

Annual

# REPORT



of the State Financial Monitoring  
Service of Ukraine for 2022



Kyiv – 2023

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# Appeal of the Head of the State Financial Monitoring Service of Ukraine

## Mr. Igor CHERKASKYI

### Dear Ukrainians!

On February 24, 2022, the Russian Federation (the RF) launched a full-scale armed aggression (bloody war) against Ukraine encroaching on its statehood and territorial integrity.

Taking into account martial law, the SFMS promptly corrected and adapted its activity priorities in the shortest possible time and, using all the necessary resources, immediately joined the protection of the national financial system from the actions of the Russian occupiers and their supporters. This work was carried out both at the international and domestic levels.

Thus, due to the active participation of the SFMS, the RF membership in the FATF and the Egmont Group was significantly limited, the RF was excluded from the MONEYVAL, and the observer status in the APG was terminated. We also appealed to 215 financial regulators of other countries regarding the implementation of preventive measures regarding business from the RF.

As part of national interagency activities, the SFMS last year prepared and submitted to law enforcement agencies more than 800 referrals on suspicious transactions for more than UAH 55 billion. Financial transactions in the amount of more than UAH 8 billion on 1 776 accounts of collaborators and other persons were blocked, almost 300 cases of suspicion of treason were investigated.

In addition, in 2022, the State Financial Monitoring Service accomplished a regular (third) National Risk Assessment, conducted a regular typological study, and ensured further training of AML/CFT specialists on the basis of the Academy of Financial Monitoring.



We are determined to take complex measures with the aim of further economic isolating the RF in the international arena in cooperation with national and foreign partners and to take proactive steps in this direction to the complete Victory of Ukraine.

**Glory to Ukraine!**

**Glory to the Armed Forces of Ukraine!**

Respectfully,  
Igor CHERKASKYI



## THE SFMS: TO THE VICTORY OF UKRAINE TOGETHER

as of **December 30, 2022 (310 days of war)**

### FATF

The RF has been **limited in membership rights**. The Russian actions run **counter to the FATF principles** and are a **gross violation of the FATF Standards**. The RF is **banned** from participating in current and future FATF project teams, as well as in meetings of the FATF-Style Regional Bodies (FSRBs) **as an FATF member**. Further measures are being taken

### MONEYVAL

The RF is **excluded** from the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

### EGMONT GROUP

The FIU of the RF **has been limited** in membership rights, including revocation of the right to hold leadership, advisory, and representative positions, host meetings and take part in projects

### APG

The RF has been **terminated** an observer status in the Asia/Pacific Group on Money Laundering

**55,1**  
billion UAH

suspicious financial transactions have been **submitted** to law enforcement and intelligence agencies

**8,1+**  
billion UAH

financial transactions have been **blocked** (UAH 4 185,8 mln; EUR 50,7 mln; USD 47,26 mln, RUB 7,18 mln, 2 066 430 shares in the amount of UAH 208,9 mln)

**922 883**  
reports

on financial transactions have been **processed**

**802**  
referrals

have been **submitted** to law enforcement agencies

**299**  
cases

on suspicions of treason are being **investigated**

**422**  
collaborators and traitors

information about whom has been **submitted** to law enforcement agencies

**1776**  
accounts

of collaborators and other individuals have been **blocked**

**1188**  
requests for joint financial investigations

have been **submitted** to 147 foreign financial intelligence units

**215**  
foreign financial regulators

ensure **preventive measures** for business with the RF

# 1. TO THE VICTORY OF UKRAINE TOGETHER!

## 1.1. The SFMS role and activities in ensuring financial security of the state under martial law

Since the beginning of the Russian military aggression, the State Financial Monitoring Service of Ukraine, as a financial intelligence unit of Ukraine, has concentrated its attention to the maximum on taking measures to bring the terrorist country to international responsibility for its crimes against peaceful humanity, including for laundering “dirty” money, financing of terrorism and financing of proliferation of weapons of mass destruction.

After the start of martial law, the SFMS has reviewed and updated the work priorities.

The SFMS, together with its national and foreign partners, directed its actions to the following priority areas:

- cooperation with the FATF in order to impose sanctions on the RF in the context of its exclusion from the FATF membership and including to the FATF “black list”;
- coordination of work with the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL);
- cooperation with the Egmont Group of Financial Intelligence Units in order to imposing sanctions on the RF in the context of its exclusion from the EG membership;
- cooperation with other FATF Style Regional Bodies, in particular the APG, for the purpose of the RF isolation;
- ensuring joint financial investigations with foreign FIUs and cooperation with foreign financial regulators and the relevant cryptocurrency organizations on preventive measures regarding business with the RF;
- blocking accounts of collaborators, investigation into cases of state traitors, processing of financial transactions reports, suspension of fi-

ancial transactions, participation in the work of the Task Force group and submission of case referrals to law enforcement agencies;

- coordination of work with the state financial monitoring entities and preparation of methodological information for the reporting entities as well as cooperation with the public;
- conducting the National Risk Assessment and the assessment of the RF’s negative influence on the World order and the Global financial security etc.

At the same time, in 2022, the SFMS activities at the international level were aimed to isolate the RF in the anti-legalization sphere and included preparation and sending:

- more than 200 letters to the regulatory authorities of the financial sector of almost 140 countries and jurisdictions on strengthening of the financial supervision measures in relation to entities from the RF;
- appeals to the members of the European Parliament and Bundestag;
- letters to the Embassies of Ukraine in the United States of America, the Federal Republic of Germany, the French Republic, the United Kingdom of Great Britain and Northern Ireland and the United Nations;
- letters to the Heads of delegations of organizations and countries, observers, associate members of the FATF on imposition of sanctions on the RF by the FATF.

The SFMS is working on imposing sanctions on the RF in coordination with the Office of the President and the Yermak-McFaul International Expert Group.

During 2022, the SFMS ensured the iden-

tification of the assets of the persons under sanctions, blocking of Russian assets abroad, limitation of the access to these assets in foreign countries and on various financial and crypto-platforms.

In close cooperation with crypto-providers of Ukraine and the world, a mechanism of spontaneous blocking of crypto-wallets of the RF was launched.

In this part, the SFMS sent an appeal to the Binance cryptocurrency exchange with the precise proposals regarding actions to curb the aggression of the RF in the market of virtual assets. As a result, Binance changed its policy and on March 20, 2022, ruled out the possibility of P2P transactions for a number of Russian banks and payment systems, which were included in the sanction list. In addition, other practical measures related to the blocking of Russian crypto-assets and transactions of Rus-

sian residents have been implemented.

In 2022, the SFMS, within the Egmont Group, cooperated with 147 foreign FIUs via Egmont Secure Web.

In April 2022, the SFMS sent an appeal to the APG with a request to terminate the RF’s observer status in this international organization, which was satisfied at the Plenary meeting held on July 26-28, 2022, in Kuala Lumpur (Malaysia).

In addition, in October 2022, video materials entitled “Appeal to the FATF (regarding Russia sanctioning)” were posted on the SFMS YouTube page.

In December 2022, the Head of the SFMS issued a Public Appeal to the FATF with the aim to include the RF to the “black list” and terminate its membership in this organization. This call, in particular, stated that the NATO Parliamentary Assembly urged the FATF to stren-



**Pictures 1.1** Kyiv, Illienka Str., a district where the SFMS is located, consequences of Russian shelling on March 15, 2022

gether its work in combating the financing of terrorism, and the European Parliament recognized the RF as a state sponsor of terrorism and a state that uses means of terrorism.

With regard to the internal state work of the financial intelligence under martial law, the key resources are aimed at counteraction to the aggressor state and financial security protection.

The SFMS conducted analytical investigations and provided support to the intelligence and law enforcement system by:

- establishing financial trace of the aggressor's crimes;
- identifying collaborators/traitors;

- revealing Internet agents spreading propaganda;

- identifying ways of material support to sabotage and reconnaissance groups, fire adjusters, etc.

The SFMS is a part of the operative group Task Force on the identification and seizure of criminal and hostile assets. Investigations related to corruption, embezzlement of budget funds and humanitarian aid were a separate direction.

More detailed information on the SFMS work in this direction is presented in subsequent sections of this Report.



**Pictures 1.2** Kyiv, Illiienka Str., a district where the SFMS is located, consequences of Russian shelling on March 15, 2022

## 1.2. Breakdown of the RF's negative influence on the World order and the Global financial security

In addition to the appeals and measures on the international level, the SFMS, in order to display the obvious in an accessible way, developed and posted on the official website a breakdown of the RF's negative influence on the World order and the Global financial security.

On February 24, 2022, the RF launched a full-scale, unprovoked, aggressive war against peaceful Ukraine.

Just from the first days of the war, two nuclear power plants: Chernobyl and the largest in Europe – Zaporizhzhia were seized by Russian terrorist forces and used to terrorize Ukraine and the whole world. The so-called peaceful atom (which generates more than 50% of electricity in Ukraine) has become a springboard for war, genocide and subsequent intimidation of the population. It is worth recalling the crimes in the Ukrainian cities of Hostomel, Bucha, Irpin, Mariupol, Izium, Vinnytsia, Olenivka, Dnipro...

There is no safe place in Ukraine where Russian missiles would not be taken or reached. The targets of the RF are the civilian population and the leadership of the country, heat generation, energy, enterprises, hospitals, residential infrastructure, and the AML/CFT/CPF system of Ukraine as a whole.

If you look at the International Convention for the Suppression of Terrorist, carefully read its annexes, compare it with the criminal actions of the RF and its mercenaries, the conclusion is obvious - the RF is the source of terrorism and its financing. The only difference is that the Convention is aimed at preventing the criminal activity of "a person or persons", but the largest state in the world in terms of territory turned out to be an unprecedented source of terrorism.

For Ukraine, the fact that the RF is a terrorist state was obvious from the first days of the war. This is also clear for a number of specialized international organizations and foreign jurisdictions. The international community is gradually recognizing the ruling regime in the RF as terrorist. The controlled instrument and component of this regime is the FIU of the RF, which plays a central role in the AML/CFT/CPF system and represents the RF in the FATF.

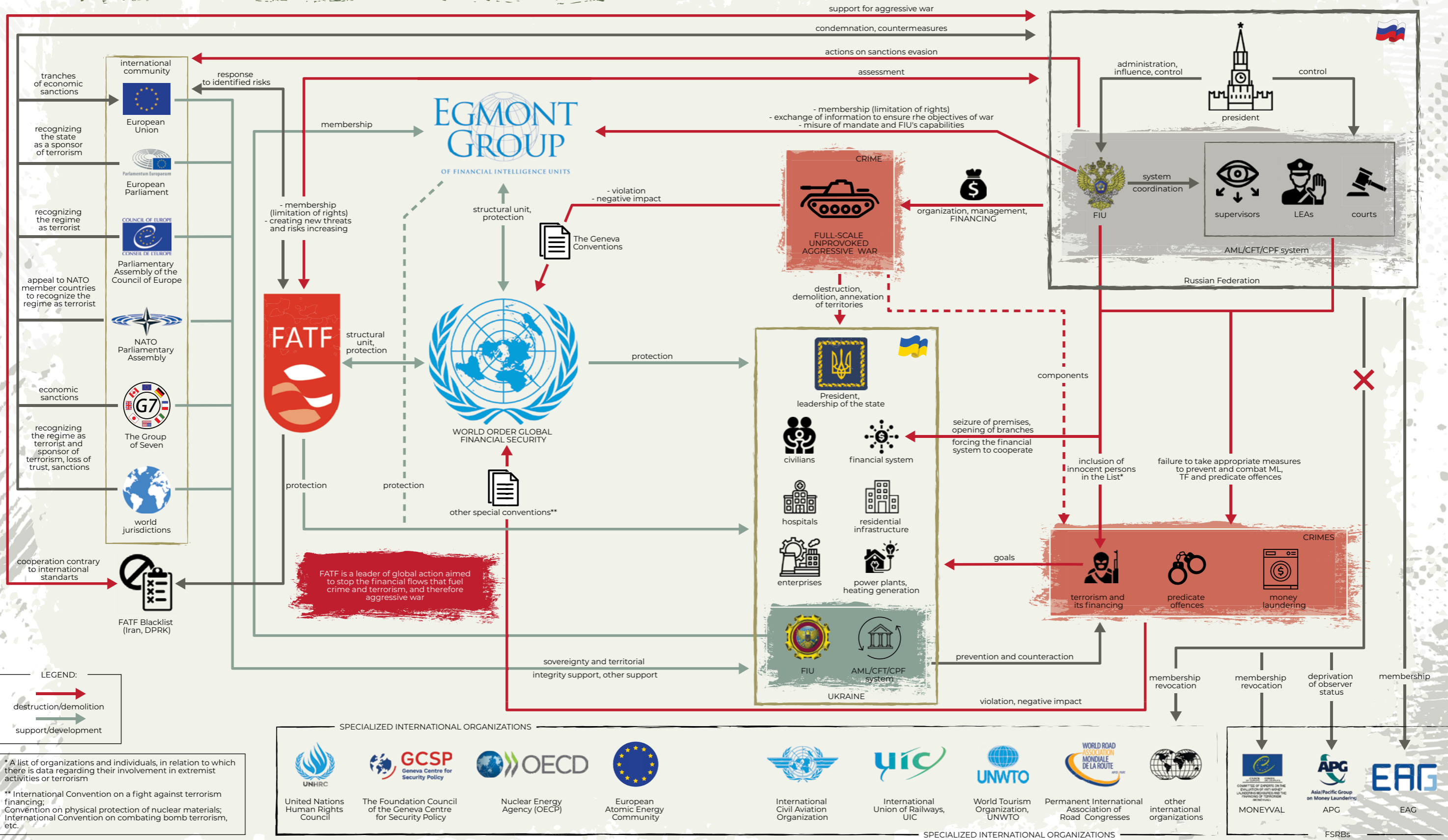
The war crime of the RF has a devastating effect (red lines) on the World order and the Global financial security, the purpose of which is to protect human rights (including ensuring the financial security of states, international associations, unions and a mere human).

Protection of human rights at the micro level and the financial component of the World order – the Global financial security at the macro level is supported by the FATF and the Egmont Group. The main goals of the functioning of these two organizations is the fight against TF, as well as other crimes that are components of the Russian war - predicate offences and ML. Only the FATF and the Egmont Group can break the red lines and prevent terror.

The Breakdown also includes examples of some international organizations that excluded the RF from their membership. The competence of these organizations does not include the fight against TF or ML, but with regard to the RF-related issue they acted decisively and preserved their reputation and trust among members.

Therefore, for those, who finance terrorism, there should be no place among those, who counteract to and prevent it.

# Breakdown of the Russian Federation's negative influence on the World order and Global financial security



## 2. ABOUT THE SFMS

### 2.1. 2022 – KEY RESULTS OF WORK



#### INTERNATIONAL COOPERATION

Due to the active participation of the SFMS, the RF membership in the FATF and the Egmont Group was significantly limited, the RF was excluded from the MONEYVAL, and the observer status in the APG was terminated



#### NATIONAL COORDINATION

The SFMS prepared and brought to the attention of reporting entities updated Recommendations on the implementation of legal requirements in the field of financial monitoring for the period of martial law



#### FINANCIAL INVESTIGATIONS

The SFMS prepared and sent 934 referrals amounting to nearly UAH 75.7 billion to law enforcement agencies. Almost 300 cases of suspicion of treason were investigated



#### LEGISLATIVE INITIATIVE

Due to the active participation of the SFMS, legislative acts were adopted on alignment of the Ukrainian legislation with the certain FATF Standards and the requirements of the EU Directive 2018/843



#### TRAINING ACTIVITY

1 879 people were trained at the Academy of Financial Monitoring. In total, the SFMS representatives took part in 74 educational events



#### METHODOLOGICAL ACTIVITY

The SFMS, with the assistance of the OSCE Project Co-ordinator in Ukraine, prepared the publication "Review of the Legislation Regulating Virtual Assets"



#### NATIONAL RISK ASSESSMENT

The SFMS prepared a Report on the national risk assessment in the area of prevention and counteraction to legalization (laundering) of the proceeds of crime, financing of terrorism and financing of proliferation of weapons of mass destruction



#### TYOLOGICAL STUDIES

A Typologies study: "Financing of Terrorism and Generating Illegal Proceeds by Committing Other Crimes in the Context of the Military Aggression of the Russian Federation" was prepared

## 2.2. Human resources

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

Picture 2.1. on the next page provides the SFMS structure.

