

**MOLICO**

Project against corruption  
money laundering and the  
financing of terrorism in Moldova

Concil of Europe  
Conseil de l'Europe



European Commission  
Commission Européenne



**Sida**

SWEDISH INTERNATIONAL  
DEVELOPMENT COOPERATION AGENCY

This publication has been produced within the framework of the **Joint Project of the European Commission and the Council of Europe against corruption, money laundering and terrorist financing in the Republic of Moldova (MOLICO)**, co-financed by the European Commission, the Swedish International Development Cooperation Agency (SIDA) and the Council of Europe.

The contents of this publication are the sole responsibility of the Centre to Combat Economic Crimes and Corruption and can in no way be taken to reflect the official opinion of the European Union, SIDA and the Council of Europe.

## TABLE OF CONTENTS

<b>Introduction</b> .....	2
<b>Chapter I</b>	
About the Office for Prevention and Control of Money Laundering – as an independent unit within the framework of the Center for Combating Economic Crime and Corruption of the Republic of Moldova .....	3
1.1. OPCML Status.....	4
1.2. The Structure and Personnel.....	5
1.3. Financing.....	9
1.4. Technical Infrastructure and Software.....	10
1.5. National Legal Framework.....	11
1.6. Cooperation with the Civil Society.....	14
<b>Chapter II</b>	
The Results achieved in 2006.....	16
2.1. General data about collected information .....	16
2.2. Statistical data about the reports received during 2006 .....	18
2.3. Money laundering and terrorist financing typologies identified in 2006.....	23
<b>Chapter III</b>	
Cooperation with national institutions involved in prevention of and fight against money laundering and terrorist financing. International cooperation .....	28
3.1. Interagency Cooperation .....	28
3.2. International Cooperation .....	29
3.2.1. Cooperation with foreign FIU's .....	29
3.2.2. Cooperation with international organizations.....	29
<b>Chapter IV</b>	
Action plan for 2007 – development perspective .....	33
<b>Chapter V</b>	
WEB Addresses .....	36
<b>Abbreviations list</b> .....	37



Dear Colleagues!

Another year of activity has passed for the Office for Prevention and Control of Money Laundering in the framework of the Center for Combating Economic Crimes and Corruption. It was a difficult year with challenges, but also with notable achievements.

I am convinced that in this short period the Office for Prevention and Control of Money Laundering has shown its viability. Having a unique experience in the Republic of Moldova, it will contribute to the accomplishment of all the objectives established for 2007.

The high performance standards and continuous development of the Center for Combating Economic Crimes and Corruption has enabled a coherent evolution of the OPCML. Moreover, the unit has actively participated in the process of

adjusting the national legislation to the community acquis.

The most important event, from my point of view, was the elaboration, in accordance with the methodology of the competent international institutions, of the draft AML/CFT National Strategy and the new draft AML/CFT Law that is supposed to be approved by the Parliament in 2007.

All the mentioned achievements show once more that we are in permanent search for new solutions to increase the efficiency of the relevant AML/CFT mechanism.

An important aspect of our work has been the collaboration with the civil society that took an active part in the process of amending the national legislation.

A special attention has been paid to cooperation with international institutions and organizations, such as MoneyVal, the I.M.F., the World Bank, the Egmont Group and the F.A.T.F.

The present report contains much statistical data and typologies of money laundering and financing of terrorism analyzed by the Office in 2006.

We all are aware that the phenomenon of money laundering and financing of terrorism is global and represents a real threat for countries throughout the world. The OPCML has established a constructive cooperation with Financial Intelligence Units of other countries, which opened opportunities for mutual information exchange with more than 12 countries.

I would like to reiterate that I am aware of the important mission set by the leadership of our country and I would like to stress that in the coming year we shall intensify our work to protect the national economy from the negative effects of money laundering and financing of terrorism.

**Valentin MEJINSCHI,**

Director of the Center for Combating Economic Crime and Corruption

## CHAPTER I

In line with the continuing development of the global economy and as a consequence of technical and scientific progress, together with information technologies, the criminal techniques in different areas are increasing as well.

Thus, the organized crime, drugs, arms and human trafficking, corruption, illegal use of informational technologies, money laundering, and financing of terrorism are difficult problems that affect all the countries.

Money laundering and financing of terrorism can have devastating social and economic consequences, affecting most of the developed and developing countries.

The main normative act which regulates the process of prevention and fight against money laundering and terrorist financing in the Republic of Moldova is the Law on prevention and fight against money laundering and terrorist financing nr. 633-XV from 15.11.2001.

The competent authority to exercise the provisions of the above-mentioned law is the Center for Combating Economic Crimes and Corruption, in the framework of which a specialized unit, the Office for Prevention and Control of Money Laundering, was created.

Thus, the OPCML was created in September 2003, **having the following responsibilities:**

- to receive data and information about legal entities and individuals, in accordance to the stipulations of the Law nr. 633-XV on prevention and fight against money laundering and terrorism financing;
- to analyze and keep records of the received information;
- to examine from personal initiative the cases that it is responsible of;
- to obtain further information from competent institutions which can assist the execution of its responsibilities;
- to cooperate with Financial Intelligence Units and international organizations specialising in prevention and control of money laundering and terrorist financing and to promote information exchange with international, European and regional institutions;
- to issue, in accordance with the legislation, decisions on seizing transactions that are suspected of money laundering and terrorist financing;
- to draft legislative documents, orders and internal instruments in the field of combating money laundering and terrorist financing etc.

These tasks are pursued by OPCML, which has an independent status in the framework of the Center for Combating Economic crimes and corruption.

## 1.1. Statute

In 2006, with the aim to improve the implementation of the provisions of the law on prevention and fight against money laundering and terrorist financing, the statute of OPCML was amended, being invested with additional provisions and attributions of receiving, processing, analyzing and investing suspect transactions report on terrorist financing.

In this way the OPCML has the following tasks and responsibilities:

- to prevent and combat money laundering and terrorist financing;
- to undertake measures for implementing the AML/CFT standards;

Nowadays the OPCML has the following attributions:

- to receive data and information from individuals and legal entities listed in art.3 of the Law nr. 633 from 15.11.2001;
- to collect, process, analyze and archive the gathered information;
- to request from institutions of all levels to provide data and information;
- to perform operative investigations;
- to disseminate the information to the criminal investigation institutions and other relevant institutions, in case when it was identified that the transaction had as a goal or links directly to money laundering and/or terrorist financing;
- to perform operative on site visits in order to fulfill the provisions of AML/CFT;
- to perform administrative procedures in case of administrative contraventions;
- to undertake measures for recovering the prejudice caused to the state budget by illicit actions of money laundering;
- to cooperate and exchange information with public authorities in the area of money laundering and terrorist financing and the information of the competent authorities about the causes and conditions that favor the criminal activity;
- to develop relations of cooperation with similar services from abroad;
- to elaborate proposals to harmonize the national legal framework to international standards in the field;
- to establish the regulations for making transactions with the goal of using the policies, including CDDs provisions;
- to provide feedback in cases of money laundering and/or terrorist financing, including new tendencies and typologies;
- to identify the AML/CFT risks by using prevention methods and counteract;
- to coordinate technically the measures for prevention and control of money laundering and terrorist financing, performed by the competent authorities, their analysis, evaluation of the task force in the process of implementing the national policies and offering suggestions for their harmonization;

- to identify the risk factors with relation to Moldavian economic security, to collect and analyze the information about the situation, dynamic and tendencies of the phenomenon of money laundering and terrorist financing;
- to make forecasts of the operative situation in the field of money laundering and terrorist financing at national and international level;
- to create and manage the database of suspects and threshold transactions;
- to elaborate and consult the draft normative acts in the field of prevention and combating money laundering and terrorist financing, to analyze the national legal framework and initiate proposals for implementing the provisions of the international treaties, to implement the international standards and recommendations
- to generalize the national and international AML/CFT policies and insure their implementation in the activity of the national competent public authorities;
- to elaborate the methodology of analyses needed to perform a proper activity;
- to elaborate the annual report of activity on the basis of recorded progresses.

The OPCML is the national coordination authority competent with technical coordination, realization, supervision and control of the measures of prevention and control of money laundering and terrorist financing of the competent authorities and institutions activity involved in supervision and control in the area, as well as the coordination of the international.

## 1.2. The Structure and Human Resources

In 2006, in order to strengthen the operational capacity of OPCML and in accordance with the recommendations of the Order of the Director nr.18-1 from 10.02.06 the head of the OPCML was delegated with additional attributions, fact which enhanced the autonomy of the office in the framework of the C.C.E.C.

The mentioned normative act has foreseen an increase with 70 percent of the number of personnel with responsibilities in the framework of prevention and fight against money laundering and terrorist financing.

The structure of the OPCML staff includes 14 workers: the chief of the Office, the deputy-chief, 5 principal inspectors, 5 senior inspectors, 2 inspectors, as well as 10 persons delegated with responsibilities in the framework of prevention and combating money laundering and terrorist financing. All the staff has special military degrees.

The employees are experts with economic and legal university degree, former officials of the financial, banking and non-banking institutions.

The personnel of the Office cannot work and/or hold positions in any of the reporting entities and are also subject to some other liabilities:

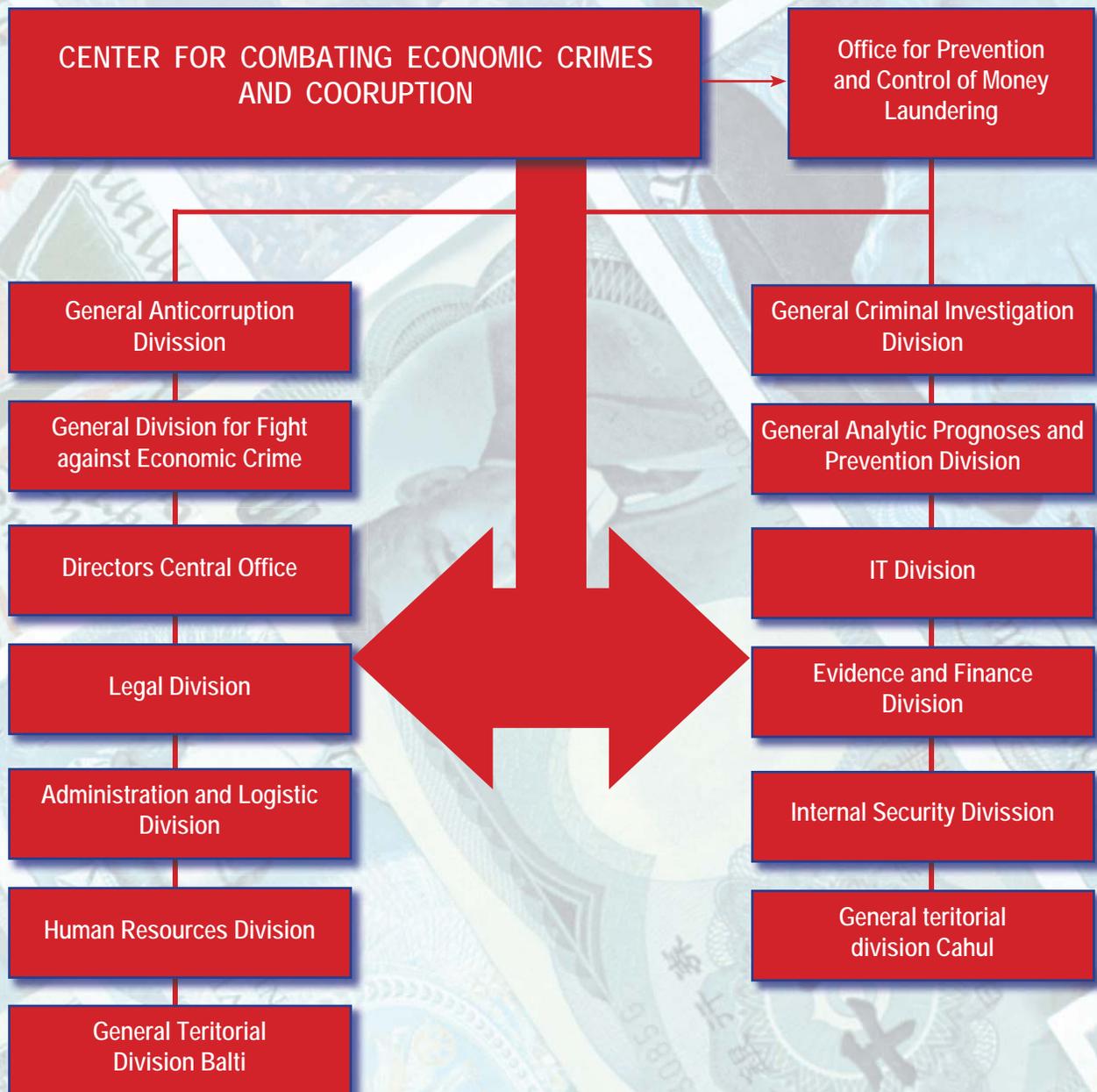
- they cannot practice any other paid functions, except for teaching, scientific or creative activities;



