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Project against Money Laundering in Ukraine (MOLI-UA)

Final Report

Reporting period: 1 February 2003 – 30 June 2005

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Project Title	:	Project against Money Laundering in Ukraine	
Project Number	:	MOLI-UA	
Country	:	Ukraine	
		Local operator	EC Consultant
Name	:	Serhij Hurzhij _____	Alexander Seger _____
Address	:	SDFM of Ukraine. _____	Council of Europe _____
		01008 Kyiv _____	67075 Strasbourg Cedex
		UKRAINE _____	FRANCE _____
Fax number	:	+380 44 425 81 84 _____	+33 388 41 37 43 _____
Contact person	:	Serhij Hurzhij _____	Alexander Seger _____

Date of report : 30 June 2005

Reporting period : 1 February 2003 – 30 June 2005¹

Author of report : Kirsten Mandrup, Team Leader

I hereby certify that the Final Report has been approved:

Signed for the Beneficiary Country's
Project Partner Serhij Hurzhij,
Head of the SCFM/SDFM

Signed for the Council of Europe
Mr Alexander Seger
Head of Technical Cooperation

Date:

Date:

¹ Project duration was originally 24 months, which was subsequently extended to 29 months (until 30 June 2005) by Addendum No. 1 signed 25 October 2004

Project synopsis

Project Title	:	Project Against Money Laundering in Ukraine
Project Number	:	MOLI-UA
Country	:	Ukraine

Project objective[s] : The project will contribute to the establishment of a fully functioning system to prevent the use of the financial system to launder the proceeds of serious crime and enable Ukrainian authorities to cooperate internationally in fighting money laundering in accordance with European and international standards.

It is expected that progress in achieving these objectives will facilitate de-listing of Ukraine from the NCCT list, compiled by the FATF. The de-listing from the NCCT list was decided during the FATF Plenary Meeting in February 2004.

The Project had start-up activities and 7 interrelated components and corresponding outputs (1- 7).

Planned outputs :

1. Organisational set up of the State Department for Financial Monitoring completed in terms of staffing, budgeting and resourcing, and working procedures.
2. Relevant legislation in line with the requirements of the new anti-money laundering law and proposals for amendments of other laws to enhance the effectiveness of the anti-money laundering system available.
3. System for the collection, processing, analysis, protection and exchange of information on transactions in operation within the SDFM.
4. Effective mechanisms are in place to ensure cooperation between the SDFM and law enforcement, criminal justice and regulatory authorities.
5. Guidelines for primary financial operators on identification and analysis of suspicious transactions and reporting obligations available and a mechanism to review their effectiveness will have been elaborated by SDFM in cooperation with regulators and adopted.
6. The number, quality, accuracy, and speed in processing of incoming and outgoing requests for information from and to other FIUs of all types will have increased measurably.
7. Feasibility study and proposal for a follow up project available.

Project activities: Review of the organigram and internal procedures and rules of the SDFM, preparation of a training plan and materials, training of financial analysts and trainers, preparation of legal opinions, technical needs assessment, procurement, installation and putting in operation of software for the SDFM, establishment and improvement of the mechanism of cooperation between the SDFM and law enforcement and regulatory authorities, study visits and internships in European FIUs and seminars, workshops and training activities in Ukraine.

Project starting date : 1 February 2003
Project duration : 29 months (1 February 2003 – 30 June 2005)²
Project budget : EURO 975 000

² Extended from 24 to 29 months - see footnote 1

1. Background information

1.1 Beneficiary country and entity

Ukraine, State Department for Financial Monitoring (SDFM) transformed into State Committee on Financial Monitoring (SCFM) as of 1 January 2005.

In this report the term “SDFM” will be used when speaking of activities before January 2005 and the term “SCFM” after January 2005. When covering full or overlapping period of the Project the term SDFM/SCFM will be used.

1.2 Contracting authority

European Commission (EC)

1.3 Implementing organisation

Council of Europe, Technical Cooperation Section, Department of Crime Problems, Directorate General of Legal Affairs (CoE)

2. Project

2.1 Project duration

The project started on 1 February 2003 and lasted for 29 months³. Originally scheduled to end on 31 January 2005, the Project was extended, at the request of the Beneficiary until 30 June 2005 (Addendum No.1 to the Project Contract) which did not affect the total budget. New activities were identified during the Project and implemented during the extension period to sustain the Projects objectives and activities.

2.2 Project team

Until 31 October 2003, the role of the acting Team Leader was jointly performed by Mr Mark van Thiel and Mr Daniel Thelesklaf from TvT compliance ltd, Zurich, Switzerland. Their contract covered 10 working days per month in Kyiv and consequently the targets of the Project could only be met partially. In November 2003, the function as acting Team Leader was fulfilled by Przemysław Musiałkowski, Project Manager in Strasbourg.

Mrs. Kirsten Mandrup has worked as the Long Term Adviser - Team Leader since 1 December 2003 until the end of the Project and was based in Kiev throughout this period. Mrs. Tetyana Kulykovska was the local Project Assistant since 26 May 2003.

Short-term experts came from the Financial Intelligence Units of Belgium, France, Italy, Slovenia and Slovakia (co-operating FIUs). FIUs from other countries have also supported this project.

The overall project supervision was performed by Mr. Alexander Seger in the CoE (Strasbourg).

The project was managed by Mr. Przemysław Musiałkowski, Project Manager, assisted by Mrs. Maria Oreshkina and since January 2005, by Mrs. Albina Ovcearenco-Lacheret, Project Assistants (all based in Strasbourg).

The overall assignment of this Project was to contribute to the establishment of a fully functioning system to prevent the use of the financial system to launder the proceeds of serious crime and enable Ukrainian authorities to cooperate internationally in fighting money laundering in accordance with European and international standards.

The immediate objective of the Project was to enable the State Department for Financial Monitoring to exercise its functions in accordance with relevant regulations.

Furthermore it was expected that progress in achieving these objectives would facilitate de-listing of Ukraine from the NCCT list, compiled by the FATF and its subsequent membership in the Egmont Group.

³ Extended from 24 to 29 months – see footnote 1.

2.3 Executive Summary

All the activities of the MOLI-UA Project – those covered by the original Contract and its Addendum - are assessed as achieved and the implementation of the Project completed within the given budget and timeframe. No activities were cancelled or modified as compared with the Project Contract or its Addendum.

Although the State Department for Financial Monitoring (SDFM) - the Ukrainian FIU - had formally been established in 2002 before the MOLI-UA Project started, it did not become operational until after the start up of the Project, as the basic AML legislation entered into force only in June 2003. The AML/CTF system in Ukraine as described below has evolved and emerged during the time of the MOLI-UA Project. The significant achievements in the field of fighting money laundering and countering terrorism financing are due first of all to Ukraine's political commitment since 2002 to improving the anti-money laundering regime and by the allocation of the impressive IT infrastructure to the FIU combined with constant devotion and enthusiasm by the staff of the SDFM/SCFM and other authorities combating AML/CTF. Continued and steady progress have been achieved by Ukraine nourished by the wish to comply with all international standards and best practices as quickly as possible and at the same time realising that implementation of such standards and practices could not be achieved overnight. It is evident that substantial progress has resulted from a combination of sustainable changes in organisational culture among Ukrainian authorities and international support. Thus the Project worked in a fertile environment surrounded by partners and colleagues deeply involved in and preoccupied by the fight against AML/CTF. For this reason the MOLI-UA Project was able to contribute actively to the excellent results that Ukraine has reached in the AML/CTF field as specified below.

In September 2001 FATF identified Ukraine, together with other countries, as a non-cooperative country in the fight against money laundering. Consequently Ukraine was put by FATF on the NCCT-list. In December 2002 FATF recommended that counter-measures apply to Ukraine. However, just after that, Ukraine enacted legislation that significantly addressed the identified deficiencies, and therefore FATF Plenary removed the application of counter-measures already in February 2003. Very significant is the fact that Ukraine was removed from the FATF NCCT-list in February 2004 after enactment and substantial implementation of legal reforms, supported by the Project and addressing identified deficiencies.

Ukraine has been monitored by FATF since the delisting to ensure that progress in the area of fighting money laundering and counter terrorist financing is steadily continued. Advice and consultancy have been provided by the Project throughout the period when Ukraine was listed on the NCCT list and during the monitored period until the very end of the Project.

Another very important achievement that deserves international recognition was the acceptance of Ukraine as a member by the Egmont Group in June 2004. Since that moment the SCFM has played an active role in four Egmont Group working groups (Operational WG, Outreach WG, Training WG and IT WG). Membership in the Egmont Group enables Ukraine to exchange information and discuss relevant issues more easily with other member-FIUs. Furthermore the Egmont Group is the ideal platform for networking and shared

learning by gaining a wider insight of the variety of experiences. The MOLI-UA Project actively supported the SDFM on its way towards Egmont Group membership.

Furthermore the MOLI-UA Project provided consultancy and assistance on:

- ❖ Completion of organisational set up of the State Department for Financial Monitoring in terms of staffing, budgeting and resourcing, and working procedures. Today the SCFM is a self-regulating independent central body of executive power with their own budget and their own premises in the centre of Kyiv. The staff of the SDFM/SCFM increased from 20 in early 2003 to 100 by January 2004 and 338 during 2005 (including 164 staff allocated in the regional branches). In 2005 the SCFM started to set up regional branches 5 of which were established by the end of the Project. In the same year the process of establishment of a new National AML Training Centre within the SCFM was initiated – the necessary legal infrastructure is there and the director of the NTC has already been appointed. The National Training Centre will provide high-quality training and re-training as well as professional education and development to the AML/CTF professionals including the SCFM staff, judges, regulatory and law enforcement authorities, as well as financial supervisors and financial intermediaries. The National Training Center will offer its training and services to all physical and legal persons comprised by the AML legislation. It has been proposed that the development of the regional branches and the NTC should be supported by a follow-up technical assistance project, which should start as soon as possible after the end of the MOLI-UA.
- ❖ Implementation and improvement of the relevant legislation in line with international standards and best practices. The new anti-money laundering law and proposals for amendments of other laws to enhance the effectiveness of the anti-money laundering system available. The Ukrainian AML and CTF legislation is currently being adjusted and up-dated in order to comply with new international standards and best practices, especially the FATF revised 40 recommendations and the nine special recommendations on terrorist financing. The bill furthermore envisages amending and supplementing some other legal acts. Amending and adjusting the legal basis for fighting money laundering and counter terrorist financing in Ukraine is a continuous process as it is for all countries countering AML/CTF. The Project delivered legal opinions on several proposals and provided legal consultancy and advice throughout the duration of the Project.
- ❖ Refining and improving the system of collection, processing, analysis, protection and exchange of information on transactions within the SDFM/SCFM. By the end of the Project the SCFM has an impressive IT-system for the collection, processing and analyses of obligatory monitoring reports and suspicious or unusual reports. The hardware has been provided by the Ukrainian Government and the software has been provided by the Project. Additional analytical software has been purchased, delivered and installed by the Project in order to increase the quality and speed of the analytical work of the system. The Project has organised special training on the additional software. Furthermore the Project has organised various working visits and training courses in Ukraine and abroad to comply with specific wishes flagged by SCFM analysts.
- ❖ Ensuring effective mechanisms are in place to strengthen cooperation between the SDFM and the law enforcement authorities, the criminal justice and the regulatory authorities. The Inter-Agency Working Group (IAWG) plays a significant role in en-

sure efficient cooperation. The IAWG is having its regular meetings at least once a month and the Head of the SDFM/SCFM is the Chairman. The IAWG is working well and effectively. The Project has provided advice and support in the initial phase. Similarly the establishment and development of the State Unified Information System (SISU) has proved to be an efficient tool for centralising all money laundering related information from the various state administrations involved in the fight against money laundering. The system provides the SDFM/SCFM with online access to relevant information resources from 17 different state authorities. Closer contacts between the law enforcement agencies and bodies and the FIU have been successfully established. Due to joint efforts and fruitful co-operation between the Project partners and law enforcement beneficiaries this activity has been a major achievement. The Project has devoted much work and efforts in this activity and has gained positive support from the Ukrainian side.