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

The priority areas of human resources man-

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

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

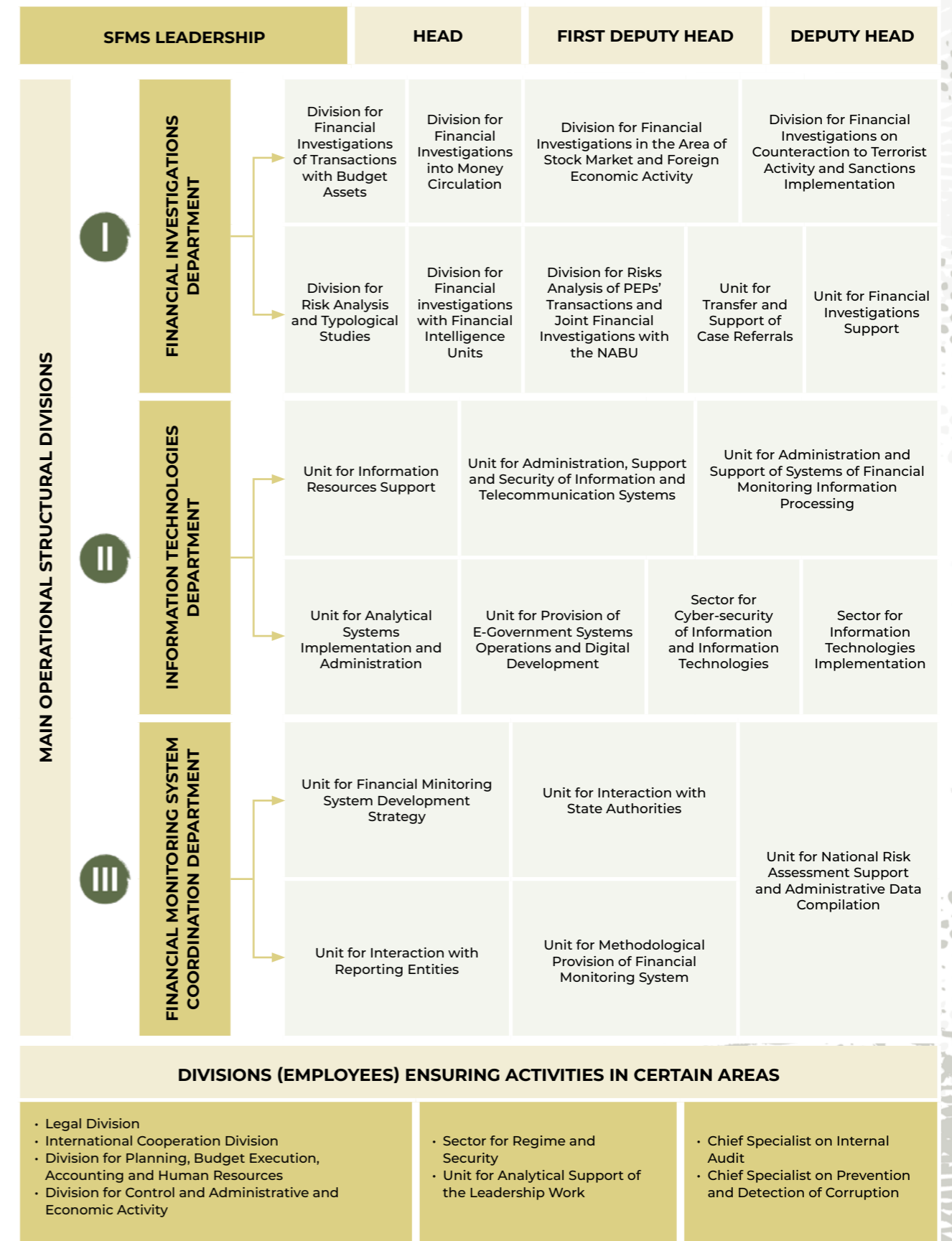
Table 2.1 below presents the SFMS employee portrait in 2022.

**Table 2.1.** The SFMS employee portrait

<b>Age groups</b>	under 28 years old – 50, 29 – 35 years old – 71, 36 – 46 years old – 32, 47 – 60 years old – 38, more than 60 years old – 5
<b>Average age</b>	under 35 years old
<b>Gender balance</b>	men – 87 (44,3%), women – 109 (55,7%)
<b>Leadership (category B)</b>	men – 36, women – 38
<b>Work experience</b>	5 – 10 years is an average work experience in the SFMS
<b>Experience</b>	employees have experience in tax, insurance, banking, law enforcement and budgetary spheres
<b>Basic abilities and competencies</b>	flexible thinking, analytical skills, adaptability

The authorized staff complement of the SFMS is 237 persons. As of January 1, 2023, 194 employees and 2 service staff actually work in

the SFMS. Dynamics of the actual number of the SFMS employees in 2019-2023 is provided on Picture 2.2.



**Picture 2.1.** The SFMS Structure

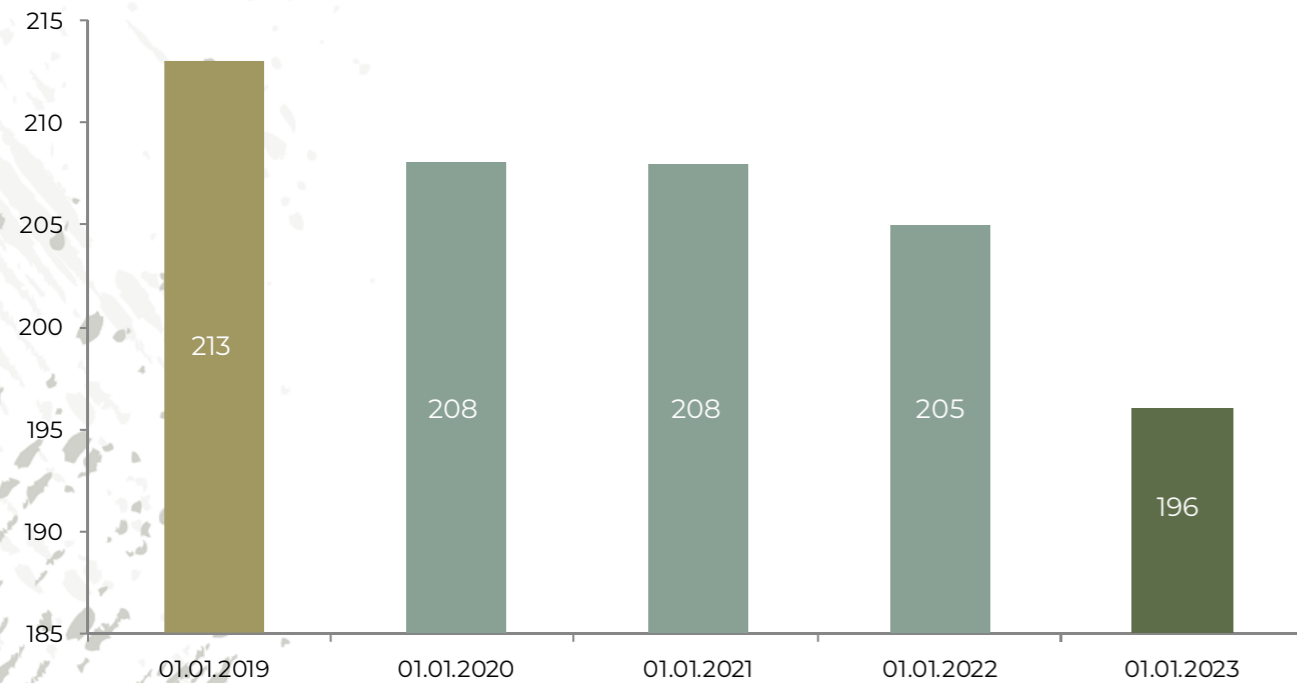


The SFMS staff consists of highly qualified specialists with complete higher education. 6 SFMS employees have a scientific degree, 2 of them have an academic degree. 8 SFMS employees have a master's degree in public administration.

In 2022, during martial law, the SFMS organized and conducted 4 selections to fill vacant civil service positions. According to the results of the selections, 13 candidates were appointed

to civil service positions for the period of martial law.

The SFMS ensured the organization of professional qualification improvement of civil servants. 147 civil servants of the SFMS improved their qualifications under professional training programs, took part in seminars, webinars, trainings which makes up 80% of the actual total number.



**Picture 2.2.** Dynamic of the actual number of the SFMS employees in 2019 – 2023

## 2.3. Financing of the SFMS

In 2022, the SFMS was financed from the state budget within the budgetary allocations pursuant to the Law of Ukraine “On State Budget of Ukraine for 2022”.

In 2022, according to budgetary allocations obtained, the SFMS expended UAH 144.5 million. The structure of funds expenditure is provided in the Table 1.2.



**Picture 2.3.** The SFMS building facade damaged by the blast wave from a Russian missile, March 15, 2022

**Table 2.2.**

**THE STRUCTURE OF THE SFMS BUDGETARY ALLOCATIONS IN 2022**

Expenditures	Amount in UAH thousand
Salaries and charges	129 237,1
Utility services and energy carriers expenditures	2 613,1
Business trip expenditures	0,1
Other expenditures to ensure activity and maintenance of the State Information System and Information and Analytical System of the SFMS	12 644,2
<b>Total</b>	<b>144 494,5</b>

### 3. DEVELOPMENT OF THE AML/CFT/CPF LEGISLATION

During 2022, 4 regulations developed by the SFMS were adopted (the list is given in Annex A).

Also, the SFMS, within the competence, in accordance with the procedure established by law, approved draft AML/CFT/CPF regulations.

Thus, for 2022, 56 draft regulations developed by other state authorities were approved, of which 38 were approved without comments, and 18 with comments.

At the same time, the SFMS was involved in the development of legislative initiatives regarding:

- *improvement of sanctions legislation in order to transfer assets of persons under sanctions to the budget;*
- *reforming the financial and economic bloc during martial law. The relevant coordination meetings were attended;*
- *increasing the effectiveness of sanctions related to the assets of individuals;*
- *the draft Law "On amendments to certain laws of Ukraine on simplifying the procedure for submitting information necessary for financial monitoring" (Law of Ukraine of September 6, 2022 No. 2571-IX "On amendments to certain laws of Ukraine on improving the regulation of ultimate beneficial ownership and ownership structure of legal entities" was adopted);*
- *the draft Law "On amendments to the Law of Ukraine "On prevention and counteraction to legalization (laundering) of the proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction"*

*regarding the protection of the financial system of Ukraine from the actions of a state that carries out armed aggression against Ukraine, and alignment of the Ukrainian legislation with the certain FATF Standards and the requirements of the EU Directive 2018/843 (Law of Ukraine of November 4, 2022 No. 2736-IX "On amendments to certain laws of Ukraine regarding the protection of the financial system of Ukraine from the actions of a state carrying out armed aggression against Ukraine", and alignment of the Ukrainian legislation with certain standards of the Financial Action Task Force (FATF) and the requirements of the EU Directive 2018/843 was adopted);*

- *the draft Law "On amendments to the Tax Code of Ukraine and some legislative acts of Ukraine regarding the creation of a unified register of accounts of individuals and legal entities and individual bank safes";*
- *development of the draft and approval of the concept of launching a mechanism for the retail purchase of "Military Bonds" by individuals using the "Diia" application.*

Also, the SFMS representative was included in the Working Group on developing proposals for Ukraine's participation in the Working Group on Combating Bribery in International Commercial Transactions of the Organization for Economic Cooperation and Development, established by Decree of the President of Ukraine of July 28, 2022 No. 539/2022.

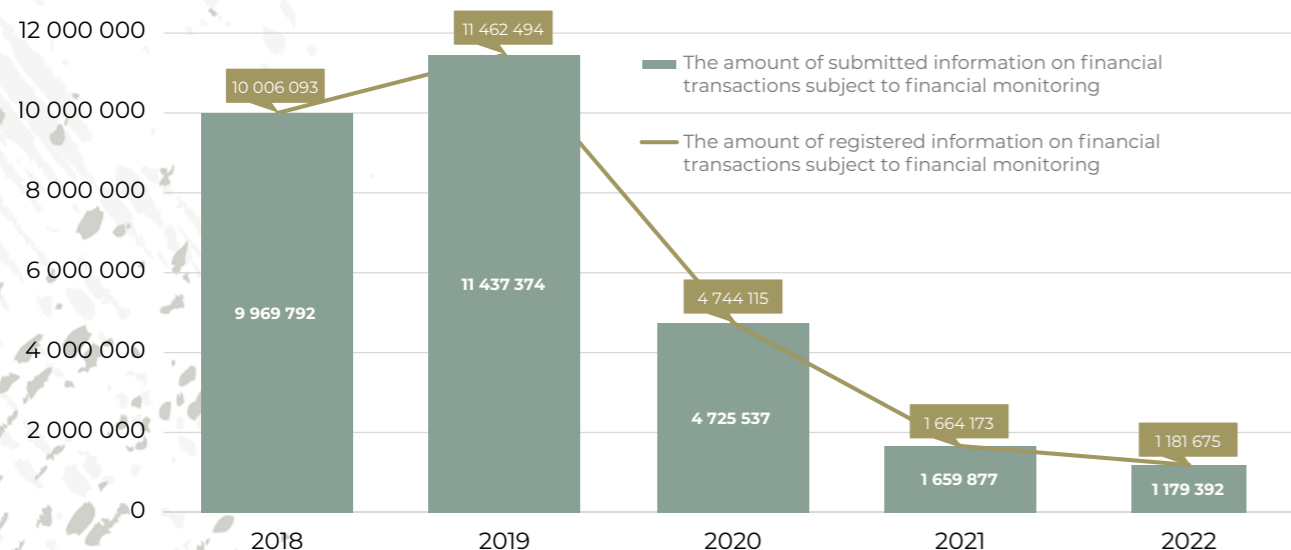
## 4. STATISTICS ON THE REPORTS RECEIVED

### 4.1. General dynamics of the reports received

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

In total, since the beginning of operation of

the FMIS, **56 426 547 reports** on financial transactions subject to financial monitoring have been received and processed among which **1 181 675 reports** have been received during 2022, of them 1179 392 reports were registered (Picture 4.1).



**Picture 4.1.** Dynamic of informing on financial transactions during 2018 - 2022

It should be mentioned that the proportion of mistakes in the reports is 0,1 % of the total number of the reports on financial transactions received by the SFMS during 2022.

Thus, the percentage of the reports on financial transactions correctly submitted by the reporting entities to the SFMS during 2022 was 99,9 % of the total number of the reports.

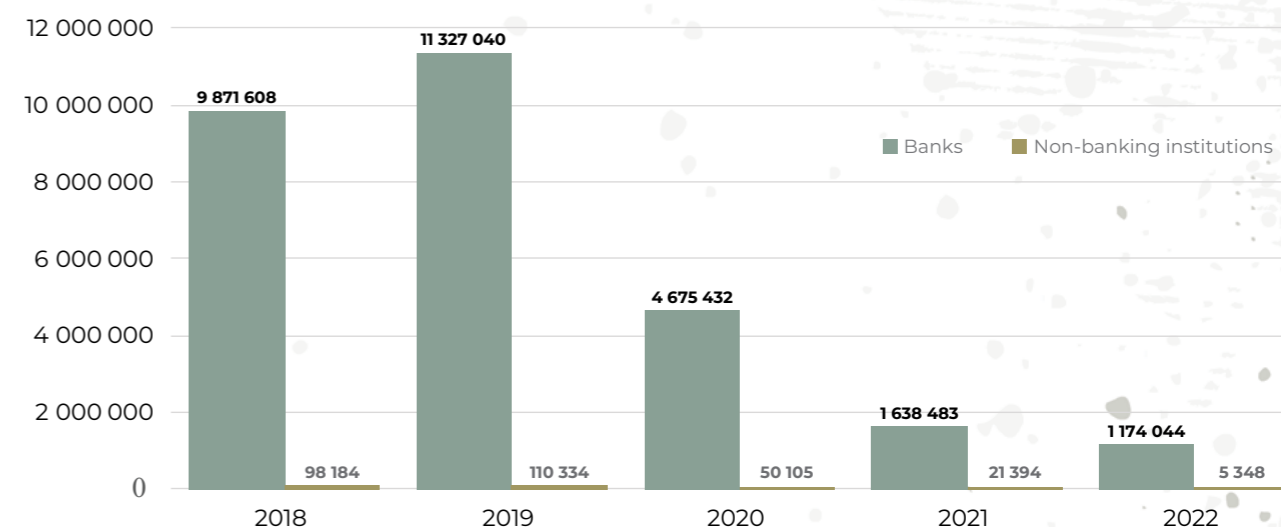
Also it should be noted that in 2022 a number of the reports on financial transactions registered by the SFMS decreased by 28,9% in comparison with 2021 due to martial law in Ukraine, introduced in accordance with Decree of the President of Ukraine of February 24, 2022 No. 64/2022 "On the introduction of martial law in Ukraine" (as amended).

### 4.2. Dynamics of the reports received from the reporting entities

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

During 2022, the SFMS registered 99,6% re-

ports on financial transactions received from banks of a total number of the reports on financial transactions, subject to financial monitoring (Picture 4.2, Table 4.1).



