



Dear Colleagues!

We are pleased to present the first special edition devoted to work of the financial intelligence unit of the Republic of Belarus. This bulletin will help to familiarize readers with work of the Financial Monitoring Department within the State Control Committee of the Republic of Belarus and specifically our work in the following areas: anti-money laundering, countering the financing of terrorism and the proliferation of weapons of mass destruction.

In the modern world, state officials must work tirelessly to protect the economic interests and financial security of the general public, combating crime, corruption and terrorism. The members of law enforcement and supervisory authorities of each state are working on it. One of elements capable to increase

overall performance of such authorities is a financial intelligence unit. In our country the Department of Financial Monitoring of the State Control Committee performs the functions of such a unit. As a basic element of national system of anti-money laundering and countering the financing of terrorism (AML/CFT), the Department jointly with law enforcement and supervisory authorities conducts consecutive work on identification of the facts of economic, corruption and other crimes, and prevention of legalization of funds obtained as a result of these crimes. Our national AML/CFT system is unique: it combines government institutions and a number of private sector institutions, including banking and financial institutions, property registrars and notaries. This collaborative work enables the Department to respond quickly to new challenges and threats to economic security and to prevent threats evolving into crimes. Our national AML / CFT system operates in accordance with international standards in this sphere that has been repeatedly confirmed by international experts, and is in a state of continuous improvement.

The globalization of economic and financial relations creates opportunities for the internationalization of crime. Criminals can build multiple-pass schemes, enabling them to transfer money using legislation disagreements and political contradictions between countries to their advantage, thereby concealing the true source of the income. Investigation of these operations is only possible through international collaboration with the relevant specialized institutes of foreign countries. The Department of Financial Monitoring represents the interests of Republic of Belarus in activities of international organizations such as Egmont group, the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG) and Council of Heads of Financial Intelligence Units of the CIS countries. The Department is committed to protect national interests and the unconditional implementation of national legislation and international law.

I hope the following materials will be of interest to you and useful in your professional activity.

Yours sincerely,

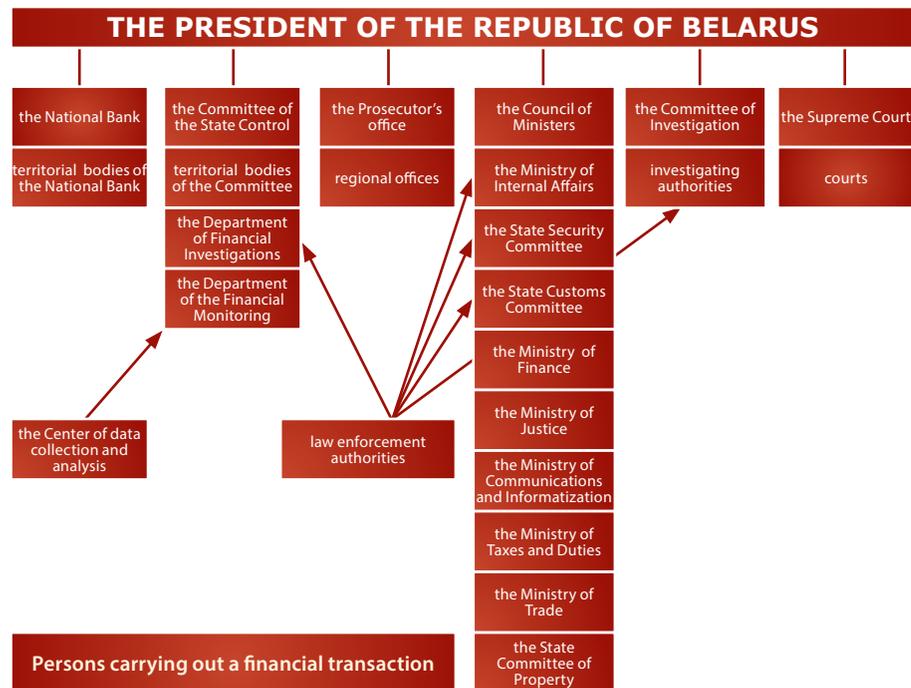
V. G. Reut
Director of the Department of Financial Monitoring

NATIONAL SYSTEM

Belarus has established an efficient system to combat the legalization (laundering) of illegally acquired proceeds, the financing of terrorist activity and proliferation of weapons of mass destruction.

