do not pay taxes, do not carry out financial transactions with other persons.

Subsequently, the funds were withdrawn from the accounts in cash, after which individual entrepreneurs and Enterprise 3 ceased the activities.

Law enforcement authorities are conducting a pre-trial investigation.



Pic. 4.3

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

In 2020, the SFMS has submitted 64 referrals (44 case referrals and 20 additional case referrals) to law enforcement authorities on budget assets misuse facts.

In the mentioned referrals, the amount of financial transactions that may be related to legalization of proceeds, and the commission of another crime, determined by the Criminal Code of Ukraine, is UAH 4,4 billion.

The amount of involved state funds was UAH 11,05 billion.

Submitted referrals related to budget funds theft through:

- ➔ use of newly established enterprises to obtain budget funds;
- ➔ use of non-resident companies;
- ➔ dispersion of funds between related business entities;
- ➔ transfer to repay the loan;
- ➔ accumulation on the accounts of a group of related companies, with subsequent payment as dividends;
- ➔ contribution funds to the authorized capital of a newly created enterprise;
- ➔ overpricing during procurement procedures;
- ➔ purchase of bonds by a non-resident company;
- ➔ conducting “counter flows”;
- ➔ formation of a tax credit without the actual delivery of goods.

Tools that were used:

- ➔ financial assistance agreements (loans);
- ➔ cash;
- ➔ non-commodity transactions;
- ➔ deposits;
- ➔ loans;
- ➔ bonds;
- ➔ contributions to the authorized capital;
- ➔ dividends;
- ➔ domestic government bonds.

Case study 2. Tax evasion and embezzlement of state-owned enterprises of the coal industry during the purchase of consumables

The SFMS jointly with law enforcement authorities revealed a scheme of possible tax evasion and embezzlement of state-owned enterprises of the coal industry during the purchase of consumables (Pic. 4.4).

For a long time, the winners of many tenders conducted by **State-Owned Enterprises**, have determined **Enterprises with signs of fictitiousness** (repeated changes in the founding staff, insignificant declared income and taxes, common registration address, etc).

According to the results of the biddings, agreements on the supply of spare parts, equipment, overhaul were concluded, on the basis of which significant amounts of budget funds have been transferred to the accounts of **Enterprises with signs of fictitiousness**.

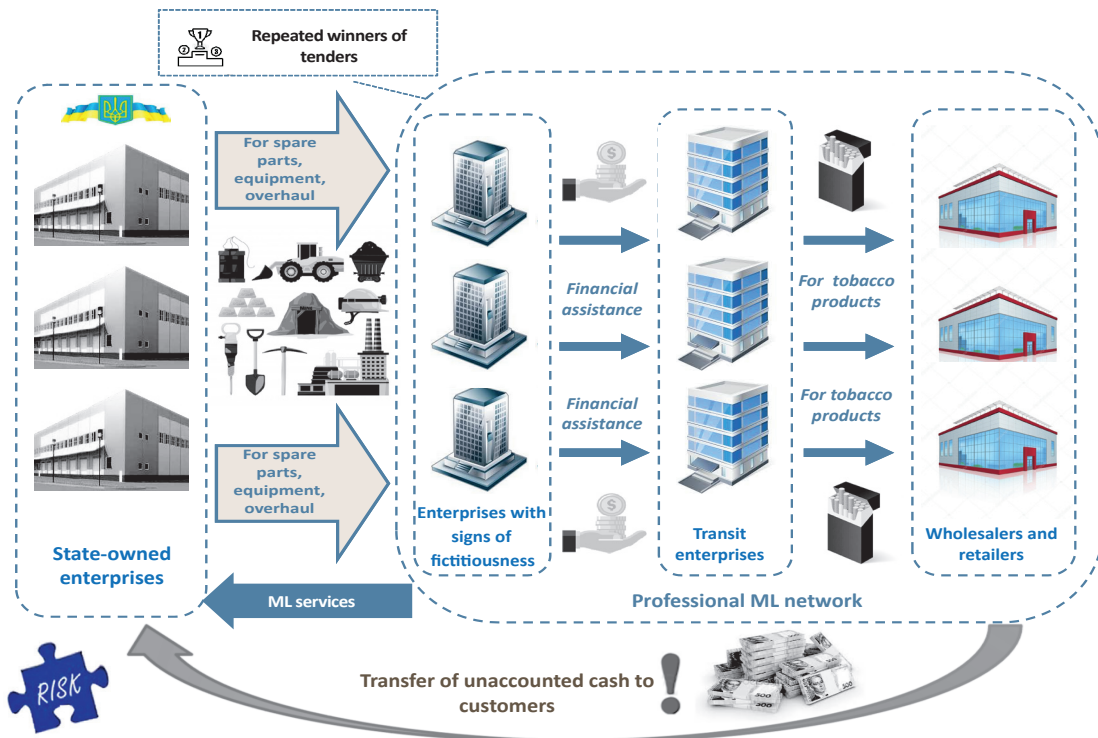
Subsequently, the funds received have been transferred by **Enterprises with signs of fictitiousness** through a number of transit enterprises using a controller network¹ to mask illegal activities to the accounts of **wholesalers and retailers** of tobacco products and beverages with the purpose of payment: “for tobacco products”.

The purpose of incoming payments at the final stage does not correspond to the purpose of outgoing payments at the initial stage, which may indicate misuse of budget funds.

These **wholesalers and retailers** hold a significant amount of unaccounted cash, which suggests that the purchase of goods and services by state-owned enterprises may be feigned or their price, specified in the documents may be significantly below the market price.

The services of these enterprises are aimed at the formation of a fictitious tax credit and reduction of income tax, as well as the legalization of funds by cashing out through the capabilities of wholesale and retail enterprises.

Law enforcement authorities are conducting a pre-trial investigation.



Pic. 4.4

¹ Professional network in which the legalization of illicit proceeds is exercised through clearing.

Case study 3. Seizure of funds of the country’s energy industry enterprise and formation of an artificial tax credit without the actual supply of goods with the subsequent transfer of non-cash funds into cash

The SFMS jointly with law enforcement authorities revealed a scheme of seizure of funds of the country’s energy industry enterprise and the formation of an artificial tax credit without the actual supply of goods with the subsequent transfer of non-cash funds into cash for providing it to the customer (Pic 4.5).

It is established that the **State-Owned Energy Industry Enterprise** transferred funds in favor of the **Group of Enterprises 1** for the purchase of coal.

At the same time, the agreements concluded between the **State-Owned Enterprise** and the **Group of Enterprises 1** were deliberately unprofitable (coal was purchased at inflated prices).

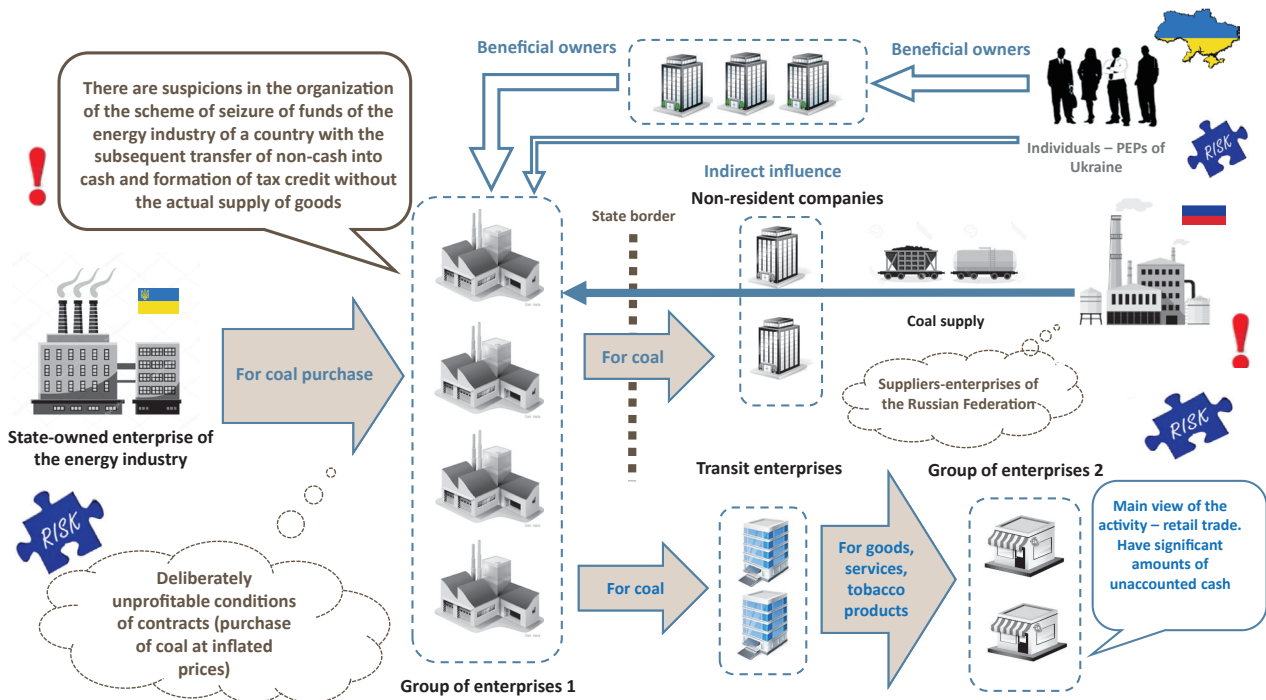
Also, it was established that the ultimate beneficial owners of the **Group of Enterprises 1** indirectly through a number of controlled non-resident companies were PEPs of Ukraine.

Part of the funds received by the **Group of Enterprises 1** as a payment for coal was directed to the benefit of fictitious **Non-resident companies** registered in order to conceal the source of coal from the Russian Federation, which was further supplied to the **State-Owned Enterprise**.

The rest of the funds received by the **Group of Enterprises 1** as a payment for coal were transferred to the group of transit enterprises. At the same time, the supply of coal did not take place, instead the funds received were directed to the benefit of the **Group of Enterprises 2**, which are wholesale and retail trade enterprises. Subsequently, the received non-cash funds were exchanged for unaccounted cash.

Thus, the participants of the above scheme unreasonably formed an artificial tax credit, which shows tax evasion.

Law enforcement authorities are conducting a pre-trial investigation.



Pic. 4.5

4.3.4. Money laundering from tax crimes. Use of cash in schemes of legalization (laundering) of the proceeds from crime

The SFMS has carried out activities on detecting facts and suspension the illegal activity of “conversion” centres and enterprises with the signs of fictitiousness involved in ML/FT schemes.

In 2020, the SFMS has submitted to law enforcement authorities 75 referrals, in particular, 59 case referrals (independent - 46, under the letters - 13) and 16 additional case referrals ((independent - 12, under the letters - 4) related to cash withdrawals.

The total amount of conducted ML-related financial transactions amounted to UAH 25,6 billion.

Including cash withdrawals - UAH 22,8 billion, in particular, for the following purposes:

- ➔ for the purchase of scrap metal - UAH 14,99 billion;
- ➔ distribution of funds - UAH 3,9 billion;
- ➔ purchase of goods/payment for services - UAH 2,4 billion;
- ➔ cash withdrawal from the card account - UAH 0,7 billion;
- ➔ purchase of agricultural products - UAH 0,5 billion;
- ➔ financial assistance/loan - UAH 174,20 million;
- ➔ for business needs - UAH 53,24 million.

At the same time, the SFMS took measures aimed to identify facts related to the activity of “conversion centres” connected with the mechanism of “counter flows”.

Thus, in 2020, the SFMS has submitted to law enforcement authorities 108 referrals (63 case referrals and 45 additional case referrals), which are related to the mechanism of conducting “counter flows”.

According to these referrals, the total amount of the “converted” funds amounts to UAH 27,3 billion.