**Picture 4.2.** Dynamic of informing about financial transactions by banks and non-banking institutions during 2018-2022

**Table 4.1**

**NUMBER OF THE REPORTS ON FINANCIAL TRANSACTIONS REGISTERED BY THE SFMS BY THE TYPES OF SUBMITTING AS OF 01.01.2023**

Type of institution	Number of the reports in electronic form	Number of the reports in paper form
Banks	1 174 044	–
Non-banking institutions	5 264	84

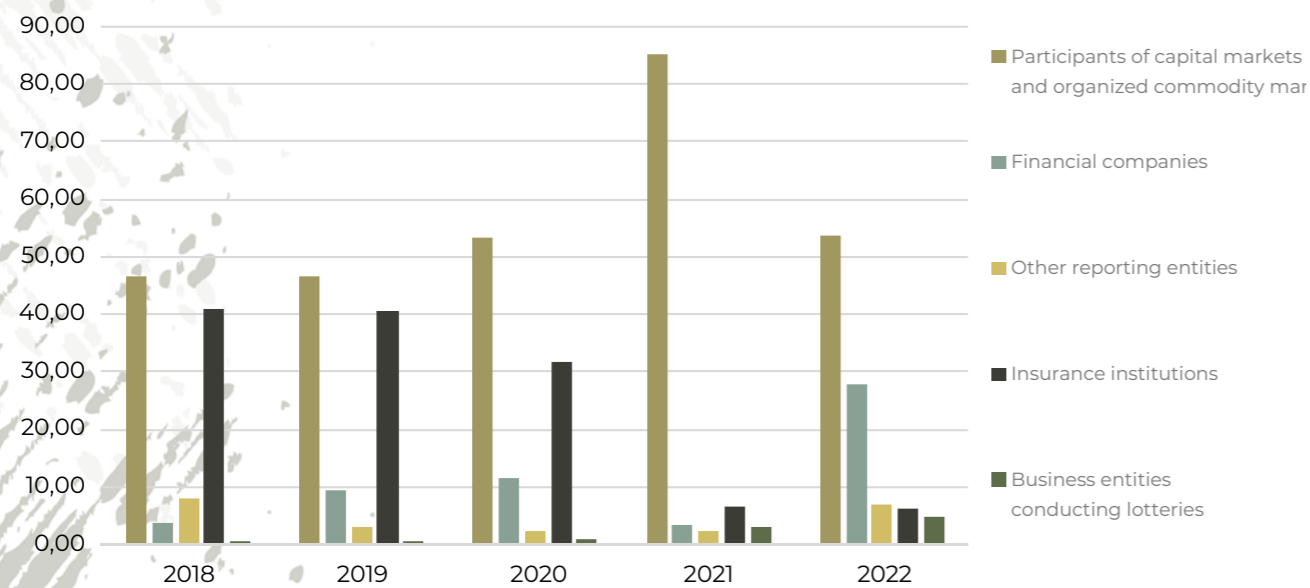
In 2022, the share of the reports on financial transactions received and registered by the SFMS from non-banking institutions in electronic form amounted to 98,4% of the total number of the reports registered by the SFMS which were received from the mentioned type of the reporting entities.

Among the non-banking institutions, the participants of capital markets and organized commodity markets 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-banking sector during 2022 amounted to 53,74% (Table 4.2, Picture 4.3).

**Table 4.2**

**THE SHARE OF THE REPORTS IN THE TOTAL AMOUNT OF THE REPORTS ON FINANCIAL TRANSACTIONS RECEIVED FROM NON-BANKING SECTOR AND REGISTERED BY THE SFMS IN 2022**

Type of institution	Number of reports	Share, %
Participants of capital markets and organized commodity markets	2 874	53,74
Financial companies	1 492	27,90
Other reporting entities	377	7,05
Insurance institutions	339	6,34
Business entities conducting lotteries	266	4,97

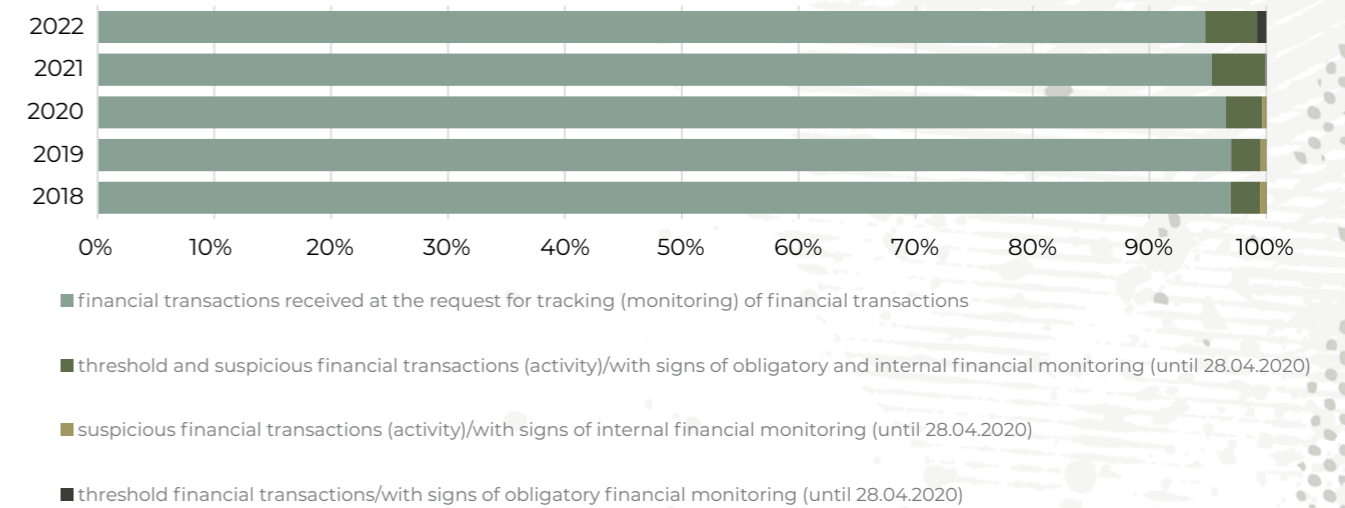


**Picture 4.3.** Dynamic of the share of financial transactions registered by the SFMS during 2018 - 2022 by types of entities of the non-banking sector, %

The distribution of the reports registered by the SFMS in 2022 in terms of signs of financial monitoring is as follows (Picture 4.4):

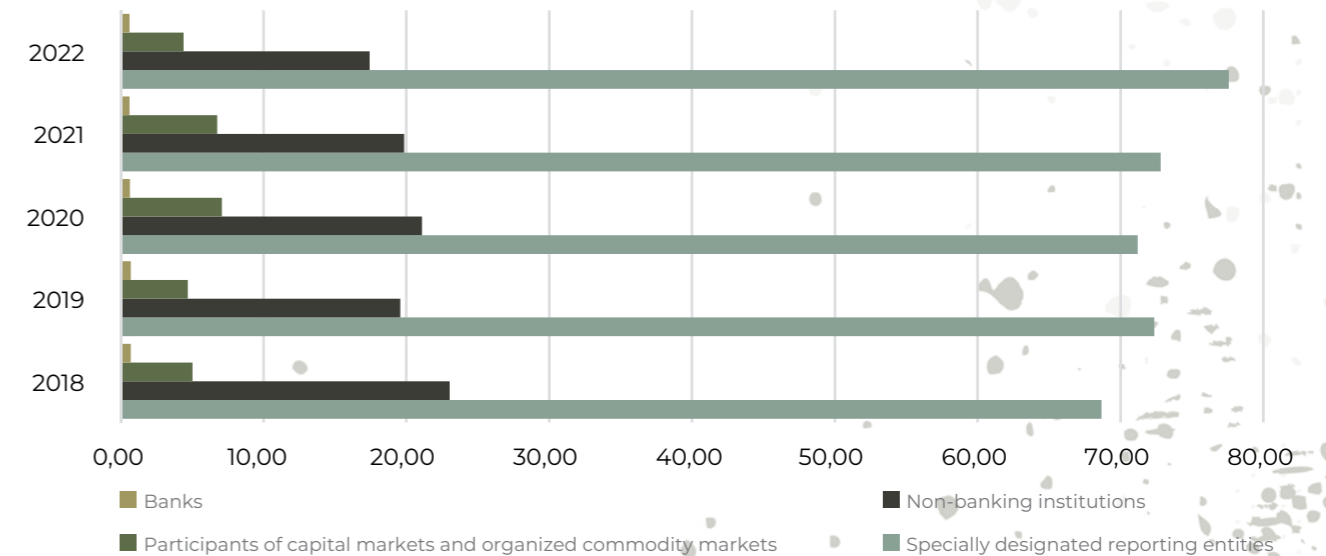
- threshold financial transactions – 94,78% (1 117 829);
- suspicious financial transactions (activity) – 4,42% (52 123);

- threshold and suspicious transactions (activity) – 0,02% (194);
- financial transactions received on the request of tracking (monitoring) of financial transactions – 0,78% (9 246).



**Picture 4.4.** Share of financial transactions in total amount registered by the SFMS under the signs of financial monitoring

In accordance with paragraph 1 of part two of Article 8 of the Basic Law, the reporting entities are required to be registered in the SFMS. As of January 1, 2023 13 030 reporting entities (including 2 034 separate subdivisions) were registered in the SFMS (Picture 4.5).



**Picture 4.5.** Share of the reporting entities, registered in the SFMS by their types, %

# 5. ANALYTICAL ACTIVITY

## 5.1. 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/TF/PF suspicion.

Information for analysis (operational and strategic) comes from:

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

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

Initial processing and analysis of the infor-

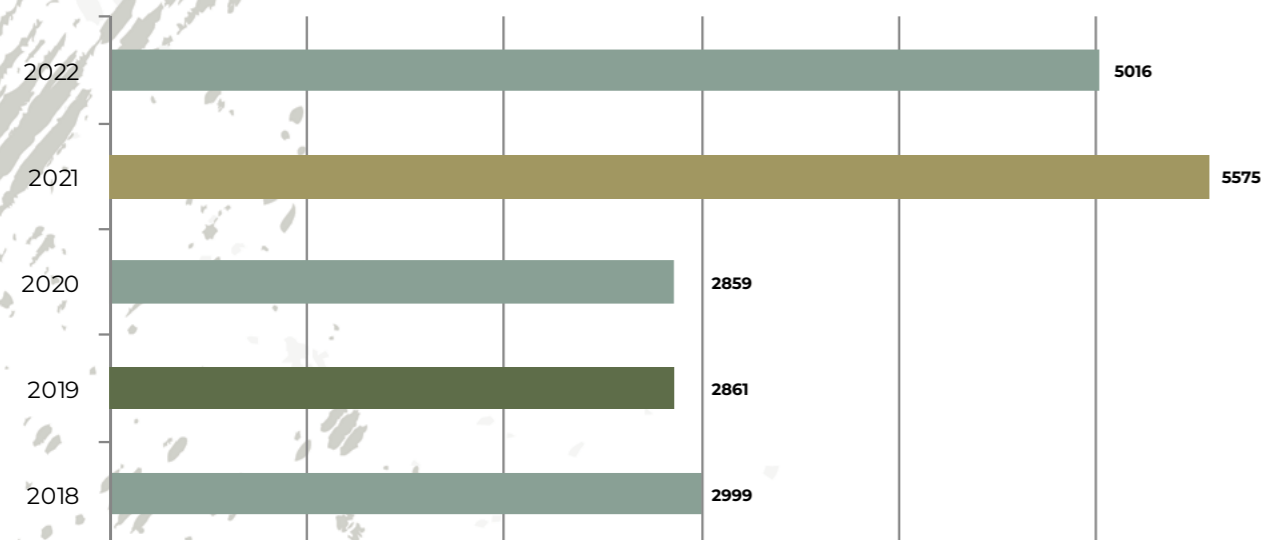
mation are carried out in the analytical segment of the FMIS.

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

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

Thus, in 2022, the SFMS received 38 121 reports on suspicious financial transactions (activities) with certain signs of suspicion. In 2021, the SFMS received 36 516 reports on suspicious financial transactions (activities) with certain signs of suspicion.

Based on the results of the analysis, 5 016 dossiers were created (Picture 5.1).



Picture 5.1. Dynamic of dossier creation in 2018 - 2022

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

The SFMS conducts an analysis of financial transactions on a risk-based approach considering the AML/CTF/CPF international experience.

In comparison with the previous 2021, a number of created dossiers due to the martial law decreased by almost 10% or by 559 dossiers.

In 2022, as a result of dossiers processing, the SFMS submitted to law enforcement and intelligence authorities 934 referrals, including 550 case referrals and 384 additional case referrals.

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

Thus, during 2022, the SFMS sent 21 430 files-requests for additional information to 71 bank institutions.

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

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

During 2021, the SFMS sent 4 requests to the reporting entities for tracking (monitoring) of financial transactions.

## 5.2. 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 a 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 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 conduct or ensure 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.

Thus, during 2022, the SFMS suspended financial transactions of 475 persons, the vast majority of which were related to collaborative and terrorist activities. During 2021, the SFMS suspended financial transactions of 151 persons.

## 5.3. Financial investigations

The military aggression of the RF against Ukraine had a significant impact on the ML/TF/PF schemes.

Crimes of Russian-terrorist military formations, mass migration and emigration of the population, capital outflow, closure of businesses, mass murders, robberies, banditism, smuggling of valuables, global food crisis, outflow of investments - this is only a small list

of negative consequences of the invasion of Ukraine.

The specified consequences have a direct impact on the increase of ML/TF/PF risks, which grew rapidly with the beginning of Russian aggression.

There has also been a change in the nature and types of criminal behavior typical for the country and, therefore, in the mechanisms,

ways, tools – typologies of laundering the proceeds of crime.

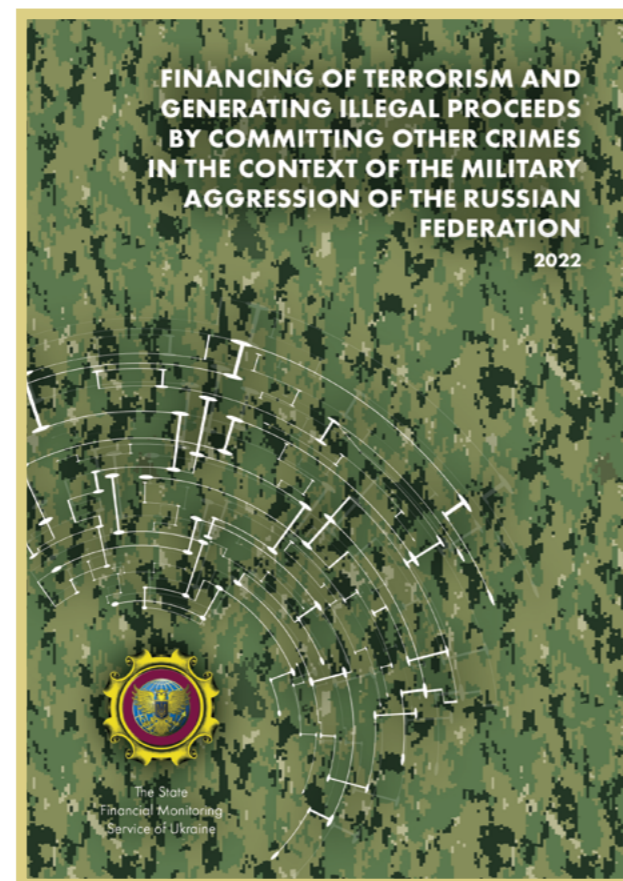
Based on the results of the analysis and summarizing of the identified (typical and new) methods, ways, financial instruments and ML/FT/PF schemes, the following priority directions of financial investigations were defined:

- war and terrorism (separatism) financing;
- money laundering of corruption;
- embezzlement of budget funds and state enterprises funds;
- money laundering related to fraudulent seizure of funds of citizens and legal entities by deception.

Taking into account the RF aggression and the threat to the national security of Ukraine, the SFMS, using its own practice and the practice of other participants of the national financial monitoring system, has prepared a typologies study: “Financing of Terrorism and Generating Illegal Proceeds by Committing Other Crimes in the Context of the Military Aggression of the Russian Federation”.

In the Study, the issue of various types of schemes for legalization (laundering) of criminal proceeds and financing of terrorism (separatism), which are committed in the context of

military aggression of the Russian Federation has been examined, indicators of suspicion, methods and tools of ML/FT/PF schemes has been revealed.



Picture 5.2. The title page of typologies study

### 5.3.1. Counteracting war and terrorism (separatism) financing

In accordance with the legislation of Ukraine, the SFMS (as FIU) jointly with the law enforcement agencies takes measures aimed at preventing and counteracting financing of terrorist activities, separatism, detecting financial transactions related to military aggression of the RF and the RB against Ukraine, counteracting to PF.