- ❖ Securing guidelines for primary financial operators on identification and analysis of suspicious transactions and reporting obligations available and a mechanism to review their effectiveness has been elaborated and adopted by SDFM in cooperation with regulators. The Project has given consultancy and support to the issuing of guidelines for financial operators on identification and analysis of suspicious transactions. Reporting obligations have been issued and a mechanism to review their effectiveness have been elaborated. The Project has contributed actively by producing materials for the guidelines and the forms and procedures for the reporting obligations. Very many seminars have been undertaken by the SCFM and with the support of the Project in order to focus on the guidelines and the reporting obligations.
- ❖ The number, quality, accuracy, and speed in processing of incoming and outgoing requests for information from and to other FIUs of all types have increased measurably by the assistance of the MOLI-UA Project. This is partly due to the SDFM/SCFM joining the Egmont Secure Web and partly due to the signing of 22 Memoranda of Understanding with foreign FIUs as of 30 June 2005. Furthermore the Project organized an international seminar and workshops targeted to discuss the co-operation and information exchange among FIUs. The seminar and workshops were a great success and contributed to highlight this important issue. Finally much emphasis has been given to discuss the restraints and possibilities of further improving the exchange of information among FIUs, when participating in working visits abroad.
- ❖ The MOLI-UA Project has organized various seminars, workshops, internships working visits and training sessions in Ukraine and abroad to pursue the objectives mentioned above, see Annex 3.
- ❖ Finally the MOLI-UA Project has carried out an analysis in view of additional technical assistance needs and has assisted in preparing a feasibility study including the Terms of Reference for a follow up technical cooperation project.

The overall results and the impact of the Project are assessed as substantial as the Project has greatly contributed to the further development of the SDFM/SCFM and other beneficiaries combating money laundering. Ukraine is today considered to have an effective and well staffed FIU and to comply with the international AML rules, standards and best practises in general, although recommendations by the FATF and by the second MONEYVAL evaluation still are to be implemented. All in all - within a very short period – and with the support

and assistance by the MOLI-UA Project, Ukraine has made rapid progress in setting up an efficient state body (FIU) to counter AML/CTF and has build a firm legislative base and put in place an anti-money laundering infrastructure. The challenge now for the SCFM, the regulatory authorities, police, prosecution, and judiciary is to continue making the preventive system operationally effective, and to develop an effective repressive money laundering system, which is producing results in all areas of predicate crime. Many of the building blocks are now in place. There are however still areas which need further attention and consideration. Furthermore one has to bear in mind that the fight against money laundering is a dynamic fight and not a static and this is valid for all countries.

Below is a much more detailed review of the AML/CTF situation in Ukraine by the end of the MOLI-UA Project as well as of the main achievements by the Project related to the various outputs.

The Project has 7 interrelated outputs:

Output 1: Organisational set up of the State Department for Financial Monitoring completed in terms of staffing, budgeting and resourcing and working procedures

The State Department for Financial Monitoring (SDFM) was created as a *Financial Intelligence Unit* – the state body intended to counteract money laundering and terrorist funding – in January 2002. The SDFM however, started its full-fledged activities only in June 2003 when the basic AML legislation “On prevention and Counteractions to Legalization (Laundering) of the Proceeds from Crime” came into force.

The SDFM is an administrative Financial Intelligence Unit. According to the basic Law "On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime" the tasks of SDFM are:

- collection, processing and analysis of information on financial transactions subject to mandatory financial monitoring;
- participation in implementation of the State policy for prevention and counteraction of money laundering and terrorism financing;
- creation and maintenance of the unified state informational system for prevention and counteraction of money laundering and terrorism financing;
- establishing cooperation, interaction and exchange of information with the State authorities, competent bodies of foreign countries and international organizations acting in this field;
- representation of Ukraine in international organizations acting in the AML/CFT field .

When first established the SDFM had a specific status of a specialised agency subordinated to the Ministry of Finance. As of 1 January 2005 however, the SDFM was transformed into a self-regulating independent central body of executive power – State Committee for Financial Monitoring (SCFM). Consequently, the SCFM now have their own budget and have moved into their own premises in the centre of Kyiv. The SDFM/SCFM is financed by the State budget.

The SDFM/SCFM is governed by the Head. Until the transformation of the SDFM into the SCFM the Head was at the same time the First Deputy Minister of Finance. The Head of the SDFM/SCFM has four deputies. Two deputies have the status of "first deputies". During February 2003 the number of staff was increased from 40 to 60 and later on to 100 employees. By the end of the MOLI-UA Project the staffing achieved 338 persons, including 164 persons in the regional branches. Structurally the SDFM/SCFM consists of the following independent divisions:

- Division for interaction, coordination and methodological provision of financial monitoring system;
- Analytical Division;
- I.T. Division;
- Division for International and Legal Activities;
- Subdivision for Organizational analytical provision of the Head's work;
- Subdivision for Human Resources and Financial Procurement;
- Subdivision for Economical Procurement and Document Keeping;
- Subdivision for Regime and Security.

As of 1 January 2005 the SCFM has started to establish regional branches and the ultimate aim is to have 27 branches equivalent to the number of regions in Ukraine. By the end of the Project regional branches have been established (but not fully operational) in Volyn' (Lutsk), Zaporizhzhya, Crimea (Simferopol), Lviv and in Kherson oblast. The establishment of SCFM branches in the regions enables promotion of interaction with local state agencies and grants methodical assistance and financial intermediaries training at the local level.

In December 2004 the Government adopted a Directive on the creation of a Training and Methodological Centre for high-quality training of financial monitoring experts and constant improvement of their skill level. The training centre has been created within the SCFM and it will be providing high-quality retraining and professional development for experts of state regulation agencies as well as experts of financial intermediaries responsible for financial monitoring. The centre is going to provide professional education and development for financial intermediaries' experts, officials from the courts, prosecutor's office and law enforcement agencies, as well as representatives from foreign countries and international organizations. The AML training centre is located within the new premises of the SCFM. The training centre is given a permanent staff of 30 persons, when fully established and the SCFM has appointed the Director of the centre and much work is being undertaken. The project has given consultancy and advice of the setting up of the national AML training centre. The project is confident that the centre will prove to be a great success in training subjects involved in the fight against money laundering.

The SCFM has prepared a draft document outlining the further strategy and development from 2005-2010 in order to determine the strategy and development of the national AML/CTF system in Ukraine and the practical measures for its implementation.

Main activities and achievements by the MOLI-UA Project:

- Support and assistance in the setting up of the state system to combat money laundering with the SDFM/SCFM as the country's FIU, at the centre of the system with access to a broad and comprehensive range of additional information.

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- Consulting and assistance in the drafting of the organigramme, job descriptions and staff profiles of the SDFM, which were subsequently approved by the Ukrainian Government.
 - Assisted in the establishing of internal working procedures and manuals of operation of the SDFM.
 - Advice and support in the preparation of training plans and modules for SDFM staff.
 - Organisation of high level working visits to the partner FIU's to study their organisation and working procedures..
 - The Head of the SCFM visited for this reason together with some staff members Belgium, Luxembourg, Switzerland and Liechtenstein in May 2003.
 - As a follow-up similar visits were arranged to France, Austria, Slovakia and Croatia in September 2003.
 - In October 2003 the Deputy Head responsible for analytical work and the Head of the Analytical Division spent two weeks on internship with the German FIU.
 - The Project has assisted in improving professional skills and experience by organising internships with foreign FIUs to enable Ukraine to exchange information and discuss relevant issues more easily with other FIUs:
 - One-week internships with the French FIU (TRACFIN) for 10 staff members were organised in March 2004. TRACFIN provided comprehensive information on:
 - TRACFIN (organization and tasks)
 - French anti-money laundering legislation
 - International cooperation
 - Presentation of a model of an investigation
 - Relations TRACFIN/Police
 - Relations with the Ministry of Justice
 - Typology cases
 - Internships for one week with the Austrian FIU for 4 staff members were organised in April 2004. The Austrian FIU provided comprehensive information on and visits to:
 - The Austrian Intelligence Unit (organization and tasks)
 - Visit to the Austrian Financial Market Authority
 - Visit to the Austrian National Bank
 - Visit to a large Austrian Bank (RZB)(which has branches in Ukraine)
 - Case studies and typology cases.

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- In May 2004 internships with the Italian FIU for 6 staff members were organised. The Italian FIU provided comprehensive information on :
 - The organisational structure of the Ufficio Italiano dei Cambi
 - Role and functions of the Ufficio Italiano dei Cambi in countering money laundering and terrorist financing
 - The Ufficio Italiano dei Cambi's tasks as Italian FIU
 - The data bases kept and owned by Ufficio Italiano dei Cambi
 - Suspicious Transaction Reports
 - Italian Legislation
 - Financial analysis of the suspicious transaction reports
 - Co-operation between Ufficio Italiano dei Cambi, Direzione Investigativa Antimafia (D.I.A) and Guardia di Finanza
 - Statistical analysis on aggregated data
 - Co-operation with International Organisations
 - Co-operation with other FIU's
 - Case studies and typology cases.

 - Taking into account the legislative developments, organisational and operational advancement of the SDFM as well as a number of working contacts established with foreign FIUs, the FATF, in its evaluation report on Ukraine, has recognised that positive steps had been taken by Ukraine in the developments of its counteractions to money laundering and terrorist financing. MONEYVAL concluded similarly in its second mutual evaluation report on Ukraine.

 - As a proof of firm political commitment to improving the anti-money laundering regime significant human and financial resources have been allocated to the SDFM allowing for the development of an impressive and sophisticated IT infrastructure. Increases in staffing throughout the project have already been mentioned above.

 - The Project has given assistance and support in improving the language skills of the key personnel and top management of the SCFM. Intensive and targeted language training courses in English have been provided for 15 key personnel participants. The Project has co-financed 50 pct. of the expenses.

 - The High-Level Interagency Group on AML was created, which ensures coordination between the SDFM/SCFM, financial sector, law enforcement and other AML system actors. The Interagency Working Group meets every month under the Chairmanship of the Head of the SDFM. The meetings are constructive and help to pave the way for decisions where more agencies are involved. Regular contacts on a personal level are of utmost importance on matters that involves many regulatory and law enforcement bodies. The Interagency Group has been quite successful in facilitating the coordination and decision-taking process as well as shaping and implementing the nations AML/CTF strategy.

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- The SCFM is since January 2005 operating as a self-regulating independent central body of executing power. The SCFM is financed from the National Budget.
 - Pursuant to the Resolution of the Government "On Certain Issues for Improvement of Effectiveness of Use of the State Property" the SDFM/SCFM obtained separate premises in total 5169 square meters in the centre of Kyiv. It also has to be borne in mind that the personnel of the SCFM have increased from 60 in February 2003 to 100 in October 2003 and to 338 including 164 at the regional level as from January 2005. The project has assisted in different ways e.g. by reviewing staffing requirements and preparation of terms of reference/job descriptions for positions. Support and assistance has been given by the Project.
 - The SCFM has since January 2005 started to establish regional branches and the ultimate aim is to have 27 branches equivalent to the number of regions in Ukraine. Existence of FIU branches in the regions will allow promoting substantially the efficiency of FIU interaction with local state agencies. This will allow granting methodical assistance and financial intermediaries training at the local level. During the last half year of the Project branches have been established in Volyn' oblast (Lutsk), in Zaporizhzhya oblast, in Crimea (Simferopol), in Lviv oblast and in Kherson oblast. Support and advice on the establishment has been given by the Project.
 - As from 1 January 2005 the SCFM has started to set up a new National AML Training Centre within the SCFM. When fully established the AML Training Centre will ensure the possibility to conduct high-quality retraining and professional education and development of experts of state regulation agencies as well as experts of financial intermediaries responsible for conducting of financial monitoring, officials of courts, prosecutor's office and law enforcement agencies. Support and advice has been given by the Project.