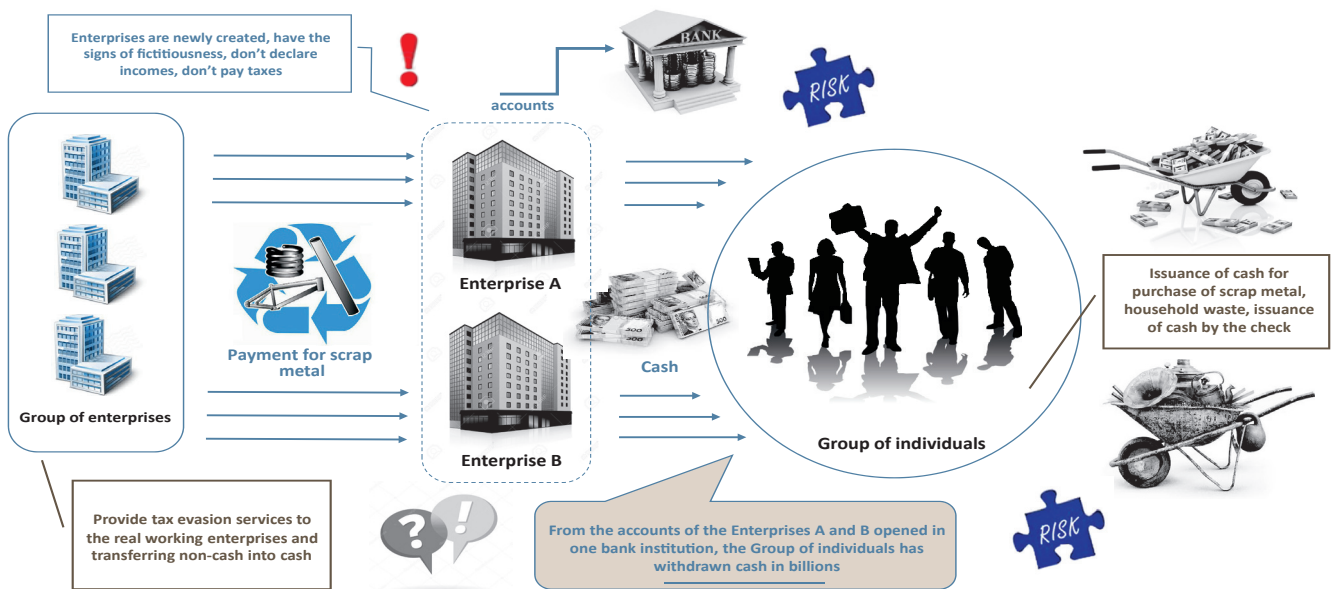
Case study 4. Tax evasion through fictitious transactions for the purchase of scrap metal and transferring non-cash funds into cash

The SFMS revealed a scheme aimed at tax evasion through fictitious transactions for the purchase of scrap metal and transferring of non-cash into cash (Pic. 4.6).

It was established that the accounts of the **Enterprise A and the Enterprise B**, opened in one banking institution, were credited with funds for scrap metal from the **Group of Enterprises**, which previously received funds from enterprises of the real sector of the economy as a payment for various goods and services. It is noteworthy that these **Enterprises A and Enterprises B** are newly created, have the signs of fictitiousness, since, having high turnover, do not declare income, do not pay taxes.

Subsequently, the funds received in a short period of time in full (in billions) were withdrawn in cash by a the **Group of individuals** for the purchase of scrap metal, the issuance of cash by check, the purchase of household waste.

As a result of the implementation of this scheme, the enterprises of the real sector of the economy have reduced their own tax burden on VAT payment and income tax, in this case, the budget underreceived revenue.



Pic. 4.6

Case study 5. Tax evasion and legalization (laundering) of the proceeds by enterprises of the real sector of the economy using an extensive money laundering network

The SFMS revealed a scheme of tax evasion and legalization (laundering) of the proceeds by enterprises of the real sector of the economy using an extensive money laundering network (Pic. 4.7).

It is established that the **Enterprises of the real sector of the economy**, including enterprises of state and communal forms of ownership, transferred funds to the accounts of the network of **Enterprises of the Group 1** as a payment for various goods, works and services inherent in their type of activity. At the same time, a tax credit was formed, which led to the reduction in the VAT accrual.

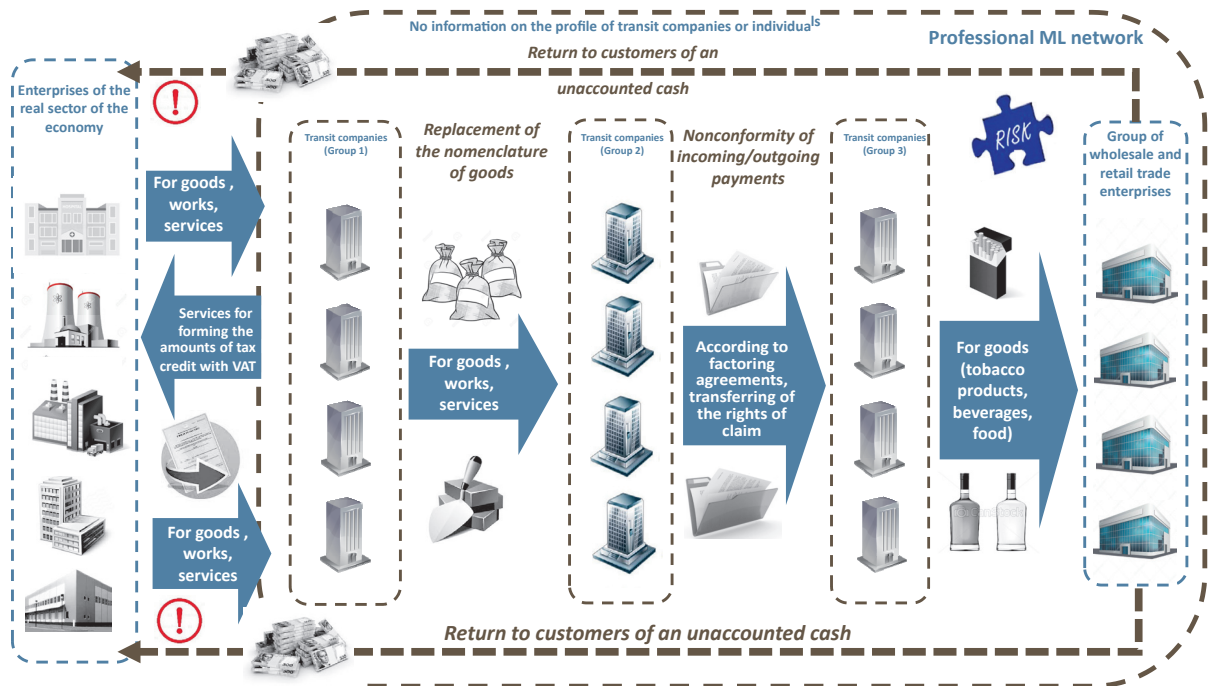
In the future, the **Enterprises of the Group 1** have transferred the received funds to the accounts of the network of the **Enterprises of the Group 2** with the signs of fictitiousness as a payment for goods. At the same time, the nomenclature of goods, works and services was replaced.

The funds received by the **Enterprises of the Group 2** were transferred in favor of the **Enterprises of the Group 3** on the basis of factoring agreements or agreements on assignment of rights of claim, as a result of which the chain of financial flows does not correspond to the chain of movement of goods according to tax notes.

At the final stage, the **Enterprises of the Group 3** further transferred the funds received in favor of the **Wholesale and Retail Trade Enterprises**, in particular, tobacco and alcohol products.

Such enterprises have an extensive trade network that collects unaccounted cash in large amounts, as a result of which there are suspicions that non-cash sent by the enterprises of the real sector of the economy with the minus of the “commission” of the network were returned in cash to the owners of the enterprises.

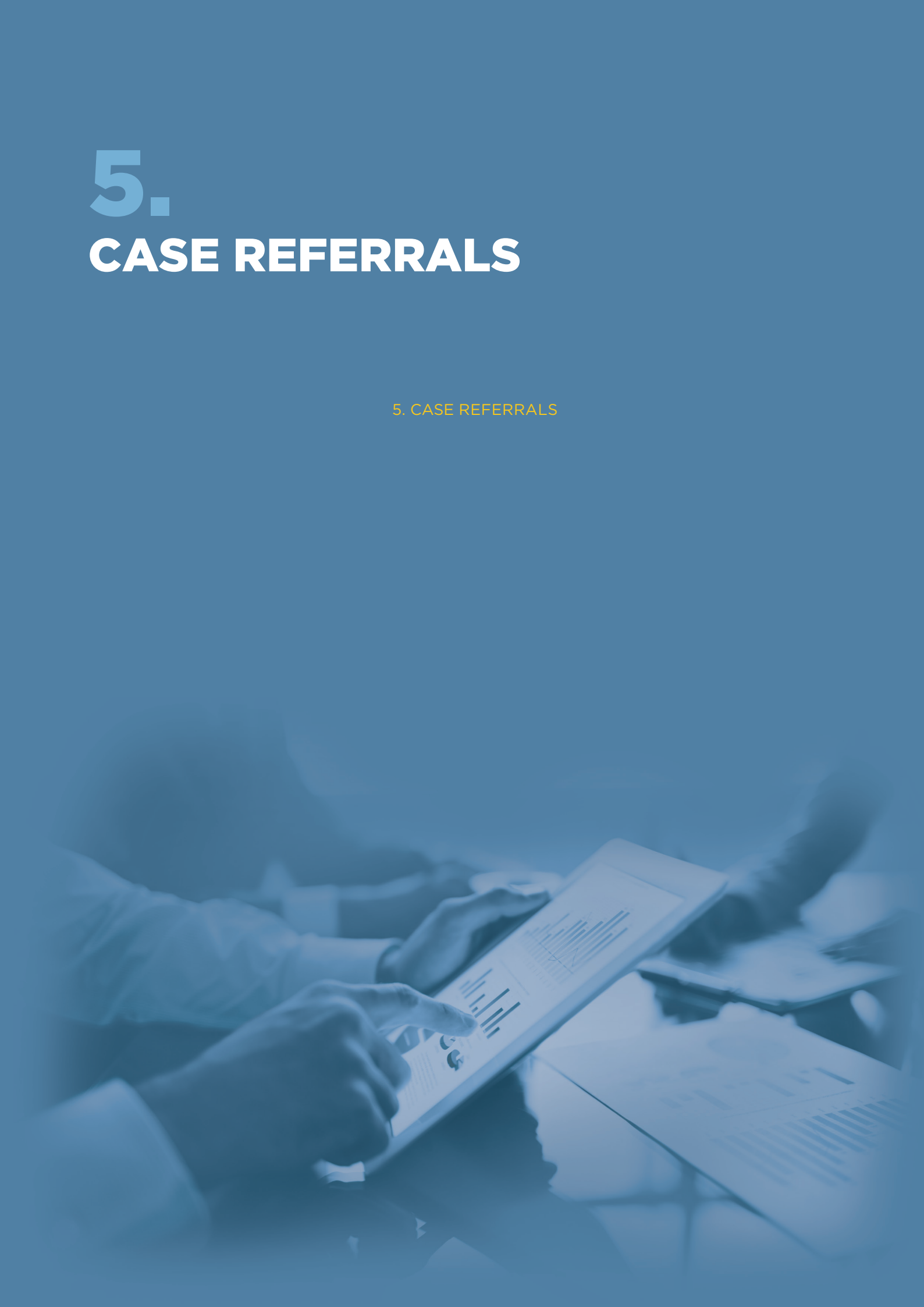
Law enforcement authorities are conducting a pre-trial investigation.



Pic. 4.7

5. CASE REFERRALS

5. CASE REFERRALS



5. CASE REFERRALS

Upon the execution of the Basic Law and according to the Procedures for submission and consideration of case referrals, approved by the Orders of the Ministry of Finance of Ukraine and law enforcement authorities, the SFMS expert commission on consideration case referrals and additional case referrals, prepared for submission to law enforcement authorities, takes decision concerning submission of such referrals to law enforcement authorities, in case of reasonable grounds.