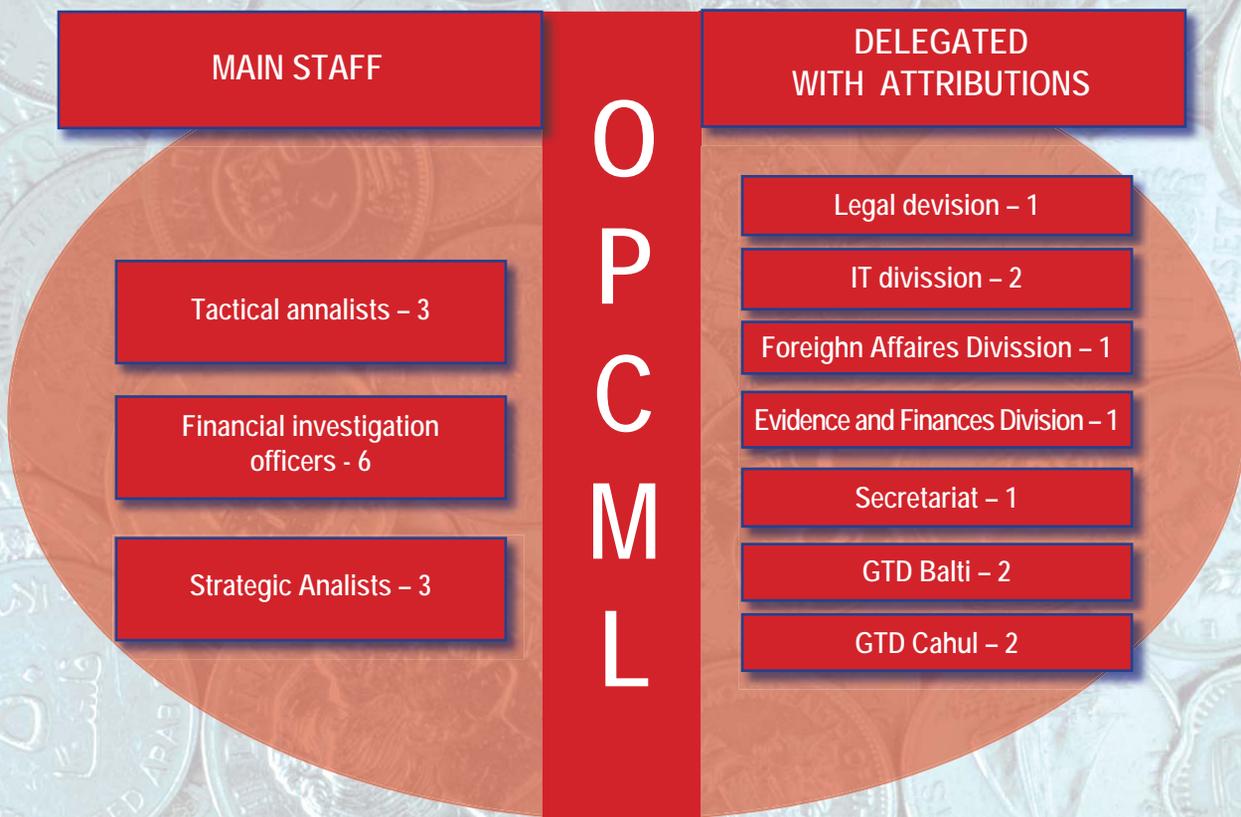
- they cannot practice business activities, either personally or through intermediaries;
- they cannot be members of the management of an enterprise or someone's representative in the Office;
- they cannot use the financial, technical, material, or any other means, including the information gathered in the course of investigations etc. for other purposes

The stability of the personnel is very important for an efficient use of the labour force and for the maintenance of consistency in activity. Thus, the fluctuation of personnel of the Office in 2006 was caused only by reorganization (increase of personnel by 70%).

The place of the OPCML in the framework of the Center for combating economic crime and corruption is presented in the following organizational chart:



Internal Structure of the OPCML, in accordance with the amending scheme from 2006 is the following:



In order to develop the necessary abilities for an effective work of the personnel and especially for freshmen, OPCML has organized 50 hours of training (6 hours per month) in 2006. By the end of the year all personnel has passed an evaluation test, which allowed an autoevaluation of the abilities of OPCML personnel to perform their tasks and responsibilities.

The staff succeeded in establishing a fully functional unit, endowed with a modern IT system, including important databases capable of being integrated in line with OPCML's responsibilities to prevent and control the money laundering and terrorist financing.

At the same time, the staff of OPCML gained good experience by taking part in conferences, training sessions and seminars organized by IMF, World Bank, USA embassy, Scientific Center of the Police Academy from Egypt. In addition, the MOLICO Project, a three year technical assistance program managed by the Council of Europe and funded by the European Union and Swedish International Development Agency, began its activity in November 2006.

In this context the following events need to be pointed out:

- a workshop on fight against financing of terrorism from 22-26 May 2006 organized by IMF in Syracuse, Italy;
- a training course from June 2006 organized by the Scientific Center Police academy from Egypt in Cairo, Egypt;



- a workshop on prevention and fight against money laundering and terrorist financing organized by legal department of IMF and Egmont Group in Vienna, Austria, 25-29 September 2006 ;
- a seminar on prevention and control of money laundering and financing of terrorism organized by EBRD on 24-25 October in Bishkek, Kyrgyz Republic.

### 1.3. Financing

Because the Office for Prevention and Control of Money Laundering is a specialized division of the Center for Combating Economic Crimes and Corruption, the financial support is provided from the centralized budget of the Center. The support of international organizations should also be mentioned as an important factor. For example, in the framework of the MOLICO project the Center received assistance of 1,3 million euro to support the process of prevention and fight against money laundering and financing of terrorism.

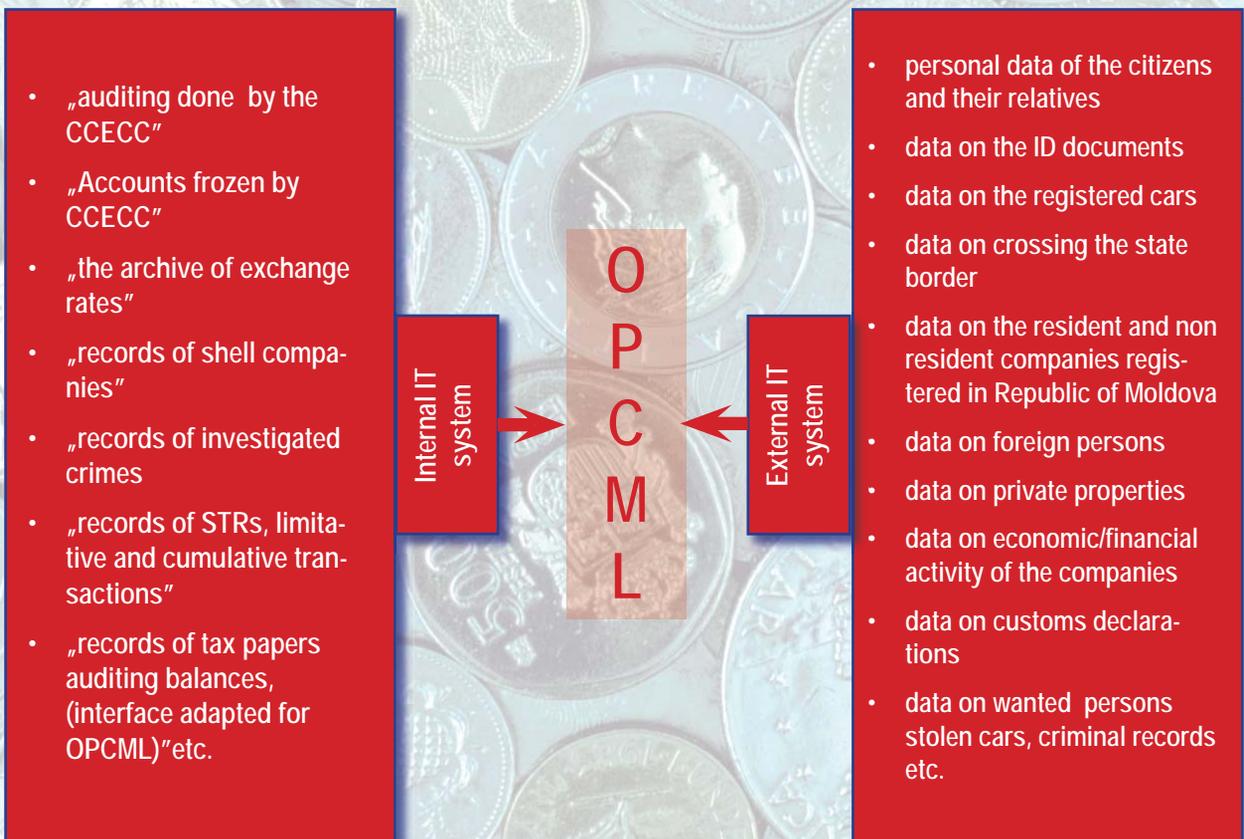
Thus, for 2006, the Law on state budget stipulated the financing of Center's activity in the amount 892.1 thousand lei out of which 740.3 thousand lei for the salary, 151.8 thousand lei for other expenses.



### 1.4. Technical Infrastructure and Software

The support of the government allowed creation of a primary analytical system. The system allows the management of information through dedicated lines.

During 2006 this enhanced the level of data protection by installing a security system, which allows access only from the offices where the OPCML staff is working.



The OPCML is equipped with necessary equipment for preparing the activity report.

Currently, OPCML has direct access to all the information systems of the country.

Under the provisions of MOLICO Action Plan, OPCML will be provided with a completely new computer system together with the latest analytical software.

## 1.5. National Legal Framework

In recent times much of the progress of technical procedures economic developments is affected by criminal activities.

Within the framework of the financial economic crime there was an increase in illegal transfers of funds, legalizing financial means terrorist financing, large scale fraud, tax evasion and fraud using electronic cards and the internet.

Recognizing the seriousness and consequences of the growth of these activities, the Republic of Moldova is in the process of adopting an improved legal framework.

First step in this respect was the adoption of the **Law nr. 633-XV dated 15th November 2001 on prevention and control of money laundering and terrorism financing**, published in Monitorul Oficial nr. 139-140/1084. This is the main legislative act to establish the prevention and control of money laundering and terrorism financing, defining these phenomena and client identification procedure, the examination of information about money laundering and terrorism financing, identifying the reporting entities and the authority responsible for executing the law, the Center for Combating Economic Crimes and Corruption (**formed according to the Law nr. 1104-XV dated 6th June 2002**), in the structure of which a specialized division was created – the Office for Prevention and Control of Money Laundering. In addition, the law stipulates directly that „banking and professional secrets” are not applicable for the law enforcement agencies, tax and financial control authorities, prosecutors and courts of justice.

**Decision of the National Bank of Moldova nr. 94 dated 25th April 2002** on Recommendations for the commercial banks from the Republic of Moldova to establish internal programs for prevention and control of money laundering, published in *Monitorul Oficial nr. 59-61/143 dated 2nd May 2002*;

**Decision of the National Securities Commission nr. 11/1 dated 28th February 2005** on approving the Regulations on prevention and control of money laundering for the securities market, published in *Monitorul Oficial nr. 36-38/121 dated 4th March 2005*.

**Penal Code of the Republic of Moldova**, adopted with the Law nr. 985-XV dated 18th April 2002, applicable since 12th June 2003, that establish the predicate crimes that could be the basis for money laundering and terrorism financing, stipulated by the Article 3 of the Law nr. 633-XV dated 15th November 2001. The Law is applicable to persons who temporarily or permanently execute, according to the law, a function or a task when participating in or which may influence the adoption of decisions of financial and banking institutions, commercial enterprises or other economic agents. The Law also applies to persons who execute, control or provide specialized assistance in participation in or which may influ-



ence the adoption of decisions about transactions involving capital, banking, and exchange or credit operations etc.