➤ **The impact of the Project**

The impact of the Project has been to underpin the Ukrainian political commitment improving the anti-money laundering regime in the country. The SDFM is successfully playing the major leadership role in the co-ordination of the system, particularly at an operational and strategic level through the Inter-Agency Working Group. At the strategic level, they have started to develop key performance indicators for the system as a whole and monitor progress in all sectors on the basis of reliable statistical information. The Project has actively given consultancy and assistance in pursuing the objectives of ensuring the setting up of the state system to combat money laundering with the SDFM, as the country's FIU, at the centre of the system with access to a broad and comprehensive range of additional information. The result is an independent, powerful and energetic FIU namely the State Committee for Financial Monitoring completed in terms of staffing, budgeting and resourcing and working procedures.

Output 2: Relevant legislation in line with the requirements of the new anti-money laundering law and proposals for amendments of other laws to enhance the effectiveness of the anti-money laundering system available

The basic Law on “Prevention and Counter-action to the legalisation (laundering) of the Proceeds from Crime” (“the Preventive Law”) was enacted on 28 November 2002 and came into effect on 12 June 2003. It provides for a system of ‘financial monitoring’. Entities which are involved in financial transactions (i.e. obliged institutions) are subject of ‘initial financial monitoring’. They include: banks, insurance companies and other financial institutions; payment organisations; stock exchanges; professional participants in the securities market; gambling institutions; companies and organisations which manage investment funds; money remitters and other legal entities that engage in financial transactions. The entities of initial financial monitoring are required to: identify persons engaged in financial transactions or who open accounts; detect and register financial transactions subject to financial monitoring; report to the SCFM financial transactions subject to “compulsory” and “internal financial monitoring” within 3 working days from their registration; maintain customer identification and maintain transaction data for 5 years; appoint compliance officers; and train employees in detecting transactions subject to initial financial monitoring. The unusual transaction reporting system is based on a threshold limit and other objective criteria set out in the law. The suspicious transaction reporting regime applies to any other financial transaction - regardless of a threshold - if there are grounds to believe that it is conducted with the aim of legalisation.

Clearer regulation of the customer identification process has been introduced through the Preventive Law. In parallel, the Law on Banks and Banking Activities has been amended to prohibit the opening and use of anonymous and coded accounts and the entry into contractual relations with clients (legal entities or natural persons) in the case of doubts as to whether the legal entity or natural person acts in their own name. Moreover, as of 11 July 2003, the banks of Ukraine closed all anonymous and coded accounts under a Resolution of the National Bank of Ukraine. The Law on Banks and Banking Activities and the Law on Financial Services and State Regulation of Markets of Financial Services now require full disclosure of beneficial ownership information at opening of accounts for legal and physical persons. Banks and other financial institutions are obliged to refuse to open accounts and conduct transactions if this information is not provided. According to the preventive Law, financial institutions must also identify the persons on whose behalf the transactions are carried out. Banks and other financial institutions have the right to request additional information needed to clarify identity, activities and financial status, including from relevant government authorities.

In 2001 and 2003 changes to the criminalisation with the passage of A. 209 CC (defines the predicate criminality as any offence that is punishable by 3 or more years’ imprisonment (with the exception of offences covered by A. 207 and 212 – i.e. capital flight and tax evasion)) and A. 306 (separate drug money laundering offence) have widened the predicate base significantly. These two articles also cover own proceeds laundering. While the predicate base is in line with current international standards, it is however noted by FATF and MONEYVAL that a full “all crimes” approach has not been followed (it must, however, be noted that an all crime approach is not being applied by many Western-European countries and thus, cannot be classified as an international standard).

In May 2004, the Ukrainian Parliament passed the Law "On amendments to the Article 4 of the Law "On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime" in order to transform the SDFM into a self-regulating independent central body of executive power - State Committee for Financial Monitoring (SCFM). The SCFM has been operating as from 1 January 2005.

In November 2004 the Government approved and submitted to the Parliament the bill "Amending Some Legislative Acts of Ukraine on Prevention to Legalization (Laundering) of the Proceeds from Crime and Terrorist Financing". The bill aims at the implementation of the revised Forty Recommendations, the Nine Special Recommendations on combating terrorist financing and the International Convention on combating terrorist financing. The bill was endorsed by the new Government in March 2005 and granted priority in the legislative process.

The bill envisages:

- widening the list of financial intermediaries of non-financial professions, such as real estate dealers, lawyers, notaries, advocates, public accountants, accountants, dealers in precious metals and stones and some others (FATF Recommendation 20);
- widening the list of supervisory and regulatory financial monitoring authorities to cover indicated financial intermediaries and representatives of non-financial professions (FATF Recommendation 23), in particular:
 1. Ministry of Finance of Ukraine (gambling institutions, legal persons running any lotteries, dealers in precious metals and precious stones, public accountants, accountants);
 2. State Committee on Land Resources of Ukraine (real estate dealers);
 3. Ministry of Justice of Ukraine (notaries, lawyers, financial intermediaries providing services of establishment and registration of enterprises as well as services of management of enterprises and property);
 4. Ministry of Transport and Communications of Ukraine (postal operators).
- freezing assets related to money laundering and terrorist financing by means of authorizing financial intermediaries to suspend transaction for 2 working days, in case if its participant or beneficiary is a person, listed as involved in terrorist activity, and to report it to FIU the same day;
- giving the FIU the right to take decision and suspend transaction related to money laundering and terrorist financing for up to five working days;
- creation of additional social security guarantees for FIU employees to provide the FIU independence .

The bill furthermore envisages amending and supplementing some other legal acts and in particular:

- The Code on Administrative Offences, supplementing its provisions in a way to provide new regulatory and supervisory authorities with powers to impose administrative fines on financial intermediaries (FATF Recommendation 23);
- The Criminal Code in order to criminalize terrorist financing as a separate crime. Furthermore, it is proposed to lower a penalty threshold for the definition of a predicate offence from three to two years;
- The Law "On Combating Terrorism" to the effect the FIU is defined as the authority directly responsible for combating terrorist financing.

The bill also takes into account FATF recommendations to amend the Articles 6 and 16 of the Basic Law included in the Report of evaluation of Ukraine against criteria of non-cooperative countries and territories (February, 23, 2004).

The bill also amends Article 6 of the Basic Law to bring it into conformity with FATF Recommendation 5. The amendments envisage the following changes:

- identification of a person (customer) shall be carried out prior to or at the time of establishment of business relations, but before the financial transaction is carried out;
- establishment of more clear procedure of carrying out personal (customer's) identification;
- widening the list of documents necessary to identify natural persons—entrepreneurs and legal entities – residents and non-residents of Ukraine;
- authorizing financial intermediary to check authority of a person to act on behalf of another person.

The amended Article 16 of the Basic AML legislation envisages:

- clarification of FIU authorities concerning carrying out international cooperation in area of prevention and counteraction to legalization (laundering) of the proceeds and terrorist financing;
- conditioning provision and use of information obtained by FIU in the framework of international cooperation;
- establishment of control and taking preventive measures to provide authorized use of information obtained in exchange between competent agencies. The purpose is to meet the requirements of these agencies concerning the protection of private life and personal data;
- authorization of state regulators to carry out information exchange and international cooperation with foreign competent agencies. First of all it concerns issues of supervision over the activity of financial intermediaries in the area of prevention and counteraction to legalization (laundering) of the proceeds and terrorist financing.

Moreover, the National Bank of Ukraine has submitted to the Parliament a bill "On Amending Certain Laws of Ukraine", concerning implementation of FATF 40 Recommendations and improvement of anti- money laundering activities in banks.

This bill envisages:

- Appointment of a compliance officer in every bank (branch). Compliance officer is responsible for financial monitoring and has to be chosen among the bank's management;
- Prohibition of banks to establish correspondent relations with shell banks (bank incorporated in a jurisdiction in which it has no natural presence) or financial institutions that admit such correspondent relations;
- Authorization of the National Bank to obtain information from other state authorities and legal persons to be able to determine business reputation and financial condition of persons being candidates to occupy positions of bank directors or intending to acquire significant share in bank etc.

In August, 2004, the Government introduced changes to the Procedure of financial transactions registration by the entities of initial financial monitoring. These changes regulate the time limits for detection of suspicious financial transactions by financial intermediary (within 1 working day from the moment of execution of transaction). These changes strengthened the control over detection and providing FIU with information on suspicious financial transactions.

In November, 2004, the Government introduced similar amendments to the Procedure of internal financial monitoring performed by the entities of economic activity which organize and manage casinos, other gambling businesses and pawn shops, specifying the time limits for detection of suspicious financial transaction. Furthermore these changes widen the list of initial financial monitoring entities to cover gambling business entities that are not subject to licensing.

Ukraine underwent the second evaluation by MONEYVAL in October 2003. The evaluation report was adopted by the plenary in January 2005

Main activities and achievements by the MOLI-UA Project:

The MOLI-UA project provided legal assistance, opinions and consultancy in preparing for legislative changes and amendments throughout its duration. Many legislative activities have been initiated and completed to comply with the international rules, standards and best practices, see the sections above. Significant improvements to the anti-money laundering legislation were made during the MOLI-UA project. The main achievements are the following:

- The legislative base to fight money laundering with the passage of the Preventive Law (and the associated Resolutions under it), and the setting up of the state system to combat money laundering with the SDFM, as the country's FIU, at the centre of the system. The preventive law provides a firm legal basis for a reporting regime which can perform effectively. This has also been acknowledged by international institutions such as e.g. FATF, MONEYVAL and the Egmont Group although some further improvements are recommended by some of these institutions.
- Several legal opinions were given by the MOLI-IA Project prior to the bill introduced in November 2004 by the Government implementing the revised 40 recommendations and the special recommendations on terrorist financing. In March 2005 the bill was endorsed by the new Government and granted priority in the legislative process. The bill also envisages several additional amendments and clarifications to certain other laws fighting money laundering and terrorist financing.
- Improved professional skills and more experience achieved by attending working visits to foreign FIUs. The visits organized by the Project always included an item on the agenda on legal issues in order to give the possibility to discuss legal matters and to learn from the experiences of other countries
- The Project has assisted and supported the SDFM/SCFM in the delisting and later on in the monitoring process by FATF. Part of the support has consisted in clarifying procedures and questions but part of the support has also consisted in training e.g. internships, training seminars and workshops. The Project has however never been directly involved in these matters which are considered as being of a political nature.
- The Project has likewise assisted and supported the SDFM/SCFM in the follow up to the second mutual evaluation by MONEYVAL. The Project has how-

ever never been directly involved in the evaluation, which is outside the scope of the Project.

- The Project has also given support and consultancy to the SDFM in acceding to the Egmont Group. The SDFM was granted membership of the Egmont Group at the June Plenary meeting 2004. Since then the SDFM/SCFM has been a committed member of the Egmont Group and is now taking actively part in four working groups (outreach WG, Training WG, Operational WG and IT-WG).
- Continuous legal advice and assistance was given throughout the whole period of the Project. Legal support and advice on secondary legislation was also given.

➤ **The impact of the Project**

The project was actively involved in providing advice and consultancy and legal opinions on legislative issues. The Project has supported the introduction of clearer regulation of the customer identification process in the Preventive Law and the amendment to the Law on Banks and Banking to prohibit the opening and use of anonymous (and coded) accounts and to prohibit the entry into contractual relations with clients (legal entities or natural persons) in the case of doubts as to whether the legal entity or natural person acts in their own name. Moreover, the banks of Ukraine closed all anonymous and coded accounts under a Resolution of the National Bank of Ukraine.

The Project has also extended considerable support to the drafting of the bill implementing the FATF revised 40 Recommendations and 9 Special Recommendations, (currently in Parliament). The international knowledge and experience of the Project Team has contributed greatly to the final draft of this bill. Three legal opinions have been provided to underpin the efforts undertaken by the Ukrainian side.

