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Dear colleagues!

The Office for Prevention and Fight Against Money Laundering, as an autonomous subdivision of the Center for Combating Economic Crimes and Corruption specialized in the prevention and combating of money laundering and financing of terrorism has celebrated its fifth jubilee.

Looking back at that period we may affirm with certainty that the expected results were effectively attained in what relates to the illicit transactions, combating of financial frauds, elaboration of a viable system for combating the money laundering and financing of terrorism, as well as raising the intolerance of financial institutions and civil society towards these negative phenomena.

The year 2008 has been marked by the adjustment of the national AML/CFT system to the international standards. This complex process implied the attainment of several strategic objectives.

The first objective consisted in the adherence of the Republic of Moldova on 27th May 2008, through the Center for Combating Economic Crimes and Corruption to the Egmont Group. This event, also meaning the acknowledgement of the national progress in AML/CFT by the European Community, will considerably speed-up the exchange of operative data with the similar offices of the member states and contribute to a faster identification of financial flows of illegal origin.

To the same degree of importance is the implementation of all provisions of the Action Plan for the year 2008 for the implementation of National Strategy of Combating Money Laundering and Financing of Terrorism that is the major document reflecting the coordinated activities between the country's law enforcement authorities and supervising institutions.

The adjustment of national institutional and normative frameworks to the FATF recommendations has also been a priority for the year 2008. I highly appreciate the MOLICO project and the assistance provided by the foreign experts whose recommendations have been used as a basis for the operation of necessary modifications to the applicable legislation.

At the same time, in order to consolidate the global efforts in combating the money laundering and financing of terrorism the Center's staff has actively participated at various international events organized by Egmont Group, FATF, EAG, etc.

With respect and highest consideration,

Director of CCECC

Sergiu BURDUJA

Chapter I

1.1 National AML/CFT system

Five years ago, 15th September 2003 in the Center for Combating Economic Crimes and Corruption has been established the Office for Prevention and Fight Against Money Laundering – an autonomous subdivision specialized in the prevention and combating of money laundering and financing of terrorism.

For this scope OPFAML elaborates and implements policies, programs and plans aimed at prevention and combating of money laundering and financing of terrorism in the Republic of Moldova.

The Office is now playing an important mediation role between the financial information related to the money laundering and combating of terrorism and the law enforcement authorities. Upon reception of financial information the Office subjects to a complex and successive analysis the entire flow of data and thereafter, upon necessity, in order to identify the constituent elements of crimes or fraudulent schemes, conducts operative investigations that usually result in the detection of crimes, including money laundering and financing of terrorism. As continuation, in accordance with the criminal procedural procedure the materials are transmitted to the criminal pursuit organs of the Center or to other competent authorities.

Also the year 2008 has been marked by the qualitative improvement of the analytical processes within the Office owing to the technical facilities for the primary data processing made available to the Office .

Also, for the assurance of an efficient AML/CFT system the Office has been cooperating efficiently both with the national and international authorities.

From the very moment of its foundation the OPFAML actively participates in various international organizations and has initiated numerous new collaboration agreements. Moreover, membership in Egmont Group since May 2008 has contributed significantly to the intensification of the international cooperation process and thus to the combating of money laundering and financing of terrorism.

Since 2006, when the first agreement was signed with Romania, OPFAML has signed 17 collaboration agreements with the similar offices of other countries, including Indonesia, Slovenia and Holland in 2008, having thus expanded the collaboration network on the international level.

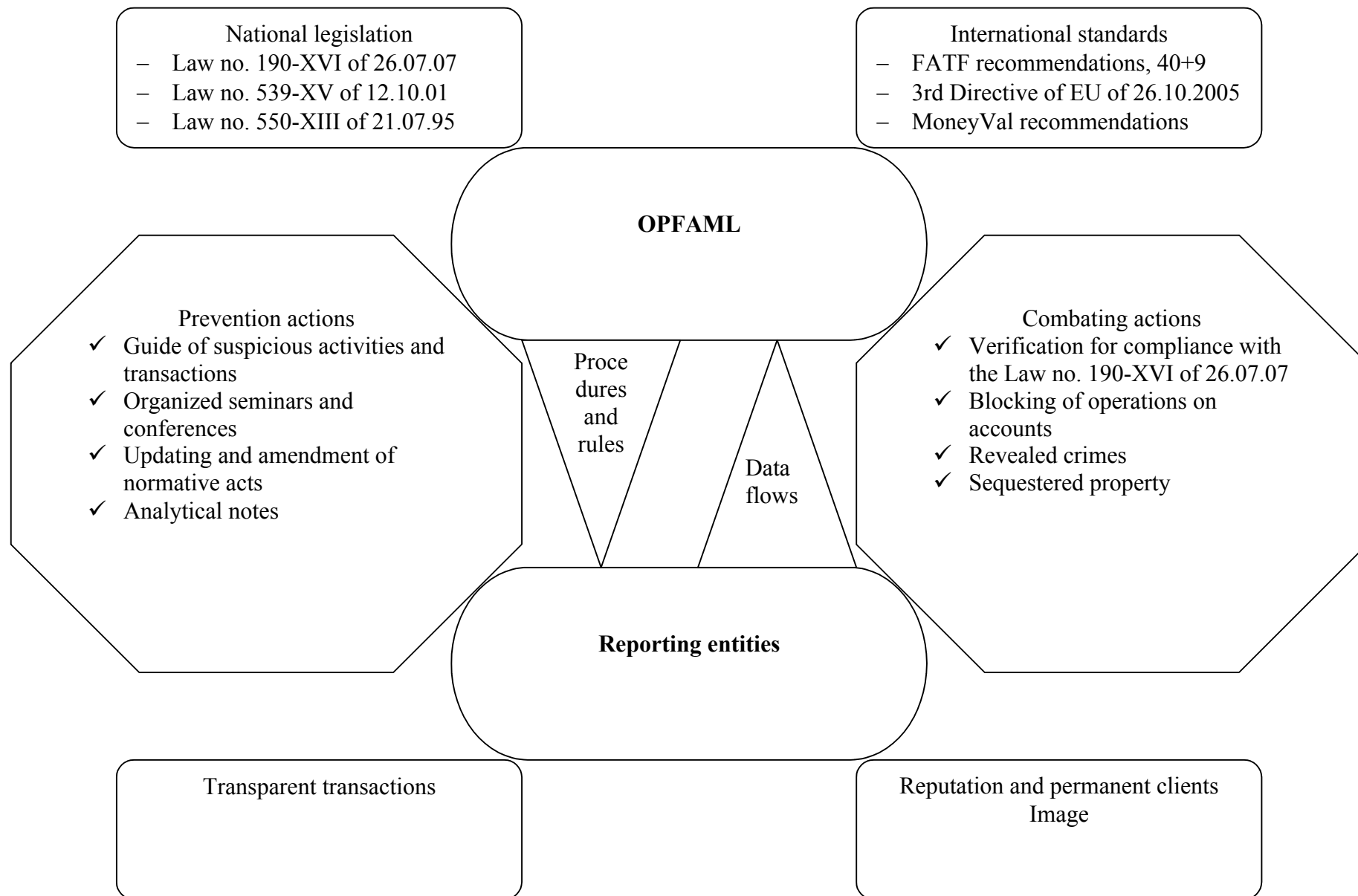
The implementation of national AML/CFT system has contributed to the creation of conditions for building a suitable environment for transparent financial transactions. It has allowed to reduce the degree of exposure of financial institutions to the risks of financial frauds and money laundering and to raise the

degree of credibility on the external markets, as well as to improve the correctness of financial transactions.

In addition, an effective and efficient AML/CFT system is an obstacle for the infringers that have intensified the use of financial institutions for the collection and disposal of illicit funds. So the system has become a key element for the stability of the national financial system.

The efforts of OPFAML have lead to remarkable progress in the installation and consolidation of AML/CFT system, as well as in the implementation of FATF recommendations. However, the time, the international standards and the evolution of criminal processes are setting out new priorities and challenges for the national AML/CFT system.

The national AML/CFT system is presented on the diagram below.



1.2 Fundamental aspects of AML/CFT

Money laundering and financing of terrorism are tightly interrelated with the shadow economy, being perceived as activities performed with violation of legal norms. These include the ways the infringers process the illegal income derived from illicit activities (narcotic drugs, trafficking in human beings, frauds, misappropriation, theft, fiscal evasion, smuggling, etc.) by successive transfers and transactions until the source of illegally derived funds becomes unclear and the money takes the form of legal funds /assets.

Financing of terrorism is possible on the account of income derived from both illegal and legal activity, traditionally for this purpose charity activities are used to make it difficult to detect the funds intended for the international terrorist organizations.

In the global economy, simultaneously with the evolution of informational technologies providing alternatives for transfers not monitored by the supervising authorities, international transactions are used fraudulently both for the purposes of money laundering and financing of terrorism.

Also has been marked the tendency of creation of smaller and mobile groups, often with involvement of foreign members within national territories that are more efficient in money laundering and financing of terrorism. This tendency requires stronger cooperation between the institutions responsible for the prevention and combating of these phenomena on national and international levels.

One has to mention that a substantial part of funds derived from illicit activities is injected into the national economy.

The rapid advancement of information exchange, of the circulation of capital, people, goods and services requires a substantial change in the traditional concept and attitude to transnational crime. The transnational criminal activity takes advantage of the higher organization levels and powerful informational and financial support.