**The article 243 of the Penal Code**, on money laundering, stipulates: „(1) activities intended to conceal the source of financial means, goods or assets obtained illegally by criminal acts, or activities intended to hide, disguise or provide false information about the nature, origin, movement, placement or proprietors of those financial means, goods or assets, which the person knows originate from criminal activity; obtaining, possessing or utilizing goods knowing they originate from crime; associations, agreements, complicity in helping or advising the commission of the mentioned actions:

– shall be punished by a fine in the amount of 500 to 1000 conventional units or with imprisonment up to 5 years, in both cases with (or without) depriving of the right to hold certain positions or practice certain activities for a period of 2 to 5 years.

(2) The same actions committed:

- a) repeatedly;
- b) by two or more persons;
- c) by use of official responsibilities

– shall be punished by a fine in the amount of 1000 to 5000 conventional units or with imprisonment of 4 to 7 years.

(3) Actions set forth in paragraphs (1) or (2), committed:

- a) by an organized criminal group or criminal organization;
  - b) on a large scale,
- shall be punished with imprisonment of 5 to 10 years.”

**The article 279 of the Penal Code**, on financing and material assistance of terrorist activity, stipulates: „the deliberate offering or collecting, through different methods, directly or indirectly, of financial or material means for the purpose of committing terrorist acts

- shall be punished with imprisonment of 10 to 25 years.”

**The Council of Europe Convention on Laundering, search, seizure and confiscation of the proceeds from crime and terrorist financing** signed in Warsaw on 16.05.2005 is the international act to regulate the basic principles of co-operation of states in the prevention and control of money laundering, the search, seizure and confiscation of goods resulting from criminal activity and terrorist financing in the territory of another country, legal co-operation and technical assistance.

In 2005, in order to improve the legislation on prevention and control of money laundering and terrorism financing, the Republic of Moldova adopted a series of normative acts, and mainly:

**Law nr. 255-XVI dated 27th October 2005** published in *Monitorul Oficial nr. 157-160/780 dated 25th November 2005*, amending the Law nr. 633-XV dated 15th November 2001 on prevention and control of money laundering and terrorism financing (providing the possibility of transmitting the suspect transaction reports through protected information channels);

**Order of the director of the Center for Combating Economic Crimes and Corruption nr. 193 dated 15th December 2005** on approving the design of suspect transaction reports and procedure of their transmitting (were approved the models of suspect transaction reports for different reporting entities: insurance companies, entities from the securities market, notaries, exchange offices etc.), transmitted on 15th December 2005 to the Ministry of Justice for publication in *Monitorul Oficial*.

**Order of the director of the Center for Combating Economic Crimes and Corruption nr. 97 from 28.07.2006 on the identification of the suspect transactions.** The mentioned normative act established the high risk countries that act as tax havens and that can be used in money laundering and terrorist financing. According to the UN list there are 45 such states; states where the illegal production of and dealing in illegal drugs and psychotropic substances occur; states that do not have an adequate AML/CFT regime; 20 states listed in the FATF list as having high levels of corruption; 55 countries or offshore zones, 56 persons and 48 organizations identified as being involved in terrorist financing.

**Order of the director of the Centre for Combating Economic Crimes and Corruption nr. 113-1 from 10.02.2006** on amending the regulation of the OPCML, through which it is invested with responsibility to receive, analyze, investigate STRS on terrorist financing.

**Order of the director of the Centre for Combating Economic Crimes and Corruption nr. 18-1 from 18.02.2006** on delegating the head of the OPCML rights and duties for adopting

decisions to freeze or seize transactions; to sanction the sequestration of goods and signing of correspondence.

*Order of the director of the Centre for Combating Economic Crimes and Corruption 187 from 01.12.2006 on implementing the UN Resolutions on terrorist financing.*

*Order of the director of the Centre for Combating Economic Crimes and Corruption nr. 204 din 28.12.2006 on creation, in accordance with the international organizations, of a system of reporting terrorist financing suspect transactions.*

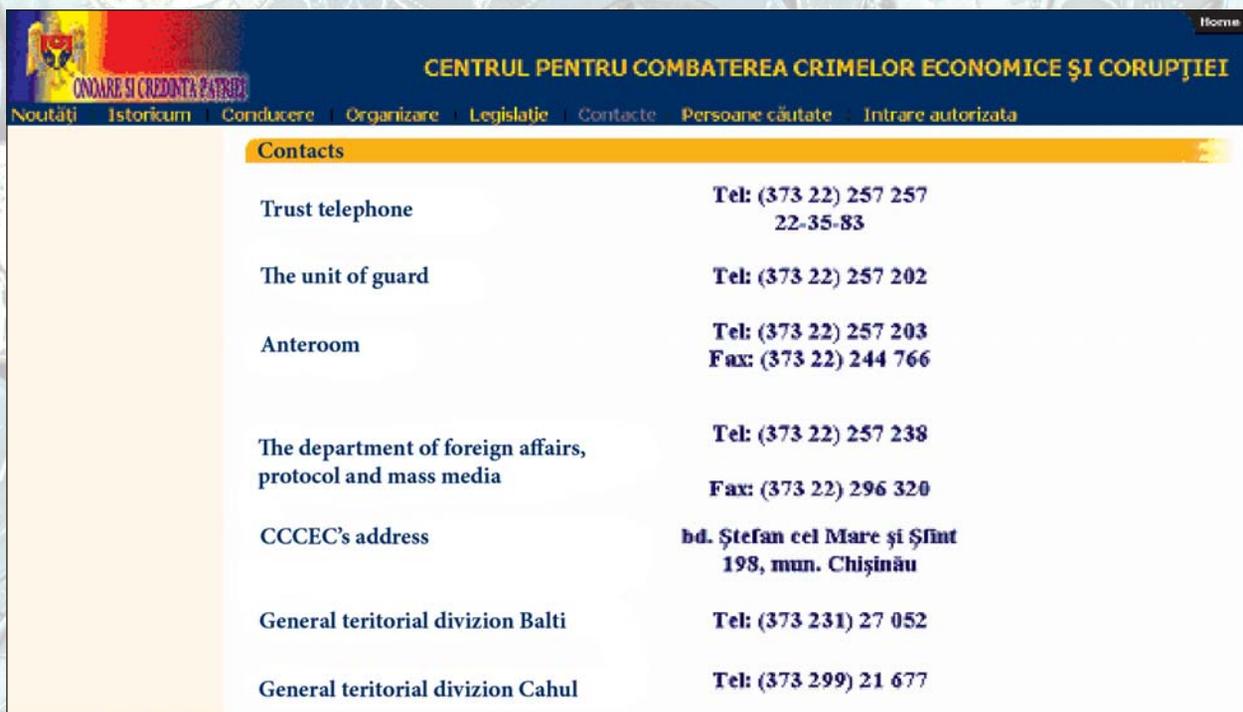
During the year of 2006, with the assistance of experts provided by the Council of Europe within the framework of the MOLICO Project, and with the assistance of an IMF expert, the OPCML has elaborated the draft of a new law on preventing and combating money laundering and financing of terrorism and *the draft of a National AML/CFT Strategy*, that should be approved by the Parliament in 2007.

## 1.6. Cooperation with Civil Society

In order to ensure the constitutional rights of the citizens of Republic of Moldova with respect to access to information and to control over the state power, OPCML engaged in a comprehensive dialog with the civil society. The dialogue was made available online through the web page of the C.C.E.C.C. [www.cccec.md](http://www.cccec.md). The link „Contacte” provides the contacts of C.C.C.E.C., including the trust telephone, as well as a form on which each visitor can submit their opinions, provide information about committed crimes or address a request.

The visitors of the official site can have access to all the official publications of the Center as well as of the OPCML.

At the same time, the OPCML cooperated with different NGOs that participated actively



Contacts	
Trust telephone	Tel: (373 22) 257 257 22-35-83
The unit of guard	Tel: (373 22) 257 202
Anteroom	Tel: (373 22) 257 203 Fax: (373 22) 244 766
The department of foreign affairs, protocol and mass media	Tel: (373 22) 257 238 Fax: (373 22) 296 320
CCCEC's address	bd. Ștefan cel Mare și Ștint 198, mun. Chișinău
General teritorial divizion Balti	Tel: (373 231) 27 052
General teritorial divizion Cahul	Tel: (373 299) 21 677

in the elaboration of the draft normative acts as well as the action plan. Prominent in this cooperation were Transparency International and the Anticorruption Alliance.

Additionally, in this period, the Office provided sessions for banking employees, reporting entities such as auditors, lawyers, notaries and institutions responsible for prevention and control of money laundering and terrorism financing.



## CHAPTER II

### 2.1. The flow of the information from the organizations that perform financial transactions

In accordance with the art.5 of the law nr.633 from 15.11.2001 on prevention and control of money laundering and financing of terrorism, the following are considered suspicious financial operations:

- a) single or multiple transactions involving financial means under circumstances when there is no apparent link between these actions and customer's economic activity;
- b) cash deposits or transfers made by an individual or legal entity under circumstances giving grounds to suspect that the deposited or transferred amount is not compatible with the size of individual's or legal entity's revenues and property ownership;
- c) transfer and receipt of cash by an individual or legal entity that usually conducts transactions by cheque or other non-cash methods;
- d) cases when the customer maintains an account that has no apparent link to his immediate business and when cash transfers are made through this account in the amounts exceeding the reporting limit;
- e) money transferred to a customer's account, paid in cheques by various legal entities or individuals with whom the customer has no contractual or manufacturing relationship;
- f) deposits declared as income that do not happen to be the usual source of income for the given customer;
- g) purchasing/selling exchange securities under circumstances indicating suspicious nature of the financial operation;
- h) purchase of exchange securities by legal entities with payments made in cash;
- i) operations involving cheques and other payment instruments issued to the bearer;
- j) operations in which one party is an offshore resident or operations are conducted through offshore bank accounts;
- k) operations carried out through companies or banks from the countries which have inadequate or no anti-money laundering laws or represent enhanced risk due to high level of criminality and corruption, as well as operations with the residents of these countries;
- l) request for a credit secured by a document certifying deposits in foreign banks, if there is information about the suspicious nature of deposits;
- m) request for a credit secured by an application or document confirming existence of some deposits in a foreign bank or in another bank, in the case where there is information on the suspicious nature of such deposits.

- n) The reporting entities shall notify the Center for Combating Economic Crimes and Corruption within 24 hours, should any circumstance be disclosed indicating the suspicious nature a financial operation in the course of preparation, or operation.

According to the provisions of the same law the organizations that perform financial transactions are obliged to notify the Center for Combating Economic crimes and Corruption (SPCSB) about the data on threshold or suspect financial operations.

The following are presumed to be limited financial operations:

- a) one-time exchange of small face value bank notes for the bigger face value ones in the amount exceeding Mdl. 50,000;
- b) an increase of deposits in the amount exceeding Mdl. 250,000 followed by their subsequent transfer to another person;
- c) international money transfer in the amount exceeding Mdl. 65,000, requesting that the payment to the beneficiary is done in cash;
- d) opening by the customer of a number of accounts of similar destination in the same financial institutions accompanied by subsequent transfer of the amounts exceeding Mdl. 250,000 to each of these accounts;
- e) wiring or receipt of an amount exceeding Mdl. 100,000 Lei from a country in which according to the list approved by the Government of the Republic of Moldova there takes place illegal production of drugs.

The threshold and suspect transactions are recorded by completing a special form that includes data on the transaction, confirmed by the signature of the responsible person that effectuated it or by other identification means.

According to the provision of the art.4, paragraph (1), letter b) of the law 633-XV from 15.11.2001 „on prevention and combating money laundering and terrorist financing”, the organizations that perform financial transactions are obliged to complete a form for each operation conducted by an individual if the amount exceeds Mdl. 300,000 and for each operation conducted by legal entity if the amount exceeds Mdl. 500,000. Within 15 days from the date of filling in, the blank-form should be filed with the Centre for Combating Economic Crimes and Corruption. A report should also be filed if the total amount of operations conducted during one month by an individual or by legal entity, or on their behalf exceeds the afore specified value (cumulative).

All the above mentioned information is submitted to the OPCML by means of protected channels in electronic form and stored in a centralized IT system.

As the IT system was developed and became functional in the second part of 2005, its benefits became more evident throughout 2006. Using the capabilities of the system the submission of information in digital format enhanced the quality of the analysis and reduced the processing time.

Within this framework, the activity of OPCML depends upon received information, this being essential for the disseminated analysis.