The system is comprised of:

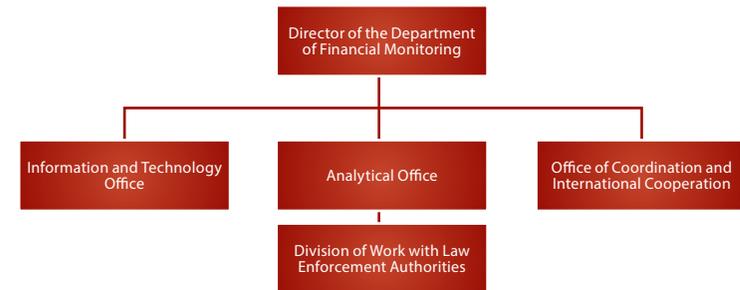
- Regulators – the National Bank and its territorial bodies; the bodies subordinated to the Council of Ministers;
- The Center of data collection and analysis – the Department of Financial Monitoring of Committee of the State Control (the DFM);
- Law enforcement authorities – the Prosecutor's office and its regional offices, the Committee of Investigation, the Ministry of Internal Affairs, the State Security Committee, the State Customs Committee, the Department of Financial Investigations of Committee of the State Control;
- The judiciary;
- Individuals engaged in financial transactions with persons/ organizations (banks, notaries, real estate brokers, registrars of real estate, stock exchanges, insurance companies, precious metals and stones dealers, post office, gambling and others).



DEPARTMENT OF FINANCIAL MONITORING

The Department of Financial Monitoring was established according to Presidential Decree No. 408 of 14 September 2003 under the Committee of the State Control of the Republic of Belarus.

The main objective of the DFM, as defined by law, is to prevent the legalization (laundering) of illegally acquired proceeds, the financing of terrorism and proliferation of weapons of mass destruction.



The following **functions** are delegated to the DFM:

The gathering and analysis of information pertaining to suspicious financial transactions;

To develop and maintain a computer-based integrated system which records, processes and analyses information pertaining to special control financial transactions;

The identification of signs testifying that financial transactions are connected with acquisition and (or) legalization of illegally acquired proceeds, the financing of terrorist activity and proliferation of weapons of mass destruction;

To participate in training- including retraining and human resources development – for employees of other government authorities in the sphere of AML/CFT;

To participate in drafting regulations, negotiation and execution of international treaties in the sphere of AML/CFT;

To study and learn from international experience and practice in the sphere of AML/CFT;

To participate in the development and implementation of programs requiring international cooperation on AML/CFT.

Engaged in financial transactions persons/organizations reveal among the general mass of transactions and information the transactions that are threshold and suspicious and inform about it the DFM.

The DFM processes the received information, conducts analysis and, if necessary, requests additional information from the persons/organizations that are engaged in financial transactions, government agencies, as well as from the financial intelligence units of other countries.

If it is reasonable to presume that financial transactions could be connected with AML/CFT, the DFM passes this information to the relevant law enforcement authorities for a legal assessment.

LEGAL FRAMEWORK

The legal framework of the national AML/CFT system includes the Law of the Republic of Belarus No. 165-3 of 30 June 2014 «On Measures for Prevention of the Legislation (Laundering) of Illegally Acquired Proceeds, Financing of Terrorist Activity and Proliferation of Weapons of Mass Destruction» (the Basic Law), the Decree of the President of the Republic of Belarus No. 408 of 14 September 2003, the regulations of the Government of the Republic of Belarus, and normative legal acts of regulators.

On June 30, 2014 a new edition of the Basic Law was adopted in the Republic of Belarus to further improve the national legislation in the sphere of AML/CFT, and to bring it into line with the international standards in this sphere. It came into force on January 4, 2015.

The new edition of the Basic Law made amendments and additions to a number of the acts under the national legalization, specifically those devoted to measures of administrative, criminal and legal counteraction to laundering of criminal income. This included changing the name and a disposition of part one of the Article 235 «Legalization («Laundering») of the Illegally Acquired Proceeds» of the Criminal Code of the Republic of Belarus. Parts 1 and 2 of notes to this article of the Criminal Code have also been changed, the structure of predicate crimes was extended and conditions for criminal prosecution were changed.