The risk of these phenomena resulted in the elaboration of a unified policy to comply with the requirements of the system for combating money laundering and financing of terrorism. This implies an imperative and clear strategic reaction materialized in the adoption of a national Strategy of prevention and combating of money laundering and financing of terrorism.

Moreover, such an approach to the AML/CFT phenomena has been provided in the Action Plan Republic of Moldova –European Union approved by the Governmental decree no. 356 of 22 April 2005.

As a result, by the Governmental decree no. 632 of 05.06.2007 was adopted the National Strategy of Prevention and Combating of Money Laundering and Financing of Terrorism for the next 3 years and the Annual Action Plan for its implementation.

The Strategy is a transparent document stating the measures to be implemented by the Republic of Moldova both for the civil society and the international community, in collaboration and with the participation of non-governmental organizations and international specialized institutions.

At the same time, for the national and international authorities the Strategy sets out the tasks and the implementation stages for the mechanisms in the field of prevention and combating of money laundering and financing of terrorism that allowed initiating the MOLICO project financed by the Council of Europe. The implementation period of this project is three years, while the implementation budgeted of the above Strategy is 1.3 million EURO.

The Strategy has been elaborated taking into consideration both the practical experience of European countries and the specifics of national interests of the Republic of Moldova.

At the same time the Strategy is based on the principles of legality, cooperation, professionalism, efficiency and transparency, underlining the empiric, multidimensional and multi-institutional character of this document.

The national Strategy of Prevention and Combating of Money Laundering includes the following objectives:

- ✓ Consolidation of national legal framework aimed at the facilitation of the process of prevention and combating of money laundering and financing of terrorism;
- ✓ Institutional capacity building;
- ✓ Prevention of money laundering and financing of terrorism;
- ✓ Assurance of transparency and information of general public;
- ✓ Implementation of international instruments of EU, CoE, UNO, OECD, etc.

The above-stated objectives may be attained by the implementation of a detailed action plan providing particular measures, designating responsible institutions and concrete deadlines for the implementation of such measures.

Such an action plan has been approved for the year 2008. That action plan contained 27 specific actions to be implemented by the responsible institutions, including the supervising authorities and law enforcement organs.

To assure the efficient implementation of the National Strategy of prevention and combating of money laundering and financing of terrorism by implementation of Action Plan it became necessary to establish an adequate monitoring mechanism. For this scope was established the Monitoring Commission for Annual Action Plans constituted by the representatives of the major responsible institutions:

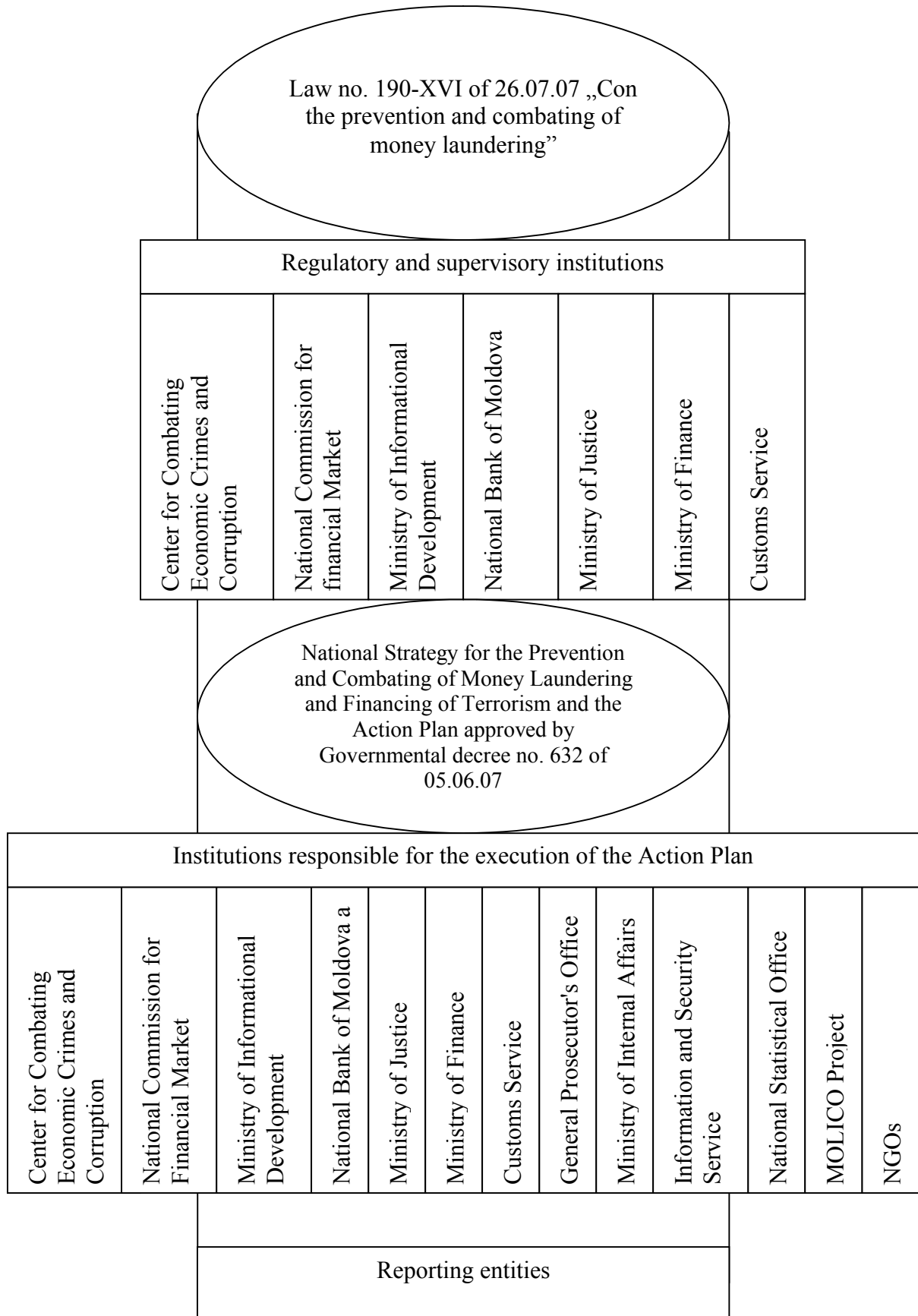
- ✓ Center for Combating Economic Crimes and Corruption
- ✓ General Prosecutor's Office
- ✓ Ministry of Internal Affairs
- ✓ Customs Service
- ✓ Information and Security Service
- ✓ Ministry of Finance
- ✓ National Bank of Moldova
- ✓ Ministry of Economy and Commerce
- ✓ Ministry of Justice
- ✓ Ministry of Informational Development
- ✓ National Statistical Office
- ✓ National Commission for Financial Market
- ✓ Licensing Chamber

The Center is the institution responsible for the implementation of this Strategy by employment of OPFAML capacities, playing the priority role in the system of central authorities specialized in the prevention and combating of money laundering and financing of terrorism.

The role of CCECC is to ensure the implementation of the above Strategy in the following domains: elaboration and presentation of proposals for the amendment of legislation in accordance with the recommendations of the MoneyVal Committee and IMF; determination of basic priorities for the future development of cooperation with the organizations performing financial operations, improvement of collaboration with these organizations; improvement of collaboration and preparations for complete integration of the financial analysis units; cooperation and interaction with the national and international law enforcement authorities.

So, the implementation of activities listed in the Strategy would provide for the improvement of applicable legal framework in accordance with the international norms, consolidation and efficient supervision of law subjects in relation to the implementation of measures and actions against money laundering and financing of terrorism; coordination and exchange of information at the inter-institutional and international level; detection, registration and efficient investigation of schemes employed by the criminal community for money laundering purposes and financing of terrorism.

Place of Strategy in the AML/CFT System



Chapter II

Office for Prevention and Fight Against Money Laundering

The evolution of economic processes has determined the evolution of activities (institutions) of prevention and combating of frauds in various sectors of national economy, including the financial system.

The latter, owing to the features prone to the changes on the external financial market requires especially cohesive actions to assure the prevention of negative impacts, including the elimination or the diversification of risks of money laundering and financing of terrorism.

The Republic of Moldova like the other European countries has adequately reacted to the situation, having established the required premises in order to exclude the possibilities of using the national financial-banking and non-banking system in money laundering schemes or in financing of terrorism, as well as to exclude the causes and conditions favoring such frauds.

The first legal act regulating the activities in the field of prevention and combating of money laundering and financing of terrorism is the Law no. 633-XV of 15.11.2001, the main authority responsible for the implementation of this law being the General Prosecutor's Office.

Thereafter, owing to the optimization of the system of law enforcement authorities in the country, as well as to the establishment of the Center for Combating Economic Crimes and Corruption in the year 2002 and of the Office for Prevention and Fight Against Money Laundering in September 2003 the above law was amended to include CCECC and its specialized subdivision – OPFAML as an authority responsible for the execution.

Five years of prodigious activity have followed that resulted in the building of a AML/CFT system, in the elaboration of normative acts necessary for the adequate implementation of the law, selection and training of staff, technical-material provision, institutional capacity building, etc.

The experience accumulated by the OPFAML officers both in collaboration with the financial institutions and during the study tours to other countries has lead to the elaboration and adoption of a new legal act, namely the Law no. 190-XVI of 26.07.07 „On the prevention and combating of money laundering and financing of terrorism”.