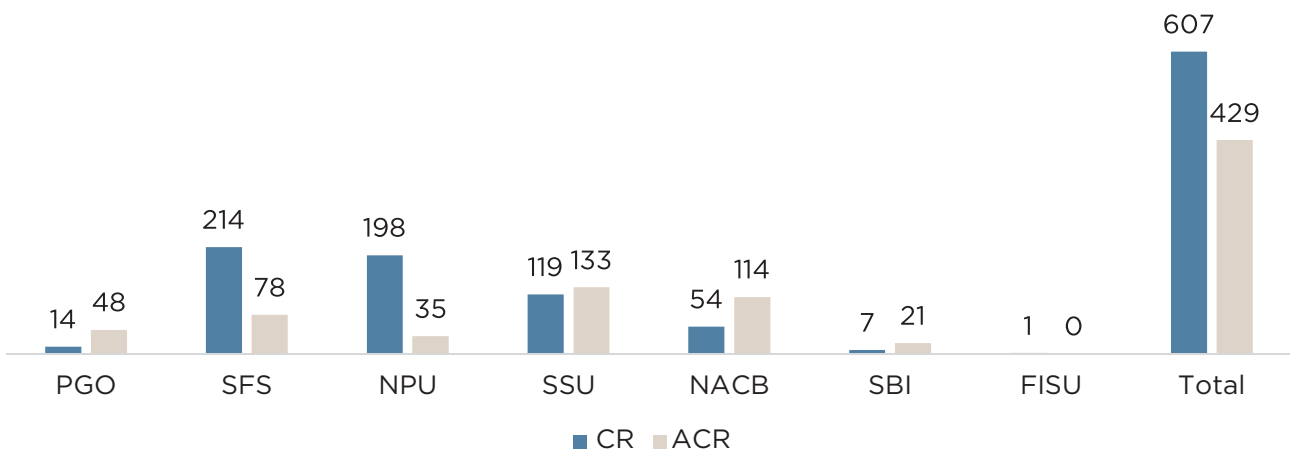
During 2020, the SFMS has prepared 1 036 referrals (607 case referrals and 429 additional case referrals), and submitted them to (Pic. 5.1):

- ➔ the Prosecutor's General Office of Ukraine - 14 case referrals and 48 additional case referrals;
- ➔ the State Fiscal Service of Ukraine - 214 case referrals and 78 additional case referrals;
- ➔ the National Police of Ukraine - 198 case referrals and 35 additional case referrals;
- ➔ the Security Service of Ukraine - 119 case referrals and 133 additional case referrals;
- ➔ the National Anti-corruption Bureau of Ukraine - 54 case referrals and 114 additional case referrals;
- ➔ the State Bureau of Investigations of Ukraine - 7 case referrals and 21 additional case referrals;
- ➔ the Foreign Intelligence Service of Ukraine - 1 case referrals.

In these cases, the amount of financial transactions that may be related to:

- ➔ legalization of funds is UAH 68,0 billion;
- ➔ commission of another crime, defined by the Criminal Code of Ukraine is UAH 8,2 billion.

Case referrals and additional case referrals submitted in 2020



Pic. 5.1

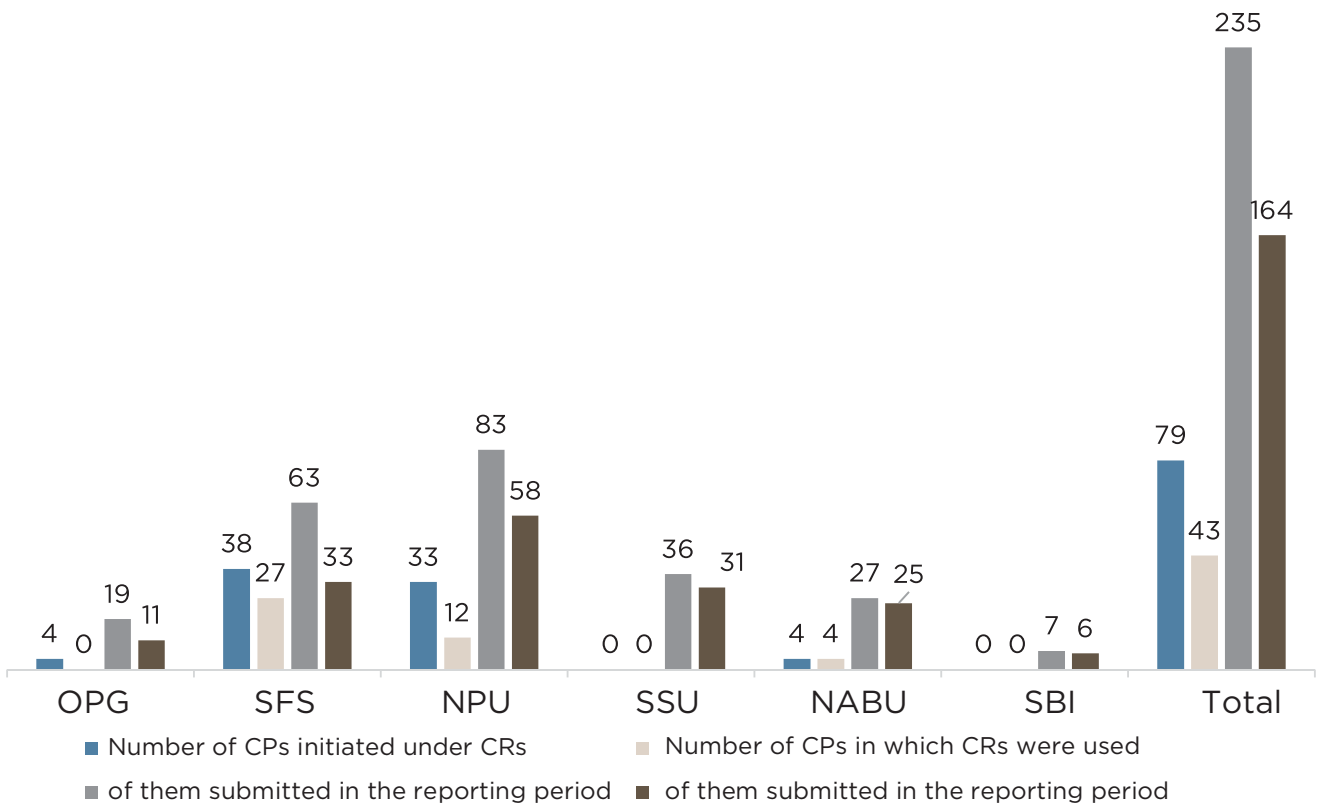
328 case referrals, including case referrals submitted in the past years, were used by law enforcement authorities during the pre-trial investigations in 314 criminal proceedings (Pic. 5.2), namely:

- ➔ based on the results of consideration of 78 case referrals, 79 criminal proceedings have been initiated;
- ➔ 250 case referrals have been used in 235 criminal proceedings.

Law enforcement authorities units have completed 38 criminal proceedings, initiated under 42 case referrals, due to applying to the court with indictments.

Courts have considered 28 criminal proceedings, initiated following the results of consideration of 28 case referrals, with the conviction or rendering ruling based on the non-rehabilitating circumstances.

Criminal proceedings initiated under case referrals (used in criminal proceedings) in 2020



Pic. 5.2

According to the information received by the SFMS in 2020 in criminal proceedings initiated by law enforcement authorities as a result of consideration of the SFMS case referrals, the total value of the arrested and confiscated property (funds) is UAH 2,7 billion.

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 and development of the Unified Information System in the AML/CFT area (hereinafter - the FMIS).

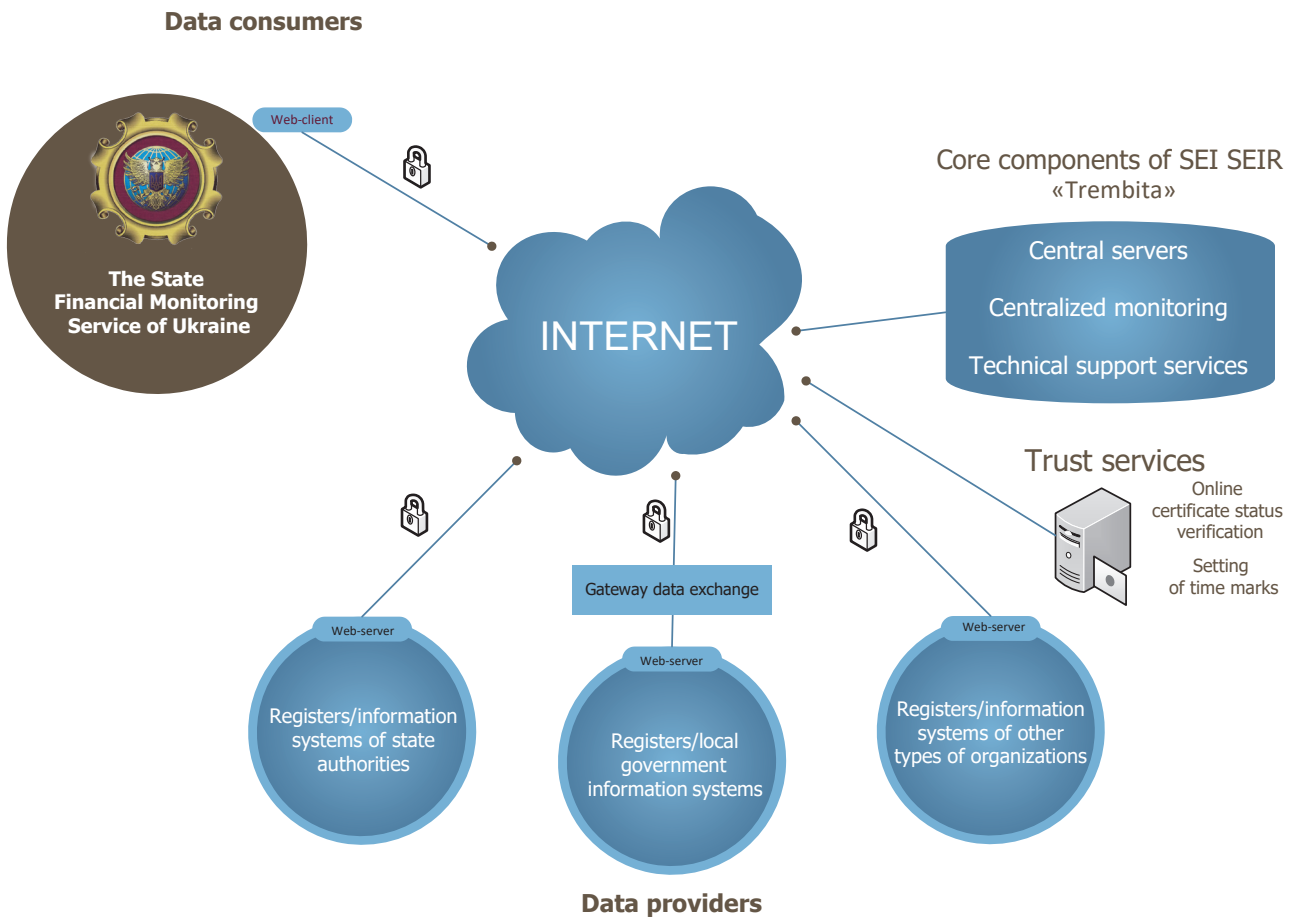
Continuous technological processes for obtaining, primary and analytical processing of information from reporting entities and state authorities, as well as support of the information environment of interaction with financial monitoring entities have been provided. The FMIS operates round-the-clock (24/7) 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.

In connection with the entry into force of the new Basic Law, the SFMS prepared the relevant by-laws and regulations to ensure the functioning and development of the FMIS. These acts provide for the settlement of new requirements for information exchange, improvement of existing information exchange and the introduction of the latest digital information technologies in the FMIS.

The Resolution of the Cabinet of Ministers of Ukraine as 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» 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 is defined as an information system that provides collecting and processing information and data of state electronic information resources (SEIRs) necessary for conducting a comprehensive analysis of financial monitoring information by the SFMS.

Also, the use of new technologies of information exchange is envisaged in this system, in particular, the services of the system of electronic interaction of state electronic information resources SEI SEIR «Trembita» and Application Programming Interface (API).