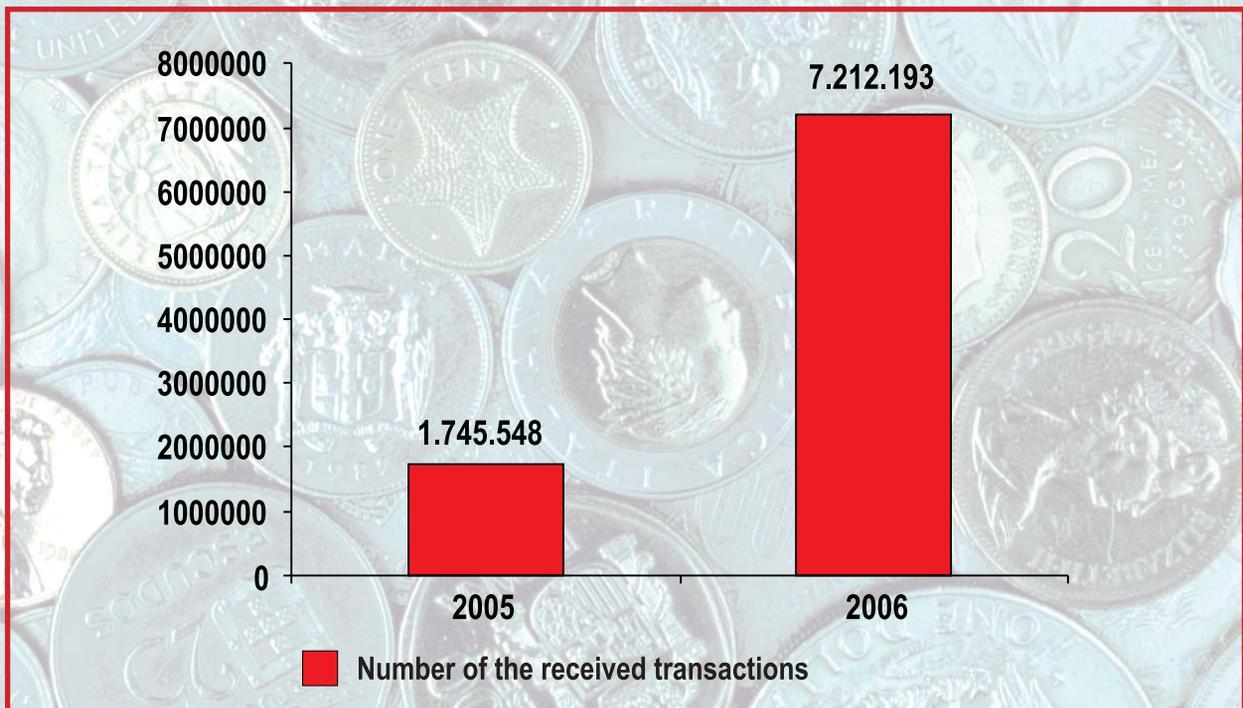
## 2.2. Statistical data of the received reports as recorded by financial institutions transactions in 2006

During the year of 2006 a total amount of 7.212.193 suspect, limitative and cumulative transactions were submitted. This is a 400% increase in reports in comparison with 2005. This excessive increase was caused by the governmental approval of the list identifying risk countries where the production of dealing of illegal drugs and psychotropic substances occur, jurisdictions that provide tax havens, countries that do not have AML/CFT measures or have inadequate ones in place and off-shore jurisdictions.

In addition, all transactions recorded with companies from the Transnistrian region are considered to be suspect. In Tiraspol, a processing center, “Centrul de Decontări”, operates, undertaking clearing operations for banking and non-banking economic agents from the region.

Currently, the activities of organizations carrying out financial activity within the Transnistrian region are not monitored by the OPCML.

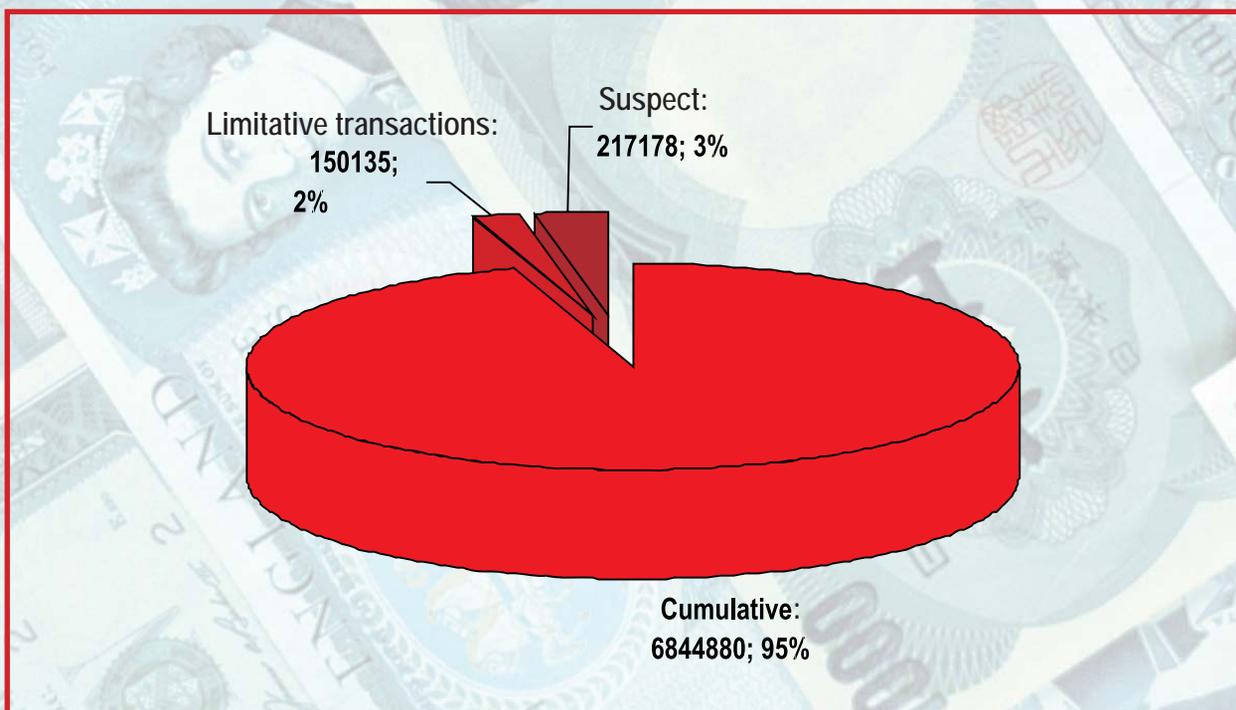
Also, due to the stable economic policies initiated by the Government, many economic agents from the Transnistrian region legalized their activity, and registered themselves with the competent authorities in Chisinau.



Using the data submitted by the financial institutions, the following charts show the level of reported transactions by each bank:



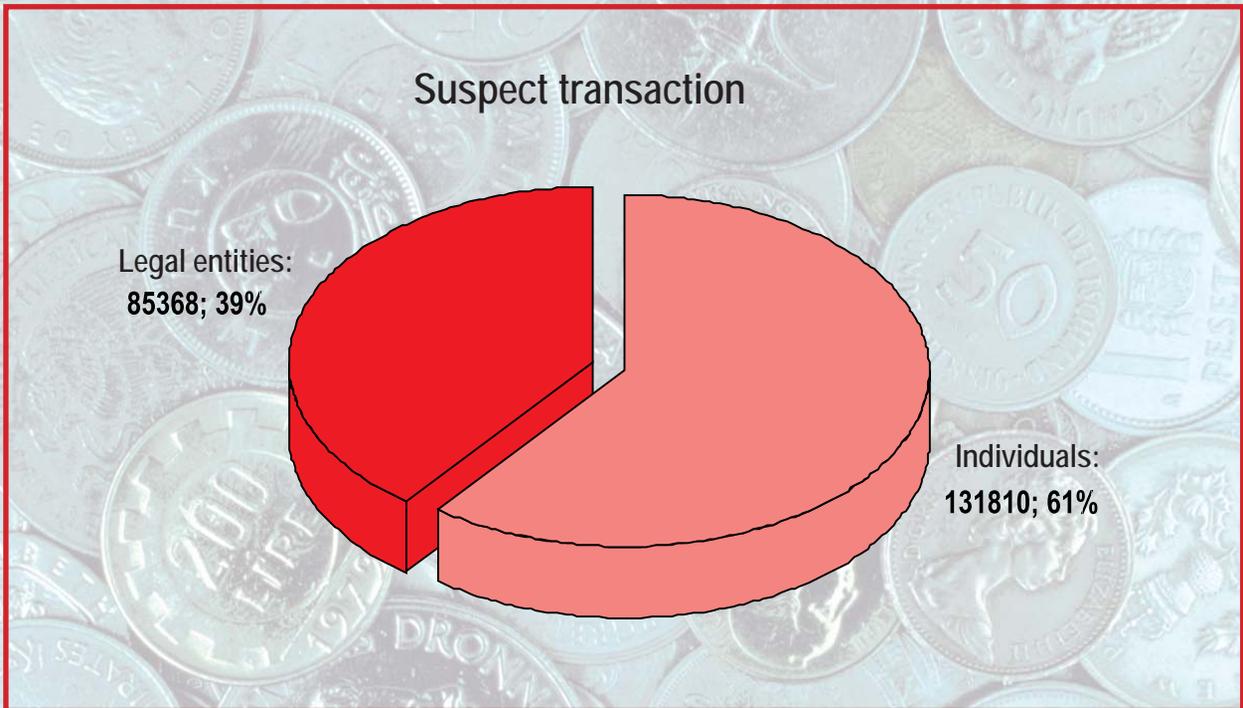
The proportions of the processed information are as follows:



The number of Suspect Transaction Reports increased in comparison with 2005 by 25%.

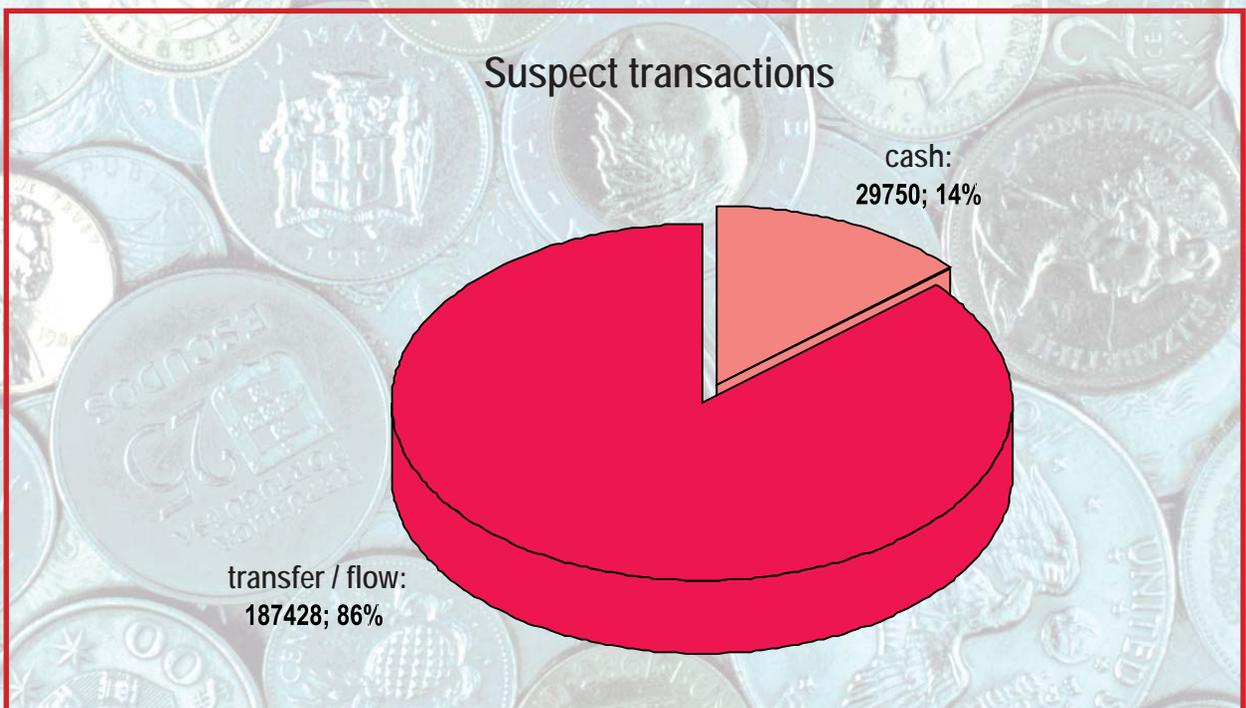
In comparison with the same period in 2005, the number of STRs as a proportion of received transactions decreased by two thirds. It currently represents just 3% of total amount of flow of transactions.