Actually the OPFAML is a professional subdivision that has already built itself a positive image in the countering of financial frauds, money laundering and financing of terrorism.

2.1 Structure, human resources and financing

The Office staff includes 18 permanent officers, of them: the Office chief, the deputy chief, 11 principal inspectors and 5 senior inspectors, as well as 10 subdivision officers provided with special authority in the prevention and combating of money laundering and financing of terrorism. All officers have special degrees.

The officers have university degrees in law and/or economics, experience in the financial-banking and non-banking domains, including the Master's degree title.

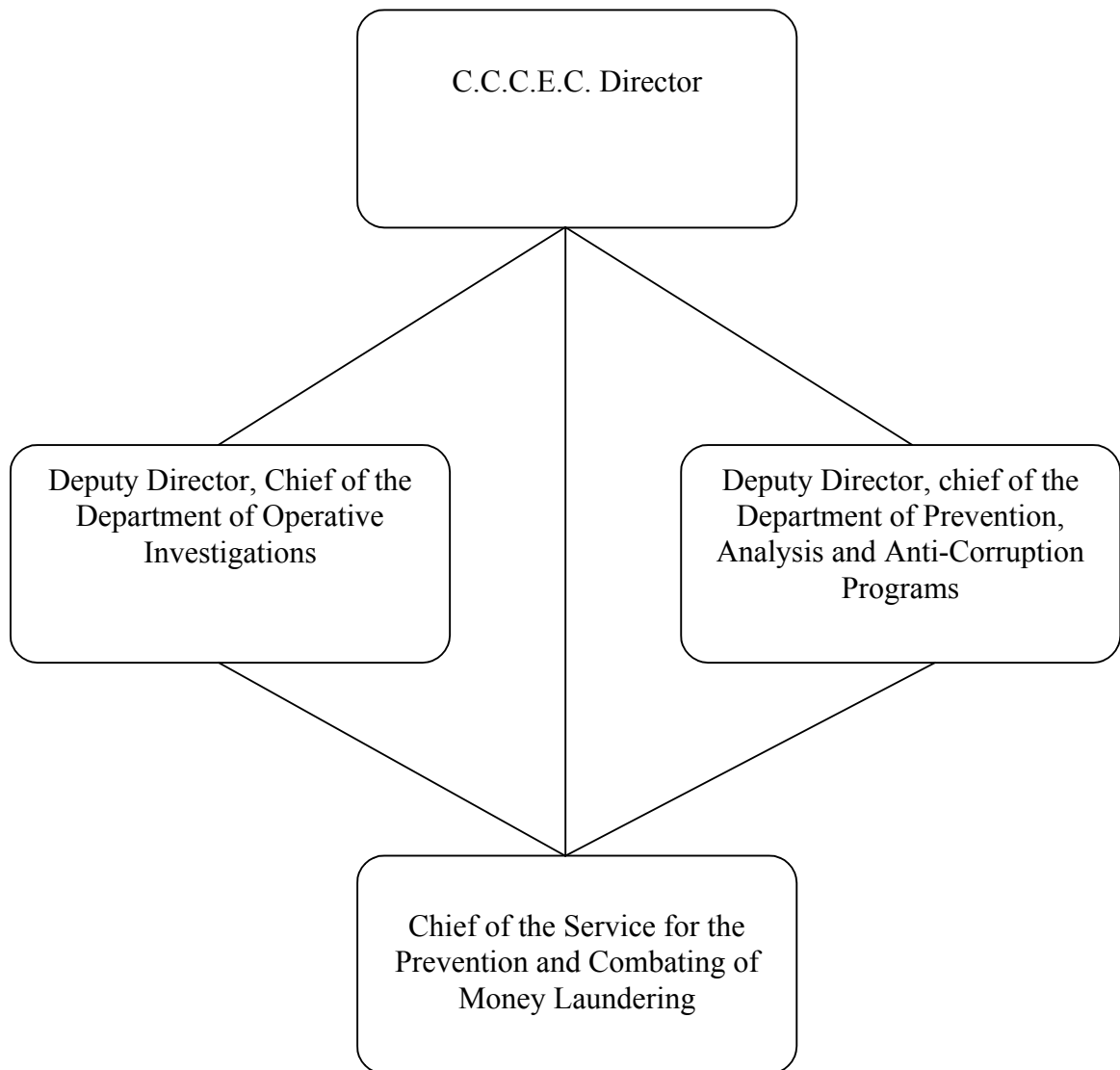
So, the Office chief is a licensee in economics and Master of Law.

For the special merits in the Center's activity one Office's officers was decorated with the state distinction „Meritul Militar”.

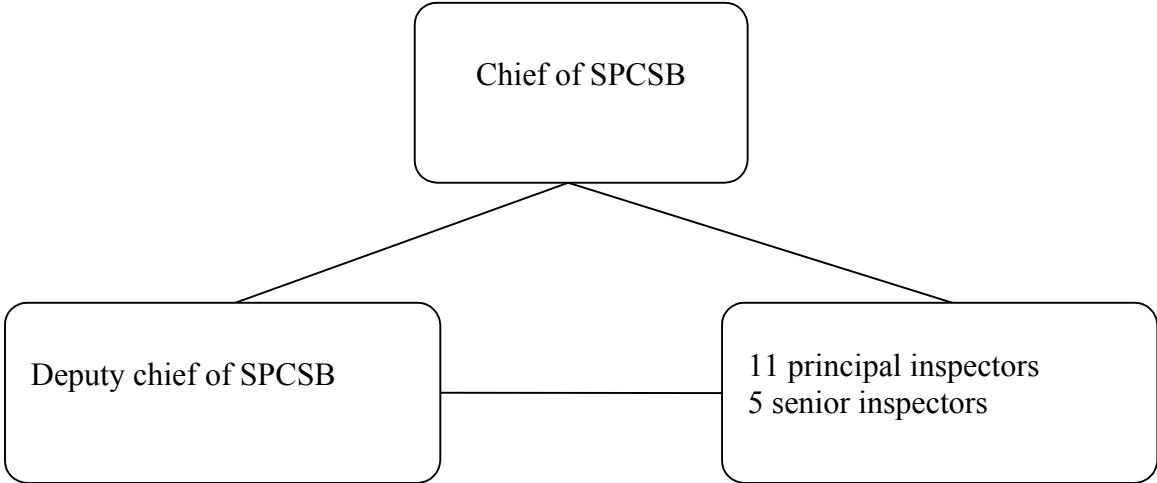
The personnel employed in the Office may not occupy any other positions or perform any functions in the reporting entities, having also some other interdictions:

- ✓ To hold any other remunerated position, except for didactical, scientific or creative activities;
- ✓ To practice entrepreneurial activity personally or via any third parties;
- ✓ To be member of the management of any enterprise or to represent any third parties in the Office;
- ✓ To use the financial, technical-material, informational and other property of the state, including the service information for any other purposes than the ones provided in the office duties, etc.

Place of OPFAML within the CCECC



Structure of OPFAML



2.3 Activity of OPFAML

During the year 2008 the activity of OPFAML was targeted towards the implementation of the Annual Action Plan of the National Strategy of Prevention and Combating of Money Laundering and Financing of Terrorism.

For this scope all the capacities of the OPFAML were deployed for the attainment of the following objectives:

- Improvement of the legal framework and assurance of adequate application of law;
- Prevention of money laundering and financing of terrorism in the public institutions and private sector;
- Consolidation of OPFAML technical capacities;
- Intensification of cooperation with public institutions and civil society;
- Consolidation of international cooperation.

These objectives were set both by the requirements of the AML/CFT system and by the activity plans and programs of the Center for Combating Economic Crimes and Corruption.

2.3.1 Consolidation of national legal framework aimed at facilitation of prevention and combating of money laundering and financing of terrorism

The improvement of normative framework required for the adequate functioning of the AML/CFT system represents a priority direction in the OPFAML activity. This process is being performed depending on the requirements of practical application of normative acts, as well as depending on the recommendations of the specialized international organizations aimed at the adjustment of the national AML/CFT system to the international standards.

Given the need to optimize the country's banking and non-banking financial system and the system of prevention and combating the money laundering and financing of terrorism, the Office has elaborated a draft law for the operation of amendments and additions into several legal acts. This draft law includes a wider list of proposed amendments and additions to 6 existing legal acts: Law on the National Bank of Moldova no. 548-XIII of 21.07.1995, Law on the National Commission for Financial Market no. 192 –XIV of 12.11.1998, Law on Financial Institutions no.550-XIII of 21.07.1995, Criminal Code, Law on the prevention and combating of money laundering and financing of terrorism no. 190-XVI of 26.07.2007; Law on Administrative Offenses no. 793-XIV of 10.02.2000.

In the result of adopted amendments new reporting entities were included, such as: intermediaries on the insurance market and leasing companies so as to permit an extensive use of the Law on the prevention and combating of money laundering and financing of terrorism, as well as the effective determination of income obtained by corporate entities or private individuals, in order to enable their complete and correct taxation.

Also, for the practical implementation of the Law no. 190-XVI of 26.07.07, as well as for the optimization of the process of combating the money laundering and financing terrorism there appeared a necessity to implement a mechanism for the prolongation of suspension of execution of suspicious transactions. So, it was agreed to include judiciary instances as counterparts to this process, in addition to the General Prosecutor or his deputies, to adopt decisions on the suspension of execution of particular transactions, the prolongation term not exceeding 30 days and the total suspension period not exceeding 90 working days.