In 2022, the SFMS submitted to the law enforcement (intelligence) authorities 342 referrals (226 case referrals and 116 additional case referrals) related to financial transactions of persons who, including under the informa-

tion from law enforcement agencies, may be involved in the financing of terrorism/separatism; the RF and RB military aggression against Ukraine and collaborative activities; persons who publicly call for the 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:

- 198 referrals (152 case referrals and 46 additional case referrals) regarding financial transactions of persons who may be associated with

RF and RB military aggression against Ukraine and collaborative activities;

- 43 referrals (36 case referrals and 7 additional case referrals) which contained information on financial transactions of persons suspected of terrorism/separatism and its financing (including financing of illegal armed formations on the temporarily occupied territories);
- 2 referrals (1 case referral and 1 additional case referral) related to suspicions of conducting financial transactions by persons possibly involved in the financing of international terrorist organizations and/or extremist groups;
- 88 referrals (34 case referrals and 54 additional case referrals) regarding individuals included in the annexes to the decisions of the National Security and Defense Council of Ukraine entered into force by Decrees of the President of Ukraine;
- 11 referrals (3 case referrals and 8 additional case referrals) regarding financial transactions of persons including those who are also included in the sanctions lists of foreign countries and in respect of whom there are suspicions of terrorism/separatism.

The submitted referrals contained information of/on:

- law enforcement agencies – 101 referrals (46 case referrals and 55 additional case referrals);
- foreign FIUs – 80 referrals (29 case referrals and 51 additional case referrals);
- the revealed connections with the RF – 90 referrals (59 case referrals and 31 additional case referrals);
- the suspension of debit financial transactions – 104 referrals (82 case referrals and 22 additional case referrals). As a result of the adopted decisions, funds in the amount of UAH 1.4 billion and 2 066 430 shares with a nominal value of UAH 0.21 billion were blocked.

The main tools used in the submitted referrals:

- cash;
- electronic payment systems;
- international transfers;
- payment cards;
- securities (bonds);
- right of debt claim.

### 5.3.2. Money laundering from corruption

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

In particular, in 2022, the SFMS sent 121 referrals (25 case referrals and 96 additional case referrals) to law enforcement agencies, which are related to suspicion of corruption, in particular:

- the NABU - 96 referrals (24 case referrals and 72 additional case referrals);
- the SSU - 17 additional case referrals;

- the SBI - 7 additional case referrals;
- the ESBU - 1 case referral.

In these referrals, the amount of financial transactions that may be related to legalization of funds, and with the commission of a criminal offense is UAH 6.4 billion.

Participants in suspicious financial transactions in these 121 referrals were persons authorized to perform functions of state or local self-government and equated to them.

### 5.3.3. Investigation into transactions related to budget funds and other state assets

In 2022, the SFMS sent to law enforcement agencies 56 referrals (35 case referrals and 21

additional case referrals) on the facts of misuse of budget assets.

According to the referrals, the amount of financial transactions that may be related to legalization of funds, and the commission of a criminal offense is UAH 2,6 billion.

The amount of involved state funds is UAH 16.0 billion.

The submitted referrals are related to the embezzlement of budget assets by:

- *illegal alienation and embezzlement of state property;*
- *misappropriation of state assets*
- *misuse of budget funds, by dispersing them between the accounts of risky, fictitious, and related business entities.*

Tools used:

- *Forged documents*
- *Falsification of sources of origin*
- *Loans and financial assistance*
- *Hidden conversion of non-cash funds into cash (illicit cash-out operation) through whole-*

*salers and retailers (tobacco, food products, cosmetics and household goods, alcohol and beverages, diesel fuel and gasoline)*

- *Underestimation/overestimation of the price*
- *Prepayment for goods/works/services*
- *Non-delivery of goods*
- *Services which cost is difficult to estimate*
- *Use of individual entrepreneur*
- *Use of funds for purposes other than those stipulated in the contract with a budget institution*
- *Transferring large amounts of cash across borders*
- *Use of crypto assets*
- *Use of payment systems, including international ones*
- *Replacement of real producers of goods with transit companies*
- *Use of front persons*
- *Use of company names that are consonant with well-known brands.*

### 5.3.4. Money laundering related to the fraudulent missappropriation of funds of citizens and legal entities by deceit

In 2022, the SFMS sent 73 referrals to the law enforcement agencies (63 case referrals and 10 additional case referrals) that were related to suspicions of fraudulent appropriation of funds of citizens and legal entities who were victims of fraud by criminals.

In the specified referrals, the amount of financial transactions that may be related to legalization of funds, and the commission of a criminal offense is UAH 0.4 billion.

Fraudulent misappropriation of funds was carried out by:

- *use of social engineering methods, including phishing (telephone fraud involving the extortion of bank card details or other confidential information, coercion to transfer funds to the card of thieves);*

- *use of computer technology, Internet-Client-Bank remote account management system and "Mobile Banking" service;*
- *use of well-known company names to mislead defrauded persons;*
- *illegal provision of services for the production and sale of forged documents for PCR testing for the detection of RNA virus "SARS-Cov-2" and forgery of international certificates of vaccination against the coronavirus disease "Covid-19";*
- *distribution of announcements about fundraising allegedly for the needs of the Armed Forces of Ukraine using the Internet and the Telegram messenger;*
- *illegal use of humanitarian aid and charitable donations (sale of vehicles imported from abroad for the benefit of the Armed Forces of Ukraine);*

- *use of public/charity organizations to receive humanitarian aid in wartime, with its subsequent realization for personal enrichment;*
- *illegal access to the bank account data of individuals, through phishing links to Internet pages announcing the receipt of aid from the state;*
- *use of the online service for accommodation, search and short-term rental housing*
- *hacking and using other people's accounts on the social network "Instagram" under the pretext of collecting financial assistance, including for treatment;*
- *the use of forged documents, including those of judicial authorities, for making payments by banks in a forced manner;*

- *buying/selling of goods and services via the Internet, including usage of the OLX online advertising platform.*

Tools used:

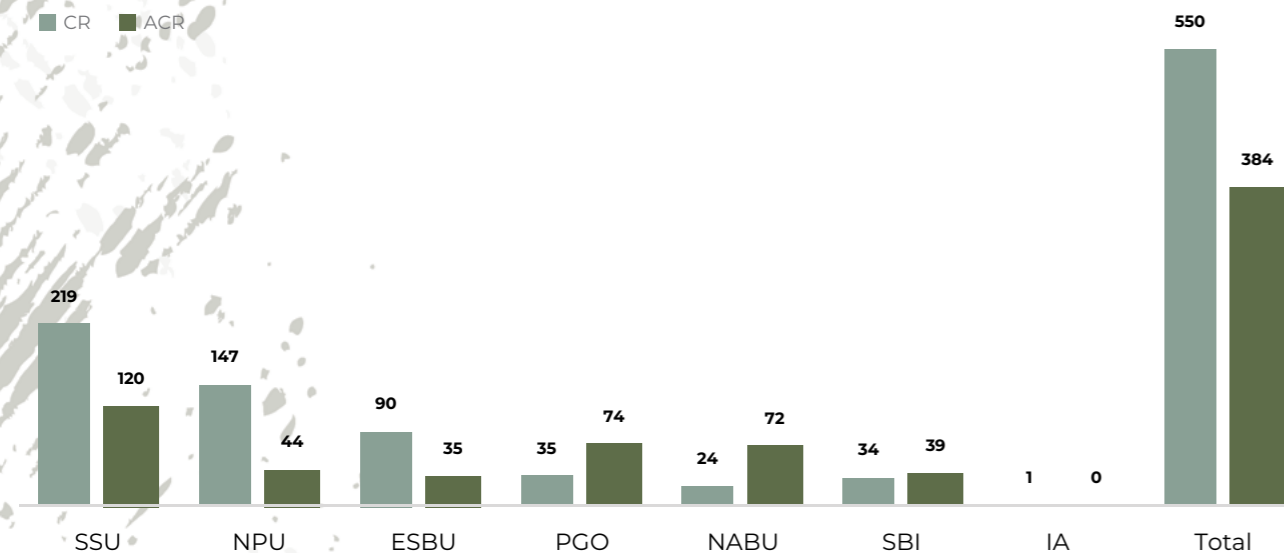
- *goods and services;*
- *schematic transit payments;*
- *international transfers;*
- *charitable/humanitarian and financial assistance;*
- *deposits;*
- *cryptocurrency;*
- *cash;*
- *payment cards.*

## 6. CASE REFERRALS

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

During 2022, the SFMS prepared 934 referrals (550 case referrals and 384 additional case referrals), which were sent to (Picture 6.1):

- SSU – 339 referrals (219 case referrals and 120 additional case referrals);
- NPU – 191 referrals (147 case referrals and 44 additional case referrals);



**Picture 6.1.** Number of case referrals and additional case referrals submitted to law enforcement and intelligence authorities in 2022

- ESBU – 125 referrals (90 case referrals and 35 additional case referrals);
- prosecutor's offices – 109 referrals (35 case referrals and 74 additional case referrals);
- NABU – 96 referrals (24 case referrals and 72 additional case referrals);
- SBI – 73 referrals (including 34 case referrals and 39 additional case referrals);
- intelligence authorities – 1 case referral.

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

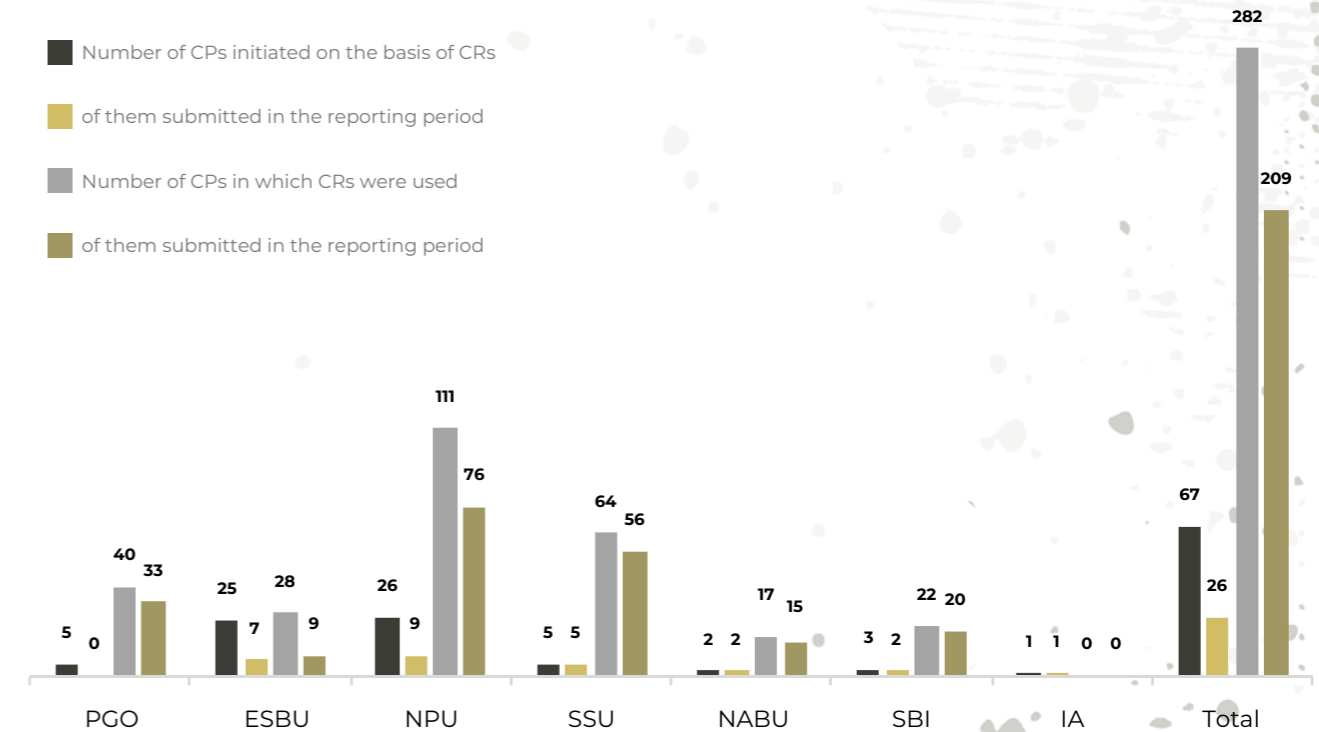
- legalization is UAH 55,2 billion;
- commission of criminal offense is UAH 20,5 billion.

360 case referrals of the SFMS (including those submitted in previous years) were initiated/used by law enforcement authorities during pre-trial investigations in 349 criminal proceedings (Picture 6.2), in particular:

- according to the results of consideration of 66 case referrals, 67 criminal proceedings were initiated;

- 294 case referrals were used in 282 criminal proceedings.

Law enforcement agencies completed 9 criminal proceedings in connection with the appeal to the court with an indictment, initiated on the basis of 9 case referrals.



**Picture 6.2.** Number of criminal proceedings initiated on the basis of case referrals (used in criminal proceedings) in 2022

According to the information received by the SFMS in 2022, in criminal proceedings initiated by law enforcement agencies based on the re-

sults of the SFMS's case referrals, the total value of arrested property (funds) is UAH 5,1 billion.



## 7. ENSURING FUNCTIONING AND DEVELOPMENT OF THE UNIFIED INFORMATION SYSTEM IN THE AML/CFT/CPF AREA

In order to ensure the functioning and development of the FMIS, the SFMS has developed Digital Development Plan of the State Financial Monitoring Service of Ukraine until 2025 (hereinafter – Plan 2025). The mentioned Plan was approved by the Information Technology Management Committee in the State Finance Management System and approved by Order of the Ministry of Finance on October 14, 2022 No. 330.

The SFMS, in accordance with the main tasks defined in Article 25 of the Basic Law, and Plan 2025, ensured the implementation of continuous technological processes, in particular, ensured the technological process of collection, processing of information on financial transactions subject to financial monitoring, and other financial transactions or information that may be related to ML/FT/PF suspicion provided by the reporting entities.

The FMIS operates round-the-clock (24/7) in accordance with the regulations approved by the orders of the SFMS. In particular, upon the implementation of Plan 2025, taking into account the expenditures allocated for 2022, the following is ensured:

- *steady and productive work of hardware and software complex of the FMIS;*
- *support for the stable functioning of the KSEDO-E corporate system of electronic document circulation;*
- *stable functioning and up-to-date maintenance of the information gathering and processing system of the ITS “E-Cabinet of FMS”.*

However, due to the start of the full-scale Russian invasion of Ukraine, appeared the threats of disruption of the system and loss of

information resources, destruction and compromise of FMIS and its components because of hostilities, on February 24, information processing in FMIS was temporarily suspended, shutting down and reconfiguring the system were carried out, up-to-date copies of critical information resources were created and moved to backup storage. Restoration of information processing in FMIS took place after partial stabilization of the situation at the location of the system.

In accordance with the requirements of the legislation in the area of information protection, the operation of a comprehensive system of information protection, cyber protection and information technology security in FMIS was ensured. The industrial operation of FMIS is carried out in accordance with the requirements of the Law of Ukraine “On the information protection in the information-communication systems” according to the Expert opinion, which is an appendix to the Compliance Certificate, which was registered in the State Service of Special Communications and Information Protection of Ukraine Administration of 28.12.2019 under No. 21032.

Due to the start of the Russian armed aggression and the cyber war, as its component, the SFMS took measures to strengthen information protection, prevent cyber threats and improve cyber security and cyber protection of FMIS.

In particular, measures were taken to strengthen the information protection of the official website, the security settings of the application software were improved, and appropriate directives were added to increase its ability to respond to external requests. Prompt response to information received

from state authorities in terms of preventing cyber-attacks, network hacking attempts, etc. is ensured. Interaction with the SSU Cyber Security Situation Center in terms of obtaining current indicators of cyber threats and their further application in the complex of security measures of the FMIS comprehensive information protection system is ensured.

In order to further develop the information protection system of FMIS, Prospective Plan on Information Protection and Cyber Security for 2023-2025 has been developed and approved.

Within the framework of the “EU Anti-Corruption Initiative in Ukraine (Phase II)” (EUACI), advanced training of specialists in cyber protection, cyber security, and information protection is ensured.

During the reporting period, there were no facts of realized cyber attacks on FMIS or critical cyber incidents in the system.

At the same time, in order to monitor the state of cyber protection, the SFMS is taking measures to strengthen control over abnormal events in the work of its own information-communication systems.

In the reporting period, the development of FMIS was carried out in accordance with the principles determined by Resolution of the Cabinet of Ministers of Ukraine of 30.01.2019 No. 56 “Some issues of digital development” according to the priority directions and tasks (projects) of digital transformation, approved by Regulation of the Cabinet of Ministers of Ukraine of 17.02.2021 No. 365 “Some issues of digital transformation” and Plan 2025, taking into account the introduction of martial law in Ukraine.