Within the framework of this system, the SFMS has introduced software for information exchange through SEI SEIR «Trembita» with the services of the Ministry of Internal Affairs («Verification of passport documents among the stolen and lost», «Verification of passport documents among the invalid», «Verification of location of a wanted person»), and using API SEIR of the Ministry of Justice – from the State Register of Property Rights to Immovable Property and Unified State Register (Pic. 6.1).



Pic. 6.1

In accordance with the Regulation on 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, the access to information resources of state authorities - subjects of the unified system was provided by updating relevant information resources in the ISFM data warehouse.

According to the Resolution of the Cabinet of Ministers of Ukraine as of 09.09.2020 No. 850 «Some issues of organization of financial monitoring», the main form of AML/CFT information interaction, instead of paper, shall be electronic form using the components of the information and telecommunication system «e-cabinet of the financial monitoring system»: personal cabinet or API.

Based on the developed technical requirements of the Information and Telecommunication System «Electronic Cabinet of the Financial Monitoring System» (ITS «e-cabinet of the FMS») by means of the technical assistance project provided by the project «EU Anti-Corruption Initiative in Ukraine» (EUACI), in the reporting year, the SFMS received a copy of the software information and telecommunication system «e-cabinet of the financial monitoring system», its complex information protection system was created (Pic. 6.2).

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Останні новини

10.12.2020 09:51
Інформування про результати роботи Держфінмоніторингу за 9 місяців 2020 року

09.06.2020 10:00
Аналіз підозрілих транзакцій у податковій сфері Цифри та останні тенденції

Всі новини

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Власність Державної служби фінансового моніторингу України.

Проект реалізовано за підтримки Антикорупційної Ініціативи Європейського Союзу в Україні (EUACI). EUACI фінансується ЄС і співфінансується та впроваджується Міністерством закордонних справ Данії

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Pic. 6.2. E-cabinet

In accordance with the requirements of the Resolution of the Cabinet of Ministers of Ukraine as of 19.06.2019 No. 546 «On approval of the Regulation on the integrated electronic identification system» the integration of ITS «e-cabinet» with the integrated electronic identification system (id.gov.ua) is provided.

In 2020, ITS «e-cabinet» was deployed and configured in the SFMS on FMIS servers, its experimental exploitation was carried out. The comprehensive information protection system ITS «e-cabinet» passed the state examination, which resulted in a positive expert opinion and Certificate of Conformity, registered in the Administration of the State Service of Special Communications and Information Protection of Ukraine as of 18.12.2020 No. 22336 (Pic. 6.3).



Pic. 6.3

In accordance with the Procedure for submitting information for registration (deregistration/renewal of registration) reporting entities, registration, and submission by reporting entities to the State Financial Monitoring Service of Ukraine information on financial transactions subject to financial monitoring, other information that may be related to the legalization (laundering) of the proceeds from crime or financing of terrorism and financing of proliferation of weapons of mass destruction, approved by the Resolution of the Cabinet of Ministers of Ukraine as of 09.09.2020 No. 850 «Some issues of organization of financial monitoring», the SFMS has developed the Procedure for creating a personal cabinet of reporting entity and the access to the e-cabinet of the financial monitoring system, as well as the Procedure for information interaction of reporting entities and the State Financial Monitoring Service of Ukraine (which defines new formats, structures, details of reports, requirements, directories for their completion, visual form of reports, the order of information interaction of reporting entities with the SFMS).

Based on these projects and additions to the technical requirements, in the framework of the project «EU Anti-Corruption Initiative in Ukraine» (EUACI), an update of ITS «e-cabinet» was organized to process new and modernized forms of information interaction of reporting entities and the SFMS.

In 2020, the Order of the SFMS as of 13.03.2020 No. 29 «On publication in the Internet of information on the activities of the State Financial Monitoring Service of Ukraine» launched with the support of the project «EU Anti-Corruption Initiative in Ukraine» (EUACI) the updated official website of the SFMS, registered in the Internet at: <https://fiu.gov.ua> (Pic. 6.4).



Pic 6.4. The updated SFMS's website

According to the results of monitoring of the information content of the official websites of executive authorities conducted by the State Committee for Television and Radio Broadcasting of Ukraine, the updated official website of the State Financial Monitoring Service of Ukraine (<https://fiu.gov.ua>) in the first half of 2020 was recognized as one of the best state websites of Ukraine (first place).

In addition, in the reporting year, the SFMS paid significant attention to information security, cyber security and information technology security in the FMIS. In the course of ensuring the functioning of the complex system of information protection of the ISFM, the issues of ensuring cyber security and security of information technologies in the ISFM have been solved.

Ensuring the effective functioning of the implemented security systems against cybersecurity threats, which passed the state examination in the area of technical security of information, allowed for the specified period to identify and block the relevant threats in the FMIS. And the implemented secure information technologies did not allow such attacks and threats to be successfully implemented.

7.

INTERAGENCY COOPERATION



7.1. Relations with regulators and other state authorities

In 2020, the interagency cooperation of the SFMS was focused on measures to coordinate the financial monitoring system, in particular:

- ➔ ensuring the activities of the AML/CFT Council;
- ➔ providing coordination on the implementation of the actions to improve the national financial monitoring system based on the results of the MONEYVAL 5th round mutual evaluation of Ukraine and the preparation of the second Follow-up report;
- ➔ the conclusion of the joint interagency documents with the state authorities and public organizations;
- ➔ direct exchange of information with the state financial monitoring entities;
- ➔ enhancing interaction with the public.

Activity of the AML/CFT Council

During 2020, the SFMS has organized 2 AML/CFT Council meetings (second was held in video conference format), established by the Resolution of the Cabinet of Ministers of Ukraine as of September 8, 2016 No. 613, during which important for the financial monitoring system issues were discussed (Pic. 7.1).



Pic. 7.1. The Council meeting

First of all, in 2020, the Council's activity, as a consultative and advisory body, was focused on consideration and providing suggestions to the state authorities for the implementation of the following main tasks:

- discussing the draft of the second Follow-up Report on the results of the MONEYVAL 5th round mutual evaluation of Ukraine;
- discussing and approving the draft of the updated Action Plan to improve the national financial monitoring system based on the results of the MONEYVAL 5th round mutual evaluation;
- bringing the AML/CFT regulations by state financial monitoring entities in line with the updated Basic Law;
- discussing the results and deficiencies (Recommendations 6, 7, 15, 28, 33) of the second Follow-up Report following the results of the MONEYVAL 5th round mutual evaluation of Ukraine;
- considering the results and prospects of the Working Groups activities established under the Council.

Ensuring coordination on the implementation of the Action plan for improving the national financial monitoring system based on the results of the MONEYVAL 5th round mutual evaluation of Ukraine and preparation of the second Follow-up report

During 2020, the SFMS coordinated the implementation of the Action Plan to improve the national system of financial monitoring following the results of the MONEYVAL 5th round mutual evaluation of Ukraine (hereinafter - the Action Plan).

In addition, since the beginning of 2020, the SFMS, together with the interested state authorities, has been processing the second Follow-up Report on the results of the MONEYVAL 5th round mutual evaluation of Ukraine.

The second enhanced Follow-up report analyzes the progress of Ukraine regarding the elimination of technical compliance deficiencies, as well as the implementation of the new requirements concerning the FATF Recommendations, which have been amended since the adoption of the Mutual Evaluation Report of Ukraine: Recommendation 15.

The draft of the second Follow-up report following the results of the MONEYVAL 5th round mutual evaluation of Ukraine was considered within the framework of the 2nd MONEYVAL Intersessional Consultation (May 22 - July 10, 2020), where it was approved and subsequently published (Pic. 7.2).

An important indicator for Ukraine is the upgraded rating of compliance and achieved positive assessment of compliance with FATF Standards regarding Recommendation 5 and Recommendation 35.

International experts' outcomes noted that Ukraine has implemented counter-terrorist financing provisions to a large extent, as well as increased sanctions for breaches the AML/CFT legislation, having identified them as appropriate, dissuasive and deterrent.

The presentation of the third Follow-up Report of Ukraine following the results of the MONEYVAL 5th round mutual evaluation of Ukraine is planned by the end of the third quarter of 2021.



Pic. 7.2. First page of the Report

Concluding joint interagency documents with the state authorities and public organizations

In order to improve the mechanisms of information interaction between the participants of the financial monitoring system, on December 31, 2020, the documents on interagency cooperation between the SFMS and 6 state financial monitoring entities, 24 state authorities, 26 other institutions and organizations have been concluded.

In particular, in 2020, the SFMS has signed with the state enterprise «National Information Systems» the Protocol of automated access of the SFMS to the State Register of encumbrances on movable property.

At the same time, on February 24, 2020, the representatives of the State Financial Monitoring Service of Ukraine took part in an expert round table «Time to open!».

The regional coordinator of the Open Government Support Unit (Europe), the representative of the Association Innovation and Management (Austria), the representatives of OpenOwnership and national experts took part in this event.

During the mentioned event, the national drafts of the Concept and the Plan of implementation of the mechanism for verification of the accuracy of information about the ultimate beneficial owner contained in the USR were presented.

International experts presented information on topical issues in the area of beneficial ownership and compliance with the basic principles of verification of information on beneficial owners.

During the mentioned event, the SFMS has paid a special attention to the need for active involvement of interested state authorities in the practical work of developing the mechanism for verification of information about the ultimate beneficial owners.

At the end of the event, a solemn ceremony of signing the Memorandum of Strategic Partnership on the development of mechanism for verification of information on the ultimate beneficial owners and the establishment of the first Transnational Electronic Laboratory (BO TeLAB) took place (Pic. 7.3).



Pic. 7.3

The direct information exchange with state financial monitoring entities

During 2020, in order to increase the efficiency of the supervision over the compliance by the reporting entities with the requirements of the AML/CFT legislation, in the framework of the adopted joint orders on cooperation with the Ministry of Finance of Ukraine, the National Securities and Stock Market Commission, the National Commission for State Regulation of Financial Services Markets, the Ministry of Infrastructure of Ukraine, the Ministry of Justice of Ukraine, the Ministry for Development of Economy, Trade and Agriculture of Ukraine, the Ministry of Digital Transformation of Ukraine and the National Bank of Ukraine, the SFMS has provided the following information to state financial monitoring entities, in particular:

- ➔ administrative data on financial transactions subject to financial monitoring, received by the SFMS from reporting entities;
- ➔ information on mistakes made by 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 reporting entities;
- ➔ information on the protocols drawn up by the SFMS on administrative violations committed by the officials of 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

During 2020, the SFMS provided close cooperation with the participants of the public society, which was primarily in:

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

In 2020, in order to improve the mechanisms of interaction between the SFMS and the public on 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», the SFMS has contributed in every way to the activities of the Public Council at the SFMS.

In general, in 2020, the Public Council at the SFMS has held 3 meetings in the video conference format, which considered and resolved urgent issues of interaction between the SFMS and the public and also considered draft acts and discussed current acts in the area of financial monitoring. The referrals of the meeting of the Public Council at the SFMS are published on the SFMS official website.

Also, the SFMS has implemented the Tentative plan for public consultations for 2020, which was agreed with the Public Council at the SFMS and published on the SFMS official website.

In addition, 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.

In total, in 2020, within the framework of interaction with the public, the SFMS has organized:

- ➔ participation of the republic representatives in the international scientific AML/CFT workshops;
- ➔ publishing over 1900 information notifications on financial monitoring on the SFMS official website;
- ➔ publishing the information on the SFMS activities on its own pages in social networks: Facebook, Twitter, LinkedIn, Telegram, YouTube;
- ➔ publishing the SFMS's information materials on the Government's Web-portal.

7.2. Interaction with reporting entities

In 2020, the SFMS on the permanent basis conducted an analysis of effectiveness of the reporting entities activity in the AML/CFT area.

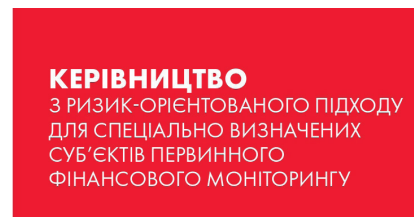
In 2020, the SFMS with the assistance of the OSCE Project Co-ordinator developed and published on the SFMS official website Guidance on risk-based approach for the specially identified reporting entities (Pic. 7.4) based on the results of this analysis.