Legalization refers to financial transactions, which are conducting by imparting a legitimate appearance of ownership, use and/or disposition of illegally acquired proceeds to conceal or disguise the origin, location, disposition, movement or disguise their actual ownership.

The Special part of the Code of the Republic of Belarus about administrative offenses is supplemented by the Article 11.79 to establish the administrative liability of the legal entity. According to the Article the financial transaction of the legal entity that was performed in intention to receive

illegally acquired proceeds by imparting a legitimate appearance of ownership, use and/or disposition of it, is punishable by a fine on the legal entity in the amount of up to one hundred percent of the amount of such transaction.

The new edition of the Basic Law clarified the relationship between participants of financial transaction and the persons carrying out financial transaction in the territory of the Republic of Belarus as well as the relationship between the DFM and the state authorities responsible for controlling and monitoring the activity of the above-mentioned persons.

The terminology of the legislation in the sphere of AML/CFT was also changed. The Basic Law provides a legal framework for a national risk assessment. It establishes a system for monitoring and controlling the risks associated with money laundering. It has since been improved following the UN Security Council resolutions for the use of new mechanisms, specifically target sanctions imposition on the persons involved in terrorist activity and financing of terrorism. The Basic Law extended internal control mechanisms for the purposes of preventing the financing of proliferation of weapons of mass destruction. In addition, this Law contains innovations regarding establishment of beneficial property and fixed approaches in dealing with politically significant persons.

The norms, where the internal control is exercised with taking into account the risk-based approach, are legislatively consolidated. The risk-based approach includes the development and implementation by the persons carrying out financial transactions, procedures of risk management (identification, assessment, monitoring, control, restriction (reduction)) connected with AML/CFT.

To reduce the risk of financial institutions in Belarus becoming involved in the process of money laundering and to ensure stability (and business reputation) of all banking systems, the Basic Law authorized banks to end relationships with unreliable or suspect clients.

The duties and powers of supervisory authorities underwent several changes. Six supervisory authorities were awarded the administrative responsibility to identify and present any violation of legislation pertaining to AML/CFT. The structures of such administrative offences were also amended.

The adoption of the new edition of the Basic Law was accompanied by the adoption of, as well as amendments and additions to regulations of the government and state authorities AML/CFT.

The work of the DFM on preventing the financing of terrorism has systematic character.

The new edition of the Basic Law is focused on implementing the Belarusian legislation of international standards, updated in February 2012.

The Basic Law includes measures to prevent the financing of proliferation of weapons of mass destruction.

Among the amendments to the Law is the criminalization of specific acts defined as terrorist activity. These are referred to by the Belarusian legislation as grave or particularly grave crimes. On this basis, the Criminal Code of the Republic of Belarus was replenished with following articles:

Art.290-2 «Assistance in Terrorist Activity»;

Art.290-3 «Training or Other Preparation for Participation in Terrorist Activity»;

Art.290-4 «Creating an Organization for Implementation of Terrorist Activity or Participation in it»;

Art.290-5 «The Organization of a Terrorist Organization and Participation in the Activities of this Organization».

The criminal liability for recruitment or other involvement of an individual in terrorist activity is established. This includes training or other preparation of an individual for participation in a terrorist activity.

New editions of the Basic Law made changes to the Code of Criminal Procedure of the Republic of Belarus, according to which it is determined the jurisdiction of criminal cases on the above-mentioned, and some additional, crimes.

Only one type of primary punishment is established for commission of crimes connected with the financing of terrorist activity and financing of proliferation of weapons of mass destruction. This takes the form of imprisonment (minimum 5 years, maximum – 15), and the confiscation of property as an obligatory additional penalty.