The specified Plan defines the priority tasks of creating a backup data processing center of FMIS to ensure the disaster resistance of critical IT services and improving the system of cyber security, cyber protection and information protection of FMIS.

In order to implement electronic interaction with the reporting entities in accordance with the SFMS Order of 24.12.2021 No. 152 “On the implementation into industrial operation of the ITS “E-Cabinet of FMS”, from January 4,

2022, the ITS “E-Cabinet of FMS” and its comprehensive information protection system were implemented into industrial operation as part of FMIS node. During the reporting period, the SFMS ensured the operation of the specialized software of the ITS “E-Cabinet of FMS” in test mode without registering the information of the reporting entities in FMIS.

Due to the introduction of martial law in order to ensure the possibility of bringing the automated systems of the reporting entities into compliance with the new formats and methods of submitting/receiving information, by Order of the Ministry of Finance of 07.04.2022 No. 113 “On Amendments to Clause 4 of Order of the Ministry of Finance of Ukraine of June 04, 2021 No. 322”, registered with the Ministry of Justice of April 22, 2022 No. 443/37779, the entry into force of Order of the Ministry of Finance of June 4, 2021, No. 322 “On Approval of the Procedure for Information Exchange on Financial monitoring”, and accordingly receiving and registering financial Monitoring information, was transferred to the first Monday of the fourth month after the termination or cancellation of martial law.

In order to modernize the analytical component by implementing and updating FMIS software, technical requirements for the implementation of the sub-project of the Analytical System “e-case of financial monitoring” have been prepared both by own means and on the basis of concluded contracts. In connection with the reduction of expenditures for these purposes (Resolution of the Cabinet of Ministers of Ukraine of March 10, 2022, No. 245 “On the Allocation of Funds to the Reserve Fund of the State Budget”) and martial law, the measures are temporarily partially suspended.

In accordance with Resolution of the Cabinet of Ministers of Ukraine of 22.07.2020, No. 627 “Some issues of the Unified state information System in the area of prevention and counteraction to legalization (laundering) of the proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction”, access to information resources of state authorities - entities of the

unified system by expanding the API access to state electronic information resources, in particular using the system of electronic interaction of state electronic information resources "Trembita", as well as updating the relevant information resources in the FMIS database was ensured.

In order to ensure digital development, digital transformation in the AML/CFT/CPF

area, due to limitations of financing of the mentioned measures from the state budget of Ukraine, the SFMS determines possible other sources of funding of the mentioned measures and, on the basis of the developed technical requirements for the implementation of the mentioned projects, searches for possible international donors.

## 8. INTERAGENCY COOPERATION

### 8.1. Relations with regulators and other state authorities

In 2022, under wartime, the interagency cooperation of the SFMS was focused on the measures to coordinate the financial monitoring system, in particular:

- *implementation of the strategy for the development of the national financial monitoring system;*
- *ensuring activities of the AML/CFT/CPF Council;*
- *ensuring coordination in the implementation of actions to improve the national system of financial monitoring based on the results of the MONEYVAL 5th round mutual evaluation of Ukraine;*
- *direct exchange of information with the state financial monitoring entities;*
- *implementation of the Strategic Development Program of the SFMS until 2024, approved by Order of the Ministry of Finance of 17.01.2022 No. 16;*
- *implementation of the SFMS Priorities for the period of martial law agreed by the Ministry of Finance;*
- *strengthening interaction with the public.*

In addition, the SFMS representative participates in the operative group "Task Force" (Picture 8.1) in the direction of identifying and seizing assets belonging to persons who organize, ensure and provoke the conduct of an aggressive war of the RF against Ukraine, both on the territory of Ukraine and beyond its borders, with the aim of their subsequent transfer to the state budget of Ukraine for the reconstruction of its destroyed infrastructure.



**Picture 8.1.** The SFMS representative participates in the meeting of the operative group "Task Force"

#### **Implementation of the national financial monitoring system development strategy**

In 2022, the SFMS, taking into account the requirements of martial law, actively continued to coordinate the execution of the Action Plan for the implementation of the Main directions of the development of the prevention and counteraction to legalization (laundering) of the proceeds of crime, terrorist financing and financing of proliferation of weapons of mass destruction system in Ukraine for up to 2023, approved by Regulation of the Cabinet of Ministers of Ukraine of May 12, 2021, No. 435-r.

Thus, during the reporting period, the SFMS analyzed and summarized the information received from state authorities for the execution of this Action Plan, and subsequently, was sent to the Cabinet of Ministers of Ukraine.

At the same time, in compliance with the requirements of the above-mentioned Regulation, at the request of the SFMS, Order of the Ministry of Finance No. 16 of January 17, 2002 approved the Strategic Development Program of the State Financial Monitoring Service of Ukraine until 2024.

The Program was prepared in cooperation with the EU Anicorruption Initiative in Ukraine, Phase II (EUACI) project.

The purpose of the Program is to define legislative, coordination, practical and institutional measures, aimed at ensuring the stable and effective development of the SFMS, as an integral component of the national AML/CFT/CPF system.

The key provisions of the Program contain strategic priorities and activity goals until 2024, in particular regarding:

- organizing the third round of the National AML/CFT/CPF Risk Assessment;
- AML/CFT/CPF digital transformation (e-financial monitoring);
- bringing Ukrainian AML/CFT/CPF legislation into compliance with international standards;
- information and analytical support and strengthening of the SFMS institutional capacity as a whole;
- introduction of complex administrative reporting in the system of anti-legalization deterrence;
- raising the level of qualification of financial monitoring specialists, etc.

Comprehensively, the Program defines a risk-based approach, which will allow the SFMS to implement a more flexible set of measures in order to more effectively concentrate its resources and take preventive measures that correspond to the nature of the risks in order to focus its efforts in the most effective way.

#### Activity of the AML/CFT/CPF Council

During 2022, the SFMS has organized 2 meetings (in videoconference format) of the AML/CFT/CPF Council, established by Resolution of the Cabinet of Ministers of Ukraine of 08.09.2016 No. 613, where important issues for the financial monitoring system were discussed.

First of all, in the reporting period, the activity of the Council, as an advisory body, was aimed at consideration and submission of the proposals to state authorities on:

- AML/CFT/CPF measures under martial law;
- presentation and approval of the NRA Report;
- participation of the SFMS in the international events of the global AML/CFT system;
- regulatory support for the formation of complex administrative reporting in the AML/CFT/CPF area;
- consideration of the problematic issues of conducting PF risk assessment at the national level;
- consideration of the results of the conducted analysis regarding the introduction of amendments to the Criminal and Criminal Procedure Codes of Ukraine, within the framework of the implementation of the the Action Plan on improvement of the national financial monitoring system based on the results of the MONEYVAL 5th round mutual evaluation of Ukraine;
- normative regulation of trust activities in Ukraine;
- improvement of the legislation on the creation of the Unified register of accounts of individuals and legal entities and individual bank safes, as a unified state information system;
- supervision of reporting entities using risk-based approach, etc.

#### Ensuring coordination concerning implementation of the Action Plan on improvement of the national financial monitoring system based on the results of the MONEYVAL 5th round mutual evaluation of Ukraine

During 2018-2022, the SFMS ensured the coordination of the implementation by the interested state authorities of the Action Plan on improvement of the national financial monitoring system based on the results of the MONEYVAL's 5th round mutual evaluation of Ukraine (hereinafter – the Action Plan).

According to the results of the joint work of the SFMS, concerned state and law enforcement agencies, 85% of measures to improve the financial monitoring system were implemented.

Key measures for the Action Plan implementation are:

- adoption of the updated Basic Law;
- introducing amendments to the Criminal and Criminal Procedural Codes of Ukraine related to the AML/CFT area;
- development a Handbook on money laundering identification, investigation and prosecution for law enforcement and judicial agencies, within the framework of the Program of the European Union and the Council of Europe “Partnership for Good Governance” (hereinafter - PGG);
- within the framework of the projects “Strengthening measures to counter money laundering and financing of terrorism in Ukraine” (PGG) and “EU Action against Drugs and Organised Crime (EU-ACT): Enhanced Cooperation and Capacity Building to address Drug related Organised Crime along the Heroin Route”, development of the Manual on certain aspects of financial investigations (analysis of financial relations), which is aimed at forming an understanding of the concept of financial investigation and approaches to its implementation for government officials involved in combating crimes, including those with an economic component, asset recovery and corruption;
- at the legislative level, the implementation of tools for verifying the reliability of information provided by legal entities on UBO (controllers) in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations - the Law of Ukraine “On amendments to certain laws of Ukraine on improving the regulation of ultimate beneficial ownership and ownership structure of legal entities” was adopted;
- creation of the ESBU, whose duties include ensuring and conducting financial investigations, including in the AML/CFT area;
- implementation of a complex system of administrative reporting in the AML/CFT/CPF area;
- adoption by the state financial monitoring entities and other concerned state authorities a number of by-laws, with the aim of improving the financial monitoring system.

#### The direct information exchange with the state financial monitoring entities

During 2022, the SFMS, in order to increase the efficiency of the supervision over the compliance by the reporting entities with the requirements of the AML/CFT/CPF legislation, in the framework of the signed joint orders on cooperation with the Ministry of Finance of Ukraine, the National Securities and Stock Market Commission, the Ministry of Justice of Ukraine, the Ministry of Digital Transformation of Ukraine and the National Bank of Ukraine, provided the following information to the state financial monitoring entities, in particular:

- administrative data on financial transactions subject to financial monitoring, received by the SFMS from the reporting entities;
- information on errors made by the reporting entities when submitting information about financial transactions subject to financial monitoring;
- data on the registration of the reporting entities in the SFMS;
- information on the facts detected by the SFMS that may indicate the violation of the requirements of the law by the reporting entities;
- data on the analysis of the methods and financial schemes of ML/FT/PF.

#### Interaction with the public

Under martial law, the SFMS focused on cooperation with the public, which consisted, first of all, in:

- publishing on its official website the informational messages in the area of financial monitoring and its activities;
- publishing information on the activities on its own pages in social networks Facebook, Twitter, LinkedIn, Telegram, YouTube.

Thus, in order to inform the participants of the financial monitoring system and the public, the materials of the public report of the Head of the State Financial Monitoring Service

of Ukraine for 2021 were published on the official website of the SFMS in April 2022.

In addition, the news agencies Bloomberg and The Washington Post published the article by the Head of the State Financial Monitoring Service, Ihor Cherkaskyi, "It's Time to Sanction Russia as the Terrorist State It's Become".

In the specified article, the Head of the State Financial Monitoring Service of Ukraine informed the world community in detail on the risks and threats caused by the aggression and terror of the RF against peaceful Ukraine.

At the same time, communication work was carried out with key representatives of the public sector of Ukraine regarding involvement of other formal and informal contacts for the further isolation of the RF in the anti-legalization sphere. On 14 March 2022, the public created a message on the Telegram channel "Internet Army of Ukraine" (<https://t.me/ivukr/222>).

Moreover, starting from May 2022, the SFMS on its official website and pages in social networks, had been informing the public on a weekly base about its activities results during martial law under the heading "THE SFMS: TO THE VICTORY OF UKRAINE TOGETHER!".

At the same time, in 2022, the SFMS, in compliance with Resolution of the Cabinet of Minis-

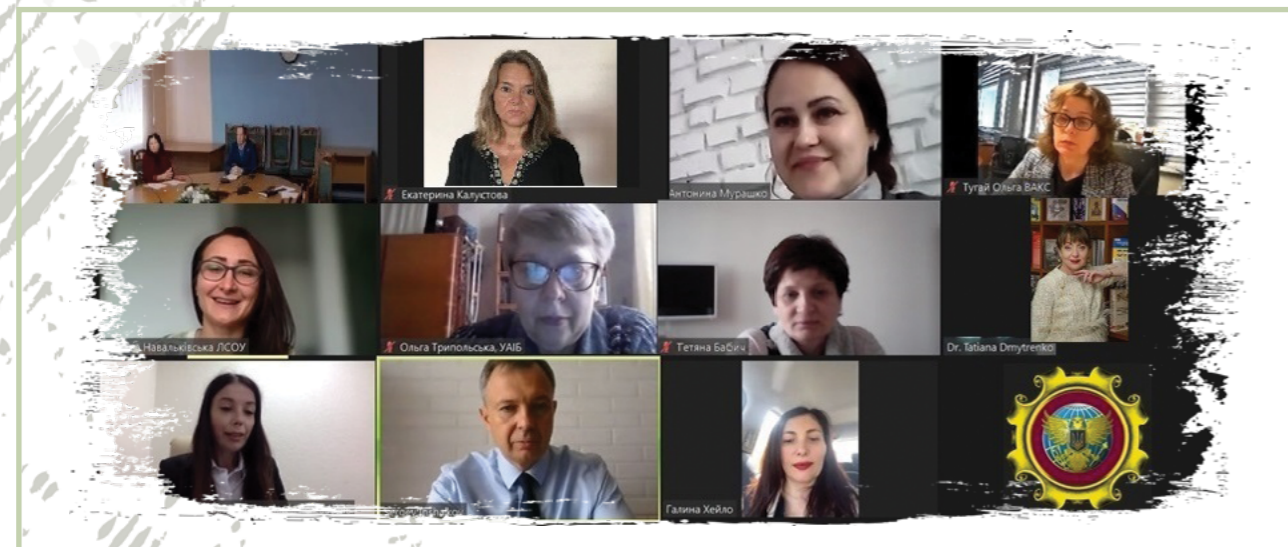
ters of Ukraine of 3 November 2010 No. 996 "On ensuring public participation in the formation and implementation of state policy", continued to support the activity of the Public Council under the SFMS.

Thus, on 27 September 2022, the third meeting of the Public Council under the SFMS took place (via video conference). During the meeting, the SFMS representatives informed the members of the Public Council on the implementation by the SFMS of the AML/CFT/CPF policy during martial law. The members of the Public Council also discussed the report concerning the work of the Public Council under the SFMS and other relevant issues (Picture 8.2).

The materials of the meeting of the Public Council under the SFMS are permanently posted on the official website of the SFMS.

In addition, the SFMS approved and implemented the Indicative Plan for public consultations for 2022, which was agreed with the Public Council under the SFMS and posted on the official website of the SFMS.

Also, as part of the SFMS interaction with the public during 2022, 6 informational materials of the SFMS were posted on the Government web portal.



Picture 8.2. Participants of the Public Council meeting

### Commemoration of the 20th anniversary of the SFMS establishment

As part of the activities dedicated to the 20th anniversary of the SFMS establishment, in January 2022, before the beginning of the Russian war against Ukraine, a solemn meeting was held within the premises of the SFMS, where the staff of the SFMS was greeted by the Member of the Parliament of Ukraine – Chair of the Subcommittee on Functioning of Payment and Information Systems and Prevention of Legalization (Laundering) of Proceeds from Crime of the Verkhovna Rada Committee on Finance, Tax and Customs Policy, Olga Vasylevs-

ka-Smagliuk, the leadership of the Ministry of Finance of Ukraine, the representatives of the EU Anti-Corruption Initiative in Ukraine (EU-ACI), the Council of Europe PGG project, state authorities, JSC "Ukrposhta" and the public.

During the meeting, there was a solemn ceremony of special postal cancellation for the 20th anniversary of the State Financial Monitoring Service of Ukraine, presentation of the commemorative medal "The State Financial Monitoring Service of Ukraine" and presentation of the Collection of materials "Financial Intelligence of Ukraine. 20 years of development and achievements".

## 8.2. Interaction with the reporting entities

In 2022, the SFMS had been conducting an ongoing analysis of the effectiveness of the reporting entities' AML/CFT/CPF activities under martial law.

Thus, at the beginning of 2022, as part of the implementation of the E-cabinet of the financial monitoring system, the SFMS specialists, with the assistance of the EU Anti-corruption Initiative in Ukraine, Phase II (EUACI), developed for the reporting entities a training video course on the use of the E-cabinet (Picture 8.3). This video course consists of seven step-by-step

video instructions, which are posted on the SFMS website on YouTube.

In May 2022, updated Recommendations on the implementation of legal requirements in the field of financial monitoring for the wartime period were prepared and brought to the attention of the reporting entities, in particular in terms of identifying suspicious financial transactions related to the aggressor country, as well risk indicators of transactions and clients from the RF and the RB were sent for use in work.



Picture 8.3. Training video course

At the same time, in October 2022, the SFMS posted an explanation on the official website regarding the submission of information on discrepancies in information on ultimate beneficial owners and information on refusal to establish (maintain) business relations.