The SFMS together with SFME has prepared recommendations for reporting entities - banking and non-banking institutions concerning the submission to the SFMS the information on financial transactions subject to financial monitoring, other information that may be related to ML/TF and registration of state financial monitoring entities from April 28, 2020.

Also, in 2020, 2 online Working group meetings on consideration problem issues of reporting entities - banking institutions and 2 Working group meetings on consideration problem issues of reporting entities - non-banking institutions and analysis of an effectiveness of actions taken by them for AML/CFT.

At the Working Group meetings, the actual issues of performance by the reporting entities of the AML/CFT legislation were discussed, in particular on:

- ➔ registration of payment organizations;
- ➔ registration financial transactions;
- ➔ peculiarities of submission reports on cash transactions;
- ➔ submission threshold transactions;
- ➔ belonging to politically significant persons;
- ➔ UBO discrepancies;
- ➔ Identifying UBO of mutual investment funds and non-state pension funds.



Pic. 7.4. Title page of the Guidance

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

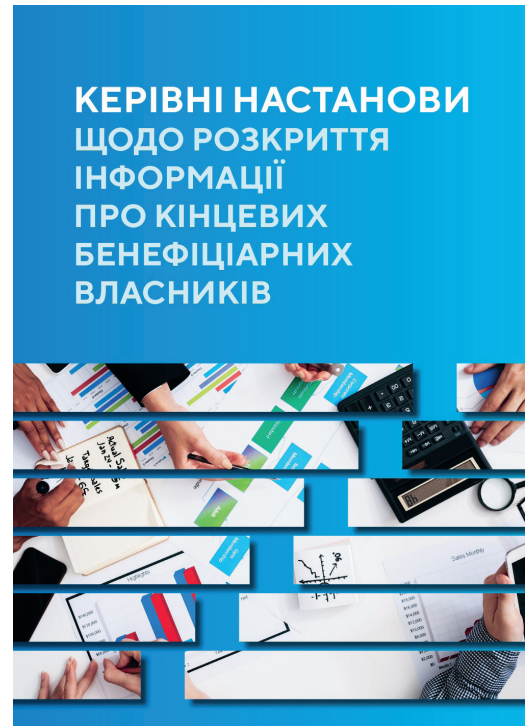
In 2020, the SFMS, in order to provide assistance to the AML/CFT participants' activities, has actively worked in the methodological field.

Thus, the SFMS with the assistance of the OSCE Project Co-ordinator in Ukraine, taking into account the requirements of EU Directives 2015/849 and 2018/843 on strengthening the requirements for transparency of beneficial ownership, based on summarized national legislation, best international practices, case studies and unresolved issues⁶ prepared the Guidelines for disclosure of UBO information about the ultimate beneficial owners (Pic. 7.5).

The Guidelines concern the disclosure of UBO information of legal entities, individuals-entrepreneurs, public formations, trusts and other (trust-like) legal arrangements and have been prepared to outline problematic issues, the solution of which will be a prerequisite for building an effective identification, validation and verification mechanism of UBO information in Ukraine.

Also, the SFMS, based on the results of the regular annual study of the risks of using non-profit organizations in schemes of money laundering and/or terrorist financing prepared a review "On the use of non-profit organizations for illegal purposes" (Pic. 7.6).

The results of the study show that non-profit organizations may be used directly for the purpose of committing a predicate offense and/or for money laundering and/or terrorism financing, as well as serve as a cover for illegal activities of other related entities.



Pic. 7.5

The results of this study may be used for reducing potential ML and/or FT risks with the participation of non-profit organizations. Understanding of threats and methods of illegal use of NPOs and assessing the relevant risks will allow to mitigate the probability of their involvement in money laundering, terrorism and separatism financing.

Furthermore, the SFMS has summarized and published on its website the international practice of determining criteria/indicators of risky transactions which may be related to legalization (laundering) of the proceeds from crime, terrorism financing and financing of proliferation of weapon of mass destruction (Pic. 7.7).



Pic. 7.6

The summarized criteria are recommended for the use by reporting entities when complying with the requirements of the Basic Law in terms of detection of suspicious financial transactions and the formation of internal documents on financial monitoring.

At the same time, during 2020, the SFMS representatives took part in 28 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 3460 persons – reporting entities' representatives and scientists.

In particular, during December 10-11, 2020, an integrated panel discussion on Financial Monitoring 2020, organized by the SFMS under the auspices of the OSCE Project Co-ordinator, took place in Lviv.

The representatives of the Verkhovna Rada of Ukraine, the Coordinator of OSCE Projects, the SFMS, the NSSMC, the NBU, the Ministry of Finance, the Ministry of Digital Transformation, the Office of the National Security and Defense Council of Ukraine, law enforcement agencies, etc. took part in the discussion (Pic. 7.8).



Pic. 7.7



Pic. 7.8. Participants of penal discussion

7. INTERAGENCY COOPERATION

International AML/CFT experts, in particular the EU-ACT, UNODC permanent partners and EU Partnership for Good Governance also took part in the discussion. During the discussion, a special attention was paid to issues that will help to understand the current risks of money laundering and terrorist financing in various sectors of the economy. Particular emphasis during the discussion was placed on the exchange of experience on best practices of anti-legalization deterrence, as well as the peculiarities of the implementation of international provisions in the national legislation on the example of leading countries.

Also, during 2020, the SFMS representatives took part in 56 educational events organized by the Academy of Financial Monitoring, which were attended by almost 2230 listeners.

In total, during 2020, the SFMS representatives took part in 84 educational events held for almost 5700 persons.

7.4. National Risk Assessment

In order to prepare for conducting the third AML/CFT National Risk Assessment planned for 2022, in 2020, the SFMS has taken the following actions.

In pursuance with the new version of the Basic Law, the Procedure for collecting, processing and analyzing information on the results of activities of financial monitoring entities and other state authorities involved in the AML/CFT system, approval and publication of the results of the NRA and the implementation of measures based on its results has been developed, approved by the Resolution of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine dated 05.08.2020 No. 690.

In addition, an analysis of the best international practices for conducting NRAs has been launched in order to update the Methodology of National Risk Assessment on Money Laundering and Terrorist Financing in Ukraine.

Based on the updated Methodology, Ukraine, during the third NRA, is going to implement measures aimed at identifying, analyzing and assessing PF risks, and the consequences of their manifestation at the national level.

8.

ACTIVITIES OF THE ACADEMY OF FINANCIAL MONITORING





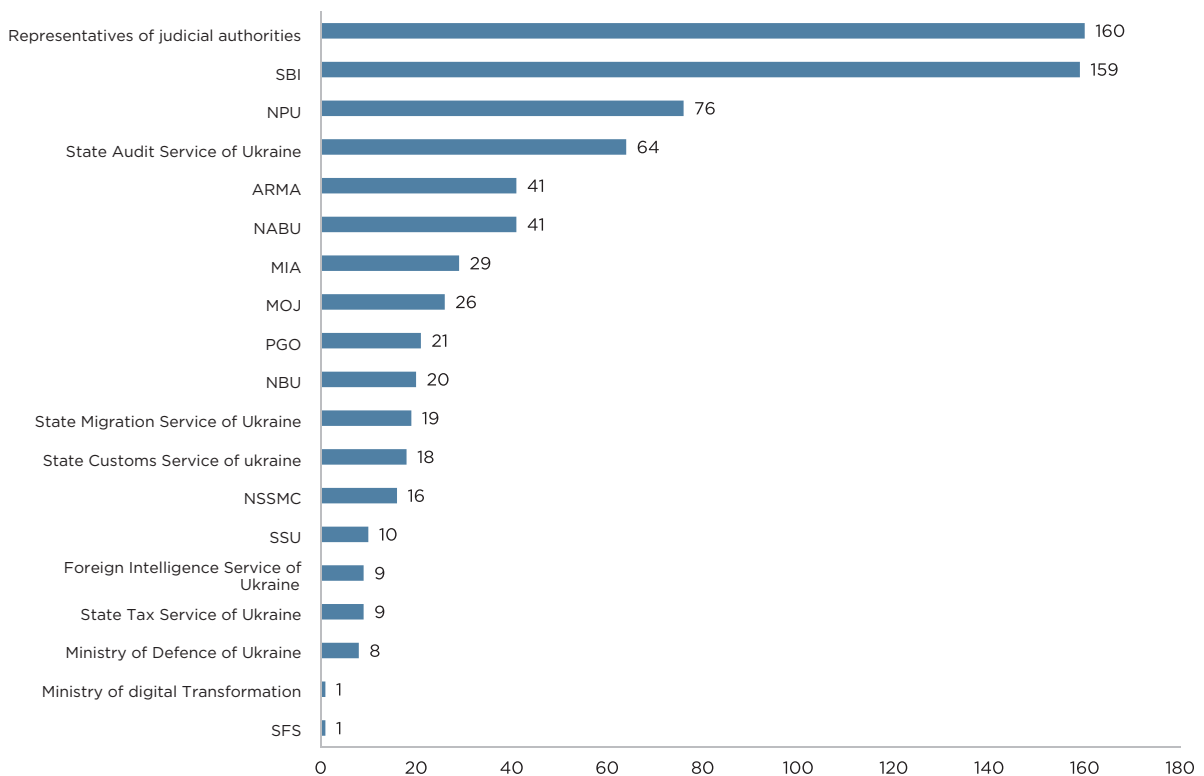
The Academy of Financial Monitoring in accordance with its basic tasks conducts retraining and professional development training of specialists on financial monitoring in the AML/CFT area in order to ensure the unified approach to retraining and professional development of specialists of the state financial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

Beginning from 2005 and till the end of 2020, more than 17 900 specialists on financial monitoring have been trained.

In 2020, the Academy of Financial Monitoring has trained 2367 listeners of them:

➔ 728 specialists – in the framework of the public contract (Pic. 8.1);

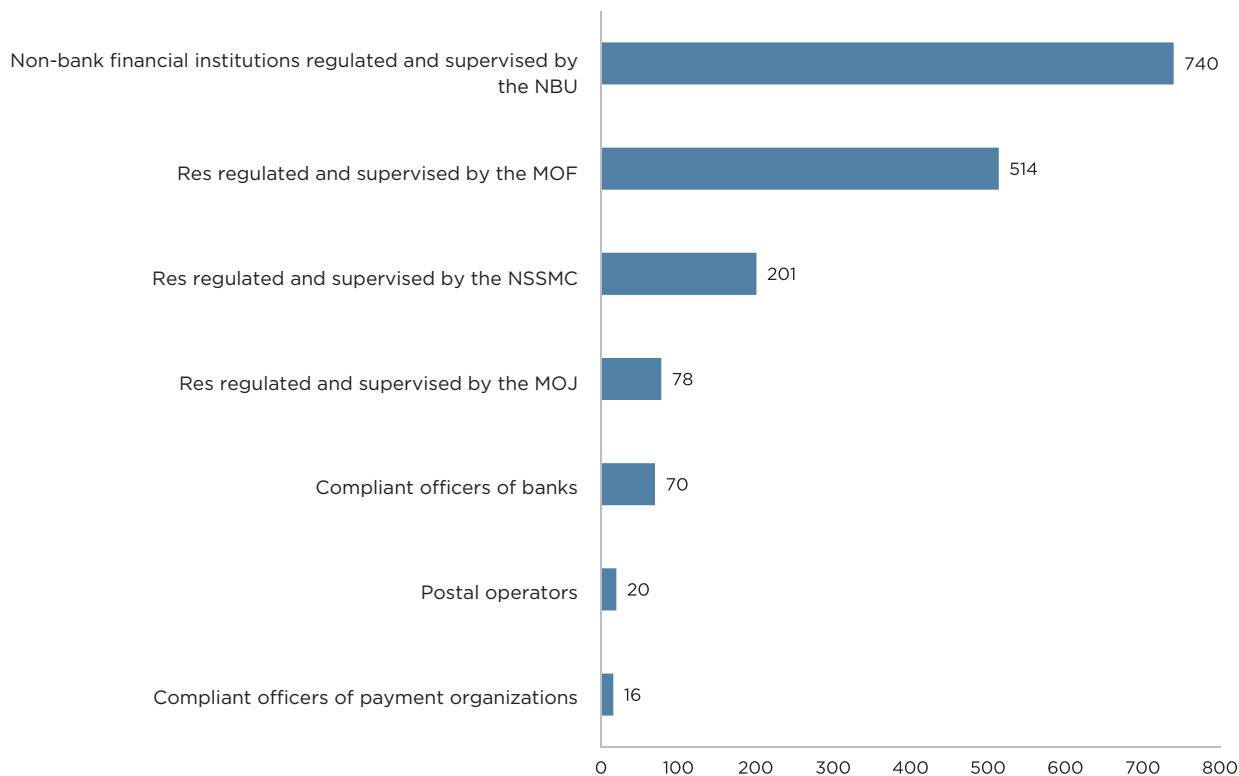
Number of state authorities' representatives trained in 2020



Pic. 8.1

➔ 1639 specialists – reporting entities’ compliant officers (Pic. 8.2).