The Project has taken an important role in improving and ensuring relevant legislation in line with the requirements of international rules, standards and best practices

Output 3: System for the collection, processing, analysis, protection and exchange of information on transactions in operation within the SDFM

The basic AML law provides two main types of transactions to be reported

- ❖ Obligatory monitoring
- ❖ Internal (unusual and suspicious transactions) monitoring

Obligatory monitoring (TTRs⁴): Any financial transaction which exceeds the amount of 80 000 UAH (around 11.500 Euro) is subject to obligatory financial monitoring and must be reported to the FIU. Regardless of suspicions, information on transactions subject to obliga-

⁴ Threshold Transaction Reports

tory monitoring are passed on to the SDFM/SCFM. Special attention is paid to newly established enterprises and newly opened accounts.

Internal monitoring (STRs⁵): Internal monitoring is done on the basis of a decision taken by a financial intermediary on the ground that the transaction is considered unusual or suspicious. Such information is submitted to the SDFM/SCFM only in cases of motivated suspicion.

In March 2003 the SDFM started preparatory work aimed at the creation of the Information Analytical System (IAS). Since the basic AML law came into force in June 2003 the IAS system has provided collection, processing and analysis of information on financial transaction subjects to financial monitoring. The IAS system automatically calculates risk degrees for each report on the basis of individual criteria. The criteria are based on:

- FATF 40 Recommendations and 9 Special Recommendations
- FATF typologies of AML schemes
- UN Security Council list of persons involved in international terrorist activities
- The NCCT-list (non-cooperative countries and territories) in the area of prevention and counteraction to the legalization (laundering) of the proceeds from crime and terrorist financing as well as the list of the off-shore zones approved by the Government
- Expert's evaluation of financial instruments' vulnerability to money laundering.

The I.T. system for the SDFM is very sophisticated and can cope with large volumes of data, as is necessary in a country the size of Ukraine. The system allows for:

- Collection of information from the subjects of initial monitoring
- Initial technological information processing
- Loading and management of data storage
- Information analytical processing (in a closed and protected unit incapable of being attacked by hackers)
- Building and support of the "dossier"
- Control over investigation of materials transferred to law enforcement

Moreover, the system allows for the collection and processing of an unlimited number of reports per day. All banks transmit information electronically to the SDFM. A system of processing of incoming information has been created: the SDFM checks whether the submitted reports are complete and reliable; notices to reporting entities are then created (initial feedback) with information regarding registration or refusal to accept the STRs/UTRs. The SCFM receives about 3 thousand reports from financial intermediaries daily. Most reports are from banks – almost 97 pct. Among non-bank financial intermediaries are the most active professional participants in the stock market and especially the insurance companies.

In 2004 obligatory financial monitoring reports constituted more than 56 pct. of all reports. Internal (suspicious or unusual) financial monitoring reports constituted more than 40 pct. The remaining reports were a combination of obligatory and internal monitoring reports.

The data processing system performs an initial analysis of accepted reports on the basis of the above mentioned risk criteria. This is an automatic selection of reports for further analy-

⁵ Suspicious Transaction Reports

sis. Additional information can be sought. According to provisions in the preventive law entities of initial financing monitoring are obliged to provide additional information, at the FIU's request, including information that is classified as a bank or commercial secret. Complex measures for the protection of information in the IAS system support safe information technology.

The SDFM/SCFM is constantly improving the software for performing analysis of reports received. Software has been introduced to receive transaction reports from banks in electronic form and this software has also been tested on insurance companies. Special procedures have been introduced for reports on terrorist financing. In 2004 the i-2 analytical software was purchased, delivered and installed by the MOLI-UA Project. The i-2 system increased the quality and speed of the analytical work of the SDFM/SCFM. New "Blaze Advisor" software is being introduced in 2005 to provide automatic selection of financial transactions reports for analysis, which is used by large commercial banks for clients' fraud risk assessment.

If suspicions are found grounded the SCFM takes urgent measures to compile the case referrals for further passing over to the law enforcement agencies.

The Ukrainian Government took organizational and financial effort to create a State Unified Information System (SUIS) from 2003–2005. The system is a powerful tool to facilitate the exchange of information among authorities and agencies within the AML/CTF system. The system provides the SDFM/SCFM online access to relevant information resources of the following state authorities: Securities Service, State Statistics Committee, State Committee on Communication and Information, State Tax Administration, State Customs Service, National Bank, State Property Fund, Ministry of Economy and European Integration, State Committee for Regulatory Policy and Entrepreneurship, Main Control and Audit Division, Administration of State Boarder Service, State Commission on Regulation of Financial Services Market, State Commission on Securities and Stock Market, Ministry of Finance, State Committee on Land Resources, Ministry of Justice and Ministry of Internal Affairs. In 2004 the Government established the Coordination Council to administer and manage the SUIS. The Coordination Council consists of representatives of various state authorities.

The SDFM developed and launched their web site in 2004, which is to be found at www.sdfm.gov.ua. An English version of the web site is under construction.

Main activities and achievements by the MOLI-UA Project:

- The Project has assisted in the assessment of needs, including information in databases managed by other Ukrainian authorities, commercial databases etc.
- A fully functioning and modern information analytical IT system has been established. The hardware has been funded by the Government.
- The procurement, installation and operational of software has been funded by the Project.
- Rules for the handling and protection of data have been elaborated with the assistance and support of the Project.

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- The i-2 analytical software package was purchased, delivered and installed by the Project. The system increased the quality and speed of the analytical work of the SDFM/SCFM.
 - Training needs for SDFM/SCFM analysts have been reviewed with the assistance and support of the Project.
 - Train the trainers
 - Internship in March 2004 with the French FIU supported special training measures flagged by SDFM analysts. The aim of the internship was to provide the opportunity for the group of participants to visit the French FIU TRACFIN and to learn about the French anti-money laundering legislation and investigation system. The participants had presentations on a broad range of other issues, including relations between TRACFIN and the Police and TRACFIN and the Ministry of Justice. Finally the internship did highlight some typology cases. The internship gave the possibility to meet a cross-section of people in TRACFIN, who are familiar with the regulation, supervisory and monitoring issues. The group was able to experience a range of perspectives and had the opportunity to raise any question or problem they wanted to discuss. The evaluation of the internship was 5 out of a scale where 5 is the maximum.
 - Internship in April 2004 with the Austrian FIU supported special training wishes expressed by SDFM analysts. The aim of this internship was to provide the opportunity for the group of participants to visit the French FIU TRACFIN and to learn about the French anti-money laundering legislation and investigation system. The participants furthermore had presentations on a broad range of other issues, including relations between TRACFIN and the Police and TRACFIN and the Ministry of Justice. Very importantly the internship highlighted some typology cases. The internship gave the possibility to meet a cross-section of people in TRACFIN, who are familiar with the regulation, supervisory and monitoring issues. The group was able to experience a range of perspectives and to participate in full and detailed discussion where necessary or desired. The evaluation of the internship was 5 out of a scale where 5 is the maximum.
 - Internship in May 2004 with the Italian FIU supported special training measures flagged by the SDFM analysts. The aim of this internship was to provide the opportunity for the group of participants to visit the Italian FIU (Ufficio Italiano Dei Cambi (UIC)) and to learn about the Italian anti-money laundering legislation and investigation system. The participants furthermore had presentations on a broad range of other issues, including suspicious transaction reports, financial analysis of the suspicious transaction reports, introduction to the data bases kept and owned by UIC and statistical analysis on aggregated data. Furthermore the UIC highlighted the cooperation among different authorities fighting money laundering in Italy and the co-operation with International Organisations and with other FIUs. Finally the internship highlighted some case studies and typology cases. The evaluation of the internship was 5 out of a scale where 5 is the maximum.

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- 3 different i-2 training courses for 21 participants in Kiev in September 2004:
 - ✓ Analyst's Notebook;
 - ✓ i-Bridge User;
 - ✓ i-Bridge Developer

The training courses were organised and undertaken by the Estonian company Real System, which had delivered the i-2 software. The SCFM has expressed great content with the i-2 training courses.
 - Participation in the international seminar on Terrorist Financing on 5 and 6 October 2004 organized by the Russian FIU in Moscow. The MOLI-UA Team Leader was the chair in Workshop 2: "Cooperation with the financial services sector outreach & supervision".
 - Training event with the Finnish FIU in Helsinki in November 2004. The seminar was organized by the Money Laundering Clearing House of Finland and took place within the auspices of the Baltic Sea Region Task Force on organised Crimes. Estonia, Latvia, Lithuania, Germany, Sweden, Denmark, Norway, Finland, Poland, the European Commission and Europol also participated. The evaluation of the training event was 5 out of a scale, where 5 is the maximum.
 - Training event with the Finnish FIU in Helsinki in April 2005. The anti-money laundering expert meeting was hosted by the Finnish FIU. The meeting took place under the auspices of the Baltic Sea Region Task Force on Organised Crimes. Estonia, Latvia, Lithuania, Poland, Norway, Sweden, Finland, Germany, Europol, The European Commission and an officer from US Customs also participated in the meeting. The evaluation of the meeting was 5 on a scale, where 5 is the maximum.
- Intensive and targeted English language training course for 15 key employees with the SCFM (50 pct. co-financed by the Project)

➤ **The impact of the Project**

By the end of the Project the SCFM has an impressive IT-system for the collection, processing and analyses of obligatory monitoring reports and suspicious or unusual reports. Important part of the software, namely the i-2 software package for link analysis and visualisation was delivered by the Project. IT training activities were organised by the project, addressed in particular to financial analysts, as well as a number of working visits and training courses in Ukraine and abroad to comply with specific wishes flagged by the SCFM analysts.

The SCFM has been able to express and prioritise their needs with regard to this Output. Results and impact of the Project has been to estimate those wishes and to find ways and means to fulfil them by e.g. drawing on the expertise during working visits to co-operating FIUs. This Output is assessed to be a major success within the Project as Ukraine has now got one of the most advanced and modern IT-systems in Europe to collect, process, analyse, protect and exchange information on financial transactions.

Output 4: Effective mechanisms are in place to ensure cooperation between the SDFM and law enforcement, criminal justice and regulatory authorities

In the framework of the National anti-money laundering system the SDFM/SCFM is the coordinator of all activities undertaken in this field also involving regulators, law enforcement bodies and other state authorities.

The following agencies are responsible for regulation and supervision of the financial services sector:

- National Bank of Ukraine
According to the relevant Banking Legislation the National Bank has licensing, supervisory and regulatory powers over the activities of the commercial banks.
- State Commission for Securities and Stock Market
The primary responsibility of the Commission is licensing and regulation of the Securities Market in Ukraine to protect the legal rights and interests of investors. They also have some law enforcement powers to investigate cases of fraud, theft and forgery.
- State Commission for Regulation of Financial Services Markets
The main tasks of the Commission are registration, licensing and supervision of the non-banking financial institutions (insurance companies, non-state pension funds, credit institutions (co-operatives), pawn shops, leasing companies and trusts) to ensure compliance with laws, including anti-money laundering legislation.

The following agencies have competencies in investigating money laundering and terrorist financing cases:

- The Ministry of Internal Affairs (Criminal Police)
The Ministry bears the responsibility for policing in Ukraine, including criminal investigations. This includes combating economic crime through a separate department. Within the Department for Combating Organised Crime with its 5000 officers there is a special 200-officer unit for the investigation of money laundering.
- Prosecutor General's Office
This Office is not only responsible for prosecuting all criminal cases in the Ukrainian courts, but it also co-ordinates investigations and has the power to seek information from banks and other institutions in the conduct of such investigations. Furthermore, it sends and receives mutual legal assistance requests related to investigations.
- National Security Service
The Security Service of Ukraine carries out measures to combat terrorism, aimed at prevention, detection and termination of terrorist activity, including the international terrorism. The Counter Terrorist Centre operates within the Service since 1999, which undertakes counter terrorist measures and co-ordinates activities of the authorities involved in the national AML/CTF system
- State Tax Administration
The STA has the authority to investigate tax offences. It has played, and continues to play, a significant role in the anti-money laundering effort. Since the entry into force in September 2001 of the Criminal Code stipulating an all-crimes approach a significant percentage of the investigations into money laundering were related to such predicate

offences as tax offences or tax frauds (e.g. illegal reimbursement of VAT). In addition, the STA holds data on company registration which is an important source of information to both SDFT/SCFM and other law enforcement agencies. The STA also has a role in licensing and controlling business entities dealing in alcohol and tobacco products.