In addition, in November 2022, information was brought to the attention of the reporting entities on updating of the recommendations regarding submission of information on finan-

cial transactions after the entry into force of the Law of Ukraine No. 2736-IX "On amendments to certain laws of Ukraine regarding the protection of the financial system of Ukraine from the actions of the state carrying out armed aggression against Ukraine, and alignment of Ukrainian legislation with certain standards of the Financial Action Task Force (FATF) and the requirements of the EU Directive 2018/843".

### 8.3. Methodical support, training of the reporting entities

Despite the difficulties associated with the introduction of martial law on the territory of Ukraine, the SFMS did not abandon its methodological work.

Thus, with the assistance of the OSCE Project Coordinator in Ukraine, the publication "Overview of Legislation on the Regulation of Virtual Assets" was prepared (Picture 8.4).

The publication reviews the legislation on the comprehensive regulation of the sphere of virtual assets turnover, including the AML/CFT/CPF of twenty-four countries of the world.

At the same time, during 2022, the SFMS representatives took part in 17 educational events organized by the SESI "Academy of Financial Management", the Institute of Law and Postgraduate Education of the Ministry of Justice, and the Institute of Professional Level Improvement "Radnyk".

More than 334 people – representatives of the reporting entities and the scientific community – took part in these events.

In addition, during 2022, the SFMS representatives took part in 57 educational activities organized by the Academy of Financial Monitoring, where 1 894 students took part.

In total, during 2022, the SFMS representa-

tives took part in 74 educational events held for 2 228 people.



Picture 8.4. The title page of the publication

### 8.4. National Risk Assessment

In 2022, the next (third) National AML/CFT/CPF Risk Assessment was completed under the coordination of the SFMS (Picture 8.5).

The NRA was conducted in accordance with the Methodology updated by the SFMS in 2021, taking into account the existing changes in the

FATF Recommendations, which include the obligation of the countries to assess PF risks and virtual assets risks, the guidelines of international organizations on the assessment of ML/FT/PF risks, analysis of the world experience in NRA, and in accordance with the procedure established by law and agreed with the Ministry of Finance and approved by the AML/CFT/CPF Council (hereinafter – the Council).

The following authorities took part in the conduction of the NRA: the state financial monitoring entities, law enforcement and intelligence agencies, judicial authorities, other state authorities involved in the anti-legalization sphere of financial monitoring, as well as representatives of the private and public sector.

The NRA Report was agreed by the Ministry of Finance and approved at the fourteenth meeting of the Council on December 29, 2022.

Within the framework of the NRA:

- sectoral risk assessments of use of the reporting entities for the purpose of ML/FT/PF were carried out;
- risk assessment of use of NPOs for ML/FT purposes was carried out;
- analysis of organizational and legal forms of legal entities was conducted;
- the risks of using virtual assets and virtual asset service providers for the purpose of ML/FT was assessed;
- the risks of PF in Ukraine were assessed at the national level for the first time.

The NRA results determined the areas vulnerable to ML/FT/PF where the participants of the national anti-money laundering system of financial monitoring should pay special attention in order to minimize the identified risks.

Thus, according to the third NRA results, 26 risks of the AML/CTF/CPF system were identified, in particular 8 of them were assigned the value of the "high" level.



Picture 8.5. The title page of the NRA Report

In addition, the NRA results are the basis for formation and adjustment of AML/CFT/CPF policies and priorities, application of an approach based on risk assessment, and effective allocation of resources in the specified area.

Currently, the SFMS is summarizing the proposals of the participants of the national risk assessment regarding the implementation of measures aimed at preventing the occurrence and/or reducing negative consequences of the identified risks.

Taking into account the decision of the Council to postpone the publication of the Report on the SFMS official website (within a month after the lifting of martial law), the NRA Report was sent to the participants of the national anti-legalization system of financial monitoring for use in their work.

## 8.5. Complex administrative reporting

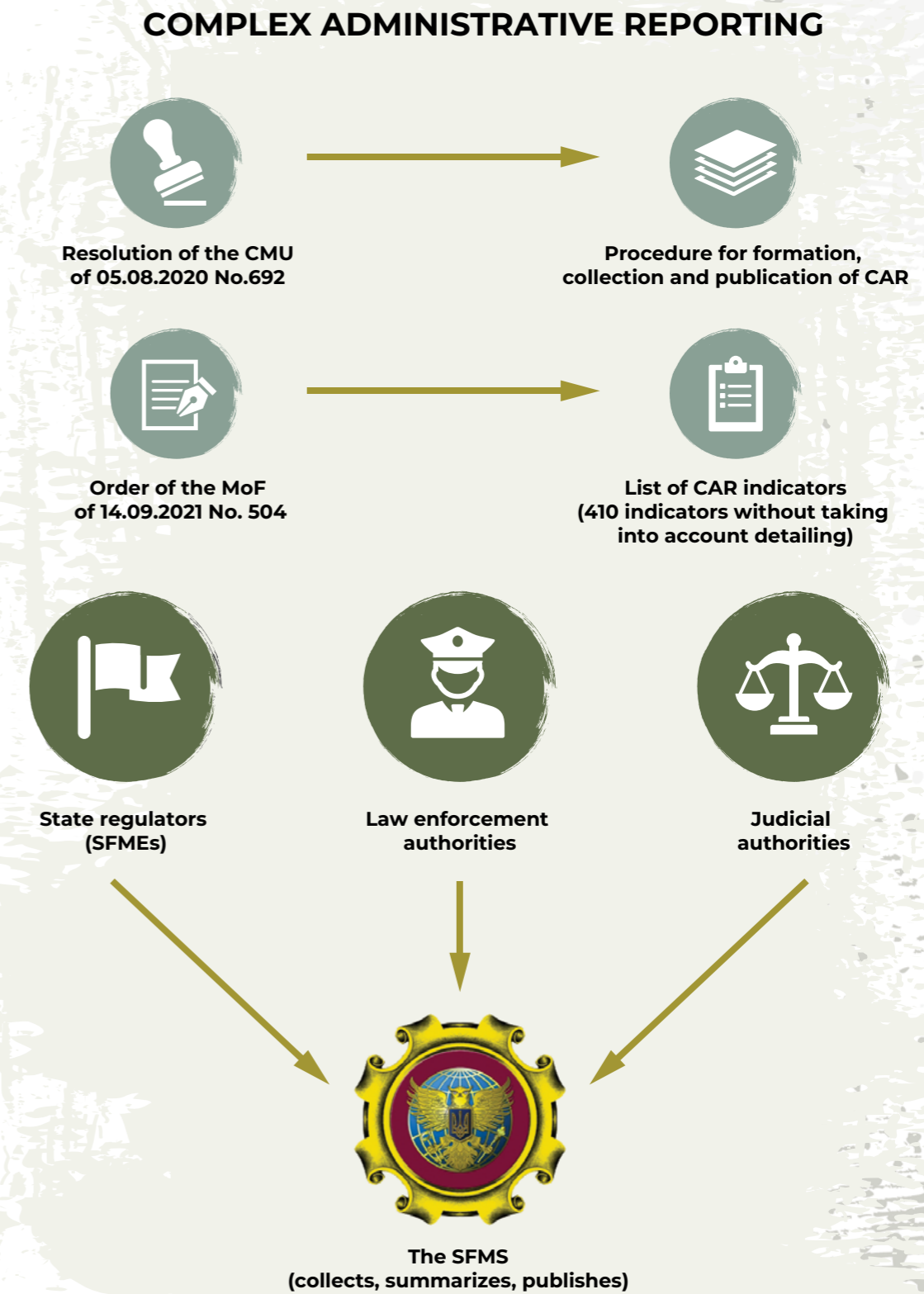
In 2022, the SFMS ensured collection, summarizing and publication on the SFMS official website of AML/CFT/CPF complex administrative reporting for 2021 (operational information).

Also, the SFMS had been carrying out coordination measures regarding implementation of complex administrative reporting, in particular, processed draft regulations of the participants of complex administrative reporting on the issues of determining the mechanism of data collection, taking into account the List of indicators of complex administrative reporting, approved by Order of the Ministry of Finance of

September 14, 2021 No. 504.

In addition, the SFMS developed and approved the form of administrative reporting "Report on the SFMS AML/CFT/CPF main activity indicators", according to which collection of quantitative information on the results of the SFMS AML/CFT/CPF activity was implemented.

Currently, the SFMS collected and summarized administrative reporting of the state financial monitoring entities, law enforcement and judicial authorities for 2022 which is posted on the official website.



Picture 8.6. Scheme of formation of complex administrative reporting

# 9. ACTIVITIES OF THE ACADEMY OF FINANCIAL MONITORING



The Academy of Financial Monitoring, in accordance with its main tasks, conducts retraining and advanced training of financial monitoring specialists in the field of AML/CFT/CPF, provides a unified approach to retraining and advanced training of specialists of the state financial monitoring entities, law enforcement and judicial authorities, representatives of the reporting entities, responsible for its implementation, as well as representatives of foreign states and international organizations.

Throughout 2022, the Academy ensured a continuous educational process under martial law and quarantine. During the specified year, a number of activities, dedicated to the topical issues of the national AML/CFT/CPF system functioning under martial law were held.

During the training at the Academy, con-

siderable attention was paid to the coverage of issues related to work with registers under martial law, tracking financial transactions with cryptocurrencies, identifying risks, in particular, conduction financial transactions related to the aggressor state, etc.

At the advanced training classes, as well as during thematic seminars, the students of each group had the opportunity to communicate, discuss practical situations and problematic issues with the SFMS employees, as well as representatives of the state financial monitoring entities, which are state regulators for certain categories of the reporting entities.

Among the teachers of the Academy there are representatives of the SFMS as a specially authorized body, state regulators in the field of AML/CFT/CPF – the National Bank of Ukraine, the Ministry of Finance, the NSSMC, as well as representatives of partner institutions of higher education, representatives of the reporting entities – practitioners, representatives of the expert community.

During its activity, the Academy has provided advanced training to 21 421 specialists in financial monitoring.

In 2022, 1 670 students were trained at the Academy of Financial Monitoring:

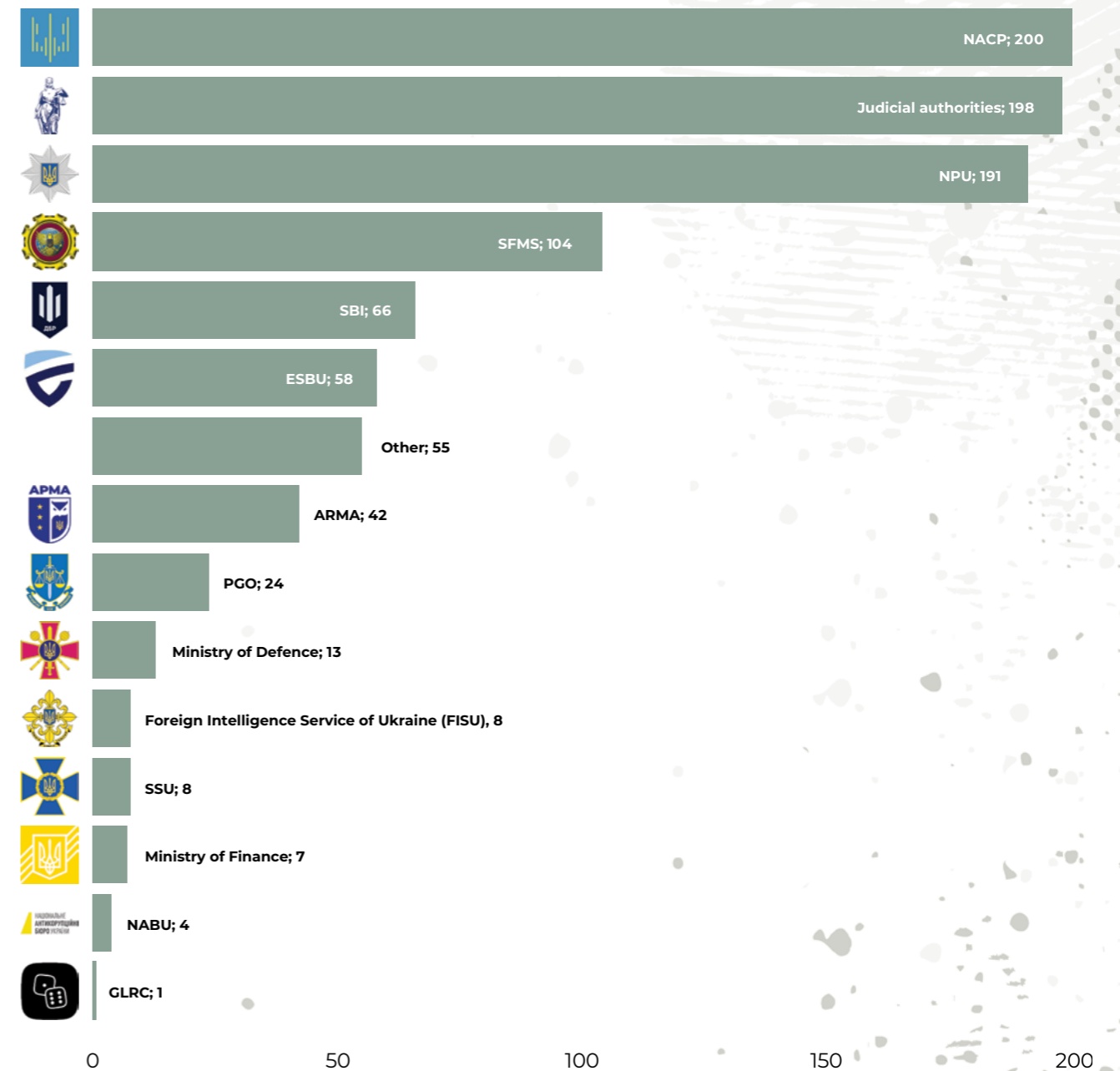
- 979 specialists – representatives of law enforcement, intelligence, judicial and other state authorities (Picture 9.1)
- 691 specialists – the reporting entities' compliance officers (Picture 9.2).



НАЦІОНАЛЬНИЙ  
БАНК УКРАЇНИ



МІНІСТЕРСТВО  
ФІНАНСІВ  
УКРАЇНИ



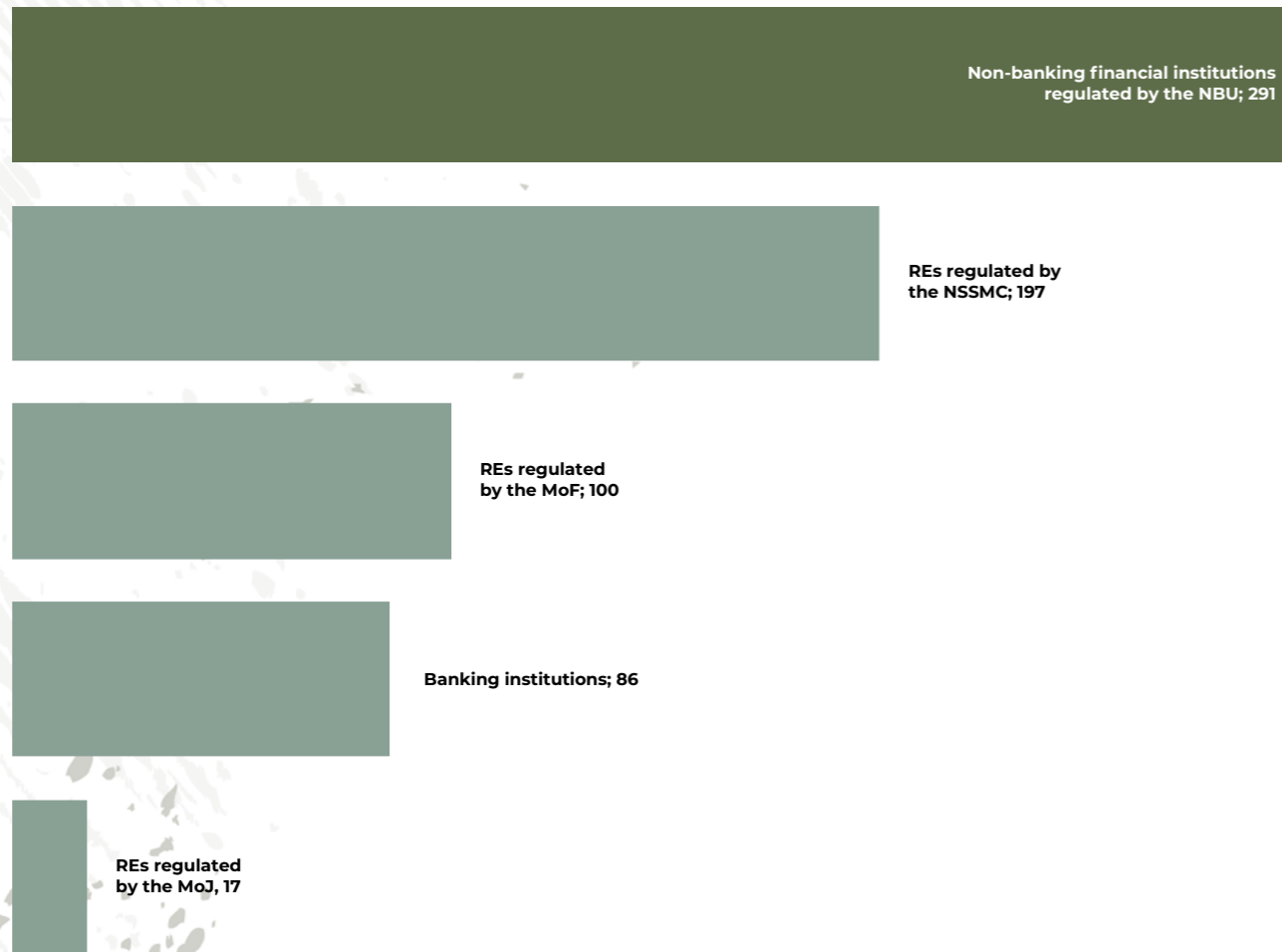
Picture 9.1. Number of state authorities' representatives trained in 2022

In 2022, the Academy held thematic seminars where 209 representatives of the reporting entities took part. The main topics of the seminars were:

- Implementation of financial monitoring in modern conditions: how to work with registers in wartime conditions and work with cryptocurrencies;

- Financial monitoring in today's conditions. Risks of conducting financial transactions related to a terrorist state;
- Notary as a reporting entity.