The amendments made in a number of other articles of the Criminal Code are as follows:

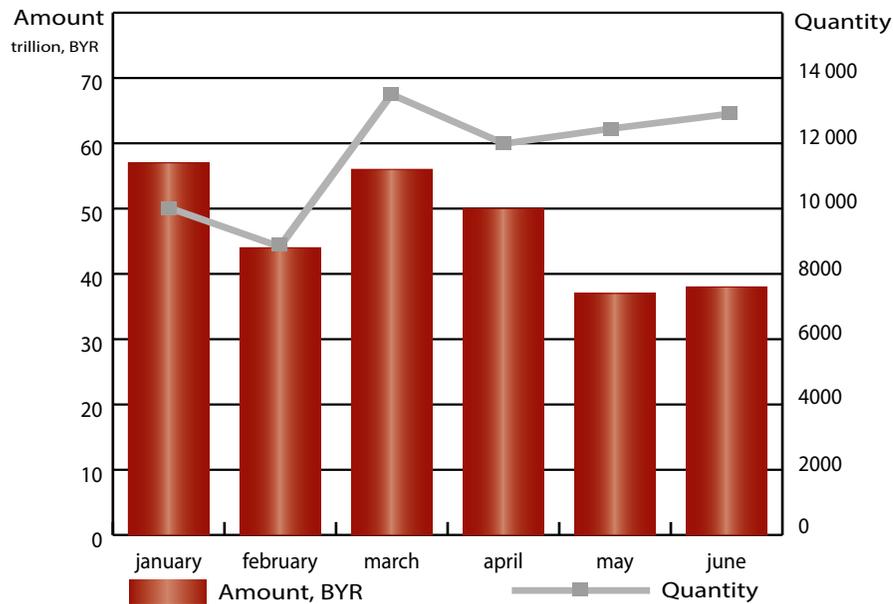
- socially dangerous behavior is forbidden under the threat of criminal punishment;
- for differentiation of criminal liability for concrete penal acts six aggravated corpus delicti are provided in four articles of the Criminal Code;
- the subject and the maintenance of the objective part of components of some crimes are specified;
- the special purpose – the commission of certain penal acts relating to the terrorist activity – became the qualifying (especially qualifying) circumstance (sign) of seven components of crimes (against public safety – two of them, the movement and operation of transport – two of them, against population health – three of them);
- the list of penal acts which forms the mixed frequency of crimes at perpetration the act of terrorism and financing of terrorist activity is corrected, and the maintenance of the corresponding qualifying corpus delicti sign is specified.

INFORMATION RESOURCES

According to the Basic Law of the Republic of Belarus, the individuals responsible for financial operations are obliged to register any financial transactions subject to special control in a designated form and to submit this to the financial monitoring authority.

On average, the DFM receives up to 600 of these forms detailing financial transactions each day. A total of 69,425 special forms for 291,727 436 million Belarusian rubles were submitted to the DFM in the first half of the year 2015. Banks are the most active suppliers of these reports, submitting approximately 56% of reports.

The number of reports submitted in the first half of the year 2015

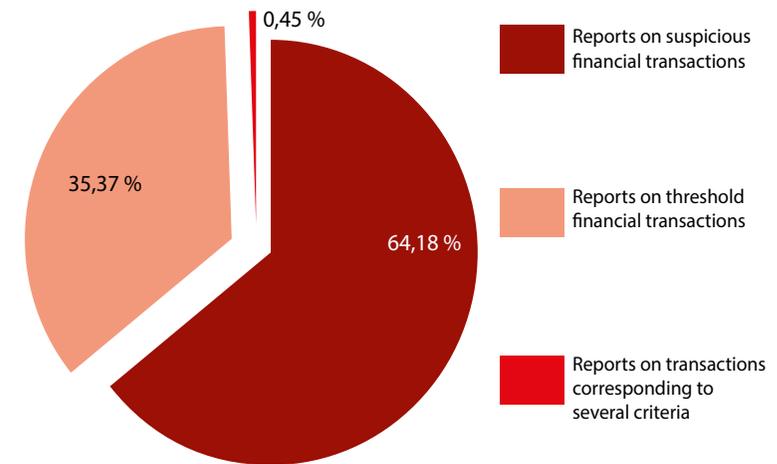


Financial transactions are subject to special control where at least one of four conditions of the Article 7 of the Basic Law is applicable.