The proportion of individuals and legal entities in the STRs:



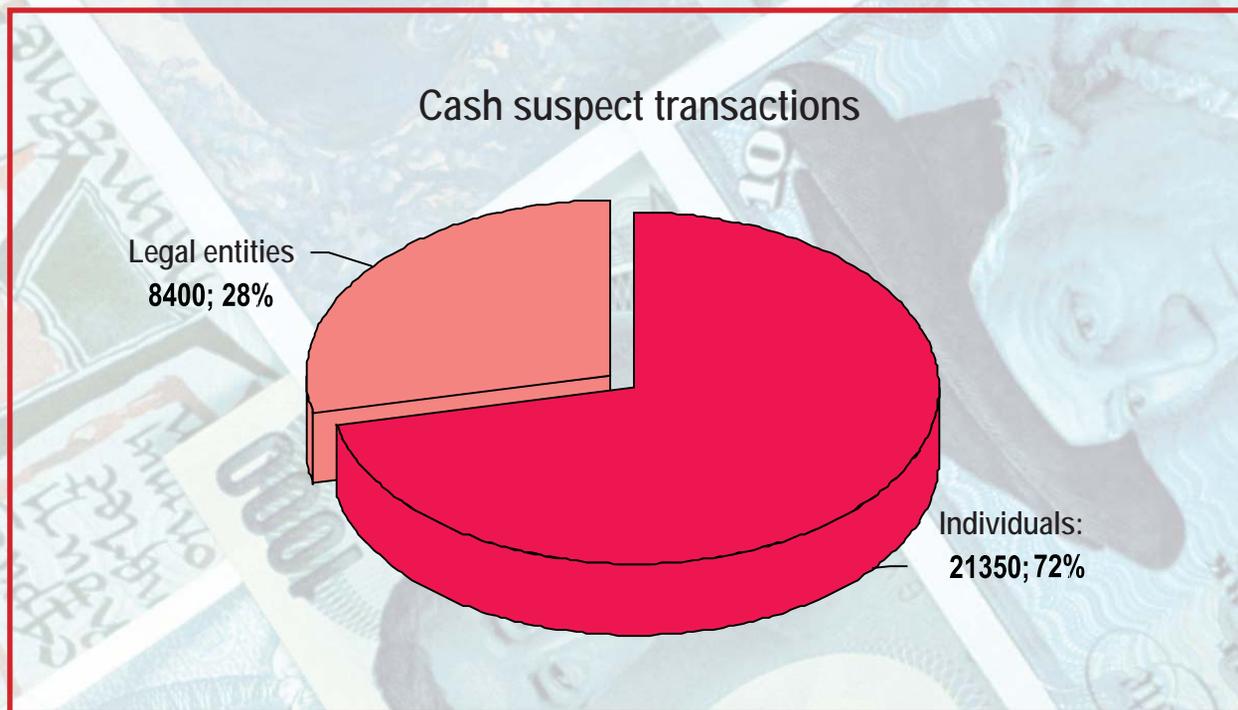
The increase of the number of STRs by 25% happened because of the increased number of STRs effectuated by legal entities. Thus, the percentage for legal entities in 2005 was 26 %, in comparison with 2006 which was 39%, an increase of 13 % of transactions.

The number of cash STRs in 2005. The flow of STRs remained high.

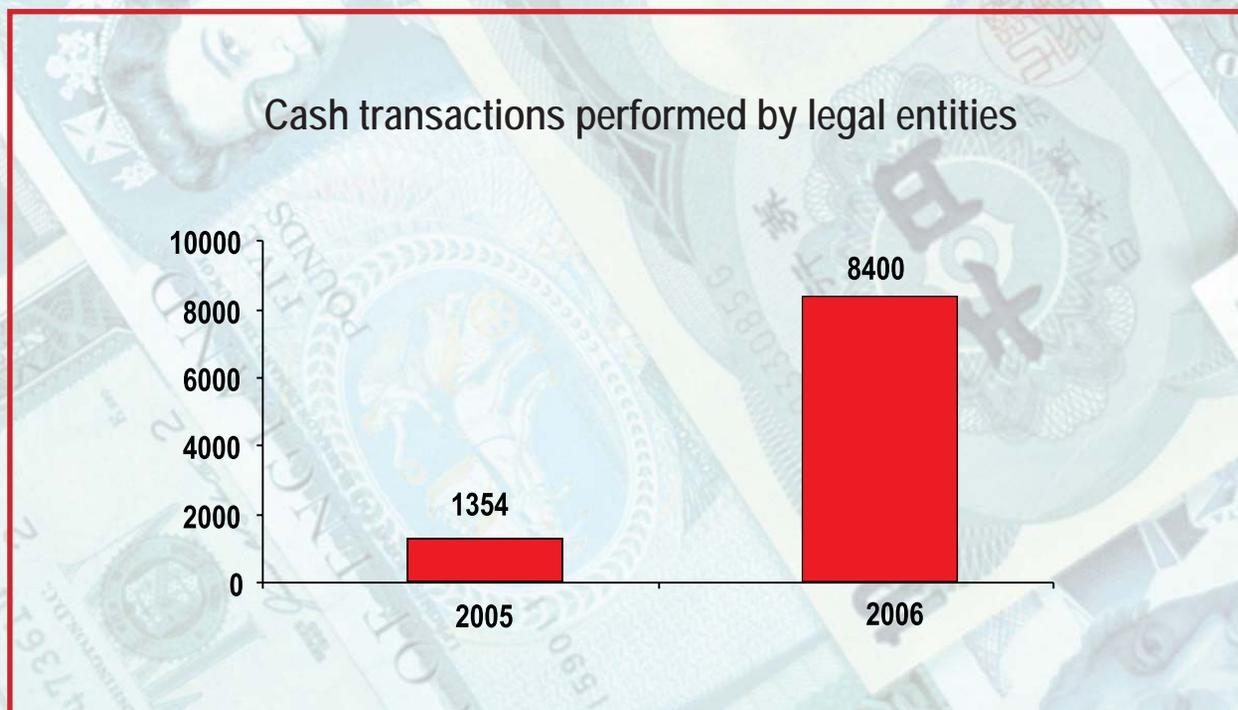


This is explained by the fact that the economy is based on the agricultural sector, where the usual payment method is cash, as well as by the use of complex schemes to legalize illegally obtained goods and financial means.

At the same time the cash transactions were performed mainly by individuals.

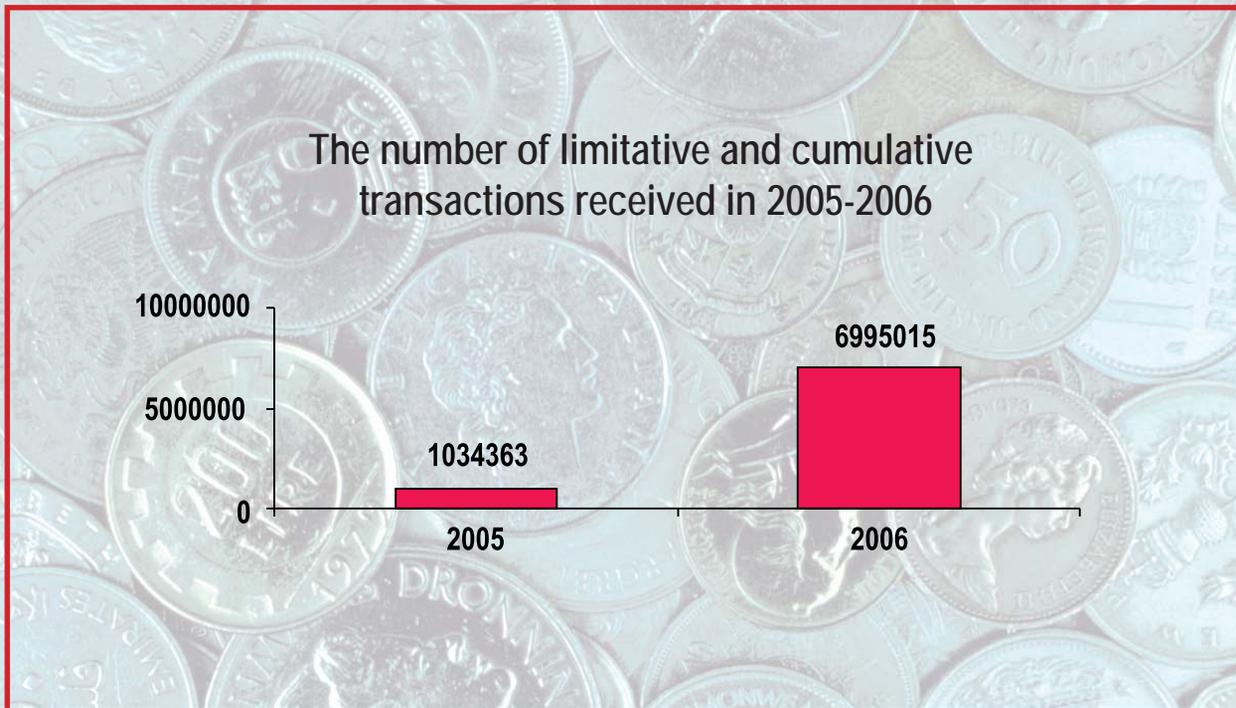


It should be mentioned that in 2006, in comparison with 2005, there was an increase in the number of declarations of STRs effectuated in cash by legal entities.

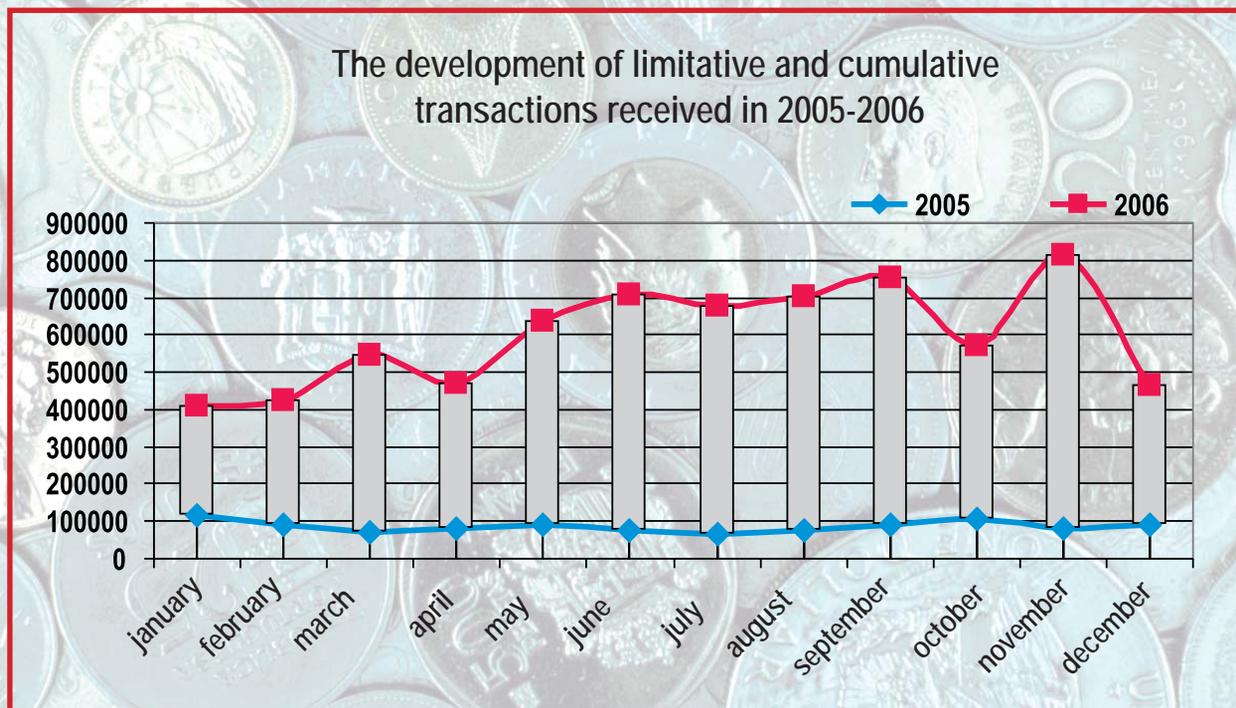


This is due to the increase of the incidence of criminal schemes using national and/or foreign companies.

A comparison has been made with the case of STRs triggered by a breach of the limitative and cumulative thresholds. These increased by 600% in 2006.