The dynamics of training indicators at the Academy are shown in Picture 9.3.

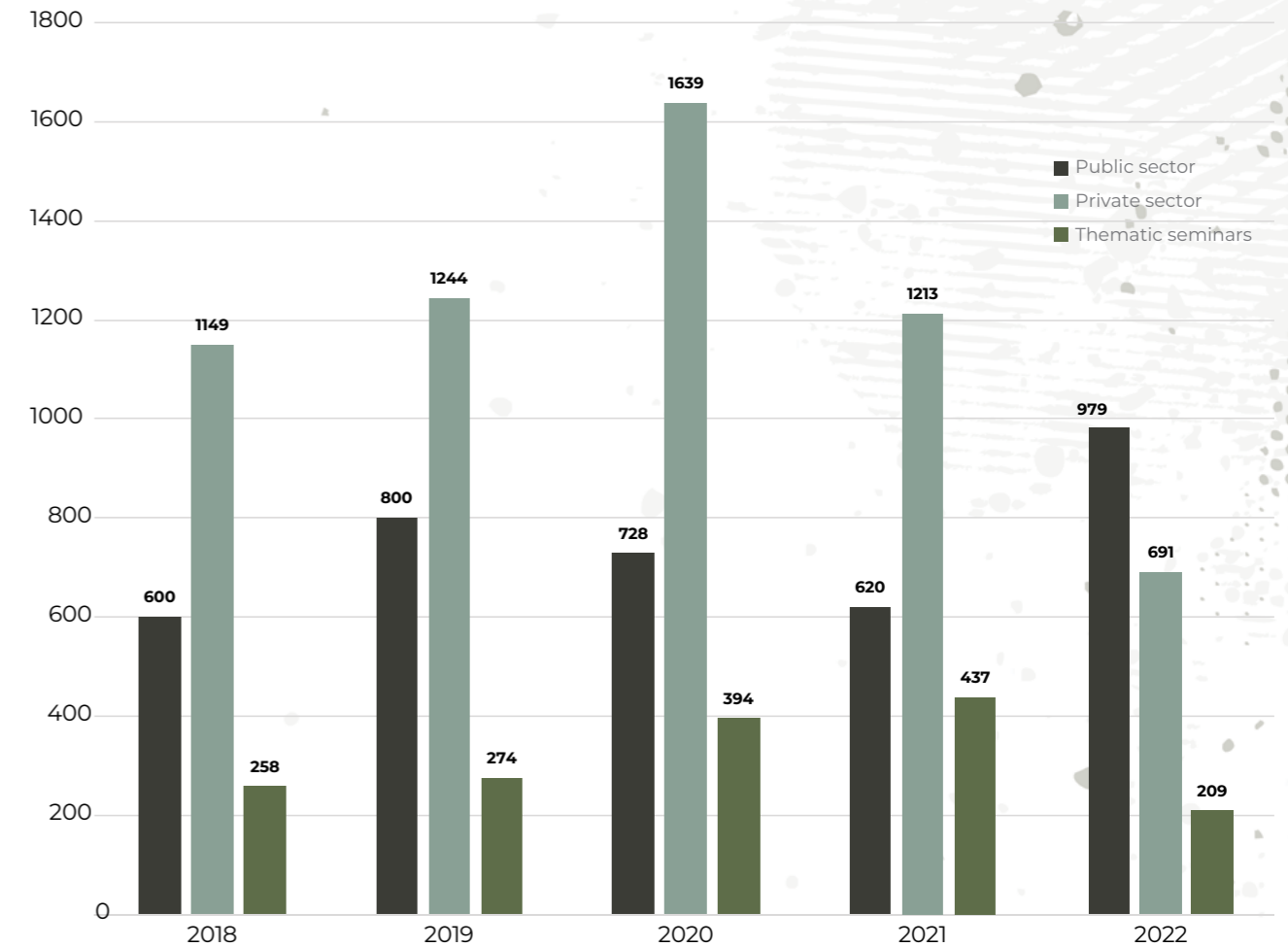


**Picture 9.2.** Number of the reporting entities' compliance officers trained in 2022

Due to the Academy's close cooperation with the SFMS, the partner organizations' representatives from the private sector, the expert and scientific community, participation of the Academy's representatives in various AML/CFT/CPF national and international events, as well as constant feedback from the students, the opportunities have been created for studying topical issues and challenges of the AML/CFT/CPF system, which allows implementation of educational products that are in demand from a

practical point of view.

The priorities of the Academy's development are the creation of an up-to-date educational product that meets the demands of the reporting entities and the challenges they face in their practical activities, in particular, by conducting thematic events in the format of webinars, as well as ensuring a reliable and continuous educational process in today's unstable conditions.



**Picture 9.3.** Dynamic of trainings at the Academy for 2018-2022



# 10. INTERNATIONAL COOPERATION

## 10.1. Work with international organizations

One of the important components of the SFMS activities is the establishment of cooperation with international institutions and foreign partners, who are responsible for the organization of effective counteraction to ML/FT/PF.

During 2022, the SFMS actively cooperated with leading international organizations and institutions involved in AML/CFT/CPF issues, such as: the Financial Action Task Force (FATF), the Egmont Group of Financial Intelligence Units, the Council of Europe (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)), the European Union, the United Nations (UN), the Organization for Security and Co-operation in Europe (OSCE), and other international organizations, in particular regarding the application of sanctions to the RF and the RB for started full-scale, unprovoked, bloody war against peaceful Ukraine.

In 2022, the SFMS representatives presented the AML/CFT/CPF experience of Ukraine, improved cooperation and gained experience during international workshops held with the assistance of leading international organi-

zations, as well as acquired new knowledge during participation in training activities organized in the framework of provision of international technical assistance to the SFMS.

Moreover, the SFMS, in accordance with its tasks, concludes international interagency agreements (Memoranda of Understanding) with foreign financial intelligence units. During 2003-2022, the SFMS signed 81 Memoranda.

In 2022, a Memorandum of Understanding was signed with the FIU of Luxembourg, also there were negotiations on signing Memoranda with the FIUs of Turkmenistan, the Republic of Azerbaijan, the Republic of Guatemala, the Kingdom of Sweden, the Republic of El Salvador.

In addition, the SFMS conducted a procedure for termination of international interagency agreements concluded with the Federal Service for Financial Monitoring of the RF and the Financial Monitoring Department of the State Control Committee of the RB, as a result of which the said agreements had been officially terminated.

### 10.1.1. Cooperation with the Financial Action Task Force (FATF)

During the reporting period, there was a constant exchange of information between the FATF and the SFMS regarding the situation in Ukraine related to the full-scale invasion of the RF, namely, the SFMS sent 11 letters to the FATF regarding the exclusion of the RF from the FATF and the inclusion of the RF and the RB to the FATF sanctions list.

In addition, the SFMS representative took part in the ICRG meetings and the FATF Plenary meetings, which were held in Berlin, the Federal Republic of Germany (June 6-7 and 12-17, in

a hybrid format) and Paris, the French Republic (October 18-21, 2022).

Based on the results of participation in the FATF Plenary meetings, as well as taking into account the official appeals of the SFMS, the FATF published on its official website 3 Public Statements on the RF, as well as a separate public position regarding the armed aggression of the RF against Ukraine, set out in the Declaration of the Ministers of the FATF.



**Picture 10.1.** The SFMS representative is participating in one of the FATF Plenary meetings virtually

As a result, the FATF:

- expressed its deepest sympathies for the needless loss of life, suffering and destruction caused by the ongoing Russian invasion of Ukraine.

- stated that RF's actions run counter to the FATF core principles aiming to promote security, safety, and the integrity of the global financial system;
- called on all jurisdictions to be alert to possible emerging risks from the circumvention of measures taken in order to protect the international financial system;
- imposed severe sanctions on the RF, which significantly limited its rights as a FATF member. And it also noted that it will monitor the situation in order to properly respond to emerging events.

Given that, according to the FATF Mandate, all decisions are made by consensus (and not by majority vote of members), the issue of including the RF in the FATF sanctions list continues to be discussed among member states and observers within the framework of the subsequent FATF events.

### 10.1.2. Cooperation with the Egmont Group of Financial Intelligence Units (EG)

According to the results of the SFMS international cooperation, the Chair of the EG recognized the contribution of the FIU of Ukraine to the activities of the EG, for which the SFMS received the relevant award in 2022.

During the reporting period, the SFMS sent 8 letters to the EG regarding the exclusion of the RF and the RB from the EG.

On January 28-31, 2022, as well as on February 1-4, 2022, the SFMS representatives participated in a closed meeting of the HoFIUs and the EG Committee regarding the IT renewal project, the EG IT specialists meeting, and the EG Working Groups meetings.

On July 10-15, 2022, the SFMS representatives took part in the 28th EG Plenary meeting, which was held in Riga (Republic of Latvia) (Picture 10.2).

During the mentioned meeting, in the context of the discussion of new mechanisms to increase the effectiveness of the FIU in a risk-ori-

ented environment, the SFMS representatives participated in three sessions on multilateral information exchange (attention was paid to multilateral information exchange mechanisms, in particular, complex ML/FT schemes involving several jurisdictions); the methods to establish effective priorities in domestic and international cooperation (attention was paid to the issue of managing the effectiveness of the FIU and prioritizing activities of the FIU related to domestic and international cooperation); the ways to strengthen the role of the FIU in the national AML/CFT system (the ways the FIUs can strengthen their role as leading institutions of the AML/CFT system were studied).

In addition, during the 28th Plenary meeting, the SFMS representatives, with the support of ECOFEL, initiated a Working Group on Virtual Assets aimed to improve the capacity of the SFMS and other FIUs to analyze and investigate crimes using virtual assets with the participa-



Picture 10.2. The EG Plenary meeting

tion of individuals and legal entities from the RF, as well as their collaborators and persons related to them.

During the operational training session, the SFMS representative together with the representatives of the FATF and the FIU of Belgium presented key results and practical solutions regarding global and national asset recovery measures. It is worth noting that the FIU of Ukraine acted as one of the leaders of the EG project "Asset Recovery – The Role of FIUs", together with the FIU of Belgium. The presentation emphasized the importance of coordination and cooperation for effective asset recovery in order to prevent and counteract to criminal activity. Currently, this issue is particularly important in the context of the fight against the Russian terrorist war against Ukraine.

Among other things, the SFMS representatives held a number of working meetings with the representatives of partner FIUs, at which they discussed the issue of improving the exchange of information, international cooperation, including the exclusion of the FIU of the RF from the EG and the implementation of other steps aimed at limiting the participation of the RF in international organizations and preserving the integrity of the global financial system.

During all meetings and speeches, the SFMS representatives took steps aimed at restricting/excluding the FIU of the RF from the number of international organizations whose mandate is the AML/CFT/CPF. Also, whenever possible, truthful information was spread about the unprovoked terrorist war of the RF against peaceful Ukraine.

In addition, the SFMS representatives took part in the EG Working Groups meetings and the EUROPE II virtual meeting.

On September 6-7, 2022, the SFMS representatives partic-

ipated in the International Webinar on Virtual Assets Supervision and Investigation, organized by TATWG together with MENAFATF.

On September 28, 2022, the SFMS representatives took part in the ECOFEL online workshop: Cooperation and Information Sharing between Financial Intelligence Units, Law Enforcement Agencies and Prosecutors.

On October 12-13, 2022, the SFMS representatives took part in the international hybrid conference in Budapest (Hungary), dedicated to cooperation between national customs authorities and the FIU, organized by the AML/CFT Program of the World Customs Organization, EG and the FIU of Hungary.

On December 13, 2022, the SFMS representatives took part in a HoFIU out-of-session meeting regarding the discussion of the Recommended Course of Action to protect the interests and objectives of the Egmont Group, in response to the invasion of Ukraine by the Russian Federation and making decision on the recommended actions.

On December 15, 2022, following the results of the meeting, the EG Chair issued a Statement in which she expressed deep concern about the devastating effects of the current Russian military aggression against Ukraine and the negative impact on the State Financial Monitoring Service of Ukraine (FIU of Ukraine). Based on the prerogative to protect the EG's

interests, purposes, and goals, as set in the EG Charter and EG Principles for Information Exchange Between Financial Intelligence Units, a

significant limitation of the rights of the FIU of the RF as a member of the EG was agreed.

### 10.1.3. Cooperation with the Council of Europe

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

During the reporting period, the SFMS conducted active communication with the MONEYVAL regarding the FATF's application of sanctions to the RF.

Thus, through the Chair of MONEYVAL, official letters were sent regarding the strict and adequate response of the FATF to the RF's war against Ukraine by including the RF to the FATF sanctions list and excluding it from the membership of this respected organization.

In addition, the SFMS representatives took part in the meeting of the Working group on Evaluations and the 63rd Plenary meeting of MONEYVAL, which were held in Strasbourg, French Republic (May 16-20, in a hybrid format).

During the meetings, the SFMS representatives took part in the review and approval of:

- *strategic vision for the Global Network;*
- *follow-up reports of Hungary, Slovenia, the Republic of Moldova, the Isle of Man, Bulgaria, Liechtenstein, Albania (Ukraine was a rapporteur country participating in the evaluation of Albania's progress) within the MONEYVAL 5th round mutual evaluation;*
- *application of the Islamic Development Bank for observer status;*
- *MONEYVAL typologies state of development etc.*

The mentioned Plenary meeting was the first meeting after the exclusion of the RF from the Council of Europe and the MONEYVAL and, accordingly, was held without the participation of the RF.

At the specified Plenary meeting, it was planned to consider the issue of measures tak-

en by our state to comply with the Procedures related to the implementation of voluntary tax compliance programme, but the issue was postponed due to the introduction of martial law in Ukraine.

Also, during the reporting period, the SFMS, upon the request of the MONEYVAL Secretariat, sent information on:

- *materiality of the MONEYVAL countries and jurisdictions assessment;*
- *risk situation and international co-operation with Romania, North Macedonia, Azerbaijan and Montenegro.*

During December 5-9, 2022, the SFMS representative took part the meeting of the Working group on Evaluations and the 64th MONEYVAL Plenary meeting.

During the meeting, the draft reports of Estonia and Monaco within the MONEYVAL 5th round mutual evaluation were discussed.

Moreover, at , the Plenary meeting there were considered:

- *MONEYVAL Strategy for 2023-2027;*
- *new templates for follow-up reporting;*
- *Follow-up modalities for Andorra;*
- *MONEYVAL typologies;*
- *Follow-up reports of Georgia, Cyprus, the Czech Republic, Slovakia and the Isle of Man;*
- *reports within the MONEYVAL 5th round mutual evaluation of Estonia and Monaco.*

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

On November 15-16, 2022, the SFMS representative took part in the 14th Plenary meeting of the Conference of the Parties to CETS No. 198 via video conference.

Also, on November 17, 2022, the SFMS representative took part virtually in a Joint session with the Council of Europe's Committee of Experts on the Operation of European Conventions on Co-operation in Criminal Matters (PC-OC), at which the issues of the development of the Council of Europe's instruments in the areas of criminal asset recovery, management and sharing of confiscated assets, as well as non-conviction based confiscation were discussed and considered.

In addition, within the framework of cooperation with the Council of Europe, the SFMS

representatives took part in the presentation of the legal opinion on the draft Law 6131-2 and the thematic round table on the discussion of the legal conclusion on the draft Law of Ukraine "On amendments to certain Laws of Ukraine on improving mechanisms for validating information on ultimate beneficial owners and ownership structure".