- Customs Service

The Customs Service investigative powers are limited to criminal cases of smuggling. In the national AML/CTF system, the Customs Service is one of the main bodies which provide information to other state agencies. The Customs Service runs a number of databases and registers and regularly supplies information to the FIU (trans-border cash-flows for example).

For co-ordination of the work of the state authorities, the Inter Departmental Working Group was set up, as a standing advisory body in July 2001. The State Tax Administration was assigned to provide technical support to this Group's work. A subsequent Presidential regulation re-established the Group, extended its scope of responsibilities and designated the Head of the SDFM to chair it. The Group reports to the Cabinet of Ministers and meets monthly or even more often if required. It examines money laundering trends and techniques, advises the authorities, defines recommendations and promotes good practices in the financial sector. The following major institutional actors participate in this group – the SDFM/SCFM, the State Tax Administration, the Public Prosecutor, the Ministry of Internal Affairs and the State National Security, the State Commission on Regulation of Markets of Financial Services, the State Commission on Securities and Stock Exchange, the State Customs Service, the Ministry of Justice, the Ministry of Foreign Affairs, the Ministry of Economy, the Secretariat of the Cabinet of Ministers, the Administration of the President, the Office of the National Security and Defence Council and the Supreme Court. Furthermore 17 joint orders/agreements on cooperation and exchange of information have been signed between the SDFM/SCFM and the following state authorities involved in the fight against money laundering:

1. The State Committee of Border Guard on 22 May 2003;
2. The Ministry of Interior on 30 May 2003 and 5 September 2003;
3. The State Tax Administration on 9 June 2003 and on 12 August 2003;
4. The General Prosecutor's Office on 15 June 2003 and 20 August 2003;
5. The State Commission on Securities and Stock Markets on 24 June 2003;
6. Customs Service on 8 August 2003;
7. Main Division of Control and Revision on 8 August 2003 and 29 August 2003;
8. State Commission of Regulation of the Financial Services Markets on 5 September August 2003;
9. State Statistics Committee on 20 August 2003;
10. National Crime Bureau of Interpol on 26 September 2003;
11. The Bankers Association on 5 December 2003;
12. The State Property Fund of Ukraine on 18 December 2003;
13. The League of Insurance Organizations 2003;
14. The National Bank of Ukraine on 30 January 2004;
15. The Administration of the State Border Service of Ukraine;
16. The Pension Fund of Ukraine on 21 August 2004;
17. The National Depository of Ukraine on 30 August 2004;

Specific joint orders on **feed back** (more detailed rules on how and when to give and exchange information on confidential issues) have been agreed between the SDFM/SCFM and the following authorities:

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- The Security Service of Ukraine
 - The Ministry of Internal Affairs
 - The State Tax Administration
 - The General Prosecutor's Office

Finally as mentioned under output 3 the State Unified Information System (SUIS) is a powerful tool facilitating the exchange of information among authorities and agencies within the AML/CTF system. The system provides the SDFM/SCFM online access to relevant information resources from 17 different state authorities.

Main activities and achievements by the MOLI-UA Project:

- The Project has enabled the SDFM to participate in the FATF typologies meeting in Mexico in November 2003 and in the joint FATF/MONEYVAL typologies meeting in Russia in December 2004 by several participants.
- The SDFM took over the chairmanship of the Interagency Working Group mid 2003. On 24 October 2003, the inter-agency working group met for the first time in its new composition. Since then the Interagency Working Group has its regular meetings at least once a month. The inter-agency group is working well and effectively. The Project has provided advice and support in the initial phase.
- 17 agreements and/or joint orders on co-operation and exchange of information between the SDFM/SCFM and other state authorities are signed during the time of the Project. The Project emphasised the signing of the agreements and helped establishing official contacts with a number of FIUs.
- The Project supported the signing of 4 specific joint orders of a mechanism on feed back from law enforcement. A number of additional supporting documents to the basic documents have been issued subsequently.
- Expert-to-expert training and consultancy (seminars, workshops, typologies meeting, working visits) involving the SDFM/SCFM, the Office of the Prosecutor General, the Ministry of Interior, the Security Service of Ukraine, the Ministry of Justice, the National Bank, the State Commission on Regulations of Financial Markets and Financial Services, the Ministry of Foreign Affairs, the State Commission on Securities and Stock Market, Judges, the Association of the Banks and the Insurance League.
- The Project organized a Law Enforcement seminar for 45 participants on "Improving the co-operation between the Ukrainian SDFM and Law Enforcement bodies in combating Money Laundering and Terrorist Financing" in Ukraine in April 2004.

The seminar was organised to help identifying opportunities to enhance the cooperation between the SDFM and the law enforcement agencies. The seminar also intended to foster a better understanding of the different roles and requirements performed by each agency in the collection, handling and dissemination of financial disclosures. Furthermore the seminar provided a better understanding of financial intelligence and its place in the wider investigative process. Finally the seminar helped in encouraging the process of networking and shared learning by gaining a wider insight of the

variety of experiences. The evaluation of the seminar was 4.8 on a scale, where 5 is the maximum.

- The Project organized workshops for up to 45 participants on “Central and Regional Co-operation” in Ukraine in April 2004. The workshops gave the opportunity to discuss matters of common interest and to become more aware of the importance and necessity to support and cooperate among the different authorities involved to ensure a result (conviction) by the end of the day. The evaluation of the workshops was 4.8 on a scale, where 5 is the maximum.
- The Project organized training and consultancy through working visits abroad for judges, law enforcement officers, SDFM staff and regulatory authorities to:
 - Denmark in September 2004 for 15 participants. The aim of the working visit to Denmark for a mixed group of participants from Ukrainian authorities involved in the fight against money laundering was to provide the opportunity for the group of participants to visit Danish law enforcement authorities involved in the fight against money laundering and to learn about the Danish anti-money laundering legislation and investigation system. The group had presentations on a broad range of AML issues and the Danish FIU highlighted some case studies and typology cases during their presentations. The group also met with the Public Prosecutor’s Office for Serious Economic Crimes, the Ministry of Justice, the Ministry of Foreign Affairs, the Danish Ambassador to Ukraine and the High Court in Copenhagen. The evaluation of the working visit was 4.2 out of a scale, where 5 is the maximum.
 - The Netherlands in October 2004 for 12 participants. The aim of a working visit to the Netherlands for a mixed group of participants from Ukrainian authorities involved in the fight against money laundering was to provide the opportunity for the group of participants to visit Dutch law enforcement authorities involved in the fight against money laundering and to learn about the Dutch anti-money laundering legislation and investigation system. The group had presentations on a broad range of AML issues and the Dutch FIU (MOT) highlighted some case studies and typology cases during their presentations. The group also met with the MOT-BLOM-Analysis Unit (a police unit specialized in money laundering), the Ministry of Justice, the Dutch National Bank, UNON (the Unit North and South Netherlands – Eastern European Criminality effects on the Netherlands) and the Court of Haarlem. The evaluation of the working visit was 5 out of a scale, where 5 is the maximum.
 - Poland in October 2004 for 8 participants. The aim of a working visit to Poland for a mixed group of participants from Ukrainian authorities involved in the fight against money laundering was to provide the opportunity for the group of participants to visit Polish law enforcement authorities involved in the fight against money laundering and to learn about the Polish

anti-money laundering legislation and investigation system. The group had presentations on a broad range of AML issues and the Polish FIU highlighted some case studies and typology cases during their presentations. The group also met with the Ministry of Finance/The Polish FIU, the Management of the Central Bureau of Investigation and the National Prosecutor's Office. The evaluation of the working visit was 5 out of a scale, where 5 is the maximum.

- Luxembourg in February 2005 for 2 participants. The aim of the visit to the Luxembourg's Bankers Course was to learn more about supervision of banks and the interrelationship between supervision and the fight against money laundering. The course was organised for professional bankers and supervisors and for that reason one of the Ukrainian participants was from the Banker's Association. The evaluation of the course was 5 on a scale, where 5 is the maximum.

➤ **The impact of the Project**

From the very outset of the MOLI-UA Project it was recognised that there was a need for more co-ordination between the SDFM/SCFM and the law enforcement agencies and bodies to ensure efficient cooperation and to avoid relevant information not being put to full use. The Interagency Working Group plays a significant role in ensuring efficient cooperation. Similarly the establishment and development of SISU has proved to be an efficient tool for centralising all money laundering related information from the various State administrations involved in the fight against money laundering. The Project devoted much work and efforts in this Output and obtained positive support from the Ukrainian side. Due to joint efforts and fruitful co-operation between the Project partners and law enforcement beneficiaries this Output has also been a major achievement. Closer contacts between the law enforcement agencies and bodies and the FIU have been successfully established. The need for more co-ordination to ensure efficient co-operation and to avoid relevant information not being put to full use has been perceived.

Output 5: Guidelines for financial operators on identification and analysis of suspicious transactions and reporting obligations available and a mechanism to review their effectiveness will have been elaborated by SDFM in cooperation with regulators and adopted

Regulations have been issued by supervisory authorities and technical and human resources have been allocated to monitor compliance of supervised entities with their legal and regulatory requirements. The Preventive Law lays down obligations on all banking and non-banking financial institutions. Casinos, gambling houses and pawn shops are covered by the Law "On licensing of Certain Activities". These licences are issued by the Licence Chamber of Ukraine and its representative offices

The National Bank of Ukraine (NBU) has embarked on a large scale programme of on-site visits to banks for the purpose of checking their readiness to comply with the provisions and requirements of the Preventive Law. The banks have introduced programmes of financial monitoring, appointed Compliance Officers, developed criteria for identifying transactions covered by compulsory and internal financial monitoring and put in place the procedure for filing transaction reports with SDFM/SCFM.

In August 2003, the State Stock Market and Securities Commission established a Financial Monitoring Unit that has been assigned the duties of co-operation with the SDFM/SCFM and other supervisory authorities and carrying out of on-site inspections of stock market participants.

The Commission is legally required to carry out on-site inspections of entities under its supervision on an annual basis for the purpose of checking compliance with their anti-money laundering requirements. So far the level of reporting to the SDFM/SCFM has been very low given the fact that the Preventive Law specifically requires compulsory reporting of all transactions involving the purchase of securities for cash in excess of UAH 80.000.

The State Commission for Regulation of Financial Services Market was created in December 2002. The Financial Services Law assigned to the Commission the initial task of creating a register with all pre-existing financial institutions within one year of its establishment. According to the same Law, financial institutions are allowed one year from their registration to comply with their legal obligations. Issuing of new licences require non-banking financial institutions to state in their corporate documents that they implement anti-money laundering procedures, including the appointment of compliance officers. Furthermore, the Commission has requested all pre-existing financial institutions to submit information on the measures taken to comply with their anti-money laundering obligations.

The Commission has also set up a *Financial Monitoring Division*, entrusted with the duties of analysing supervisory results and participating in on-site inspections.

The SDFM and the regulators have elaborated guidelines, procedures and forms for monitoring and reporting of suspicious transactions.

The SDFM/SCFM conducts training and methodical ensuring of the national monitoring system. Since September 2003 and till now more than 35 training seminars have been conducted for banking institutions, professional participants from the securities market, insurance companies and joint investment companies under the participation of SDFM/SCFM key experts.

High level meetings to review requirements have been held between the SDFM/SCFM and the National Bank of Ukraine as well as senior managers of banks and non-bank financial institutions.

Furthermore the SDFM/SCFM has published its Annual Reports for 2003 and 2004.