Other legal acts have been modified in order to facilitate the implementation of above-stated provisions.

The proposed amendments and additions will contribute to the country's economic wellbeing, to the maintenance of law and order and to the prevention of money laundering and financing of terrorism in the banking and non-banking sectors.

Also there was elaborated the draft Governmental decree on the adoption of the Action Plan for the year 2009 for the implementation of the provisions of National Strategy of prevention and combating of money laundering and financing of

terrorism that is the key document for the implementation of common activities in cooperation with the other law enforcement authorities and institutions.

2.3.2 Prevention and combating of money laundering and financing of terrorism in public institutions and private sector

As part of the preventive measures for the reporting entities, mass-media and non-governmental organizations meetings were organized with around 100 professional participants of the non-banking financial market that were provided with information on the suspicious signs and the Guide of suspicious activities approved by the Order of the CCECC Director no. 118 of 20.11.2007.

As for the implementation of normative acts in the field of prevention and combating of money laundering and financing of terrorism, during the said period were conducted 48 training seminars with the reporting entities, including notaries, operators of games of luck, etc.

In this manner, on the 21 and 24 of March 2008 the MOLICO Project and the National Commission for Financial Market have organized the Seminar „Measures for the prevention and combating of money laundering on the capital market and in the insurance sector” with the participation of CCECC officers, representatives of the National Commission for Financial Market, professional participants of the stock exchange and insurance-reinsurance companies.

Also similar seminars were organized for the representatives of 44 enterprises providing services in the field of games of luck.

The Center for Combating Economic Crimes and Corruption in collaboration with the Ministry of Justice has organized a seminar entitled „Prevention and combating of money laundering and financing of terrorism” elaborated specially for the training of notaries in this field. Training was conducted in three localities: Cahul, Chisinau and Balti.

Under the common project of the Council of Europe and European Commission against Corruption, Money Laundering and Financing of Terrorism in the Republic of Moldova (MOLICO), in collaboration with the Anti-Corruption Prosecutor's Office the Center for Combating Economic Crimes and Corruption and the National Commission for Financial Market on 14-15th April 2008 have organized the seminar entitled „Prevention and combating of money laundering and financing of terrorism” in order to increase the efficiency of criminal pursuit and judgment in the cases of money laundering and financing of terrorism, in accordance with the applicable international standards.

Further-on, under the same Project (MOLICO), in cooperation with the National Bank of Moldova and the Center for Combating Economic Crimes and Corruption, on 28th June was organized the seminar entitled „Adoption of risk-based approach

in the anti-money laundering activities in banks” elaborated for the training of banks' employees.

During the period of 17-18th June 2008 the representative of the Office for Prevention and Fight Against Money Laundering and of the National Commission for Financial Market have organized a series of seminars with the participation of securities market professionals and representatives of insurance companies concerning the methods of filling-in and secure transmission of special electronic forms as provided by the Law no.190-XVI of 26.07.07.

For the correct implementation of the Law no. 190-XVI din 26.07.07, as well as for the prevention of money laundering and financing of terrorism, the Office has performed numerous controls at the reporting entities.

In accordance with the provisions of the art.162/15 of the Administrative Offence Code sanctions were applied in the amount of 163 thousand lei to the responsible officials of 4 banking institutions.

Also were produced and transmitted to the National Bank of Moldova as supervising authority 5 inquiries regarding the failure to identify the effective beneficiary and involvement of 5 commercial banks in the servicing of delinquent companies. As result, the management of these financial institutions was sanctioned in accordance with the provisions of the art. 38 of the Law on financial institutions and obliged to eliminate the causes and conditions of appearance of the respective offenses.

The observation of AML/CFT legislation was also checked by the institutions supervising the reporting entities (National Bank, National Commission for Financial Market).

In accordance with the provisions of the art. 4 of the Law no. 190-XVI of 26.07.07, 13 reporting entities are obliged to present to the Center the data on the performed or the mediated transactions, including the banking institutions, insurance companies, notaries, cash exchange offices, etc.

In accordance with the provisions of the art. 8 of the above Law, there are three types of transactions that must be reported to the Center by the reporting entities.

So, the *suspicious transactions* are identified based on the suspicion parameters set out in the Guide of suspicious activities and transactions approved by the order of CCECC Director no. 118 of 20.11.2007, the *limited transactions* include the operations exceeding the amount of 500 thousand lei and the *cumulative transactions* that comprise several operations during a 30 calendar days span exceeding the amount of 500 thousand lei.

Once reported, the transactions described above are subjected to three levels of analysis: **preliminary analysis** that implies the analysis of transactions of each

entity for a given period of time, **complex analysis** means the analysis by a particular type of activity, particular market segment and **detailed analysis** that represents the analysis of operations with several signs of money laundering, financing of terrorism or other suspected offenses.

During the year 2008 the officers of the OPFAML have detected 16 offences and have initiated 11 criminal cases regarding fiscal evasion, use of forged banking cards, evasion from payment of customs duties, misappropriation in large amounts, smuggling, etc. forming the basis of money laundering offences.

14 controls were performed with production of 6 administrative decisions and accrual of fines in the amount of 547 thousand lei, of them 159 thousand being already paid.

Based on the materials provided by the OPFAML officers, over 2,25 million lei were collected in the favor of the state budget by various organs and institutions, including the State Tax Service.

As a consequence, with the scope of meeting the fiscal obligations before the state budget, 38 decisions were adopted for stopping the operations on the accounts of companies having relations with delinquent firms, over 4.6 million lei being thus sequestered.

As a follow-up of the monitoring activities aimed at the implementation of the Law no. 111-XVI dated 27.04.07 „On the operation of amendments and additions into certain legal acts” (amnesty of capital) was identified an amount of 738 thousand US dollars without any documents of origin that was subsequently legalized and the legalization tax of 37 thousand US dollars was collected in the favor of the state budget.

As a part of the activities aimed at prevention of criminal phenomena, at the Office's initiative was established a common workgroup with the participation of CCECC, State Tax Service and State Registration Chamber for the identification and monitoring of companies based on a set of predetermined criteria, including the companies from Transnistria for any involvement in the pseudo-entrepreneurial activity. In this context OPFAML has provided the State Tax Service with a list of around 119 companies that were resold or registered in the names of persons from socially vulnerable layers with the scope of practicing illicit activities.

As a result of the operative activities performed by the OPFAML 25 delinquent companies were identified and annihilated.

2.3.3 Consolidation of technical and institutional capacities of OPFAML

The year 2008 was marked by the creation of necessary conditions for the electronic processing of data received from the financial institutions operating in the non-banking sector. For this scope a beta version of special software was elaborated for subsequent adaptation to the basic program used for the reception and processing of information received from commercial banks. So 80% of notaries and 70% of insurance companies are already providing data in electronic format via secured channels.

Collaboration with the MOLICO Project assumes the provision of technical and financial support to the Office in the most important and valuable actions that in essence served for the consolidation of analytical positions, raising the professional levels of staff and intensification of international relations.

As a part of the activities aimed at the assurance of a higher degree of national and international transparency of the Center's actions in the prevention and combating of money laundering and financing of terrorism, was elaborated and published the Office's Activity Report 2007 with the financial assistance of the MOLICO Project.

In order to optimize the Office's activity, the MOLICO Project has provided assistance for the formation of internal working procedures within the Office and procedures for the storage, processing, exchange and protection of data. For this purpose special hardware was procured, including servers and software for the electronic processing of transactions reported by the reporting entities from the non-banking sector and from the practicing professionals.

An assessment was performed to determine the possibility of procuring the Go Case software in order to secure and monitor the circulation of electronic documents and optimize the control of execution of documents by the staff of the Office.

The assistance provided by the Office to the National Strategy of prevention and combating of money laundering and financing of terrorism and to the implementation of its annual Action Plan was really valuable.

Also, with the support of the partners international experts were invited to perform the legal expertise of applicable normative acts. The MOLICO Project continued to provide assistance in the revision of existing acts and elaboration of necessary proposals of amendment and supplementation of applicable legislation in order to assure compliance with the international and European standards.

The MOLICO Project also assisted in the fulfillment of requirements to the Egmont Group Members, having thus contributed to the implementation of all processes of adherence of the Republic of Moldova to this organization.

As a part of the institutional capacity building activities the MOLICO Project provided assistance in the organization of meetings, presentations and training seminars in most efficient methods of identification of money laundering in accordance with the provisions of legislation and applicable normative acts, including the EU Directives.

In addition, numerous seminars and workshops were organized to facilitate the exchange of practical experience in the implementation of new legislation on prevention and combating of money laundering and financing of terrorism for all the supervisory, law enforcement, judiciary authorities and reporting entities.

The MOLICO Project has financed instruction trainings both on national and international levels in order to facilitate the exchange of information between the similar offices of various European states.