Number of reporting entities’ compliant officers trained in 2020



Pic. 8.2

Also, in 2020, topic workshops have been held in which 394 persons took part, namely:

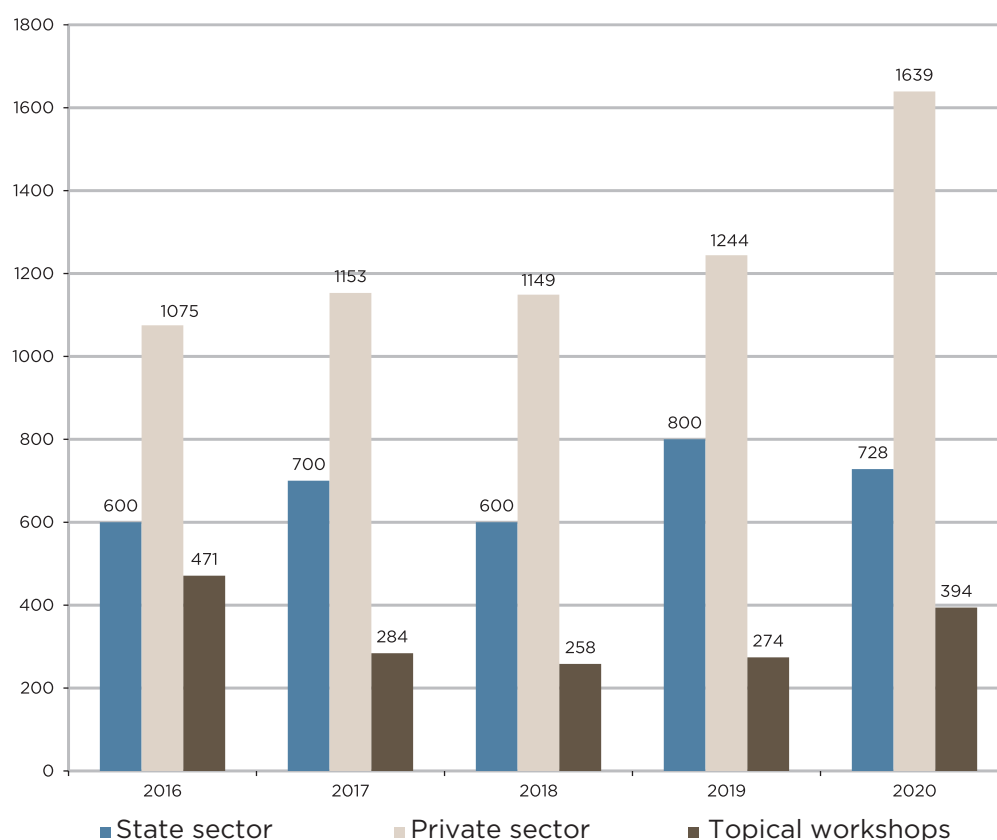
- ➔ «conducting financial monitoring by non-bank financial institutions upon the NBU’s requirements» – 48 persons (Lviv);
- ➔ «Notary as a reporting entity» for DNFBPs – notaries – 87 persons (Kharkiv) and 20 persons (Kyiv);
- ➔ «Novels of the financial monitoring law» – 231 persons (Kyiv) and 8 persons (Lviv).

Dynamics of indicators of trainings in the Academy over the last years is mentioned on Pic. 8.3

In accordance with the Order of the Ministry of Education and Science of Ukraine dated 16.03.2020 No. 406 “On organizational measures to prevent the spread of coronavirus COVID-19”, the Academy, with the aim to implement educational programs, as well as to provide training in financial monitoring, introduced a digital platform that allows to organize the educational process using remote learning technologies .

For the digital platform to function successfully, the SFMS specialists and the Academy of Financial Monitoring representatives updated the topics taking into account the new AML/CFT legislation.

8. ACTIVITIES OF THE ACADEMY OF FINANCIAL MONITORING



Pic. 8.3

Moreover, in 2020, the staff of the Academy of Financial Monitoring took part in the preparation and implementation of the following activities:

- ➔ based on the digital platform of the 2-day international webinar on “Improving the work of law enforcement authorities during parallel financial investigations in Ukraine”, organized with the support of the EU Advisory Mission (EUAM Ukraine) and the EU-ACT Project (16 - 17 June 2020);
- ➔ international webinar on anti-corruption organized by the Turkish Cooperation and Coordination Agency (TIKA) and the Turkish International Academy for Combating Drugs and Organized Crime (TADOC) (14-16 September 2020);
- ➔ scientific and practical Zoom-conference on “Strategy for deterring the risks of money laundering and terrorist financing” organized by the SFMS with the support of the OSCE Project Coordinator in Ukraine (24 - 25 September 2020);
- ➔ one-day workshop on compliance with the AML/CFT requirements in the area of gambling (25 September 2020);
- ➔ integrated panel discussion “Financial Monitoring 2020” organized by the SMS with the support of the OSCE Project Coordinator in Ukraine (10 - 11 December 2020, in Lviv).

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 2020, the SFMS actively cooperated with leading international organizations and institutions dealing with ML/FT counteracting issues, such as: Financial Action Task Force (FATF), Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism (MONEYVAL), Egmont group of Financial Intelligence Units, Council of Europe, UN Office on Drugs and Crime (UNODC), World Bank, International Monetary Fund, OSCE Project Coordinator in Ukraine, “European Union Anti-Corruption Initiative” project, Organization for Democracy and Economic Development (GUAM) and other international organizations.

Also, in 2020, 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 2003-2020, the SFMS has concluded 79 Memoranda.

In addition, during 2020, the negotiations with the FIU of Saudi Arabia, the FIU of Turkmenistan, the FIU of Malta, the FIU of the Holy See/Vatican City State on signing Memoranda of Understanding have been held and measures on agreement draft texts of the Memoranda for their further signing have been adopted.

9.1.1. Cooperation with Financial Action Task Force (FATF)

During the reporting period, the SFMS representatives have participated in:

- ➔ 2020 Virtual Supervisors’ Forum organized by the FATF Secretariat (27 May 2020);
- ➔ FATF webinar on the COVID ML/TF risk landscape organized by the FATF Secretariat (30 July 2020);
- ➔ FATF webinar on the Impact of COVID on ML/TF detection organized by the FATF Secretariat (31 July 2020);
- ➔ Virtual FATF JEM (23 – 26 November 2020).

Also, during 2020, the updates on ISIL, AL-QAEDA and Affiliates financing have been provided to the FATF Secretariat.

9.1.2. Cooperation with Council of Europe (Committee of Experts of the Council of Europe on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)/European Commission

During the reported period, following the results of the MONEYVAL's 5th Round of Mutual Evaluation of Ukraine, the SFMS sent to MONEYVAL the 2nd FUR which has been considered within the 2nd Intersessional Consultation of MONEYVAL under the "silent procedure" in accordance with the MONEYVAL Rules of Procedure for the 5th Round of Mutual Evaluations due to the restrictions caused by the COVID-19 pandemic.

As a result, MONEYVAL adopted and published the 2nd FUR of Ukraine within the 5th Round of Mutual Evaluations.

An important indicator for Ukraine was upgrading of the ratings and the achievement of a positive evaluation of compliance with FATF Standards concerning Recommendations 5 and 35.

At the same time, MONEYVAL will continue to exercise the monitoring of Ukraine in terms of upgrading ratings at the following directions:

- ➔ new technologies (Recommendation 15);
- ➔ financial sanctions related to terrorism (Recommendation 6);
- ➔ financial sanctions related to proliferation (Recommendation 7);
- ➔ regulation and supervision of DNFBPs' representatives (Recommendation 28);
- ➔ Maintaining the national AML/CFT statistics (Recommendation 33).

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

- ➔ MONEYVAL 5th Round Evaluators Meeting on the evaluation of the Slovak Republic in order to discuss the draft MER (Strasbourg, 28-30 January 2020);
- ➔ virtual MONEYVAL Working meetings (30 June - 3 July 2020);
- ➔ virtual face-to-face meeting within the MONEYVAL 5th Round of Mutual Evaluation of the Slovak Republic (6 - 10 July 2020);
- ➔ 60th MONEYVAL Plenary meeting which, due to the restrictions caused by the COVID-19 pandemic was held in "hybrid" regime (16 - 18 September 2020) (Pic. 9.1).



Pic. 9.1

During the Plenary, the MERs of the Slovak Republic and Georgia within the MONEYVAL's 5th Round of Mutual Evaluation were considered and the decisions on them were taken.

Also, the Plenary meeting discussed the issues envisaged by the agenda, particularly on:

- ➔ FUR of the Isle of Man within the 5th Round of Mutual Evaluation;
- ➔ FURs of Romania and Bosnia and Herzegovina within the 4th Round of Mutual Evaluation;
- ➔ Quality, consistency and horizontal issues in MONEYVAL mutual evaluations;
- ➔ Typologies Research Topics 2020-2021;
- ➔ AML/CFT initiatives and other fora;
- ➔ Appointment of the Rapporteur Teams for the follow-up reports to be considered at the 61st Plenary. The representatives of Ukraine were appointed as Rapporteurs for the 2nd enhanced FUR of Albania.

In addition, during the reported period, the representatives of Ukraine have been appointed as Rapporteurs for the 1st enhanced FUR of Czech Republic.

Within MONEYVAL activities, the Secretariat was provided with the case study illustrating virtual assets-related ML/FT risks as well.

9.1.3. Cooperation with Egmont Group of Financial Intelligence Units

During 27-29 January 2020, the SFMS representatives took part in the EG IEWG meetings held in Balaklava, Mauritius (Pic. 9.2).



Pic. 9.2. Meetings participants

9. INTERNATIONAL COOPERATION

During these meetings, the SFMS's representative took part in the discussions of the Egmont group projects as follows:

- ➔ «Asset recovery - Role of the FIU»;
- ➔ «Large scale cross-border money laundering schemes»;
- ➔ «Cyber-crime risks and FinTech»;
- ➔ «Money laundering of serious tax crimes» and others.

It should be noted that the project "Asset Recovery - Role of the FIU" is aimed to examine the issue of the FIU's participation and role in the asset recovery process. The SFMS along with the FIU of Romania are co-leads of this project. During the year, the work within the project has been done permanently, including on the preparation of the report and other useful practical solutions which would help the FIU and law enforcement authorities in their work.

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

- ➔ on-line workshop on financial Investigations in wildlife and forestry crime (2 - 5 June 2020);
- ➔ virtual ECOFEL regional roundtables on COVID-19 Best Practices (17 - 18 June 2020);
- ➔ virtual IEWG meeting to discuss various projects, updates and business-plan for 2020-2021 (6 July 2020);
- ➔ virtual ECOFEL operational training sessions (7 - 9 July 2020);
- ➔ a range of virtual webinars on FinTech, virtual assets (8 - 9 July 2020);
- ➔ virtual meeting on IEWG project "Conclusions from large scale cross-border ML schemes" and virtual practical session (29 October 2020 and 26 November 2020 accordingly).