On September 20-22, 2022, the SFMS representatives took part in the webinar: "Comparative solutions and good practices for FIU strategic and operational analysis".

On December 20-21, 2022, the SFMS representative took part in online Regional workshop on "Anti-Corruption, Anti-Money Laundering and Countering terrorism Financing".

## 10.1.4. Cooperation with the European Union

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

In the reporting period, with the assistance of the project, the following was ensured:

- *conducting a working meeting with auditors on project evaluation;*
- *conducting training courses: "Basics of cyber security: principles, frameworks, architectures, practices and tools", "Excel bas", "Excel adv", "VM-VSFT7 (VMware vSphere: Fast Track [V7])";*
- *printing of the Collection of the materials "Financial intelligence of Ukraine". 20 years of development and achievements" prepared by the SFMS;*
- *translation and layout of the Typological study of the SFMS for 2021;*
- *obtaining computer equipment to implement the powers of the SFMS;*
- *implementation of the "e-cabinet" application for participants of the financial monitor-*

*ing system;*

- *assistance in financing business trips.*

### **EU AML/CFT Global Facility**

On July 7, 2022, the SFMS representatives participated in the webinar on the topic of "BO Registers, Targeted Financial Sanctions and Asset Tracing. The road to global asset registries".

On November 15, 2022, the SFMS representatives participated in a webinar on "Beneficial Ownership and Complex Ownership Structures".

### **Association Council between Ukraine and the EU**

During the reporting period, the SFMS, within its competence, provided information on the implementation of the Action Plan for the preparation of the Ukrainian delegation to participate in the 8th meeting of the Association Council between Ukraine and the EU.

## 10.1.5. Cooperation with the United Nations

### **United Nations Office on Drugs and Crime (UNODC)**

On December 13, 2022, the SFMS held a meeting with the UNODC representatives, to which participants of the financial monitoring system of Ukraine were invited. During an active and long discussion, a constructive exchange of views took place between the participants of the AML/CFT system and the UNODC representatives in order to discuss the current state of affairs in the activities of the relevant state authorities, as well as their needs, which

will allow them to perform their tasks more effectively and productively.

### **UN Program Office in the Republic of Kazakhstan**

On June 21-23, 2022, the SFMS representative, took part online as a speaker in an international forum on "Conducting financial investigations and cooperation of competent authorities to combat money laundering", which was held in Almaty, Kazakhstan.

## 10.1.6. Cooperation with the Organization for Security and Cooperation in Europe (OSCE)/OSCE Project Co-ordinator in Ukraine

As part of the implementation of the international technical assistance of the OSCE Project Co-ordinator in Ukraine: "Strengthening financial monitoring system preparedness to fight money laundering and financing of terrorism threats", the SFMS prepared a publication on the topic: "Review of legislation on the regulation of virtual assets".

During October 20-21, November 10-11 and December 5-7, 2022, with the assistance of the OSCE and the UNODC, the SFMS represen-

tatives together with representatives of other state authorities of Ukraine took part in the events organized in the framework of the Extra-budgetary project "Innovative policy solutions to mitigate money laundering risks of virtual assets" which were held in Vienna, Austria. The main purpose of the events was the presentation of the above-mentioned project, as well as the discussion of the current state of the problem of money laundering through virtual assets.

## 10.1.7. Cooperation with the Organization for Democracy and Economic Development (GUAM)

In the reporting period, the SFMS representatives took part in the 24th meeting of the

Working Group on coordination of combating corruption.

## 10.2. Exchange of information with foreign financial intelligence units

The SFMS provides interaction and information exchange with the AML/CFT/CPF compe-

tent authorities of foreign countries and international organizations.

In 2022, the SFMS ensured interaction and information exchange with the competent authorities of foreign countries and international organizations. The SFMS cooperated with 147 FIUs.

During 2022, the SFMS sent 1 242 requests to 147 foreign FIUs and received 965 responses to the requests from 104 foreign FIUs.

Also, the SFMS received 245 requests from 46 foreign FIUs and provided 395 responses to foreign 67 FIUs (Picture 10.4).

In 2022, the SFMS most actively exchanged information, in terms of sending requests, with:

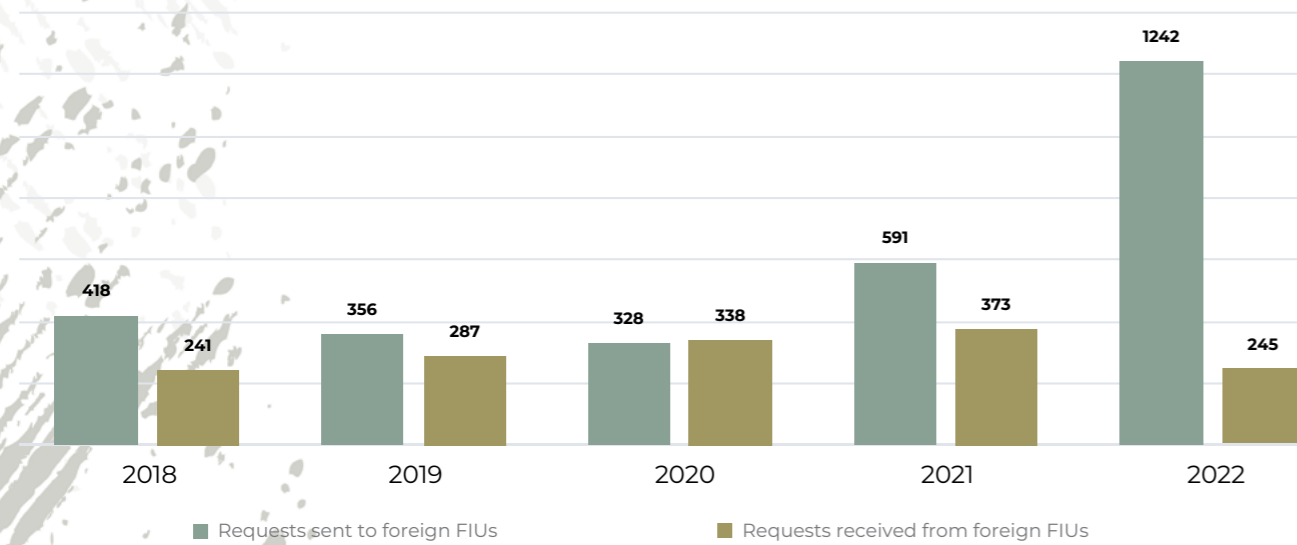
- FIU of Cyprus (59 requests sent);
- Swiss FIU (54 requests sent);
- FIU of the United States of America (46 re-

quests sent).

- FIU of Poland (43 requests sent);
- FIU of the United Arab Emirates (38 requests sent);
- FIU of the United Kingdom (37 requests sent).

Also, in 2022, the largest number of requests was received by the SFMS from:













- FIU of Poland (36 requests received);
- FIU of Latvia (32 requests received);
- FIU of Slovakia (22 requests received);
- FIU of the Czech Republic (17 requests received);
- FIU of Lithuania (11 requests received);
- FIU of the United States of America (9 requests received);
- FIU of Liechtenstein (8 requests received).










Picture 10.3. Statistics of the requests sent and received

# 11. STRATEGIC DIRECTIONS OF THE SFMS WORK IN 2023

Strategic goal 1	Strategic goal 2	Strategic goal 3
 <ul style="list-style-type: none"> <li>Analysis of financial transactions, cooperation, interaction and information exchange with law enforcement, intelligence and other state authorities</li> </ul>	 <ul style="list-style-type: none"> <li>Ensuring the implementation of organizational and practical measures of an international nature in cooperation with concerned state institutions</li> </ul>	 <ul style="list-style-type: none"> <li>Improvement of interagency cooperation between state authorities - participants of the national AML/CFT system and provision of methodological, methodical and other assistance to the reporting entities</li> </ul>
Ways of implementation:	Ways of implementation:	Ways of implementation:
 <ul style="list-style-type: none"> <li>Establishing channels of financing of persons who may be associated with financing of terrorism or financing of proliferation of weapons of mass destruction, with collaborative activities, assistance to an aggressor state, mercenary or treason</li> </ul>	 <ul style="list-style-type: none"> <li>Implementation of measures to exclude the RF from the FATF and include the RF in the "black list" of the FATF</li> </ul>	 <ul style="list-style-type: none"> <li>Conducting regular meetings of the AML/CFT/CPF Council (the CMU Resolution of 08.09.2016 No. 613)</li> </ul>
 <ul style="list-style-type: none"> <li>Detection of criminal proceeds and attempts to legalize them under martial law, revealing schemes of misuse of budget funds intended for the restoration of destroyed infrastructure, as well as humanitarian or free aid and charitable donations</li> </ul>	 <ul style="list-style-type: none"> <li>Implementation of measures to disconnect the FIU of the RF from the Egmont Secure Website and exclude the RF from the EG membership</li> </ul>	 <ul style="list-style-type: none"> <li>Coordination of state authorities during the execution of the Action Plan for the implementation of the Main directions of the development of the prevention and counteraction to legalization (laundering) of the proceeds of crime, terrorist financing and financing of proliferation of weapons of mass destruction system</li> </ul>
 <ul style="list-style-type: none"> <li>Participation in the work of joint (interagency) working groups in the area of combating war crimes, as well as other criminal offenses</li> </ul>	 <ul style="list-style-type: none"> <li>Ensuring cooperation and participation in the international events of the MONEYVAL, in particular Plenary meetings, training events and joint MONEYVAL typological studies</li> </ul>	 <ul style="list-style-type: none"> <li>Organization and conducting of meetings of working groups for consideration of problematic issues of the reporting entities and analysis of the effectiveness of measures taken by them for AML/CFT/CPF</li> </ul>

Ways of implementation:	Ways of implementation:	Ways of implementation:
 <ul style="list-style-type: none"> <li>Deepening of cooperation with the EG</li> </ul>	 <ul style="list-style-type: none"> <li>Participation in the activities of the Conference of the Parties to the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism CETS No. 198</li> </ul>	 <ul style="list-style-type: none"> <li>Summarizing and publishing AML/CFT/CPF complex administrative reporting on the SFMS official website</li> </ul>
 <ul style="list-style-type: none"> <li>Carrying out a study of methods and financial schemes of ML/FT/PF, and bringing them to the attention of the AML/CFT/CPF system participants</li> </ul>	 <ul style="list-style-type: none"> <li>Taking, within the competence, measures to implement the EU Commission recommendations specified in the Conclusion of the EU Commission on Ukraine's application for membership of the European Union in terms of ensuring compliance of national legislation with international standards in the field of AML/CFT/CPF</li> </ul>	 <ul style="list-style-type: none"> <li>Bringing to the attention of the reporting entities the methodological recommendations regarding the implementation of the requirements of the legislation in the field of financial monitoring during martial law, in particular in terms of identifying suspicious financial transactions related to the RF and the RB</li> </ul>
 <ul style="list-style-type: none"> <li>Formation of changes to the list of persons related to terrorist activity or persons to whom international sanctions were applied, ensuring its updating and bringing it to the attention of the reporting entities</li> </ul>	 <ul style="list-style-type: none"> <li>Activation of cooperation with international organizations, donor countries, implementation of measures to involve technical and expert assistance</li> </ul>	
 <ul style="list-style-type: none"> <li>Transfer of case referrals (additional case referrals) to law enforcement (intelligence) authorities</li> </ul>	 <ul style="list-style-type: none"> <li>Conclusion of international interagency agreements (Memoranda of Understanding) with foreign FIUs</li> </ul>	
 <ul style="list-style-type: none"> <li>Cooperation with state regulators and ensuring, in cooperation with the NBU, supervisory and law enforcement authorities, the implementation of a set of measures aimed at preventing the participation of financial organizations in the implementation of illegal financial transactions</li> </ul>	 <ul style="list-style-type: none"> <li>Preparation of proposals on the application of influence measures to the relevant states (authorized authorities of these states) in case of violation by the latter of the principles (rules, statutes, guidelines, etc.) of international organizations of which they are members (in the conditions of Russia's war against Ukraine)</li> </ul>	

Strategic goal 4	Strategic goal 5
 <p>✓ Operative development of draft laws and other regulations related to the functioning of the financial monitoring system and its entities</p>	 <p>✓ Ensuring the functioning and development of FMIS</p>
Ways of implementation:	Ways of implementation:
 <p>✓ Participation in ensuring the implementation of the provisions of new AML/CFT/CPF international standards</p>	 <p>✓ Ensuring stable operation of FMIS</p>
 <p>✓ Participation in the development of draft regulations, as well as in the improvement and clarification of certain norms of the AML/CFT/CPF legislation</p>	 <p>✓ Ensuring information protection, cyber security and cyber protection of FMIS</p>
	 <p>✓ Ensuring the development of a secure information and communication system of "e-cabinets of FMS" for the digital transformation of information exchange between the entities of the financial monitoring system</p>

## Annex A

### The List of the developed by the SFMS regulations adopted in 2022

1. Resolution of the Cabinet of Ministers of Ukraine of April 29, 2022 No. 498 "On Amendments to the Addendum to the Resolution of the Cabinet of Ministers of Ukraine of September 8, 2016 No. 613".
2. Order of the Ministry of Finance of Ukraine of January 14, 2022 No. 12 "On Amendments to the Addendum to the Terms and Conditions, Differentiated Indicators and Amounts of Bonuses of the Chief of the State Enterprise "Operational and Property Management", which belongs to the sphere of management of the State Financial Monitoring Service of Ukraine", registered with the Ministry of Justice of Ukraine on February 1, 2022 No. 126/37462.
3. Order of the Ministry of Finance of Ukraine of January 17, 2022 No. 16 "On Approval of the Strategic Development Program of the SFMS for up to 2024."
4. Order of the Ministry of Finance of Ukraine of April 7, 2022 No. 113 "On Amendments to Clause 4 of Order of the Ministry of Finance of Ukraine of June 4, 2021 No. 322", registered with the Ministry of Justice of Ukraine on April 22, 2022 No. 443/37779.

## Annex B

### The List of abbreviations

- **AML/CFT** – prevention and counteraction to legalization (laundering) of terrorism the proceeds from crime, and financing of terrorist
- **AML/CFT/CPF** – prevention and counteraction to legalization (laundering) of the proceeds from crime, financing of terrorist and financing of proliferation of weapons of mass destruction
- **APG** – Asia/Pacific Group on money laundering
- **Basic Law** – Law of Ukraine of December 06, 2019 No. 361-IX "On prevention and counteraction to legalization (laundering) of the proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction"
- **CAR** – complex administrative reporting
- **CMU** – Cabinet of Ministers of Ukraine
- **ECOFEL** – Egmont Centre of FIU Excellence and Leadership
- **EG** – Egmont Group of Financial Intelligence Units
- **ESBU** – Economic Security Bureau of Ukraine
- **EU** – European Union
- **FATF** – Financial Action Task Force
- **FIU** – financial intelligence unit(s)
- **FMIS** – Unified information system in the area of prevention and counteraction to legalization (laundering) of the proceeds from crime, financing of terrorism and financing of proliferation of weapons of mass destruction
- **GLRC** – Gambling and Lottery Regulatory Commission
- **ICRG** – FATF International Co-operation Review Group
- **MDTU** – Ministry of Digital Transformation of Ukraine
- **ML** – money laundering
- **ML/TF** – legalization (laundering) of proceeds from crime and financing of terrorism
- **ML/TF/PF** – legalization (laundering) of 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
- **MoF** – Ministry of Finance of Ukraine
- **MoJ** – Ministry of Justice of Ukraine
- **NABU** – National Anti-Corruption Bureau of Ukraine
- **NBU** – National Bank of Ukraine
- **NPO** – Non-Profit Organizations
- **NPU** – National Police of Ukraine
- **NRA** – AML/CFT/CPF National risk assessment
- **NSSMC** – National Securities and Stock Market Commission
- **OSCE** – Organization for Security and Co-operation in Europe
- **PF** – financing of proliferation of weapons of mass destruction
- **PGO** – Prosecutor General's Office of Ukraine
- **RF** – Russian Federation
- **SBI** – State Bureau of Investigation
- **SFMS** – State Financial Monitoring Service of Ukraine
- **SFME** – state financial monitoring entity
- **SSU** – Security Service of Ukraine
- **UBO** – ultimate beneficial owner(s) (controller(s))



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**SFMS in social  
networks:**



**Facebook –**  
*https://bit.ly/3tuFsCX*



**Twitter –**  
*https://bit.ly/3rhibCu*



**LinkedIn –**  
*https://bit.ly/3pNuiXm*



**Telegram –**  
*https://bit.ly/3jaSYH1*



**YouTube –**  
*https://bit.ly/2LeQv1H*



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