The most relevant seminars and training courses conducted during the year 2008 were the following:

- „Informational systems used by the similar offices of European Countries, methods of reporting suspicious transactions to the specialized authorities and analysis of of suspicious transactions” held in Amsterdam (Holland), Warsaw (Poland), Rome (Italy) during the period of 21-25 January 2008;
- The third stage of the seminar organized by the World Bank for the prosecutors, criminal pursuit officers, operative investigation officers of law enforcement authorities in matters of application of national legislation on prevention and combating of money laundering and financing of terrorism that were conducted during the period of 11-15 February 2008 in Chisinau;
- The round table on the theme „Consistency of national legislation on money laundering and financing of terrorism” held in Chisinau on 21-22 February 2008;
- „Combating of money laundering” - seminar organized by the European Bank of Reconstruction and Development, held in Tbilisi, Georgia on 10-11 March 2008;
- „Fraudulent schemes used for VAT refunds” - seminar held on 23 – 25 June 2008 in Kiev, Ukraine;
- „Process typologies of money laundering and financing of terrorism”- seminar organized by the Higher International Institute of Criminal Sciences, held in Syracuse, Italy on 16 – 20 June 2008;
- „IT Systems for the prevention and combating of money laundering and financing of terrorism” – seminar organized by the Joint Vienna Institute, Austria, on 23-27 June 2008;

- Regional UIF Conference organized by the Financial Information Department of the Ministry of Finance of Poland and the US Treasury Technical Assistance Office on 29-30 September 2008 in Warsaw, Poland;
- Advanced Management Courses organized by the International Academy of Law Enforcement Organs of Roswell, USA, on 08 August – 08 September 2008;
- „Countering the Financing of Terrorism” held in Davos, Switzerland on 01-03 October 2008;
- Seminar on the cooperation of Financial Intelligence Units, exchange of information and membership criteria for the Egmont Group held on 15-19 October 2008 in Vienna, Austria.



2.3.4 Intensification of cooperation with public institutions and civil society

The problem of money laundering and financing of terrorism has ceased to be an exclusive problem of the law enforcement authorities. Given its huge negative consequences, now it has become a problem for all the public authorities, private structures and non-governmental organizations, as well as a problem for the entire civil society.

An important contribution to the policy of combating money laundering and financing of terrorism is the active involvement of civil society in such activities and the public awareness of the risks and negative effects of money laundering and financing of terrorism.

A special role in this case is attributed to the mass-media, NGOs and public authorities directly and indirectly involved in the prevention and combating of money laundering and financing of terrorism in raising the awareness of the entire society by the organization of press conferences, periodical publication of press releases on the measures being undertaken, etc.

The education and information of general public is also an important aspect of prevention of money laundering and financing of terrorism. This scope may be attained by publication of practical guides with useful information, training in matters of risks and existing typologies, etc., education of an attitude of intolerance to any manifestations of money laundering and financing of terrorism.

In order to provide for a higher operability and efficiency of investigation and examination of financial and economic frauds, including the offences associated with money laundering a mechanism of rapid exchange of information was adopted by the signing of inter-institutional agreements of information exchange.

To the date the Center for Combating Economic Crimes and Corruption has signed inter-institutional agreements with the Ministry of Internal Affairs, Information and Security Service, Customs Service, General Prosecutor's Office, National Bank of Moldova, Ministry of Informational Development, National Commission for Financial Market, Chamber of Accounts, Agency for Material Reserves, Public Procurements and Humanitarian Aid and the Licensing Chamber.

As a follow-up, during the year 2008 at the request of the Ministry of Internal Affairs and Information and Security Service were elaborated and presented 558 analytical reports concerning the corporate entities and private individuals, including foreign citizens involved in various suspicious transactions.

Simultaneously the Office has been analyzing the data with the scope of determination of Fraudulent facts and tendencies that has resulted in the elaboration of 47 complex analytical reports on the typologies of illegal schemes of frauds generating „dirty” money in big amounts with involvement of many economic agents, including off-shore companies. All these reports were presented

to the operative subdivisions of the Center for Combating Economic Crimes and Corruption.

In order to sensitize the public opinion to the phenomena of money laundering and financing of terrorism various events were organized, including meetings, round tables on TV and radio with the participation of representatives of civil society.

So, on 22 May 2008 in the Journalistic Investigations Center was held the meeting with the participation of representatives of OPFAML, Anti-Corruption Prosecutor's Office and MOLICO Project. Participation in this meeting with the investigating journalists was caused by their familiarization with the activities of OPFAML and the need of legal explication of the notion of money laundering crime.

This meeting was aimed mainly at the raising the degree of information of the journalists in the professional use of the notion of money laundering and financing of terrorism.

During the said meeting to the journalists was presented and distributed a collection of normative acts constituting the legal basis and the necessary guide for the representatives of mass media operating with the term of money laundering in their materials and investigation reports.

The Center has a reporting mechanism and an anonymous option of reporting facts of money laundering and financing of terrorism that include the „trusted hotline”, an e-mail account for electronic petitions and applications, as well as a web-site for the reception of information.

For a higher transparency of activities performed by the OPFAML and CCECC, the information on all undertaken measures is published on the web-site www.cccec.md.

2.3.5 Consolidation of international cooperation

The money laundering crimes and the financing of terrorism imply the involvement of corporate entities and private individuals domiciled in different countries that sometimes are joined into sophisticated transnational criminal organizations.

This is why the successful combating of such crimes requires an operative and efficient exchange of information with the similar offices of other states.

The development level of AML/CFT varies from country to country. However, the practical experience and the multidimensional evolution of methods and tools of combating the money laundering and financing terrorism allowed the international community to adopt general unified standards that once implemented, contribute to the establishment of an efficient AML/CFT system.

Moreover, in order to raise the efficiency of prevention and combating of such frauds, the specialized offices of many states have established regional and international organizations to promote unified policies and standards, as well as to provide mutual assistance in combating money laundering, financing of terrorism and associated crimes.

Namely these were the premises that formed the basis of international cooperation policy of the OPFAML in the field of AML/CFT since the very moment of its establishment (15 September 2003).

During the year 2008 the Office has progressed considerably in the „extension of cooperation with the relevant international institutions”.

The most important event of the year 2008 was the adherence of the Republic of Moldova, through the Center for Combating Economic Crimes and Corruption to the Egmont Group on 27th May 2008, as a fully-fledged member.



The Egmont Group is an international organization founded in the year 1995 by the specialized office with the scope of exchanging operative information in the field of prevention and combating of money laundering and financing of terrorism.

The adherence to this organization will provide the Center with the opportunity of operative exchange of information with the similar offices of 108 member countries of the said Group in the field of money laundering and financing of terrorism, including the opportunity of using and access to the informational network of the Egmont Group with the scope of identification of illegal financial flows.

Negotiations were initiated with the scope of adherence to the CARIN System (Inter-Institutional Assets Recovery Network) with the status of external observer. This system represents an informal network of contacts and cooperation in the pursuit and confiscation of income/assets originating from various frauds, including corruption and money laundering.

During the reported period, the Office has sent 93 information inquiries to its counterparts from Byelorussia, Ukraine, Hungary, Germany, Panama, etc. regarding the persons involved in money laundering activities. Also the Office has received and processed 49 information inquiries from the similar authorities of Ukraine, Romania, Bulgaria, Russia, Hungary and many others.

In order to intensify the exchange of information, during the year 2008 numerous bilateral agreements were signed in the field of prevention and combating of money laundering and financing of terrorism with the similar authorities of Slovenia, Indonesia and Holland.

Memorandums were signed with the similar offices.

	Jurisdiction	Institution
1	Albania	Directorate of Coordination of Fight against Money Laundering
2	Belgium	Financial Intelligence Unit
3	Bulgaria	Financial Intelligence Agency
4	Byelorussia	State Control Committee
5	Croatia	Anti-Money Laundering Department
6	Estonia	Money Laundering Information Office
7	Georgia	Financial Monitoring Office
8	Germany	Financial Intelligence Unit
9	Lebanon	Special Investigations Commission
10	Lithuania	Financial Crimes Investigation Office
11	Macedonia	Anti-Money Laundering Directorate
12	South Korea	Intelligence Unit of Korea
13	Romania	National Office for the Prevention and combating of money laundering
14	Russia	Federal Financial Monitoring Office
15	Ukraine	State Committee for Financial Monitoring
16	Slovenia	Money Laundering Prevention Office
17	Indonesia	Financial Transactions Reporting and Analysis Center
18	Holland	Unusual Transactions Identification Center

Negotiations regarding the signing of Memorandums of Collaboration were initiated with the similar offices of Poland, Cyprus and Latvia.

On 11 December 2008 in Strasbourg in the Expert Committee on the Evaluation of Measures for the Combating of Money Laundering and Financing of Terrorism (MoneyVal) was successfully presented the Progress Report of the Republic of Moldova, on the development of AML/CFT system in accordance with the 40+9 recommendations of FATF.