9.1.4. Cooperation with European Union

In 2020, the SFMS representatives took part in the following events:

- ➔ working meeting with the EUAM representatives in order to discuss the issues on conducting joint international workshops within the EUAM project in 2020 (13 January 2020);
- ➔ working meeting with the THETARAY Company та DATAS Technology representatives, as well as the EUAM representatives to discuss the platform for detection of financial crime threat, and protection of critical infrastructure (24 February 2020);
- ➔ working meeting with the EUAM representatives to discuss the issues of conducting international seminars (2 March 2020);
- ➔ webinar organized by the EUAM to study the practice of EU countries in implementing the methodology of "points of single contact" (14 May 2020);
- ➔ seminar organized by the EUAM on the use of open sources of information as a tool for financial investigations (18 November 2020).

9.1.5. Cooperation with International Monetary Fund

On May 6, 2020, a virtual working meeting of the SFMS representatives with the IMF representatives on AML/CFT risks and typologies concerning the activities in the real estate market was held.

Moreover, the consultations on development AML/CFT system in Ukraine have been held.

9.1.6. Cooperation within the framework of the “EU Anticorruption Initiative in Ukraine” project (EUACI)

On May 15, 2020, the SFMS representative took part in a virtual presentation (in the form of webinar) of the study “Corruption in Ukraine 2020: understanding, perception, prevalence” organized by the EUACI project and the NAPC.

On August 27, 2020, the SFMS representatives took part in a virtual meeting to discuss the cooperation directions in 2020-2022 organized by the EUACI project.

During 19 – 23 October 2020, the SFMS representatives took part in on-line training of the Basel Institute on the extended operational analysis.

9.1.7. Cooperation with Council of Europe within the project on “Strengthening measures to counter money laundering and financing of terrorism in Ukraine”

In 2020, the SFMS representatives took part in the following events:

- ➔ training “Identification of ML/FT risks related to legal entities” (15 – 16 January 2020);
- ➔ basic training on i2 ANB (17 – 19 June 2020);
- ➔ advanced training for analysts on the use of analytical software i2 ANB (22 – 24 July 2020);
- ➔ working meeting of the SFMS representatives with the PGG project representatives on discussing the issues of the project implementation (11 September 2020);
- ➔ on-line event “Improving the lives of citizens through better governance” (5 – 7 October 2020);
- ➔ round table on discussing the Manual on financial investigations (22 October 2020);
- ➔ on-line meeting with the international expert from UK on ML/FT risks related to NPOs (27 October 2020);
- ➔ on-line forum “Controlling corruption risks in crises settings” (9 December 2020).

9.1.8. Cooperation with Organization for Democracy and Economic Development (GUAM)

During 3-4 March 2020, the SFMS representative took part in the 10th meeting of the Working Group on Cyber Security in order to deepen knowledges and improve cooperation in the area of cyber security.

9.1.9. Participation in the activities of the Conference of the Parties to the CETS 198

During 2020, the SFMS has sent to the Ministry of Justice the information on the provisions of the national legislation on Article 3 «Confiscation measures» and paragraph «c» of part two of Article 7 «Investigative powers and techniques» in conjunction with part one of Article 19 «Request for the monitoring of banking transactions» of CEST 198.

Also, the SFMS has sent to the Ministry of Justice the information on warning regarding the implementation of Article 47 «International co-operation for postponement of suspicious transactions», as well as additionally to paragraph 13 of Article 46 «Co-operation between FIUs» of CEST 198.

During 27-28 October 2020, the SFMS representative took part in the 12th virtual meeting of CEST 198.

9.1.10. Cooperation with 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»

During 2020, the SFMS representatives participated in the following events:

- ➔ working meeting with the representative of the EU-ACT, in order to discuss the development of the Manual on financial investigations, ensuring the FIU capacity building, as well as preparation of the training plan for the FIU staff (4 February 2020);
- ➔ workshop VI on planning and work review for 2020 (11 February 2020);
- ➔ international webinar on “Improving the work of law enforcement authorities during parallel financial investigations in Ukraine”, on the basis of the Digital Platform of the Academy of Financial Monitoring (16-17 June 2020);
- ➔ working meeting with the Regional Coordinator of the EU-ACT project in Ukraine to address organizational issues related to the conducting of training for SFMS staff on visual analysis of information on the i2 platform within the EU-ACT project (10 September 2020);
- ➔ working meeting with the EU-ACT representative dedicated to the training for analysts on IBM i2 Analyst’s Notebook software (30 September 2020);
- ➔ training for analysts on IBM i2 Analyst’s Notebook software, organized by the EU-ACT (September 30 - October 2, 2020).

In addition, in the framework of the mentioned training, in order to increase the SFMS institutional capacity in the context of analytical capabilities, new personal computers were provided by the «EU-ACT» project.

Also, during 2020, the draft Manual on financial investigations was processed and provided for further processing to the EU-ACT project Regional Coordinator Mr. Jose Manuel Colodras.

9.1.11. Cooperation with Organization for Security and Cooperation in Europe (OSCE) and OSCE Project Coordinator in Ukraine

Within the framework of the implementation of the project of the OSCE Project Co-ordinator in Ukraine «Assisting Ukraine in strengthening its capacity to detect money laundering and financing of terrorism», during 24-25 September 2020, the SFMS representatives took part in the international scientific and practical workshop: «Strategy for deterring the risks of money laundering and terrorist financing» (on Zoom platform).

During 10-11 December 2020, the SFMS representatives took part in the integrated panel discussion «Financial Monitoring 2020», which took place in Lviv.

Also, with the assistance of this project, the following was carried out:

- ➔ printing of Typological study on laundering of proceeds of misappropriation of funds and property of state-owned enterprises and other entities funded from state and local budgets, prepared by the SFMS;
- ➔ preparation and printing of the Guidance on a Risk-Oriented Approach for Specially Designated Reporting Entities
- ➔ preparation and printing the Guidelines for Disclosure of Information on UBOs.

9.1.12. Cooperation with NATO within the framework of Annual National Programme for NATO – Ukraine cooperation

During 13-14 February 2020, within the framework of cooperation with NATO, during the reporting period, with the support of the NATO-Ukraine Training Program at the NATO Liaison Office, the representative of the SFMS took part in the training within the framework of the annual module training course on topical issues of the state policy of Euro-Atlantic integration of Ukraine «100 champions» on: «Public speaking skills», which was conducted for civil servants in the security and defense sector involved in the development of the Annual National Program under the auspices of the NATO-Ukraine Commission.

During 23 -27 June 2020, the SFMS representatives took part in the online module training on equality between men and women for civil servants within the framework of the Annual National Program under the auspices of the NATO-Ukraine Commission, organized by the National Democratic Institute at the initiative of the Office of the Vice Prime Minister for European and Euro-Atlantic Integration of Ukraine and the Government Office for Coordination of European and Euro-Atlantic Integration of the Secretariat of the Cabinet of Ministers.

During 26 -27 November 2020, the SFMS representative took part in the online training on: «Strategic Communications of the Annual National Program under the auspices of the NATO-Ukraine Commission».

On 18 February 2020, the SFMS representative took part in the 3rd online module on equality between men and women.

9.1.13. International events of general nature

With the assistance of the United Nations Office on Drugs and Crime (UNODC), the SFMS representatives took part in the following events:

- ➔ training on the operational analysis of financial information to identify the risk of money laundering and terrorist financing (Tashkent, Republic of Uzbekistan, 21-24 January 2020) (Pic. 9.3);



Pic. 9.3

9. INTERNATIONAL COOPERATION

- ➔ training on the strategic analysis of financial information to identify the risk of money laundering and terrorist financing (stage 2) (Tashkent, Republic of Uzbekistan, 11-14 February 2020);
- ➔ training on strengthening the capacity of the AML/CFT supervisory authorities: international standards and best practices» (25 November 2020);
- ➔ online workshop «International money laundering networks» (14-16 February 2020).

On 27 February 2020, the SFMS was visited by the regional manager of «OpenOwnership» company and the expert of the «Open Government Partnership» project in order to discuss the mechanisms for verifying the ultimate beneficial owners.

On 11 June 2020, the SFMS representatives took part in the online workshop (on the Cisco Webex platform): «Cybercrime at home», organized by the OSCE Programme Office in Nur-Sultan (Republic of Kazakhstan) together with the international and national experts.

During 8-10 September 2020, the representative of the SFMS took part in the online training: «Bases and modern effective methods of counteracting to legalization of the proceeds from crime», organized by the Law Enforcement Academy under the Prosecutor's General Office of the Republic of Kazakhstan.

On 30 September 2020, the representatives of the SFMS took part in the 2nd training module of the National Democratic Institute on equality between men and women (on Zoom platform).

On 29 July 2020, the representative of the SFMS took part in the webinar: «Combatting financial frauds through effective money interception mechanisms», organized by INTERPOL.

On 6 October 2020, the representatives of the SFMS took part in the working meeting with the Turkish Cooperation and Coordination Agency (TIKA) Program Coordinator in Ukraine.

On October 16, the representatives of the SFMS took part in the video conference within the framework of the World Bank Remittances and Payments Program.

During 19 - 20 October 2020, the representatives of the SFMS took part in the online workshop of the Cybercrime Programme Office of the Council of Europe: «Online fraud, crime proceeds and the reporting mechanisms».

During 2 - 6 November 2020, the representatives of the SFMS took part in the pilot regional e-training of the Global AML/CFT Facility: «Compliance with international and EU requirements concerning the FATF Recommendation 8».

During 16 - 19 November 2020, the representative of the SFMS took part in the 4th Global Conference on Criminal Finances and Cryptocurrencies, organized by the Basel Institute on Governance, EUROPOL, INTERPOL.

On 6 November 2020, the representatives of the SFMS took part in the virtual round table: «Principles of administrative law in the relationship between the individual and public authorities», organized by the Office of the Council of Europe in Ukraine.

During 26-27 November 2020, the representatives of the SFMS took part in the online meeting with the experts of the Global Forum of the Organization for Economic Cooperation and Development to discuss the issues to the Questionnaire of the second round of the review on the exchange of information upon the requests.

On 3 December 2020, the representatives of the SFMS took part in the virtual meeting of the International Financial Intelligence Taskforce in Riga (Republic of Latvia).

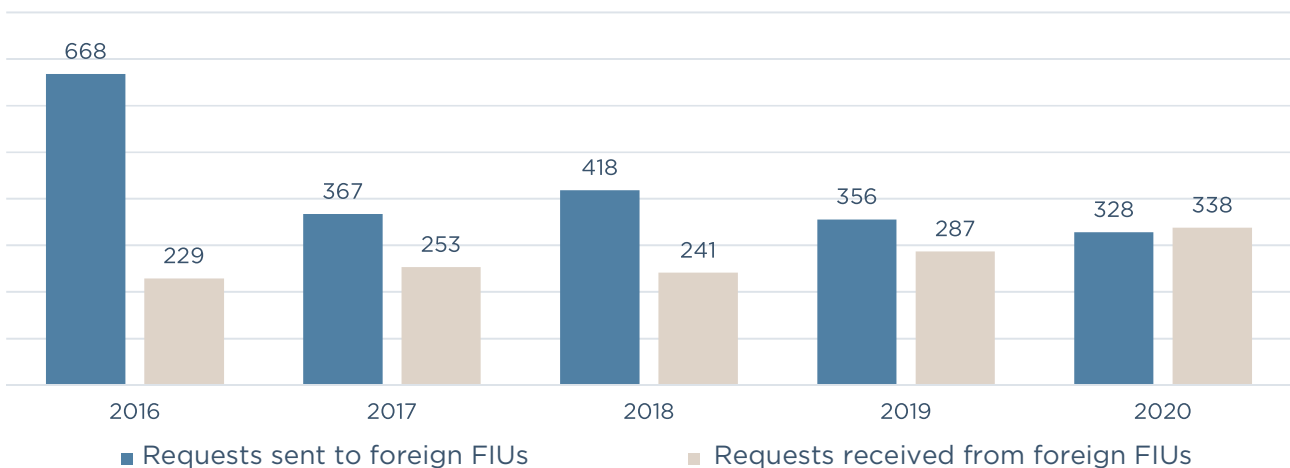
During 14-15 December 2020, the representatives of the SFMS took part in the online training on digital diplomacy, organized by the Center for European Perspective.