Main activities and achievements supported by the MOLI-UA Project:

- Guidelines for financial operators were issued early during the MOLI-UA Project. The guidelines assist and support the identification and the analysis of suspicious transaction reporting.

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- Procedures and forms for monitoring and reporting of suspicious transactions were elaborated.
 - Primary operators and regulators have improved their professional skills and experience by attending seminars focused on reporting and other obligations covered by the guidelines; training seminars for compliance officers; seminars on know-your-customer; seminars on filing STRs; and many more. The SDFM/SCFM has been contributing to these seminars on a regular basis and the Project TL proposed to provide support and assistance, e.g. in the form of presentations if needed.
 - First Annual Report/2003 of the SDFM has been published. The Report highlights results of the SDFM work in 2003 and describes the established anti-money laundering and terrorist financing system in Ukraine. The cooperation with Council of Europe and the European Commission is very adequately described in a section of the report. The MOLI-UA Project and its implementation are high lightened.
 - Second Annual Report/2004 of the SDFM has been published. The Report highlights results of the SDFM work in 2004 and emphasizes improvements in the system during the reporting year. Furthermore the Report has a typologies section, based on examples of revealed schemes of money laundering in Ukraine. The MOLI-UA Project and its implementation are high lightened.

➤ **The impact of the Project.**

The Project provided consultancy and support to the issuing of guidelines for financial operators on identification and analysis of suspicious transactions. Reporting obligations have been issued and a mechanism to review their effectiveness have been elaborated by SDFM in cooperation with regulators. The Project has contributed actively by producing materials for the guidelines and the forms and procedures for the reporting obligations. More than 35 seminars were organised by the SCFM and with the support of the Project in order to focus on the guidelines and the reporting obligations.

Output 6: The number, quality, accuracy and speed in processing of incoming and outgoing requests for information from and to other FIUs of all types will have increased

In June 2004 the SDFM was granted membership to the Egmont Group (the international FIU network). FIUs meet regularly to find ways to cooperate, especially in the areas of information exchange, training and sharing of expertise. The SDFM/SCFM takes actively part not only in the yearly plenary meeting but has joined the following working groups: Outreach WG, IT-WG, Operational WG and Training WG. Joining the Egmont Group and the working groups has allowed a tremendous increase in the relationship and cooperation with foreign FIUs.

Admission of the SDFM to the Egmont Group in June 2004 enabled the SDFM/SCFM to connect to Egmont Secure Web for the exchange of information on financial transavtions.

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- During 204 the SDFM sent 228 requests to 64 foreign FIUs and 153 requests were answered: Prior to joining Egmont secure Web (from 1. January to 27 July 2004) 99 requests were sent to 24 foreign FIUs and 77 were answered; after joining Egmont Secure Web there were 129 requests to 40 foreign FIUs and 76 were answered.
 - In 2004 the SDFM received 149 requests from 31 foreign FIUs and all have been answered: Prior to joining Egmont Secure Web (from 1. January to 27 July 2004) there were received 77 requests from 17 foreign FIUs and 77 were answered; after joining Egmont Secure Web there were 72 requests from 24 foreign FIUs and 72 were answered.

The numbers indicate very clearly that requests are sent to many more countries after joining the Egmont Secure Web and requests are received from many more countries as well. It is also a very positive sign that the SDFM has answered all requests they received from foreign FIUs in 2004

The SDFM/SCFM is very active in establishing partnership and cooperation with FIUs in different countries,

By the end of the Project the SDFM/SCFM has signed Memoranda of Understanding (co-operation agreements) with the following 22 foreign FIUs:

1. SDFM/Russian FIU (KFM) on 29 August 2003
2. SDFM/Belgian FIU (CTIF-CFI) on 19 September 2003
3. SDFM/Slovakian FIU on 23 September 2003
4. SDFM/Estonian FIU on 20 October 2003
5. SDFM/Spanish FIU (SEPBLAC) on 21 October 2003
6. SDFM/Panamas FIU on 5 November 2003
7. SDFM/Italian FIU on 11 December 2003
8. SDFM/Slovenian FIU on 11 December 2003
9. SDFM/Romanian FIU on 17 March 2004
10. SDFM/Portuguese FIU on 24 March 2004
11. SDFM/Polish FIU on 14 April 2004
12. SDFM/Brazilian FIU on 12 July 2004
13. SDFM/Cypriot FIU on 3 August 2004
14. SDFM/Serbian FIU on 12 October 2004
15. SDFM/French FIU (TRACFIN) on 14 October 2004
16. SDFM/Georgian FIU on 19 October 2004
17. SDFM/Columbian FIU on 26 October 2005
18. SDFM/Czech Republic on 10 November 2004
19. SDFM/Macedonia on 1 December 2004
20. SCFM/Bulgaria on 20 January 2005
21. SCFM/Lithuania on 23 March 2005
22. SCFM/Albanian FIU on 6 April 2005

The work on preparing and concluding MoUs with foreign FIUs continues.

Exchange of information between the SDFM/SCFM and foreign FIUs have increased significantly during the time of the Project. Information exchange is based on the standards and recommendations and forms elaborated by the Egmont Group. The main principles of

the request processing are efficiency and confidentiality. The exchange of information is enabled through the Egmont Secure Web site.

The SCFM was connected to the FIU.NET in June 2005 in order to further improve the exchange of information with foreign FIUs. The FIU.NET is a pan-European co-operation between EU Member State Financial Intelligence Units for the exchange of information on financial transactions related to money laundering and the natural or legal persons involved. Connection of the SCFM to the FIU.NET was considered necessary in view of the fact that all European Union FIUs are, or will become users of FIU.NET in the nearest future. Also the FIU in the Russian Federation is to become a member of the FIU.NET. As the FIU.NET is designed to work with mass requests and provides possibility to automatically check the subjects of the requests in different databases, it was of utmost importance for the SCFM to become a full member of the FIU.NET in order to be able to easily and quickly exchange financial intelligence information with other members.

The SDFM/SCFM actively participates in international conferences and seminars of which many are organised by partner FIUs.

Main activities and achievements supported by the MOLI-UA Project:

- SDFM joined Egmont Group in June 2004. A great deal of preparatory work has been done under the Project during 2003/2004 to pave the way for the membership. Full membership was granted at the June 2004 plenary meeting of the Egmont Group.
- SDFM is now an active member in the following Egmont Group Working Groups:
 1. Outreach WG
 2. IT-WG
 3. Operational WG
 4. Training WG
- The Project provided a better understanding of financial intelligence and its place in the wider investigative process by organising an international training seminar on “Information exchange/co-operation between “old” and “new” FIUs” for 45 participants in November 2004. Furthermore the seminar helped the SDFM to further improve the co-operation they have with foreign FIUs and to discuss issues of common interest including the possibilities and difficulties of information exchange among FIUs and main predicate offences.
- The Project also provided the opportunity to discuss matters of common interest and to discuss ways and means to improve information exchange between foreign FIUs by organising international workshops on information exchange and co-operation among FIU's in November 2004. The workshops gave the opportunity to gain experience on this important issue by sharing and exchange of experiences.

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- Improved professional skills and more experience have been achieved as the Project organised multi-agency visits as a follow-up to the international seminar and workshops:
 - Norway for 15 participants in December 2004.

The aim of a working visit to Norway for a mixed group of participants from Ukrainian authorities and bodies involved in the fight against money laundering was to provide the opportunity for the group of participants to visit Norwegian regulatory, law enforcement and financial authorities involved in the fight against money laundering and to learn about the Norwegian anti-money laundering legislation and investigation system.

Furthermore the group had presentations on a broad range of AML issues and the Norwegian FIU (OEKOKRIM) highlighted some case studies and typology cases during their presentations. The group also met with the Norwegian Financial Supervisory Authority (Kredittilsynet), the Public Prosecutors Office, the Police Directorate and the Ministry of Justice. The evaluation of the working visit was 4.75 on a scale, where 5 is the maximum
 - Denmark for 15 participants in December 2004.

The group met with the Danish Financial Supervisory Authority (Finanstilsynet), the Danish National Bank, the Danish Bankers Association and paid a visit to the Danish Parliament.

This working visit gave the possibility to meet a cross-section of people in the Danish regulatory and financial authorities and bodies engaged in the fight against money laundering, who are familiar with the regulatory, supervisory and monitoring issues. The evaluation of the working visit was 4.65 on a scale, where 5 is the maximum.
 - Czech Republic for 8 participants in April 2005.

The group had presentations on a broad range of AML issues and the Czech FIU highlighted some case studies and typology cases during their presentations. The group also met with the Czech FIU, Financial Police and the National Prosecutor's Office. The evaluation of the working visit was 5 on a scale, where 5 is the maximum.
 - 22 Memoranda of Understanding have been concluded between the SDFM/SCFM and foreign FIUs during the time of the Project.
 - The Project has funded the connection of the SCFM to the FIU.NET in June 2005. The hardware and software were installed and the necessary works undertaken. The SCFM has become a full member of the FIU.NET and has obtained the licensed user status of any software that has been delivered as part of the package.

➤ **The impact of the Project**

Admission of the SDFM to the Egmont Group in June 2004 enabled the SDFM/SCFM to connect to Egmont Secure Web resulting in the sending and receiving of requests for financial information to and from many more countries.

Furthermore the signing of MoUs with foreign FIUs makes the exchange of information much easier. An international seminar and workshops organized by the Project in Kyiv in November 2004 for 45 participants targeted to discuss the co-operation and information exchange among FIUs. The seminar and workshops were a great success and contributed to highlight this important issue. Finally much emphasis has been given to discuss the restraints and possibilities of further improving the exchange of information among FIUs when paying working visits abroad.

On this basis it is obvious that the number, quality, accuracy and speed in processing of incoming and outgoing requests for information from and to other FIUs of all types have increased with the support of the Project and the SDFM/SCFM is fully aware and conscious of the importance of the issue.

Output 7: Feasibility study and proposal for a follow up project available

The Project has foreseen the necessity of carrying out an analysis in view of additional technical assistance need before the end of the Project. Furthermore the Project has envisaged a feasibility study including Terms of Reference for a follow up technical cooperation project.

Main activities and achievements supported by the MOLI-UA Project

- An analysis of additional technical assistance needs was done by the independent consultancy company, TvT compliance ltd. The Project supported the process by arranging meetings with all beneficiaries, the EC Delegation and the Council of Europe.
- Terms of Reference for a follow-up Project has in March 2005 been forwarded to the EC-Delegation for comments.
- The MOLI-UA Project is hosting a Closing Seminar on “Reducing Money Laundering Risk” for up to 100 participants on 16 June 2005. The aim of this seminar is to highlight achievements in Ukraine during the time of the MOLI-UA Project on combating money laundering. The seminar also focused on achievements in other countries assisted by MOLI projects and the important role and impact of the MONEYVAL Committee. The seminar tended to further improve the cooperation between authorities and other bodies involved in the fight against money laundering and counter terrorist financing and to discuss issues of common interest. Finally the seminar marks the end of the MOLI-UA Project.
- Finally the Team Leader has also provided *ad hoc* advice and consultancy on a large range of relevant subjects outside the ToR.

➤ **The impact of the Project.**

Draft Terms of Reference for a follow up Project were sent to the EC delegation in March 2005 for final comments before being submitted formally to the EU Commission.

At a meeting on 12 April 2005 the EC Delegation informed the SCFM that it would not be possible for the EU Commission to fund the gap between the MOLI-UA and the MOLI-UA 2 projects. The SCFM expressed its surprise and disappointment in learning this information for the first time and with such a short notice. A gap of at least six months between the two projects was undesired by Ukraine. The Government of Ukraine has sent a letter to the Commissioner for External Relations and European Neighborhood Policy Mrs. Ferrero-Waldner. In the letter Ukraine ensures the irreversible policy on development of a modern anti-money laundering system. Taking into account, however, the scale of tasks which faces the country and its economy the Ukrainian Government considers it necessary to receive permanent assistance in taking the system into a full conformity with the European rules and standards.