The development of limitative and cumulative transaction reports received in 2005-2006 are presented in the following table.



The variation in the figures is partly due to the influence of economic issues. Thus the external shocks recorded in 2006 had a direct impact.

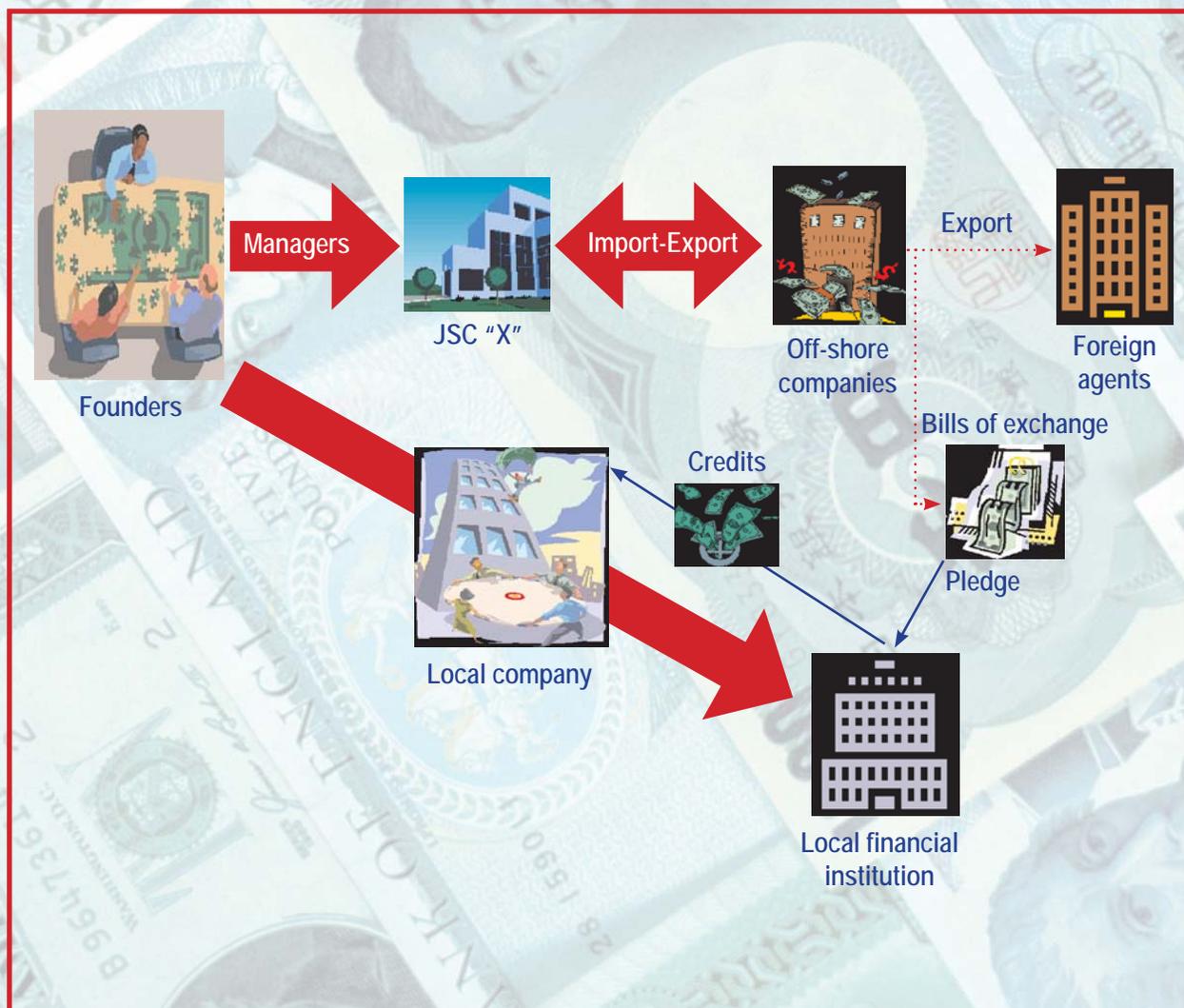
## 2.3. Money laundering and terrorist financing typologies identified in 2006

### Scheme A – Legalization of criminal proceeds obtained by means of appropriation of the profit of the shareholders of a big company

In the course of the investigations led by SPCML into the actions of the top-management of a company dealing with export-import operations, it was established that the managers of this firm created a complex scheme for the legalization of the proceeds illegally appropriated from the owners of the company.

Thus, the goods produced in the Republic of Moldova were sold below their true value to foreign intermediate agents, situated in a zone with a more favorable fiscal system (off-shore zone). The agents then sold the goods for their full market price.

For the legalization of the obtained proceeds, the off-shore companies, held under the control of the mentioned persons, purchased securities (bills of exchange) of financial institutions affiliated to these from the Republic of Moldova. The securities acted as pledges for obtaining credits by several local companies controlled by the mentioned persons. This way, the criminal proceeds, transformed into financial assets (securities) acted as pledges for obtaining credits by the companies „allied” to the investigated persons and were switched in a legal financial circuit.

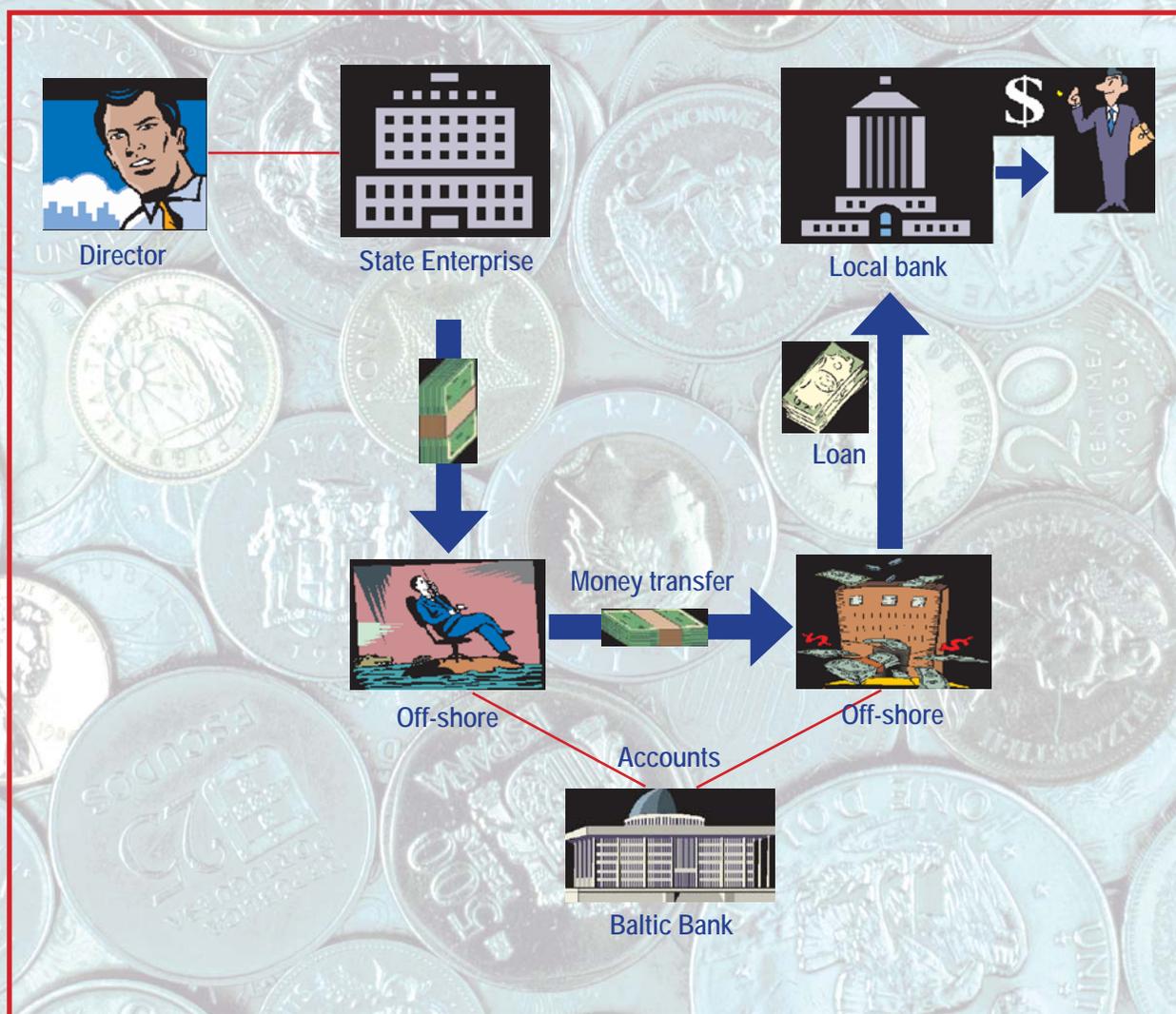


**Scheme B – Legalization of the criminal proceeds, obtained by means of appropriation of budgetary funds**

The preliminary investigation by the managers of an important state enterprise revealed suspicious financial operations in the payment of marketing, consulting and staff training services, carried out by a company located in the off-shore zone.

Further investigations then established that the contracts negotiated for carrying out the mentioned services were fictitious, aimed at the appropriation of public (budgetary) funds.

The named off-shore company established accounts in a Baltic financial institution. The data obtained from similar structures from this region revealed that the financial assets obtained on the basis of a fictitious contract were transferred on the account of another off-shore company, established in the same financial institution. Later, on the grounds of a loan contract, this company transferred the named financial assets as loan on the account of a person affiliated to the managers of the state enterprise.



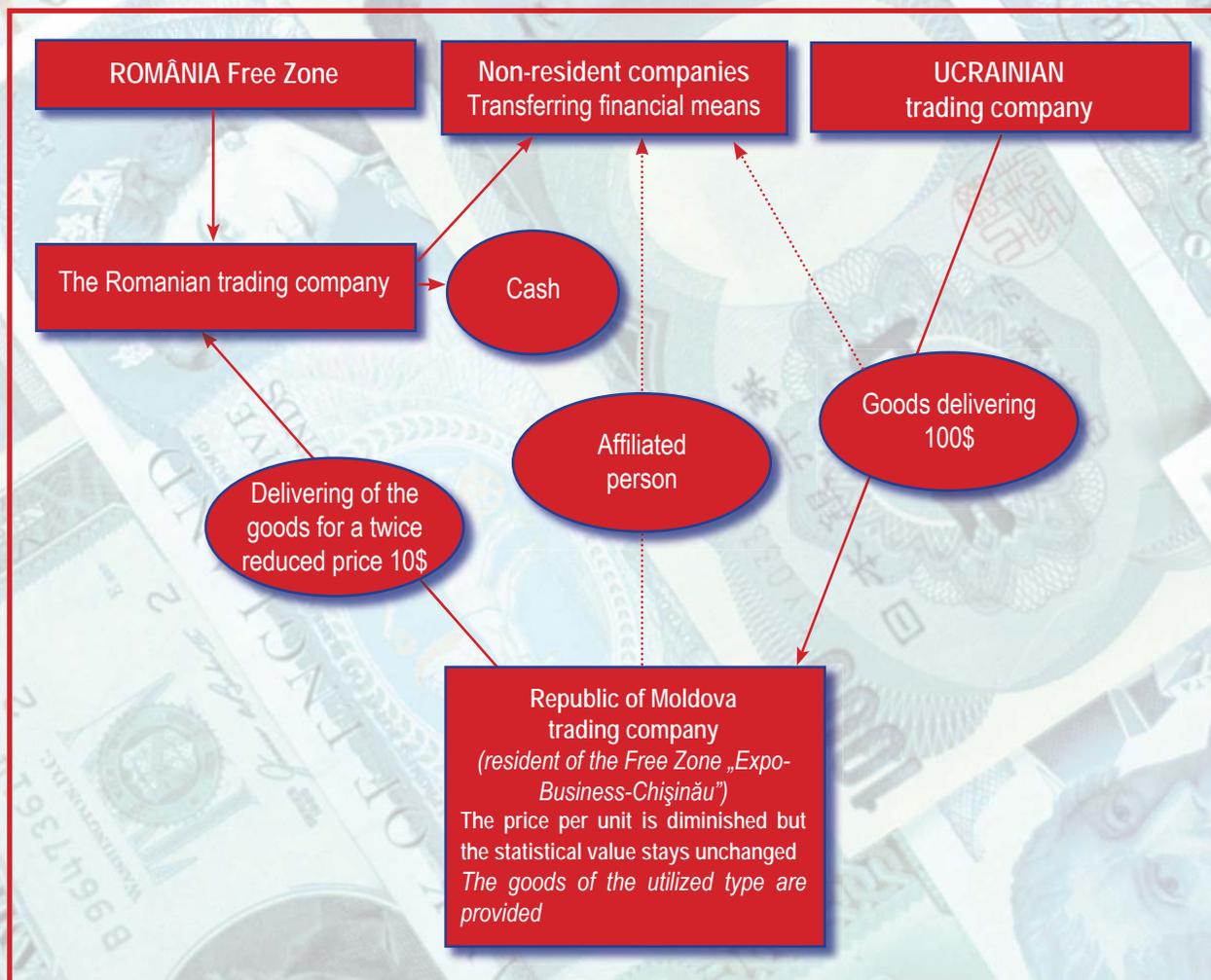
### Scheme C – Using the Free Economic Zone „Expo-Business-Chișinău” for reduction of the value of goods and for obtaining criminal proceeds by local agents

This investigation identified a scheme of obtaining criminal proceeds through reduction of the value of imported goods, using the facilities granted by the **free economic zones**.