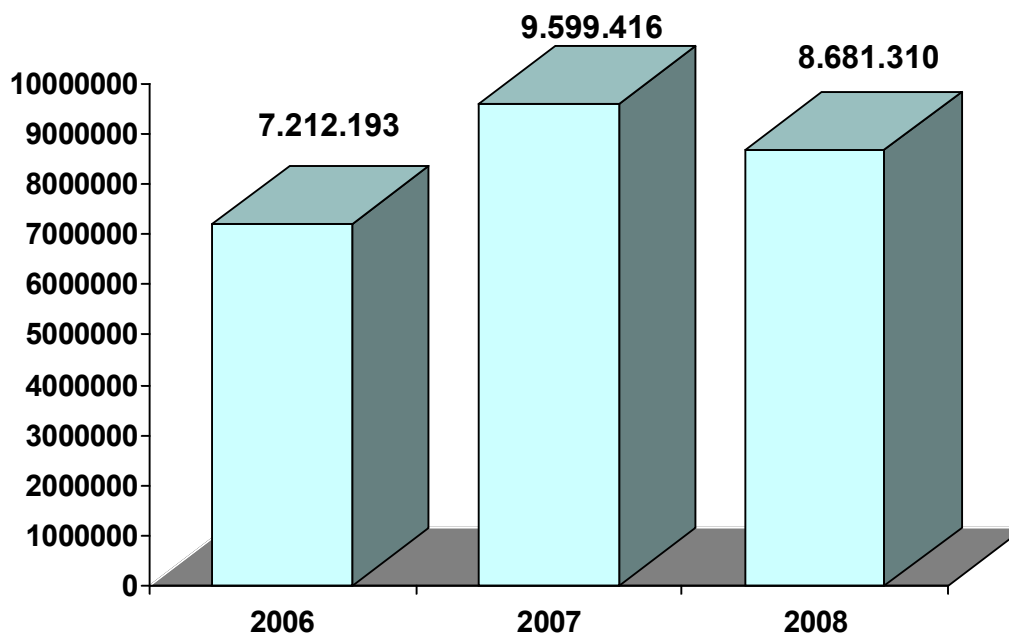
The most relevant example of fruitful collaboration is the MOLICO Project (The joint project of the European Commission and of the Council of Europe against corruption, money laundering and financing of terrorism in the Republic of Moldova) being implemented since 2006, having as a scope the provision of technical and financial assistance to the Office in the most important and valuable actions that in essence served for the consolidation of analytical positions, raising the professional levels of staff and intensification of international relations..

In the previous chapters were mentioned the activities implemented under the MOLICO Project, including the provision of assistance in meeting the Egmont Group member requirements that has facilitated the adherence of the Republic of Moldova to this organization.

2.4 Statistical data

Collection of statistical data on financial transactions

In accordance with the provisions of the Law no. 190-XVI of 26.07.07 the OPFAML has received for analysis in total 8.681.310 forms, including 8.214.019 forms pertaining to cumulative transactions, 254.277 forms on limited transactions and 213.031 forms on suspicious ones.



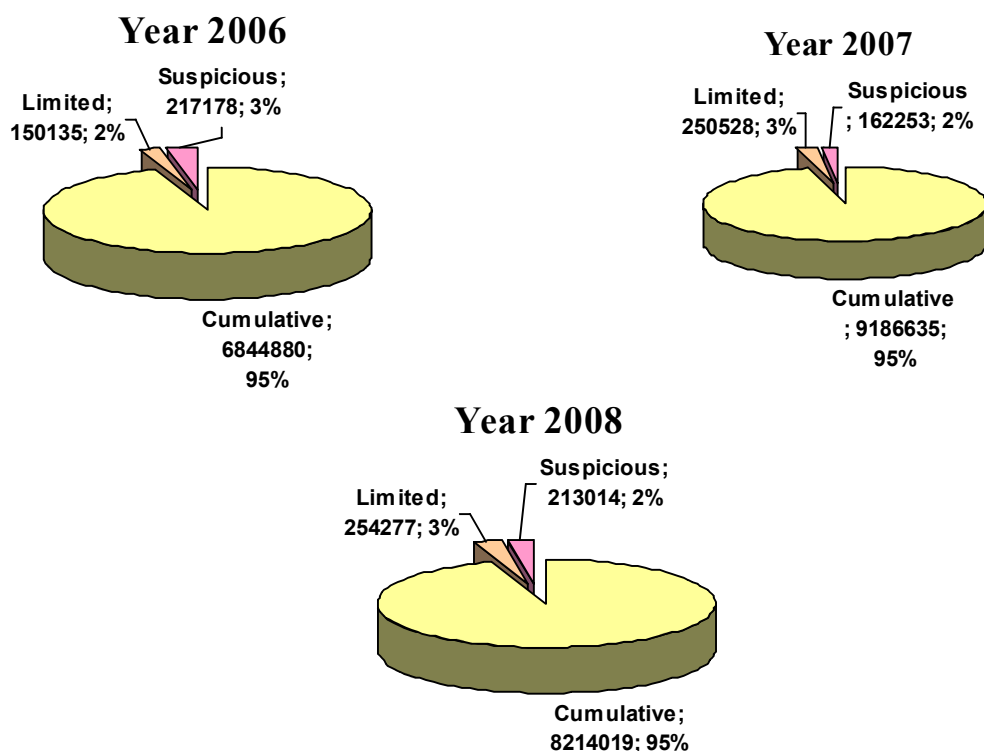
As seen on the diagram, the number of reported transactions is characterized by exponential growth. However, in the year 2008 was registered a small reduction compared to the year 2007 owing to the implementation and correct interpretation of unified standards provided by the AML/CFT legislation by the reporting entities.

At the same time the peak level registered in the year 2007 is explained by the adoption of the Law no. 190-XVI dated 26.07.07. „On the prevention and combating of money laundering and financing of terrorism”, as well as applicable normative acts for its implementation and stimulation of the reporting entities to provide complete data.

Analysis and presentation of data

General data on the reports received and analyzed by OPFAML in the year 2008				
Reporting entities	Limited and cumulative transactions	Suspicious transactions	Investigated cases	Materials transmitted to the law enforcement authorities and Prosecutor's Office
Commercial banks	8467171	212987	88	215
Insurance companies	235	7		
Notaries	275	0		
Cash exchange offices	32	0		
Brokerage companies	270	12		
Independent registrars	290	3		
Solicitors	2	0		
Accountants/auditors	3	1		
Casinos	2	0		
Leasing companies	16	0		

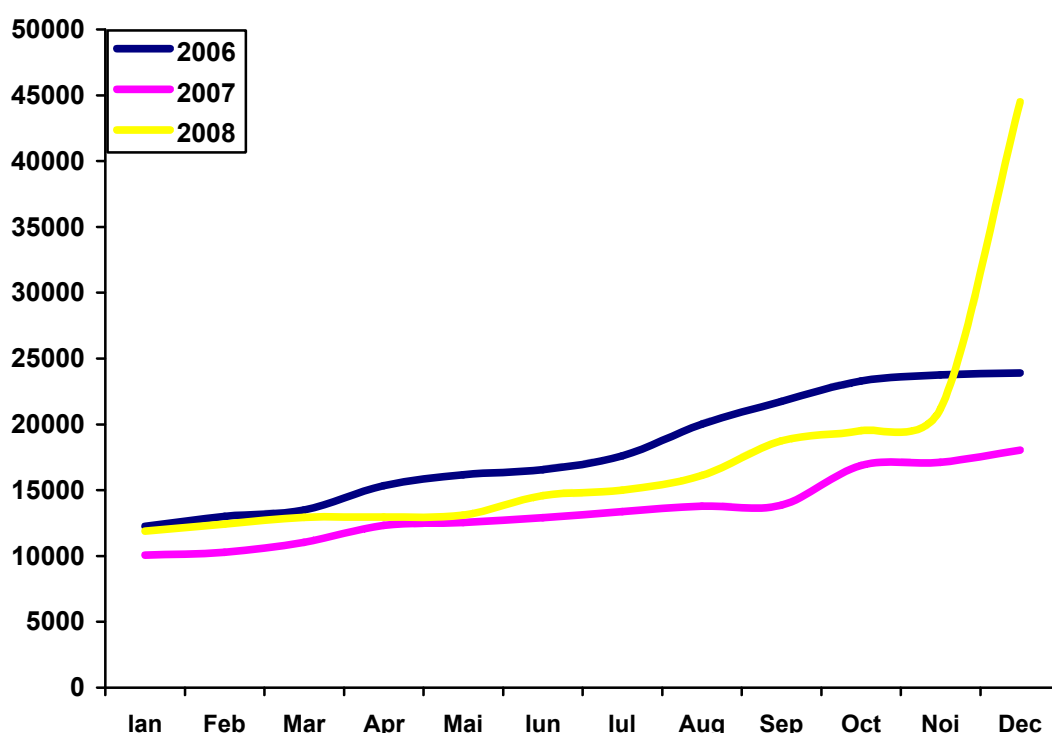
The structure of the flows of processed data is a matter of separate interest and is presented on the following diagrams.



During the period of 2006-2008 the structure of transactions has remained relatively constant. The cumulative transactions represent a majority of over 90%. The evolution of limited transactions is similar to that of the cumulative ones, transactions of this kind occupying 2-3%.

The suspicious operations registered during the considered period are presented below.

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
2006	12260	13003	13498	15349	16180	16573	17609	20006	21736	23294	23769	23901
2007	10071	10290	11035	12336	12544	12916	13383	13784	13859	16876	17124	18035
2008	11900	12439	12942	12965	13120	14590	14995	16114	18739	19522	21178	44510



The monthly growth of the number of suspicious operations is common for each year taken apart. However, the total number of transactions differs from year to year, the fluctuations being explained by the enacted normative acts, economic activity, etc.

In addition, the evolution of suspicious operations demonstrates that the reporting entities have successfully created their own internal systems of reporting suspicious transactions.

Suspicious transactions depending on amounts.

Year	Up to 50 thousand lei	50-100 thousand lei	100-500 thousand lei	Over 500 thousand lei	Total
2006	164152	25543	15895	11588	217178
2007	125773	17261	14211	5008	162253
2008	174122	16097	15778	7017	213014

One may conclude that around 75-80% of the number of transactions registered annually were ranked below 50 thousand lei, including equivalents in foreign currency.