The follow-up Project is anticipated to be funded by the 2005 TACIS Programme for Ukraine, which has not yet been signed. For this reason it is not known by the end of the MOLI-UA Project, whether there will be a Follow-up Project and in that case, when it will start. For this reason it has not been possible for the Project so ensure a smooth transition to the Follow- up Project.

The Project has organized an international Closing Seminar on “Reducing Money Laundering Risk” for up to 100 participants in order to mark that an effective and successful MOLI-UA Project has come to an end.

CONCLUSIONS:

Ukraine has made significant progress in fighting money laundering during the MOLI-UA Project. This is primarily due to the strong political commitment demonstrated by the Ukrainian Government and all the competent authorities involved in anti-money laundering and countering terrorist financing, as well as the commitment demonstrated by both the public and private sectors, to build a robust anti-money laundering system in Ukraine, which would meet international standards and effectively combat money laundering. The MOLI-UA Project underpinned and strongly supported the progress achieved by giving assistance and consultancy on a broad variety of issues.

Very importantly and as a result of Ukraine’s sustainable efforts to reform its anti-money laundering regime and adoption of new legislation, the FATF Plenary removed Ukraine from the NCCT list (Non-Cooperative Countries or Territories). Therefore, FATF Recommendation 21 was withdrawn. The decision was published by FATF on 27 February 2004. To ensure continued effective implementation of the reforms Ukraine is being monitored by FATF. The monitoring mechanism includes the submission of regular implementation reports to the Europe Review Group and a possible follow-up visit to assess progress in implementing reforms and to ensure that goals have been fully achieved.

Another very important achievement that deserves special recognition was the granting of membership to the Egmont Group in June 2004. Being a member of the Egmont Group gives the SDFM/ SCFM a much easier access in establishing partnership and cooperation with other FIUs across the world. Ukraine has taken on an active membership role in the Egmont Group and belonging working groups.

The project has run without any particular problems and in accordance with its TOR.

The Project has currently been assessed by the Steering Group being implemented efficiently and effectively, which is to great extent due to the good relationship and cooperation that the Project Team was able to establish with the Ukrainian partners and beneficiaries. Mutual co-operation, respect and pro-active partnership characterize the project. Monthly working schedules and reports were discussed and constructive meetings were held at both regularly and ad hoc basis. The Project Partners continued to work in a relationship of trust and confidence. Dialogue and partnership were fundamental building blocks throughout the Project.

Other beneficiaries have been increasingly involved in working visits and other activities and the Project Partners agreed that this trend was important and rewarding. The Bankers Association and the Insurance League have also participated in a few activities and they have also contributed actively to the outputs of the Project.

It is the perception of the Team Leader that the SDFM Management and staff are very committed to their work in preventing and fighting against money laundering. This is also considered to be the case with other beneficiaries.

Partnership and teamwork have been the overriding principles. These have been sustained by a strictly adhered to system of planning meetings, reporting and feedback. As a result the Project has never had to address substantial problems. The Project partners have worked in a relationship of mutual trust and confidence which should sustain the Project's achievements after its conclusion.

The co-operation with the EC Delegation has been excellent and fruitful throughout the Project

The following Annexes are an integral part of this Final Report:

Annex 1: Work Plan

Annex 2: List of translations

Annex 3: List of seminars, workshops and working visits

Annex 4: List of participants in seminars, workshops and working visits

Annex 5: List of Joint Orders and Memoranda of Understanding

Annex 6: Terms of Reference for seminars, workshops and working visits



Annex 1: Work Plan

Work plan (as revised per 31.01.2005)			
Level	Description	Timing	Inputs required
Overall objective	The project will contribute to the establishment of a fully functioning system to prevent the use of the financial system to launder the proceeds of serious crime and enable Ukrainian authorities to cooperate internationally in fighting money laundering in accordance with European and international standards.	Project start: 1 Feb 2003	
Start-up activities			
0.1	Recruit staff: Done Two short-term advisers (TVT) managed activities and provide inputs until end-October 2003 with 10 work days per month in Ukraine and serving as resource persons. Long-term adviser engaged as per 1 December 2003 Long term support staff recruited	2-12/03	COE HQs inputs
0.2	Equip project offices: Done Office space with three workplaces provided by SDFM within its premises. SDFM established equipment list and offers Furniture and technical equipment delivered in September 2003.	3-9/03	COE HQs inputs, office equipment and computers
0.3	Prepare a detailed work plan and an inception report: Done Work plan reviewed as per 24 April 2003. Inception report prepared	4/03	TVT
0.4	Organise a start up workshop: Done Workshop held on 16 April 2003 at SDFM in Kyiv.	16/04 2003	LT-adviser/CoE inputs Workshop cost through administrative arrangement
Project objective	To enable the State Department for Financial Monitoring to exercise its functions in accordance with relevant regulations		
Output 1	Organisational set up of the State Department for Financial Monitoring completed in terms of staffing, budgeting and resourcing, and working procedures		
Activities			

1.1	<p>Assist in finalisation of organigramme: Done</p> <p>Discussion of the organigramme on 19 February 2003 between SDFM and project advisers (Mark van Thiel and Alexander Seger).</p> <p>Move to enlarged premises within MinFin approved in mid-February followed by immediate move (21-23 February). Organigramme approved by Government.</p>	2/03	Mark Van Thiel/Alexander Seger
1.2	<p>Assist in reviewing staffing requirements and preparation of terms of reference/job descriptions for positions: Done</p> <p>Level of 60 staff agreed by Government in February 2003</p> <p>Level of 100 staff agreed by Government in October 2003</p> <p>Level of 338 staff (160 persons on central level and 178 on regional level) as from January 2005</p>	3-10/03	ST-advisers (TVT) LT-advisor
1.3	<p>Assist in establishing internal working procedures/manual of operations: Done</p> <ul style="list-style-type: none"> See also Government's Work Programme against Money Laundering for 2003 (Resolution No. 140). SDFM input according to Art. 5 of Resolution No. 140 were approved by the Cabinet of Ministers of Ukraine on 23.04.03. Then these three procedures were sent to the co-operating FIUs for comments. 	3-5/03	ST-advisers (TVT)
1.4	<p>Advice in establishing rules on data protection, disciplinary measures, screening/vetting of staff: Done</p>	3-5/03	ST-advisers
1.5	<p>Support preparation of training plan and modules for SDFM staff: Done</p>	3-12/03	ST-advisers / LT-advisor
1.6	<p>Train trainers: Done</p> <p>COE to contact partner FIUs for organising internships to initiate planning (end-Feb 2003). Arranging initial visits at partner FIUs for the head of the SDFM to prepare internships.</p> <p>In May 2003: Belgium, Germany, Luxembourg, Switzerland and Liechtenstein</p> <p>In September 2003: France, Austria, Slovakia and Croatia</p> <p>In October 2003: 2 internships in Germany</p> <p>In March 2004: 10 internships in France</p> <p>In April 2004: 4 internships in Austria</p> <p>In May 2004: 6 internships in Italy</p>	5/03-12/04	12 internships in foreign FIUs x 2 weeks or equivalent in shorter terms ST-advisers / LT-advisor
1.7	<p>Support implementation of training plan: Done</p> <p>See under activity 1.6</p> <p>Language Training Courses for key personnel (15 participants) of the SCFM⁶</p>	9/03-12/04 6/05	LT-adviser and ST-advisers Up to 8 training events in Ukraine Training materials LT-Adviser

⁶ On 1 January 2005 the SDFM was transformed into the SCFM (a self-regulating central body of executive power).

1.8	<p>New activity for extension period: Done Assistance and consultancy during the first months of transformation of the SDFM into a self-regulating independent central body of executing power (SCFM). Advice and consultancy given from February –June 2005 Connecting the SCFM to the FIU.NET</p>	2/05 – 6/05	LT- adviser
1.9	<p>New activity for extension period : Done Support and advice on the establishment of territorial branches of the SCFM. Branches have been established in</p> <ul style="list-style-type: none"> - Volyn' oblast (Lutsk) - Zaporizhzhya oblast - Crimea (Simferopol)Lviv oblast - Kherson oblast <p>Four participants from the SCFM (2 from regional branches) attended the training conference in May 2005 in Russia on "The ways to strengthen co-operation between MVD branches and other governmental agencies in combating money laundering". The SCFM made a presentation at the Conference.</p>	2/05 – 6/05	LT- adviser
1.10	<p>New activity for extension period: Done Consultancy and advice on the setting up of a new National AML Training Centre within the SCFM.</p> <ul style="list-style-type: none"> - Language Training Courses for 15 key personnel of the SCFM - Luxembourg Banker's Course for 2 participants in February 2005 - The Director for the AML Training Centre has been appointed in April 2005. 	2/05 – 6/05	LT- adviser
Output 2	Relevant legislation in line with the requirements of the new anti-money laundering law and proposals for amendments of other laws to enhance the effectiveness of the anti-money laundering system available		
Activities			
2.1	<p>Assist in the review of the requirements for amendments to laws and regulations: Done SDFM to produce draft secondary legislation by 14 April. SDFM delayed this due to the organisation of the Start-up seminar. SDFM drafts have been adopted by the Cabinet of Ministers on 23.04.03. Urgent task to bring secondary legislation in place before 10 June 2003 deadline (entry into force of anti-money laundering law) See also Government's Work Programme against Money Laundering for 2003 (Resolution No. 140) for details</p>	4/03-12/03	ST-advisers (TVT)
2.2	<p>Assist the SDFM, the Ministry of Justice and other relevant bodies in preparing the necessary proposals for amendments: Done Secondary legislation in place before 10 June 2003. Continuous legal advice and assistance during the Project</p>	4-6/03 1/05	ST-advisers (TVT) COE HQs inputs LT-Adviser

2.3	Assist the SDFM and the Ministry of Justice in the review of the overall legal framework of the anti-money laundering system as well as the provisional measures and confiscation regime: Done Overall review by August to set further reform agenda. Reviewed by MONEYVAL in September 2003 and January 2005 Reviewed by FATF in January 2004 and monitored in June, October 2004 and February 2005 Membership of the Egmont Group in June 2004	August 03 1/04-10/04 1/05 2/05 6/04	ST-advisers Up to 2 in-country seminars with the participation of international experts LT-Adviser LT-Adviser LT-Adviser
2.4	Provide the necessary legal expertise for the preparation of further amendments of laws and regulations: Done Provide legal opinions for the drafted AML legislation. 3 legal opinions have been submitted so far.	8/03-6/05	Up to 6 legal opinions ST-advisors LT-adviser
Output 3	System for the collection, processing, analysis, protection and exchange of information on transactions in operation within the SDFM		
Activities			
3.1	Assist SDFM in <ul style="list-style-type: none"> The assessment of needs, including information in databases managed by other Ukrainian authorities, commercial databases etc.: Done design of the information system and its architecture: Done the procurement of hardware (to be funded by Government): Done the procurement, installation and operational of software (to be funded from the project budget): Done elaboration of rules for the handling and protection of data: Done 	3/03-6/04	ST-advisers /LT-adviser
3.2	Review training needs of SDFM analysts: Done	5/04	LT-adviser
3.3	Select a core group of 12 analysts and train them as trainers: Done	1-12/04	LT-Adviser
3.4	Support training measures: Done <ul style="list-style-type: none"> Traineeships with the French, Austrian and Italian FIU's supported special training measures flagged by SDFM analysts 3 different i-2 training courses for 21 participants in September 2004 (Analyst's Notebook; i-Bridge User and i-Bridge Developer) Training event for 5 participants in Moscow in October 2004 Training event for 3 participants in Helsinki (Baltic Sea Region Task Force) in November 2004 Intensive and targeted Language Training Courses 	12/03-12/04	3 x 1 week Up to 6 training events LT-adviser
Output 4	Effective mechanisms are in place to ensure cooperation between the SDFM and law enforcement, criminal justice and regulatory authorities	6/05	
Activities			
4.1	Assist SDFM in organising annual typology meetings with law enforcement and regulatory authorities by providing relevant input on methodology, distribution of responsibilities, documents preparation etc.: Done <ul style="list-style-type: none"> Assist in the participation of the FATF typologies meeting in November 03: Done Assist in the participation of the joint FATF/MONEYVAL typologies meeting in December 04: Done 	3/04-1/05	2 in-country meetings with participation of international experts LT-adviser
4.2	Support role of SDFM in the Interagency Working Group: Done	1/03-12/04	LT-adviser