9.2. Exchange of information with foreign financial intelligence units

The SFMS provides interaction and information exchange with the competent authorities of foreign states and international organizations, which activities are directed at the AML/CFT.

In 2020, the SFMS cooperated with 91 FIUs to ensure the organization of interaction and information exchange with the competent authorities of foreign states and international organizations.

During 2020, the SFMS sent 328 requests to 59 foreign FIUs and received 367 replies to requests from 55 foreign FIUs. Also, the SFMS received 338 requests from 53 foreign FIUs and provided 410 replies to 55 foreign FIUs (Pic. 9.4).



Pic. 9.4

In 2020, the SFMS has exercised the most active information exchange in terms of sending request with:

- ➔ FIU of Czech Republic (31 requests sent);
- ➔ FIU of Poland (25 requests sent);
- ➔ FIU of Latvia (24 requests sent);
- ➔ FIU of Switzerland (22 requests sent),
- ➔ FIU of Cyprus (20 requests sent).

At the same time, in 2020, the largest number of requests was received by the SFMS from:

- ➔ FIU of Latvia (66 requests received);
- ➔ FIU of Poland (34 requests received);
- ➔ FIU of Slovakia (22 requests received);
- ➔ FIU of Luxembourg (20 requests received);
- ➔ FIU of Lithuania (20 requests received).

STRATEGIC DIRECTIONS OF THE SFMS WORK IN 2021

Strategic Goal 1



Conducting an analysis of financial transactions, cooperation, interaction and information exchange with law enforcement and other states authorities

Ways of implementation:



Conducting analysis (operational and strategic) of information on financial transactions that are subject to financial monitoring, other financial transactions or information that may be related to ML/FT suspicion.

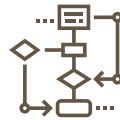


Prevention of terrorism acts and terrorist activity commission by timely identification and effective blocking of their financing source



Submitting case referrals (additional case referrals) to law enforcement/intelligence authorities and cooperation with state regulators

Strategic Goal 2



The research of ML/FT methods and financial schemes

Ways of implementation:



Conducting research on the ML/FT methods and financial schemes and informing participants of the AML/CFT system

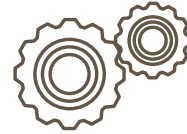


Detection of facts of financing of activities of terrorist organizations, smuggling operations, channels of illegal migration, illegal movement across the customs border of Ukraine of drugs, goods, funds, precious metals and stones that may be related to ML/FT



Detecting facts of concealment or masking of illegal origin of proceeds, identification sources of their origin, location and movement, directions of use

Strategic Goal 3



Improvement of interagency cooperation between state authorities - participants of the national system of financial monitoring and providing methodological, methodical and other assistance to reporting entities

Ways of implementation:



Coordination of ensuring the implementation of the Action Plan for the improvement of the national AML/CFT system following the results of the Moneyval 5th round mutual evaluation of Ukraine, preparation and presentation of the 3rd Follow-up report



Conducting regular meetings of the AML/CFT Council (Resolution of the Cabinet of Ministers of Ukraine No. 613 dated September 08, 2016) and working groups to address the problematic issues of reporting entities



Providing the implementation 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



Formation changes to the list of persons related to terrorist activity or subject to international sanctions, ensuring its updating and bringing to the attention of reporting entities



Processing and approval of state financial monitoring entities' draft AML/CFT regulations

STRATEGIC DIRECTIONS OF THE SFMS WORK IN 2021

Strategic Goal 4



Ensuring the functioning and development of the FMIS

Strategic Goal 5



Participation in the international cooperation

Ways of implementation:



Modernization 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



Ensuring the functioning 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

Ways of implementation:



Ensuring effective cooperation with international organizations and institutions



Organization of international trainings and exchange of experience



Concluding international interagency agreements with foreign FIUs

ANNEXES

Annex A

The list of regulations adopted in 2020 developed by the SFMS

Decrees of the President of Ukraine

- 1 Decree of the President of Ukraine as of July 7, 2020 No. 269/2020 «On Ukraine's withdrawal from the agreement on the establishment of the Council of Heads of Financial Intelligence Units of the CIS member states».
- 2 Decree of the President of Ukraine as of November 28, 2020 No. 523/2020 «On the Day of the Financial Monitoring System Employee».

Resolutions of the Cabinet of Ministers of Ukraine

- 1 Resolution of the Cabinet of Ministers of Ukraine as of July 22, 2020 No. 622 «On approving the Procedure for composing the List of persons related to terrorist activity or persons to whom international sanctions were applied».
- 2 Resolution of the Cabinet of Ministers of Ukraine as of July 22, 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».
- 3 Resolution of the Cabinet of Ministers of Ukraine as of July 29, 2020 No. 653 «On amending the Regulation of the State Financial Monitoring Service of Ukraine».
- 4 Resolution of the Cabinet of Ministers of Ukraine as of July 29, 2020 No. 654 «On amending the Cabinet of Ministers of Ukraine Resolutions of June 17, 2015, No. 411 and of September 16, 2015, No. 708».
- 5 Resolution of the Cabinet of Ministers of Ukraine as of August 5, 2020 No. 677 «On approving the Procedure for forming the list of states (jurisdictions), that do not implement or improperly implement the recommendations of international, intergovernmental organizations involved in the area of combating the legalization (laundering) of the proceeds from crime, or financing of terrorism or financing of proliferation of weapons of mass destruction».
- 6 Resolution of the Cabinet of Ministers of Ukraine and the National Bank of Ukraine as of August 5, 2020 No. 690 «On approving the Procedure for collecting, processing and analyzing information on the results of activities of financial monitoring entities, other state authorities involved in the system of preventing and counteracting to legalization (laundering) of the proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction, endorsing and publishing the results of the national risk assessment and adopting measures based on its results».
- 7 Resolution of the Cabinet of Ministers of Ukraine as of August 5, 2020 No. 692 «On approving the Procedure for forming and publishing the 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».
- 8 Resolution of the Cabinet of Ministers of Ukraine as of September 2, 2020 No. 777 «On approving the Procedure for organization and coordination of work on retraining and advanced training of financial monitoring specialists».
- 9 Resolution of the Cabinet of Ministers of Ukraine as of September 9, 2020 No. 850 «Some issues of financial monitoring organisation».
- 10 Resolution of the Cabinet of Ministers of Ukraine as of October 21, 2020 No. 968 «On approving the Procedure for providing information about the client by state authorities, state registrars at the request of reporting entity».

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

- 1 Order of the Ministry of Finance of Ukraine as of July 6, 2020 No. 401 «On recognizing some orders of the Ministry of Finance of Ukraine as having lost force», registered in the Ministry of Justice of Ukraine of July 23, 2020 No. 692/34975
- 2 Order of the Ministry of Finance of Ukraine as of July 6, 2020 No. 402 «On approving of the Instruction for registration of materials on administrative offenses by the State Financial Monitoring Service of Ukraine officials», registered in the Ministry of Justice of Ukraine of July 21, 2020 No. 686/34969.
- 3 Order of the Ministry of Finance of Ukraine as of September 16, 2020 No. 562 «On approving of the Procedure for reimbursement and the amount of actual costs for copying or printing of documents provided upon request for information, a holder of which is the State Financial Monitoring Service of Ukraine», registered in the Ministry of Justice of Ukraine of November 17, 2020 No. 1136/35419.
- 4 Order of the Ministry of Finance of Ukraine as of October 5, 2020 No. 597 «On approving the Procedure for providing by the State Financial Monitoring Service of Ukraine the National bank of Ukraine with the information to increase the effectiveness of the supervision over reporting entities' compliance with the requirements of the legislation 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», registered in the Ministry of Justice of Ukraine of October 22, 2020 No. 1037/35320.
- 5 Order of the Ministry of Finance of Ukraine as of October 27, 2020 No. 637 «On approving the Procedure of the coordination by reporting entities with the State Financial Monitoring Service of Ukraine of the terms of submission of the requested information», registered in the Ministry of Justice of Ukraine of December 28, 2020 No. 1298/35581

Joint acts of the Ministry of Finance of Ukraine

- 1 Order of the Ministry of Finance of Ukraine and the Ministry of Justice of Ukraine as of July 31, 2020 No. 462/2602/5 «On approving the Procedure for information exchange between the State Financial Monitoring Service of Ukraine and the Ministry of Justice of Ukraine to increase the effectiveness of supervision over the reporting entities' compliance with the requirements of the legislation 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», registered in the Ministry of Justice of Ukraine of August 17, 2020 No. 794/35077.
- 2 Order of the Ministry of Finance of Ukraine and Ministry for Development of Economy, Trade and Agriculture of Ukraine as of August 11, 2020 No. 492/1521 «On recognizing of the order of the Ministry of Finance of Ukraine and the Ministry of Development of Economy, Trade and Agriculture of Ukraine as of June 19, 2015 No. 575/625», registered in the Ministry of Justice of Ukraine of September 18, 2020 No. 909/35192.
- 3 Order of the Ministry of Finance of Ukraine as of August 11, 2020 No. 494 and the decision of the National Securities and Stock Market Commission as of August 11, 2020 No. 444 «On approval the Procedure for information exchange between the State Financial Monitoring Service of Ukraine and the National Securities and Stock Market Commission to increase the effectiveness of the supervision over the reporting entities' compliance with the requirements of the legislation 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», registered in the Ministry of Justice of Ukraine of September 29, 2020 No. 948/35231.
- 4 Order of the Ministry of Finance of Ukraine and the Ministry of Digital Transformation of Ukraine as of September 1, 2020 No. 541/127 «On approving the Procedure for information exchange between the State Financial Monitoring Service of Ukraine and the Ministry of Digital Transformation of Ukraine to increase the effectiveness of the supervision over the reporting entities' compliance with the requirements of the legislation 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», registered in the Ministry of Justice of Ukraine of September 17, 2020 No. 906/35189.

Annex B

The list of abbreviations

AML/CFT - preventing and counteracting to legalization (laundering) of proceeds from crime, terrorism financing and financing of proliferation of weapons of mass destruction

ACR - additional case referral

Basic Law - Law of Ukraine “On preventing and counteracting to legalization (laundering) of the proceeds from crime, terrorist financing and financing of proliferation of weapons of mass destruction” dated 06.12.2019 No. 361-IX

CR - case referral

DNFBP - Designated non-financial businesses and professions

EU - European Union

FATF - Financial Action Task Force

FIU - Financial Intelligence Unit

FISU - Foreign Intelligence Service of Ukraine

FMIS - 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

MONEYVAL - Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

ML/FT - legalization (laundering) of the proceeds from crime, terrorism financing and financing of proliferation of weapons of mass destruction

MIA - Ministry of Internal Affairs of Ukraine

MFA - Ministry of Foreign Affairs of Ukraine

MFU - Ministry of Finance of Ukraine

MOJ - Ministry of Justice of Ukraine

NABU - National Anti-Corruption Bureau of Ukraine

NBU - National Bank of Ukraine

NPU - National Police of Ukraine

NRA - National AML/CFT Risk Assessment

OSCE - Organization for Security and Cooperation in Europe

PGO - Prosecutor’s General Office of Ukraine

RE - Reporting entity (s)

SBI - State Bureau of Investigations of Ukraine

SFME - State financial monitoring entity (s)

SFMS - State Financial Monitoring Service of Ukraine

SFS - State Fiscal Service of Ukraine

SSU - Security Service of Ukraine

UBO - Ultimate beneficial owner (s) (controller (s))

USR - Unified State Register of Legal Entities, Individuals-Entrepreneurs and Public Formations

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Telegram – <https://bit.ly/3jaSYH1>

YouTube – <https://bit.ly/2LeQv1H>

Google My Business and Google Maps – <https://bit.ly/36CSW5u>