The resolution of the Council of Ministers of the Republic of Belarus of 16 March 2006 No. 367 «On Approval of a Composition of a Special Form to Register a Financial Transaction Subject to Special Control, and of Instruction on the Order to Complete, Disseminate,

Register, Record and Store Special Forms to Register Financial Transactions Subject to Special Control» defines 89 criteria for the identification of suspicious financial transactions.

The number of reports submitted in the first half of the year 2015



Ranking of incoming reports according to persons carrying out financial transaction (the first half of the year 2015)

The person carrying out a financial transaction	Number of STRs (%)
the National bank, banks and non-bank credit and finance institutions, «Development Bank of the Republic of Belarus» JSC	56,24
professional participants of equity market (excluding banks, non-bank credit and finance institutions, «Development Bank of the Republic of Belarus» JSC), including stock exchanges	2,42
commodity exchanges	0,21
organizations and individual entrepreneurs, lawyers and lawyer bureaus providing the legal services (legal assistance) related to the foundation of the organizations or participation in their management, acquisition or sale of the enterprise's assets, the commission on behalf and (or) at the request of the client of the financial transactions, management cash or other assets	0,21
insurance companies and insurance brokers	0,20
organizers of lotteries and video interactive games	0,06
notaries	9,14
organizations which are providing real estate services and taking part in the transactions related to the sale of real estate for their client	0,27
Postal service operators	0,002
organizers of gambling	0,47
organizations carrying out the state registration of real estate, the rights for it and transactions with it	30,26
leasing organizations	0,51
other organizations and individual entrepreneurs providing services to receive, alienate, acquire, pay out, deliver, transport, transfer, exchange and (or) keep funds, and also persons certifying or registering civil transactions	0,008

MAIN RESULTS OF ACTIVITY

In the first half of the year 2015, more than 100,000 documents and analytical materials pertaining to uncovered suspicious financial transactions are submitted to the relevant law enforcement and controlling authorities of the Republic of Belarus (15% more, than in the same period of 2014). The main «users» of this information are security, defense and law enforcement agencies.

In the first half of the year 2015, the law enforcement and controlling authorities using the information of the DFM:

applied measures of the financial impact in the amount of 593,487 million Belarusian rubles (this is 2,9 times more, than in the same period of 2014);

recovered 148,904 million Belarusian rubles (1,8 times more, than in the same period of 2014);

identified double the number of crimes than in the same period of 2014.

The DFM submitted 179 initiative materials, concerning 304 legal entities, individual entrepreneurs and some citizens carrying out suspicious financial transactions, to law enforcement authorities.

The law enforcement and responsible authorities on the basis of the initiative materials supplied by the DFM:

applied measures of financial impact in the amount of 439 484 million Belarusian rubles (this is 7 times more, than in the similar period of 2014);

returned to the budget 47,253 million Belarusian rubles (1,9 times more);

revealed three times more crimes.

The most significant and voluminous activities of the DFM are:

monitoring of the financial transactions of subjects of real sector economy in high-risk spheres (branches);

identification of illegal business activity and schemes of tax evasion;

identification and prevention of activities of subjects with signs of «false structures»;

analysis of the financial transactions which were found to be related to illegal outflow of the foreign currency abroad;

analysis of the international transactions conducted through the territory of the Republic of Belarus;

analysis of the financial transactions related to transfers to the Republic of Belarus from countries which have unfavorable terms of migration;

participation in the operational activities carried out by Member States of the Collective Security Treaty Organization to combat illegal migration and human trafficking - «Illegal immigrant», cybercrime - «PROXY», narcotic drugs - «Channel».

It should be noted, that criminal income consists generally of economic crimes; according to the law enforcement agencies the evasion of tax counts for one in every two economic crimes.

Subjects come in sign of the DFM irrespective of legal status, forms of ownership and scope of activity: starting

from the state authorities and ending with ordinary citizens.

From the beginning of the year 2015 the activity about 4,5 thousand legal entities and individual entrepreneurs, transactions of nearly 850 citizens was subjected to financial monitoring.

As in schemes of receiving and «laundering» of the criminal income the «false structures» are widely used, the suppression of their activity is considered as one of the priority areas of work on counteraction of legalization of the income received in the criminal way.