4.3	<p>Support the SDFM in the organisation of Interagency Working Group meetings on specific issues of concern to law enforcement, criminal justice and regulatory authorities, in particular on the interpretation and application of the anti-money laundering legislation: Done</p> <ul style="list-style-type: none"> - Law Enforcement seminar in April 2004 for 45 participants - Workshop on Central/Regional Co-operation in April 2004 for 45 participants - Closing seminar in June 2005 for up to 100 participants 	4/03 – 2/05	Up to 4 in-country seminars with participation of international experts LT-adviser
4.4	<p>Support conclusion of joint orders between SDFM and other bodies (including in particular Ministry of Interior and Prosecution): Done</p> <ul style="list-style-type: none"> ▪ 17 joint orders/agreements signed ▪ Organising workshops on experiences in the application of the agreements 	6/05 10/03-12/04	LT-adviser Up to 2 in-country workshops
4.5	<p>Assist in the design and implementation of a mechanism on feedback from law enforcement and criminal justice authorities on follow up to reports received from the SDFM: Done</p> <ul style="list-style-type: none"> - 4 specific joint orders have been issued - A number of additional supporting documents to the basic documents have been issued subsequently 	4/03-12/04	LT-adviser Up to 2 in-country workshops
4.6	<p>Organise study visits for judges, prosecutors, law enforcement officers, SDFM staff and regulatory authorities to counterpart organisations of other European countries: Done</p> <p>Participants from SDFM, Office of Prosecutor General, Min of Interior, Security Service of Ukraine, Min of Justice, National Bank, State Commission on Regulations of Financial Markets and Financial Services, Min of Foreign Affairs, State Commission on Securities and Stock Market of Ukraine, Judges, Association of the Banks and Insurance League</p> <ul style="list-style-type: none"> - Working visit to Denmark in September 2004 for 15 participants - Working visit to the Netherlands in October 2004 for 12 participants - Working visit to Poland in November 2004 for 8 participants - Luxembourg Banker's Course in February 2005 for 2 participants 	1/04 – 12/04	Up to 4 study visits (one week) for a total of 30 officials LT-adviser
Output 5	Guidelines for primary financial operators on identification and analysis of suspicious transactions and reporting obligations available and a mechanism to review their effectiveness will have been elaborated by SDFM in cooperation with regulators and adopted	2/05	
Activities			
5.1	<p>Assist SDFM and regulators in elaboration of guidelines: Done</p> <ul style="list-style-type: none"> • Priority: Procedures and forms for monitoring and reporting of suspicious transactions to be elaborated 	5/03	ST-advisers (TVT) Production of materials
5.2	<p>Support SDFM in organising seminars on reporting and other obligations for primary operators and regulators in accordance with the guidelines and in cooperation with professional associations: Done</p> <ul style="list-style-type: none"> • Meeting of SDFM with senior managers of banks and financial institutions as well as National Bank to review requirements • Seminars have focused on reporting and other obligations covered by the guidelines. • Training seminars for compliance officers on know-your-customer and identification and filing of STRs. etc. 	12/03 – 6/05	ST-advisers /LT-adviser Up to 6 in-country seminars

5.3	Support the SDFM in establishing an annual report: Done - Report of the SDFM 2003 has been published - Report of the SDFM 2004 has been published	1/04-6/05	LT-adviser
Output 6	The number, quality, accuracy, and speed in processing of incoming and outgoing requests for information from and to other FIUs of all types will have increased measurably		
Activities			
6.1	Organise an in-country training seminar on information exchange between FIUs. Done <ul style="list-style-type: none"> • Assist SDFM in acceding to Egmont Group: Done • The SDFM was granted membership of the Egmont Group at the June Plenary meeting 2004 • Active membership in the following Egmont Working Groups: <ol style="list-style-type: none"> 1. Outreach WG 2. IT-WG 3. Operational WG 4. Training WG • International training seminar and workshops on "Information Exchange between "Old" and "New" FIU's" took place in Kyiv for 45 participants from 10-11 November 2004. 	2/03-7/04 12/04	ST-advisers / LT-adviser LT-adviser 1 seminar in Kyiv with participation of international experts LT-adviser
6.2	As a follow up to the seminar, arrange study visits for SDFM staff, as well as prosecutors, and representatives of the Ministry of Interior and of Justice responsible for international cooperation to FIUs of other European countries to promote the conclusion of MoUs and to train SDFM staff: Done <ul style="list-style-type: none"> - MoUs have been signed with 22 foreign FIUs - Additional MoUs are being negotiated - Multi agency working visit to Norway in December 2004 for 15 participants - Multi agency working visit to Denmark in December 2004 for 15 participants - Working visit to the Czech Republic in April 2005 for 8 participants - Expert meeting on AML with the Finnish FIU in April 2005 	6-12/04 4/05	4 visits (up to week) for up to 5 SDFM staff and other officials to foreign FIUs LT-adviser
Output 7	Feasibility study and proposal for a follow up project available		
Activities			
7.1	Carry out an analysis in view of additional technical assistance needs. Done	4/04-12/04	LT-adviser with COE HQs inputs
7.2	Prepare a feasibility study including terms of reference for a follow up technical cooperation project Done	5/04-1/05	LT-adviser with COE HQs inputs
7.3	New activity for extension period: Assistance and consultancy to ensure smooth transition to the Follow up Project. Done. <ul style="list-style-type: none"> • Assistance and support in drafting the ToR and in organising meetings for the follow project (MOLI-UA 2) • Connecting the SCFM to the FIU.NET • Closing seminar for up to 100 participants on "Reducing Money Laundering Risk" in June 2005 	2/05-6/05 6/05	LT-adviser

Annex 2: List of translated documents

The List of the documents available in English (translated within the project and/or received from the SDFM in English or Ukrainian)

1. Order on establishing the Regulations on the structural division of the SDFM
2. Provision on IT-Department
3. Provision on Analytical Department
4. Provision on Department of Cooperation with Subject of Financial Monitoring
5. Provision on International and Legal Department
6. Provision on Personnel, Finance and Matters
7. Provision on Regime and Safety Department
8. Agreement between the SDFM and the General Prosecutor
9. Agreement between the SDFM and the Body Guard of Ukraine
10. Document #46 (about claim to requirements to a qualifications of a worker)
11. Document #48 (consists of 20 different documents and/or attachments)
12. Cabinet of Ministers Resolution #645 (submitted by the SDFM in English)
13. Cabinet of Ministers Resolution #646 (submitted by the SDFM in English)
14. Document # 40 (Requirements\ organis. of finance. monitoring\submitted by SDFM)
15. FATF/Ukrainian Report (proof-reading by the project)
16. Related documentation (FATF) (articles from Eng. into Ukr.)

17. MONEYVAL/Questionnaire (part of it)
18. Inception Report
19. Financial Report (on the start-up seminar)
20. Contract/Dial
21. Contract/DKT
22. Speech of the President/14 July, 2003
23. Order of the President/15 July, 2003
24. Decree of the President/measures/22 July, 2003
25. Law of Ukraine/amendments/draft/July, 2003
26. Legal Opinion to Introduction on amendments/August/2003
27. Law of Ukraine/International Cooperation/proof-reading
28. Law of Ukraine/Fight against terrorism/proof-reading
29. Law of Ukraine/NBU Regulations/proof-reading
30. MONEYVAL Questionnaire/some sections
31. Agenda of the joint meeting (preparation of the MONEYVAL mission)/22 Aug. 2003
32. Istanbul Anti-Corruption Network/September, 2003/package of documents
33. Progress Report as per 31 July 2003
34. Legal Opinion to Introduction on amendments/September/2003
35. Report of Mr. Suslov for the Moneyval mission
36. Speech for Stockholm meeting/Egmont Group/proof-reading
37. FATF Interpretive Note
38. Egmont Group/Discussion Paper
39. Information on legal issues for MONEYVAL evaluation
40. Legal Opinion to Introduction on amendments/October/2003
41. Answers for the FATF/November (proof-reading)
42. 2nd Quarterly Report as of 31 October, 2003
43. Revised Work Plan
44. Self-Assessment Questionnaire for the 25 NCCT Criteria/translating/proof-reading
45. Resolution/CoM/10 Dec. 2003
46. Provisions/Single inform.syst/10 Dec.2003
47. Programme/Single inform.syst/10Dec.2003
48. Report for Mass-media/T.Greenberg's visit
49. Agreement on Cooper. between SDFM and Main Division for Audit and Revision
50. Agreement on Cooper. between SDFM and SPFU

51. Agreement on Cooper. between SDFM and State Statistics Committee
52. Contract between the Council of Europe and Real Systems
53. On special free economic zone/Porto-Franko (Odessa) (proof-reading)
54. On special free economic zone/Reni (proof-reading)
55. On general guidelines on special free economic zone/Law of Ukraine
56. Indicative outline for activities during January-May, 2004
57. 3d Quarterly Report as of 31 January, 2004
58. Information seminar in April in Yalta/tentative programme
59. Typology seminar in May in Odessa/tentative programme
60. Indicative outline for activities during March – June, 2004
61. Guidance for short-time experts/March, 2004
62. Terms of Reference for participants in Yalta/March, 2004
63. Action Plan for Yalta conference with Annexes/March, 2004
64. Agenda for Yalta seminar
65. Contract with Glitzyntia/April, 2004
66. Contract with International Airlines “Krym”
67. Action Plan for Odessa conferences with Annexes
68. Contract with the Ukrainian House
69. Presentation of Kirsten Mandrup for Yalta conference
70. Terms of References for participants in Odessa/May, 2004
71. 4th Quarterly Report as of 30 April, 2004
72. Revised Work Plan
73. Discussion Paper on Follow-Up MOLI-UA Project/June, 2004
74. Proposals on Follow-Up Project/Summary
75. Proposals from the Ministry of the Interior Affairs
76. Proposals from the State Customs of Ukraine/Follow-Up
77. Work schedule for June 2004 – January 2005
78. Work schedule for August 2004
79. Indicative overview of activities August 2004-February 2005
80. Work schedule for September, 2004
81. Terms of Reference for participants to Denmark in September 2004
82. Programme for the working visit for the Danish FIU in September 2004
83. Programme for the international seminar on exchange of information (“old”/“new” FIU)
84. Monthly report of June, 2004

85. Monthly report of July, 2004
86. Terms of Reference for participants for the “old” & “new” FIUs seminar in November 2004 in Kyiv
87. Work schedule for October, 2004
88. Action plan for the “old” & “new” FIUs seminar in Kyiv
89. 5th Quarterly Report as of 31 July, 2004
90. Indicative overview of activities for August 2004 – February 2005
91. Monthly report of August, 2004
92. Monthly report of September, 2004
93. Terms of Reference for participants for the visit to the Netherlands in October 2004
94. Programme for the working visit for the Dutch FIU in October
95. 6th Quarterly Report as of 31 October, 2004
96. Revised Work Plan
97. Programme for the working visit to the Polish FIU in October 2004
98. Terms of Reference for participants to Poland in October 2004
99. Monthly report of October, 2004
100. Work schedule for November, 2004
101. Programme for the visit to Denmark in December 2004
102. Programme for the visit to Norway in December 2004
103. Indicative list of activities planned for extension period
104. Monthly report for November, 2004
105. Work schedule for December, 2004
106. Terms of Reference for participants to Denmark in December 2004
107. Terms of Reference for participants to Norway in December 2004
108. Monthly report for December, 2004
109. Work schedule for January, 2005
110. 7th Quarterly Report as of 31 January 2005
111. Documentation on Language Training Course