A local society resident in the Free Zone “Expo-Business-Chișinău” imported goods from a Ukrainian society. The goods belong to a non-resident society from Great Britain. On the territory of the Free Zone „Expo-Business-Chișinău” the goods come in and their value was diminished tenfold per unit, but the statistical value remained unchanged. Later, the goods were delivered by the same means of transport to a Romanian society – resident of Brăila Free Zone.

Behind these schemes were local economic agents who used the financial-banking system of the Republic of Moldova for obtaining credits and settlement of accounts transiting the territory of the Republic of Moldova and who prejudiced both the Republic of Moldova and the Romanian economy.

The goods were distributed in Romania and the income generated either in cash or by means of off-shore companies. The payments were received by persons who then evaded the due budgetary payments of the Republic of Moldova. This scheme was operated with the collusion of employees of the Moldovan Customs Service.



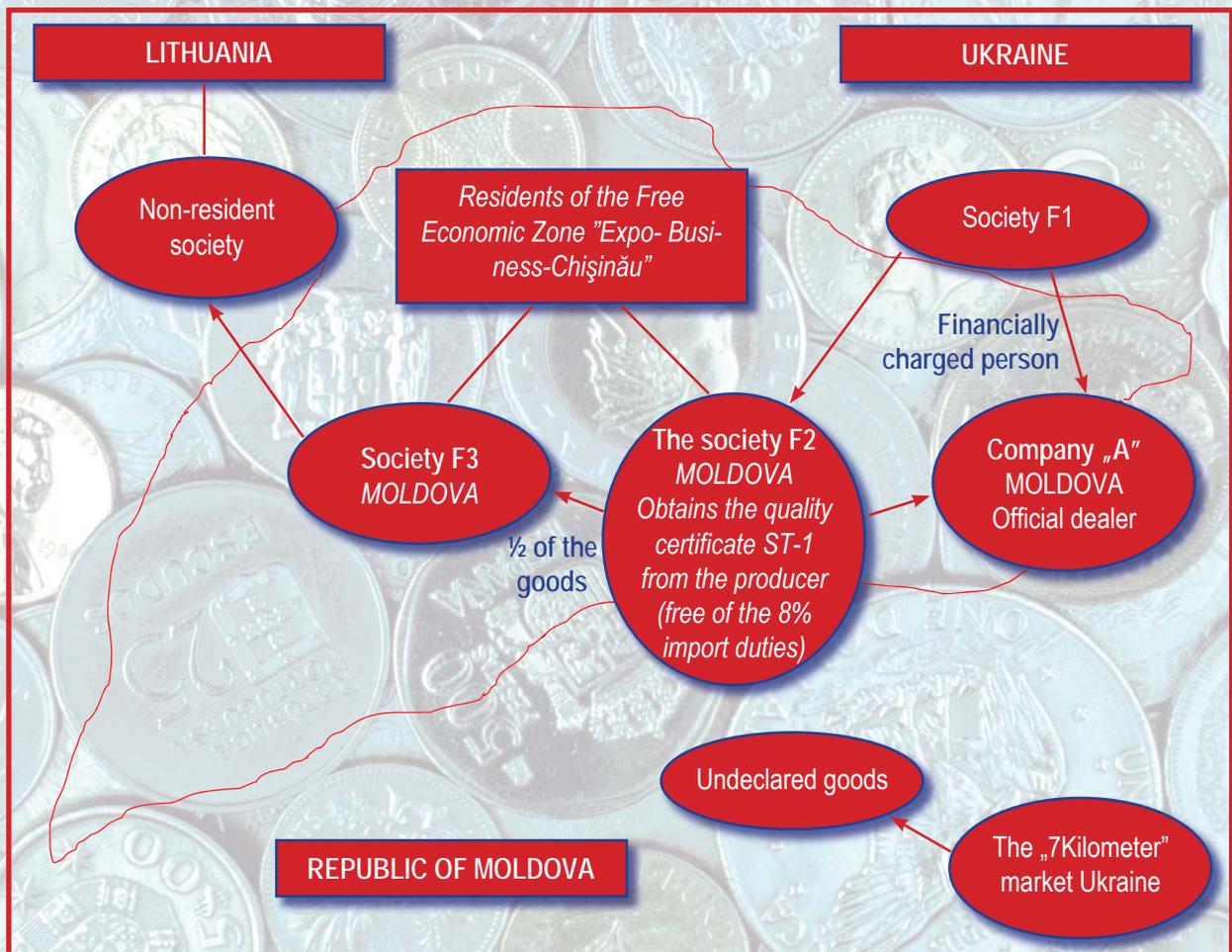
**Scheme D – Using the Free Economic Zone „Expo-Business-Chișinău” to obtain quality certificates for switching goods without origin certificates into legal circulation**

The Moldovan society “A” (official dealer), importer of cosmetic products has been using two commercial societies, residents of the Free Zone “Expo-Business-Chișinău” namely “F2” and “F3”.

The commercial society „F2” imported goods from commercial society „F1”, from Ukraine. This importation was carried out with the purpose of obtaining quality certificate, ST-1, allowing the company “A”, which was financially responsible, to evade the 8% import duties for the goods produced on the territory of CIS. The mentioned goods were introduced in the Free Zone under temporary import customs regime, being delivered to commercial society „F3”, which exported them in its turn to a non-resident society in Lithuania under the re-export customs regime.

This operation was carried out in order to conceal the further export of one part of the goods to another country from the firm “F1” (Ukraine), who delivered the goods only to dealers in certain minimum quantities.

The company “A” imported a part of the goods under the final import customs regime from the society “F2”. Later, by means of smuggling, similar goods were introduced in the country from the market “KM 7” from Odessa, Ukraine, which were legalized using shell companies and were sold by the company “A” to final consumers with the quality certificate ST-1 already obtained.



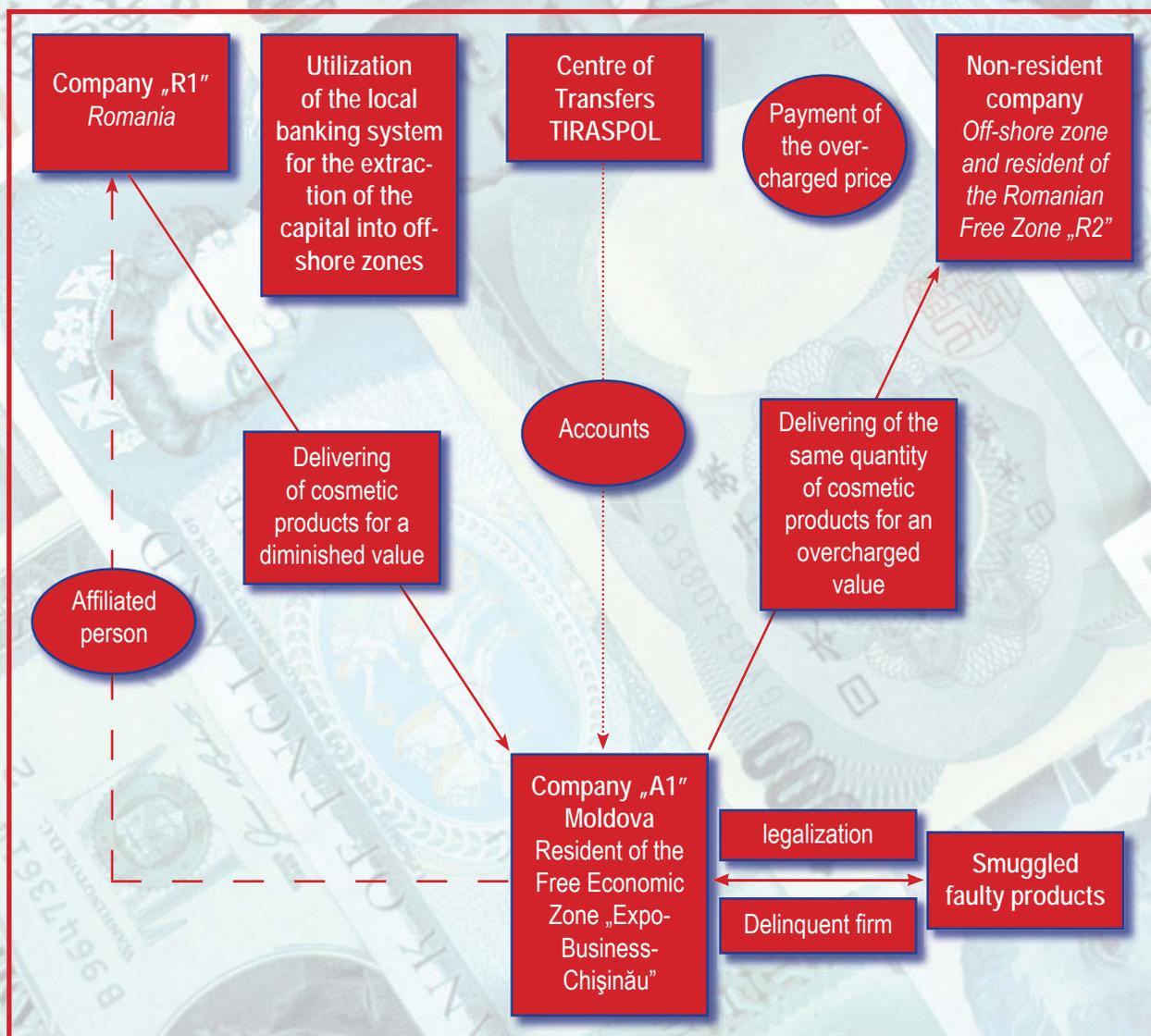
### Scheme E - Using Free Economic Zone „Expo-Business-Chișinău”, Free Economic Zone Brăila and Tiraspol Processing Centre to obtain proceeds from the criminal activity of the economic agents and from local citizens

A similar scheme is carried out with the Romanian firms, using the Processing Center in Tiraspol.

Thus, the Romanian society „R1” delivered the goods (cosmetic products) to the local company „A1” – resident of the Free Economic Zone „Expo-Business-Chișinău”. Later the named goods, with an increased valuation, were re-exported to the Romanian company “R2”, resident in the Free Economic Zone Brăila from Romania.

Following this operation, the Moldovan society “A” obtained the quality certificate for the named goods and simultaneously sold faulty products of the same type, introduced by means of smuggling on the territory of Moldova, then legalized with the help of delinquent firms. In order to conceal these operations, all the payments were carried out through the Processing Center in Tiraspol.

All these operations were carried out with the immediate assistance of the employees of the Customs Service.



## CHAPTER III

### 3.1. Inter-departmental Cooperation

In order to fulfill its legal functions, the Service cooperates with the entire system of institutions and entities involved in prevention and combating money laundering.



Thus, at a national level, the SPCML operates within the framework of the general information system formed by the following institutions:

**I. Legislative and law enforcement institutions in the field of preventing and combating money laundering and terrorism financing**, respectively: Ministry of Justice; Ministry of Finance; Ministry of Internal Affairs; General Prosecutor's Office; National Bank of Moldova; Information and Security Service; Ministry of External Affairs and European Integration, Customs Service, Ministry of Economy and Trade, etc.

**II. Financial control, supervision and regulatory authorities**: Licensing Chamber; National Commission for the Securities Market; State Inspectorate for Supervision of the Insurances and of Non-governmental Pensions Funds, National Bank of Moldova, Ministry of Finance, Court of Accounts, Financial Control and Revision Department.