In January-June of this year the DFM identified 282 subjects whose requisites and bank accounts were used by Belarusian business entities to carry out illegal financial transactions for the purpose of legalization of criminally acquired proceeds and the facts of acquisition (sale) of goods, tax evasion and illegal cash withdrawals. As a result, the financial transactions on accounts of 26 companies and individual entrepreneurs were suspended.

In the course of the investigation the DFM closed around 10 criminal money channels through the Belarusian banking system in January-July of this year.

In order to ascertain and monitor the risks associated with the commission of drug-related crimes the DFM studies information on transactions subject to special control preformed with use of electronic money, for example private payment systems.

In January-July of this year, 323 reports of financial transactions with use of electronic money were sent to the DFM. Such reports were received because

there was evidence that a number of similar financial transactions were performed over a certain period more than once or because the electronic wallet was replenished by another person. Turnover on the electronic wallet, as recorded in the reports of suspicious transactions, amounted to the equivalent of approximately half a million US dollars.

The number of messages related to sent and received money transfers using private payment systems was 974. The recorded turnover of suspicious funds for this area is approximately equivalent to 3.3 million US dollars.

Information about the illegal acts committed with the use of electronic money is procured through the DFM via exchange of information with foreign financial intelligence units.

For example, the DFM identified Belarusian citizens who make deals with electronic money in large amounts. Simultaneously, foreign colleagues reported to the DFM about the same Belarusians. It was reported that the Belarusian citizens were trading a banned substance; delivered by post for which a settlement was made in the electronic wallets of citizens. Information pertaining to this indiscretion was forwarded to the appropriate law enforcement agency.

As a result of collaborative working a criminal suit could be filed against the individuals who used modern information technology to illegally convert and withdraw funds. The following items were seized: special equipment, bankcards and narcotic drugs.

INTERNATIONAL COOPERATION

One of the main tasks of the DFM is to develop international cooperation to prevent the legalization of illegally acquired proceeds, financing of terrorist activity and proliferation of weapons of mass destruction.

Since its foundation, the DFM has established contacts with more than 100 foreign financial intelligence units (FIU).

This collaboration was made possible in 2007 when the DFM was accepted as a group member of «Egmont», an informal association of financial intelligence units in 150 countries around the world. It founded to support national programs to combat money laundering, to enable the rapid exchange of financial intelligence information and to share experience and professional development of individuals in financial intelligence.

Membership in the group «Egmont» has allowed the DFM to establish contacts with many foreign FIUs, to expand the contacts with which the Department is able to exchange information, to increase the quantity and quality of information exchange, to learn about trends in money laundering and terrorist financing and to develop tools for financial analysis.

The potential for information exchange with foreign counterparts has more than tripled in the time since membership was achieved: In 2006 the DFM received only 54 reports, but in 2014 this increased to 165 for the year.

Between January and June 2015, the DFM exchanged information with 37 foreign FIUs. The most active participants in the information exchange were Latvia,

Lithuania, Russia, Cyprus, Estonia and the Czech Republic. The DFM sent 125 reports to FIUs of foreign countries, and received 60 reports in return (January-June 2014, respectively, 114 and 85 reports). Information from foreign FIUs identified a number of suspicious financial transactions, including those of Belarusian organizations and citizens. The information was sent to law enforcement authorities for further action. A number of the reports received enabled criminal cases to be initiated.

In 2014 – using the information of foreign counterparts – the DFM closed 12 criminal channels transferring money through the Belarusian banking system. Together, the DFM and law enforcement agencies blocked more than 2 million Euro and 160 thousands USA Dollars. A significant proportion of these funds have now been successfully reintroduced into the State budget. 15 criminal proceedings were initiated.

An interagency working group to coordinate cooperation in the field of AML/CFT and a working group to study the typologies of the legalization of illegally acquired proceeds and financing of terrorist activity has been established and is currently operating under DFM.

The DFM is still working to expand the legal basis for international cooperation. To date, the FIU of Belarus has signed cooperative agreements with the FIUs of 19 countries.