Number of transactions depending on the client status

Transactions	Suspicious		Limited		Cumulative	
	Private individuals	Corporate entities	Private individuals	Corporate entities	Private individuals	Corporate entities
2006	120855	96323	15945	134190	152386	6692494
2007	118786	43467	37617	63145	264988	8921647
2008	153443	59571	35518	218759	369443	7844576

The analysis of above data demonstrates that the share of suspicious transactions performed by private individuals is higher compared to that of corporate entities. The difference varies from 25% to 173% depending on the reported year.

As for the limited and cumulative transactions, the situation is exactly the opposite. The number of suspicious transactions performed by private individuals is only 11-60% for the limited transactions and only 2-4% for cumulative transactions.

This is owed to the specifics of the cumulative transactions that are more characteristic to corporate entities practicing intensive economic activity implying incremental cash flows.

Chapter III

Typologies

During the mentioned period various typologies of offense were identified, namely: evasion from payment of VAT upon the importing of fixed assets, smuggling (using false or non-original bills of lading), fiscal evasion, manufacturing and use of false banking cards, etc.

Example 1 (Attachment 1)

Having analyzed the information reported and having conducted certain operative investigation activities there was detected and annihilated a scheme of smuggling foodstuffs, computers and utility objects into the country in the total amount of around 28,5 million lei (over 2 million Euro).

It was determined that the illicit import was made by an organized group, including corrupted customs officers that facilitated the evasion of registration of trucks with the valuables above mentioned upon crossing the border, without the performance of the necessary customs procedures stipulated by the law.

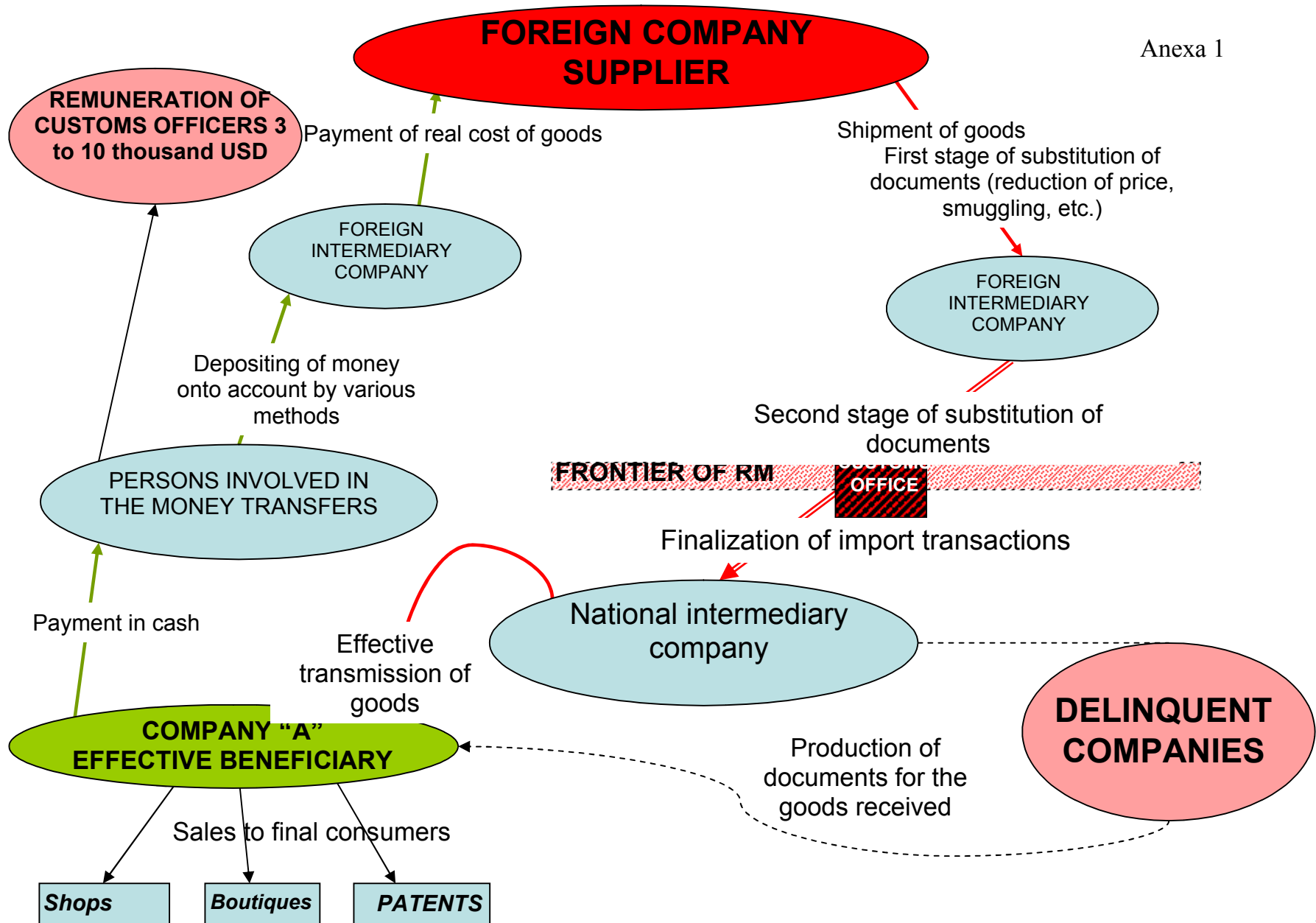
The beneficiaries used to pay the cost of goods in cash to certain persons that using off-shore companies, transferred them to the foreign suppliers by circumventing the national banking system. The foreign suppliers used to ship the goods to other off-shore companies that in their invoices modified the prices and the quantities of goods. Thereafter, when crossing the customs border the invoices were again changed to alter the types of goods.

The goods were intended for the company „A” that via various delinquent companies registered by a criminal group, with the scope of cashing the money and laundering it, used to supply the goods to commercial companies and holders of patents for subsequent resale.

In addition, pursuant to the information and materials obtained from the Romanian authorities, through the same scheme and by the same transport from the same supplier to the address of company „A” some other goods were shipped.

A criminal case was instituted based on the signs of smuggling, i.e. crime provided by the art. 248, p.(5) d) of the Criminal Code, the suspects being detained and thereafter arrested.

In the result of the operative activities undertaken in connection with this case several other cases of smuggling of various industrial goods, electronics, textile products, etc. in especially large amounts were detected. 14 persons were identified as accomplices, of them 11 customs officers that have facilitated the smuggling of goods performed via 17 delinquent companies.



Example 2 (Attachment 2)

Another scheme of Fraudulent importation of technological equipment with elusion from the payment of VAT and customs duties was identified and annihilated. The scheme was based on the privileges provided by the customs and tax legislation.

The scheme has proved to be made up by a group of delinquent companies „A” and „B”, domestic companies „C”, „E” and an off-shore company „D” registered in Panama.

The delinquent company „A” is the unique founder of the company „B”.

Pursuant to the contract between the domestic company „C” and the company „E”, the technological equipment valued at 1,2 million EURO had to be shipped upon the 100% down payment.

Based on the said contract the company „C” has transferred to the company „E” an amount of 18,4 million lei (the equivalent of 1,2 million Euro) that later-on was transferred to the delinquent companies „A” and „B”, specially founded for this transaction.

The delinquent company „B” in its turn also made down payments to the non-resident off-shore company „D” from Panama.

As a follow-up the company „B” has imported from the non-resident company "D" some components of technological equipment that was part of a production line valued in total at 478 thousand Euro.