**III. Reporting entities**: commercial banks; insurance-reinsurance companies; gambling organizers; participants to the securities market; exchange offices and hotels with exchange offices; persons who practice entrepreneurial activity with precious metals and stones; renters and sellers (suppliers) practicing leasing activity; real estate agents, dealers and brokers commercial offices, other enterprises, organizations and institutions carrying out

operations of receiving, transmission, alienation, transport, transfer, exchange or storage of financial means or goods; institutions who legitimize or register the right of ownership; authorities granting legal, notaries, accounting, financial/banking assistance and any other legal or natural persons dealing outside the financial/banking system.

Therein, agreements of interdepartmental cooperation were signed with: **the General Prosecutor's Office, National Bank of Moldova, Ministry of Internal Affairs, Information and Security Service, Court of Accounts and the Customs Service.**

Concurrently, cooperation agreements were signed with non-governmental institutions, who carry out the monitoring of the situation, and namely with: **the Centre for Analysis and Prevention of Corruption, Institute for Development and Social Initiatives „Viitorul”, The National Centre for Transparency and Human Rights.**

## 3.2. International Cooperation

One of the priority activities of the Service is to settle and reinforce the bilateral cooperation with other similar foreign services, as well as with international specialized bodies.

### 3.2.1. Cooperation with foreign agencies

During 2006, in the framework of international cooperation activities memorandums of agreement were signed regarding the exchange of financial information on money laundering, with similar units from **Ukraine, Belarus, Russia, Albania, Macedonia, Bulgaria.**

In this chapter we must emphasize the fact that memorandums of cooperation were signed with all the countries negotiations with whom have started in 2005 and 2006.

Concurrently, during this year, negotiations regarding the conclusion of bilateral agreements with relevant services from **Georgia, Indonesia were launched.**

### 3.2.2. Cooperation with relevant international bodies

The cooperation of the Service with relevant international bodies implies, first of all, adjustment of legal framework in the field to international standards, as well as a continuing information exchange via secured channels. This allows an active evolution of the methods and means utilized by the Service in the process of prevention and combating money laundering and terrorism financing.

During this year, in order to meet the foreign experts, the employees of the Service have made **11** business trips.

These trips had enabled the staff to take part in conferences, seminars, training programs with both regional and international focus and with further activities, including practical advice for harmonization of the practices of the Service with modern standards, as used by similar services from abroad.

Thus, during 2006, the Service has cooperated with the following international institutions and organizations:





- Council of Europe;
- European Union;
- MONEYVAL Committee;
- EGMONT Group;
- F.A.T.F. Euro-Asian Group for combating legalization of incomes originating from illicit activity;
- International Monetary Fund;
- World Bank;
- Coordination Council of the Leaders of Fiscal Authorities from CIS.

A working group was created to elaborate a project for modification and completion of some normative acts, in order to adjust the legal framework. Under the MOLICO Project, proposed amendments were submitted to Council of Europe experts, who will provide their feed-back in 2007.

In December 5-8, 2006, a group of experts of the MoneyVal Committee visited the Republic of Moldova for the re-evaluation of the AML/CTF legislative system according to the standards of the new methodologies, and for the amendment of the III-rd National report.

During June 12-16, 2006, the Service took part in the 14th Plenary Session of the EGMONT

Group, organized in the city of Limassol, Cyprus. The plenary comprised the abridged sessions of the working groups on legal issues and the accession of the candidate countries to the EGMONT Group. In this framework, the membership of Republic of Moldova for this group, together with that of the other states, was discussed. The decision on the membership application of Republic of Moldova, together with those of other states, was deferred to the following session on the grounds that the candidate countries had not adjusted their legislation to fulfill the EGMONT criteria.

In May 22-26, 2006, the representatives of the Service took part in the **Conference on combating money laundering and terrorism financing**, organized by the International Monetary Fund in the city of Syracuse, Italy. During the conference, the relevant existing standards against terrorism financing and money laundering, international practices and international obligations were revised. Discussions were carried out on various topics regarding bilateral agreements, and the creation of national legislative norms. The national legislative system on combating terrorism financing and money laundering was presented. The conference included organization of round tables on investigation and court examination of terrorism financing cases.

In September 25–29, 2006 the Seminar on information technologies and the system of technical assistance of Financial Intelligence Unit on money laundering and terrorism financing combating took place. It was organized under the aegis of the International Monetary Fund and the Egmont Group in the city of Vienna, Austria. In order to improve the exchange of information between the delegations, joint working groups were formed, whose role was to evaluate the technical needs of each of the FIU.

During September 12–14, 2006, in the city of Minsk, Republic of Belarus took place the participation to the CIS Group of experts, with the aim to complete and finalize the agreement between the CIS member states regarding combating of legalization (laundering) of proceeds originating from criminal activities and terrorism financing. Also during the meetings, the problems related to staff training of the fiscal and law enforcement agencies in the institutions from the Russian Federation and Kazakhstan were discussed, as well as the multilateral cooperation in the field of combating illegal export of historic and cultural objects from CIS territory.

It should be emphasized that these meetings were aimed at instructing the experts in this field and examining the possibility of adjusting the national legislation to international standards, which, in turn, will lead to optimization of the Service activity in the field of stopping and suppressing the use of criminal proceeds.

Simultaneously, in order to raise the professional level and the exchange of experience of the relevant experts, the Service took part in other conferences, seminars and residential courses organized by the **Centre for Civil-Military Relations at the Postgraduate Naval School from Monterey, Egyptian Fund for Technical Cooperation, Commonwealth of Independent States, Islamic European States and the New Independent States**, etc.

## CHAPTER IV.

### The activity plan for 2007, development perspectives

For harmonization of the national legislative framework to the community acquis, the improvement of professionalism of the law enforcement employees in the field of combating money laundering and terrorism financing, efficient and timely implementation of the MoneyVal Recommendations, the consolidation of the capacities of preventing and combating money laundering and terrorism financing, as well as for generating public support for prevention and combating money laundering and terrorism financing, in 2007 SPCML plans to achieve the following objectives.

<i>Objectives</i>	<i>Actions</i>	<i>Term of realization</i>
<b>1. Consolidation of the national legal framework in order to facilitate the process of preventing and combating money laundering and terrorism financing</b>	1.1 Adjusting the national legislation to provisions of the European convention on money laundering, search, seizure and confiscation of criminal proceeds through: completion of the provisions on the seizure of the goods originated from criminal activities.	July 2007
	1.2 Alignment of national legislation to international standards on regulation of the instrumentation of money laundering and terrorism financing crimes and of the subject of these crimes.	May 2007
	1.3 Modification of the legislation of the real estate market to exclude money laundering and terrorism financing schemes.	March 2007
	1.4 Elaboration of the Report on the achievements and the difficulties met in the process of implementing the National strategy on prevention and combating money laundering and terrorism financing.	November 2007
	1.5 Examination of the possibilities to update the National strategy on prevention and combating money laundering and terrorism financing and the Action plan for its implementation.	November 2007
	1.6 Elaboration and adoption of the Draft Law on the amendment of the Code regarding the administrative contraventions with anti-money laundering and counter terrorism financing provisions.	Ist Quarter 2007

	1.7 Elaboration of typologies and mechanisms of analysis of transactions suspected of terrorism financing.	IVth Quarter 2007
<b>2. Consolidation of institutional capacities</b>	2.1 Organization of vocational trainings for intelligence employees, criminal investigation officers, prosecutors and judges, officers of the court for the discovering, investigation, criminal prosecution and court examination of money laundering and terrorism financing crimes.	2007
	2.2 Creation of a joint working group who will evaluate the activities carried out in the field of implementation of the recommendations of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MoneyVal) and will set the objectives for the institutions responsible for the execution of these activities.	Quarterly
	2.3 Organization of the analytical information exchange between the law enforcement agencies on aspects of the development of money laundering and terrorism financing phenomenon, tactical and procedural peculiarities, organized money laundering and terrorism financing schemes and abettors.	2007
	2.4 Evaluation of the risks of money laundering and terrorism financing and elaboration of recommendations for their removal.	2007
	<b>3. Money laundering and terrorism financing prevention</b>	3.1 Carrying out of polls regarding the public perception of the money laundering and terrorism financing phenomenon, as well as the attitude towards the activity if the Centre for Combating Economic Crimes and Corruption and of other institutions involved in the prevention and suppression of these phenomenon.
	3.2 Carrying out of seminars and round tables on money laundering and terrorism financing prevention in reporting organizations.	Half-yearly
	3.3 Discovery and documentation of the schemes of money laundering and terrorism financing of the employees of the financial-banking and non-banking systems.	2007
	3.4 Promotion of the feedback from reporting institutions.	2007

	3.5 Promotion of the information regarding the criteria and the index of suspicion of suspect transactions related to terrorism financing.	2007
	3.6 Monitoring the flows of financial means of the states which do not dispose of legal provisions in the field of prevention and combating money laundering and terrorism financing.	2007
<b>4. Ensuring the transparency and the information of the population</b>	4.1 Ensuring the proper functioning of the mechanism of notification of money laundering and terrorism financing actions through help lines, petition boxes, etc.	2007
	4.2 Organization of TV shows and radio broadcastings, preparation of publications for raising the public awareness regarding the money laundering and terrorism financing phenomenon.	2007
	4.3 Carrying out reunions (conferences, round tables etc.) on anti-money laundering and anti-terrorism financing topics.	2007
<b>5. Implementation of international instruments of EU, CoE, UN, OECD, NATO etc.</b>	5.1 Adherence to the EGMONT Group as a member for the facilitation of the AML/CTF mechanisms.	2007
	5.2 Implementation of the MONEYVAL, EGMONT, FATF, etc recommendations.	According to deadlines
	5.3 Elaboration and support of Moldova Evaluation reports.	2007
	5.4 Carrying out measures defined as compulsory for the states-participants to the European convention on money laundering, search, seizure and confiscation of the proceeds from crime.	2007
	5.5 Extension of the cooperation with relevant international institutions in the field of carrying out activities on the prevention and combating of money laundering and terrorism financing.	2007
	5.6 Initiation and conclusion of bi-multilateral international agreements in the field of preventing and combating money laundering and terrorism financing with similar institutions from abroad.	2007
	5.7 Participation in the sessions of the FATF Euro-Asian group, EGMONT group, MONEYVAL.	2007

## CHAPTER V

### WEB RESOURCES

ADDRESS	REPRESENTED INSTITUTION
1. <a href="http://www.ccecc.md">http://www.ccecc.md</a>	Centre for Combating Economic Crimes and Corruption
2. <a href="http://www.bnm.org">http://www.bnm.org</a>	National Bank of Moldova
3. <a href="http://www.bis.org">http://www.bis.org</a>	Basel Committee on Banking Supervision
4. <a href="http://www.egmontgroup.org">http://www.egmontgroup.org</a>	EGMONT Group
5. <a href="http://www.fatf-gafi.org">http://www.fatf-gafi.org</a>	FATF Group for elaboration of measures to combat money laundering
6. <a href="http://www.iaisweb.org">http://www.iaisweb.org</a>	International Association of Insurance Supervisors
7. <a href="http://www.imolin.org">http://www.imolin.org</a>	Council of Europe International Money Laundering Information network
8. <a href="http://www.iosco.org">http://www.iosco.org</a>	International Organization of Securities Commission
9. <a href="http://www.imf.org">http://www.imf.org</a>	International Monetary Fund
10. <a href="http://www.worldbank.org">http://www.worldbank.org</a>	World Bank
11. <a href="http://www.oecd.org">http://www.oecd.org</a>	Organization for Economic Cooperation and Development
12. <a href="http://www.wcoomd.org">http://www.wcoomd.org</a>	World Customs Organization
13. <a href="http://www.coe.int/moneyval">http://www.coe.int/moneyval</a>	Council of Europe's Committee of Experts on Evaluation of Anti-Money Laundering Measures

## ABBREVIATIONS

<b>CCECC</b>	Centre for Combating Economic Crimes and Corruption;
<b>SPCML</b>	Service of Prevention and Control of Money Laundering;
<b>FATF</b>	Financial Action Task Force;
<b>EAG</b>	Euro – Asian group for combating money laundering of criminal proceeds;
<b>MONEYVAL</b>	Council of Europe’s Committee of Experts on Evaluation of Anti-Money Laundering Measures;
<b>EU</b>	European Union;
<b>CoE</b>	Council of Europe;
<b>WB</b>	World Bank;
<b>IMF</b>	International Monetary Fund;
<b>AML/CTF</b>	anti-money-laundering and counter terrorism financing.