Since 21 September 2006, the DFM has been considered a competent authority according to the Memorandum of Understanding between the State Control Committee of the Republic

Exchange of Information with FIUs of Foreign Countries
(first half of the year 2015)

№	Country	Sent	Recieved
1	Belize	3	
2	Belgium	1	3
3	British Virgin Islands	2	1
4	United Kingdom	4	
5	Germany	3	1
6	Kazakhstan	3	
7	Cyprus	8	3
8	Kyrgyzstan	3	1
9	Latvia	20	8
10	Lithuania	14	2
11	Moldova	3	2
12	New Zealand	1	2
13	UAE	3	
14	Russian Federation	20	19
15	USA	3	4
16	Ukraine	5	1
17	Czech Republic	6	3
18	Estonia	6	3
	Others	17	7
	Total	125	60

of Belarus and the People's Bank of China on cooperation in the exchange of financial information related to the legalization (laundering) of illegally acquired proceeds and financing of terrorist activity.

The FIU of Belarus is included in a list of authorities capable of combatting organized crime, illicit trafficking in narcotic drugs, psychotropic substances and precursors, terrorism and other types of crime according to the Agreement between the Government of the Republic of Belarus and the Government of the Republic of Latvia. This is dated 17 May 2007 and the Agreement between the Government of the Republic of Belarus and the Government of the Republic of Poland pertaining to cooperation in the fight against crime is dated 8 December 2003.

An important role of the DFM should be noted in the preparation of the Treaty states - members of the Commonwealth of Independent States on countering the legalization (laundering) of criminal incomes and financing of terrorist activity, signed on 5 October 2007 in Dushanbe (Tajikistan) by the heads of the CIS Member States and entered into force on 23 September 2008.

The DFM plays an active role in the work of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG). The EAG was established October 6, 2004 at the founding conference in Moscow with the participation of six founding states (Belarus, Kazakhstan, China, Kyrgyzstan, Russia and Tajikistan). In the years since the founding conference, Uzbekistan, India and Turkmenistan have also become members of the EAG.

The main objectives of the EAG are to assist in the dissemination of international standards in the field of combating money laundering and terrorist financing, to develop and implement joint measures to counter crimes in this sphere, to provide technical assistance to Member States of the EAG and to analyse trends in money laundering and terrorist financing.

On behalf of the President of the Republic of Belarus, the Department of Financial Monitoring represents the national interests in the EAG.

In order to enhance the international credibility of the EAG and assist the transformation of the group into an international organization an Agreement was signed on 16 June 2011 by authorized representatives of Russia, Belarus, China, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Subsequently the agreement has been signed by Kazakhstan and India. The Agreement on the EAG was ratified by the Law of the Republic of Belarus of 07.01.2012 № 339-3.

In 2008, experts within the EAG assessed the operational system of the AML/CFT in the Republic of Belarus for compliance with international standards.

According to the evaluation report, the level to which the Recommendations of Financial Action Task Force (FATF) has been implemented was impressive. Further suggestions were also made including concrete ways to improve the national system.

From 2008 to the present day, Belarus has taken the necessary measures to improve the national system; most importantly to bring the legislation

of Belarus in line with international standards.

The positive opinion of the international community on the measures taken by Belarus in the sphere of AML/CFT is the basis for the non-inclusion of the country in the sanctions lists of uncooperative countries for enhanced monitoring by the FATF.

Typological research is conducted together with foreign colleagues with the aim of combating the legalization of illegally acquired proceeds and the financing of terrorist activities.

In the period between 2012-2014, as a result of the competition for the best deal of the «Egmont», the DFM was awarded a certificate (diploma) for active contribution three times.

In Minsk in May 2013, the DFM together with other state authorities of the Republic of Belarus organized the 18th EAG Plenary meeting - a joint seminar hosting the EAG and the group «Egmont», which encompassed a working group meeting and a plenary session of the EAG. The chairman of the group «Egmont», the Deputy Head of the Belgian FIU Boudewijn Verhelst and FATF President Bjorn S. Aamo visited Belarus for the first time.

Within the framework of the 18th plenary meeting of the EAG the first organizational meeting of the Council of Heads of Financial Intelligence Units of states - members of the CIS was held. Belarus was elected to the Presidency in 2013. This Council was established following the Agreement on the formation of the Council of Heads of Financial Intelligence Units of states - participants of the CIS signed December.