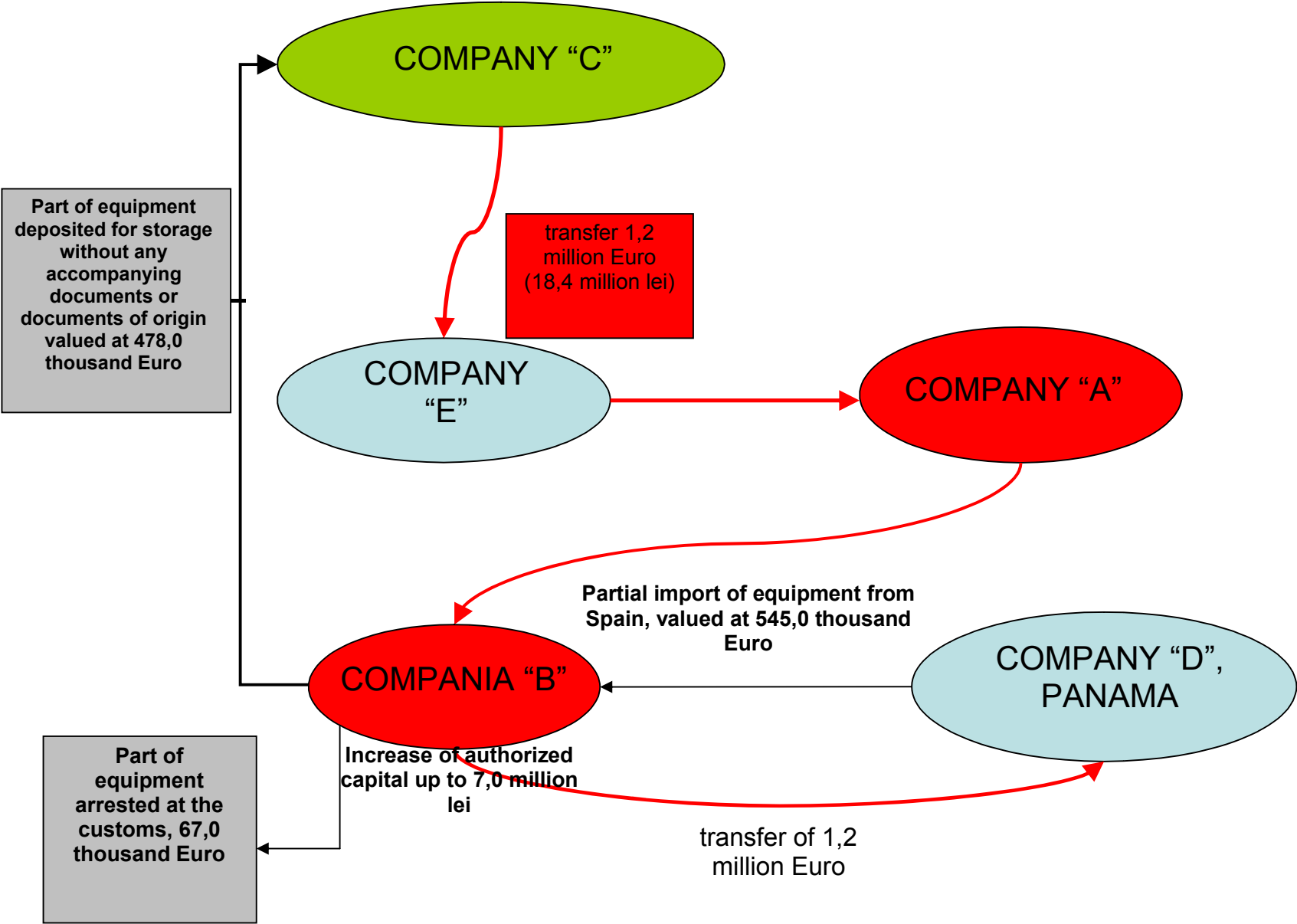
Upon importation no customs duties or VAT were paid as the imported equipment was reflected in the books as fixed assets provided as a contribution to the authorized capital of the company „B” by its unique founder – delinquent company „A”.

At the same time, the law allows VAT-exempted imports only if they are made on the account of the own funds of the importer. This was not the case in the situation described above, as the money transferred to the non-resident as down payment was received from the national company „C”.

Here one has to mention that in the result of operative investigations performed at the domestic company „C” the above-stated equipment was found without any accompanying documents.

As a consequence a decision was issued to apply sanctions to the responsible persons of the said companies with confiscation of the technological equipment above stated, valued at 478 thousand Euro.

Fraudulent scheme used by the COMPANY "C" to procure technological equipment via delinquent companies that has posed a threat of 3.6 million lei to the economic stability of the state



Chapter IV

Priorities of the OPFAML for the year 2009

Improvement of legal framework and implementation of legislation

The legal reform must contribute to a higher stability and safety of circulation of funds and securities, to the adoption of normative acts aimed at better regulation of activities of combating the money laundering and financing of terrorism. Stimulation of presentation and examination of all proposals to improve the applicable legislation for the better implementation of the National Strategy of prevention and combating of money laundering and Financing of Terrorism. Assurance of concordance between all national and international normative acts in the field of combating the money laundering and financing of terrorism, in order to avoid overlapping and parallelism.

Here the Republic of Moldova has to consolidate its efforts in order to implement the recommendations of FATF, of the Council of Europe as well as the EU Directives and the recommendations of other specialized international organizations.

Prevention of money laundering and financing of terrorism in public institutions and private sector

The consolidation of institutional system of prevention and combating of money laundering and financing of terrorism shall be based on various training activities for the staff of competent authorities (round tables, training courses, thematic seminars, study courses).

Conclusion of institutional agreements will allow to establish durable partnerships between the personnel of state structures responsible for combating the money laundering and financing of terrorism and the members of specialized non-governmental organizations.

The system of prevention of money laundering and financing of terrorism in public institutions for a better protection will be made independent.

Institutional capacity building

Familiarization of staff with the most efficient methods of identification money laundering, in accordance with the provisions of applicable legislation and normative acts, as well as the EU Directives, by organization of meetings, presentations, seminars, training courses with the participation of representatives of the Center for Combating Economic Crimes and Corruption.

Organization and participation at workshops and round tables in matters of prevention and combating of money laundering and financing of terrorism for reporting entities, mass-media, non-governmental organizations.

Elaboration and implementation of a centralized informational system for the organization of electronic document flow and logging of staff activities.

Optimization of the analytical system for the non-banking financial sector by acquiring and installation of IT hardware and specialized software.

Systematization of legal practice on the cases of money laundering and financing of terrorism, monitoring of criminal cases to the final judgment.

Extension of cooperation with the national public authorities in matters of prevention and combating of money laundering and financing of terrorism.

Consolidation of international cooperation

In the furtherance of consolidation of international cooperation the Office will continue:

- a) bilateral cooperation both at political and operational levels;
- b) multilateral cooperation within international organizations by participation at the plenary meetings of MoneyVal Committee, Euro-Asian Group FATF and the Egmont Group;
- c) collaboration with the International Monetary Fund and World Bank with the scope of establishment of a viable mechanism for the prevention and combating of money laundering and financing of terrorism;
- d) continued signing of memorandums of understanding with other states in the field of prevention and combating of money laundering and financing of terrorism;
- e) implementation of actions for the improvement and higher degree of cooperation by:
 - Provision of assistance in investigations;
 - Provision of support at the stage of preliminary measures;
 - Protection of rights and information of third parties;
 - Reciprocal legal assistance;
 - Conclusion of agreements of coordination in sequestering and confiscation of illicitly derived income/property in order to divide the confiscate funds;
 - Monitoring of execution of criminal and civil judgments;
 - Performance of common investigations in matters pertaining to the financing of terrorism and activities of terrorist organizations, etc.

Chapter V

WEB LINKS

	LINK	INSTITUTION
1.	http://www.CCECC.md	Center for Combating Economic Crimes and Corruption
2.	http://www.bnm.org	National Bank of Moldova
3.	http://www.bis.org	Basel Committee for Banking Supervision
4.	http://www.egmontgroup.org	EGMONT Group
5.	http://www.fatf-gafi.org	Financial Action Task Force Group for the Elaboration of Measures for the combating of money laundering - FATF
6.	http://www.iaisweb.org	International Association for insurance Supervision
7.	http://www.imolin.org	International anti-money laundering network of the Council of Europe
8.	http://www.iosco.org	International organization for securities supervision services
9.	http://www.imf.org	International Monetary Fund
10.	http://www.worldbank.org	World Bank
11.	http://www.oecd.org	Organization for Economic Cooperation and Development
12.	http://www.wcoomd.org	International Customs Organization
13.	http://www.coe.int/moneyval	Narrow Committee of Experts for the evaluation anti-money laundering measures under the Council of Europe (MoneyVal Committee)
14.	http://www.fint.gov.al	Directorate of Coordination of Fight Against Money Laundering of Albania
15.	http://www.ctif-cfi.be	Financial Intelligence Unit of Belgium

16	http://www.fia.minfin.bg	Financial Intelligence Agency of Bulgaria
17	http://www.kgk.gov.by	State Control Committee of the Republic of Byelorussia
18	http://www.mfin.hr	Anti-Money Laundering Department of Croatia
19	http://www.kkp.pol.ee	Money laundering Information Office of Estonia
20	http://www.fms.gov.ge	Financial Monitoring Office of Georgia
21	http://www.bka.de	Financial Intelligence Unit of Germany
22	http://www.sic.gov.lb	Special Investigations Commission of Lebanon
23	http://www.fntt.lt	Financial Crime Investigation Office of Lithuania
24	http://www.dspp.gov.mk	Money Laundering Prevention Directorate of Macedonia
25	http://www.kofiu.go.kr	Financial Intelligence Unit of Korea
26	http://www.onpcsb.ro	National Office of Prevention and Combating of Money Laundering of Romania
27	http://www.kfm.ru	Federal Financial Monitoring Office of Russian Federation
28	http://www.sdfm.gov.ua	State Financial Monitoring Committee of Ukraine
29	http://www.uppd.gov.si	Slovenian Money Laundering Prevention Office
30	http://www.ppatk.go.id	Suspicious Transactions Reporting and Analysis Center of Indonesia
31	http://www.justitie.nl	Unusual Transactions Identification Office of Holland

ABBREVIATIONS

CCECC – Center for Combating Economic Crimes and Corruption;

OPFAML – Office for Prevention and Fight Against Money Laundering;

FATF – International Financial Action Task Force;

EAG –Euro –Asian Group of Combating the Legalization of Income Derived from Illicit Activities;

MONEYVAL – Committee of Experts for the evaluation anti-money laundering measures under the Council of Europe;

MOLICO – Project of Combating Corruption, Money Laundering and Financing of Terrorism in the Republic of Moldova financed by the Council of Europe and Swiss International Development and Cooperation Agency;

SIDA – Swiss International Development and Cooperation Agency;

EU –European Union;

CoE – Council of Europe;

WB – World Bank;

IMF – International Monetary Fund;

FIU – Institution specialized in the prevention and combating of money laundering;

AML/CTF – combating of money laundering and financing of terrorism.

ONG – non-governmental organizations.