

TABLE OF CONTENTS

Chapter I

Prevention and combating of money laundering and terrorism financing in Moldova.....	2
National Strategy to Prevent and Combat Money Laundering and Terrorism Financing for the Years 2013-2017	5

Chapter II

Organization of the work of the Office for Prevention and Fight Against Money Laundering.....	9
Structure of the Office.....	10
IT Infrastructure, applications and Programs.....	10

Chapter III

Results and performances 2014-2015.....	13
Receipt, analysis and dissemination of information.....	13
Money laundering activity. Identified typologies.....	17

Chapter IV

Interaction with national/international institutions.....	22
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CHAPTER I

Prevention and Combating of Money Laundering and Terrorist Financing in Moldova

The development of an effective system to prevent and combat money laundering and terrorist financing was initiated by the adoption by the Parliament of the Law No. 633 - XV of 15 November 2001 on preventing and combating money laundering and terrorist financing, as subsequently amended, according to which the General Prosecutor's Office would have to receive and analyse information coming from reporting entities.

However, due to a number of objective events, such as the entry into force of new legislation, the emergence of new reporting entities, and as result of adjustments to the 40 FATF recommendations, the opportunity to establish a legal framework complying with these requirements emerged.

Thus, on 13.07.07 the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism was ratified, and on 26.07.07 the new Law No. 190-XVI on the prevention and combating of money laundering and terrorist financing was passed, which on April 7, 2011 was amended and supplemented, allowing the completion of the national system to prevent and combat money laundering and financing of terrorism and its adjustment to international standards.

In accordance with art. 13¹ of the Law no. 190-XVI of 26.07.07 (as subsequently amended) in Moldova, the Office for Prevention and Fight Against Money Laundering (OPFML) operates as a specialized body, an independent division within the National Anti-Corruption Centre (until 01.10.2012 - Centre for Combating Economic Crimes and Corruption), which was established on 15 September 2003 and whose main functions consist of receiving, processing, analysing and disseminating information received from non-banking financial institutions and banks, including specialized professions.

Based on the information it receives, this subdivision (OPFML) identifies complex schemes and typologies of money laundering and terrorist financing, which it then submits to law enforcement agencies, and other institutions according to competence.

Prosecution of cases of money laundering and terrorist financing is carried out by the prosecuting authority of the Anticorruption Prosecutor's Office and the National Anti-Corruption Centre.

Prevention measures, as an indispensable part of the OPFML tasks, can be found in the annual action plans on the National Strategy for Preventing and Combating Money Laundering and Terrorist Financing for the years 2013 - 2017.

In this respect, in 2013 the Office made a significant contribution to raising awareness of all reporting entities on money laundering and terrorist financing on the one hand and recorded progress in building and maintaining cooperative relationships with the law enforcement bodies on the other hand.

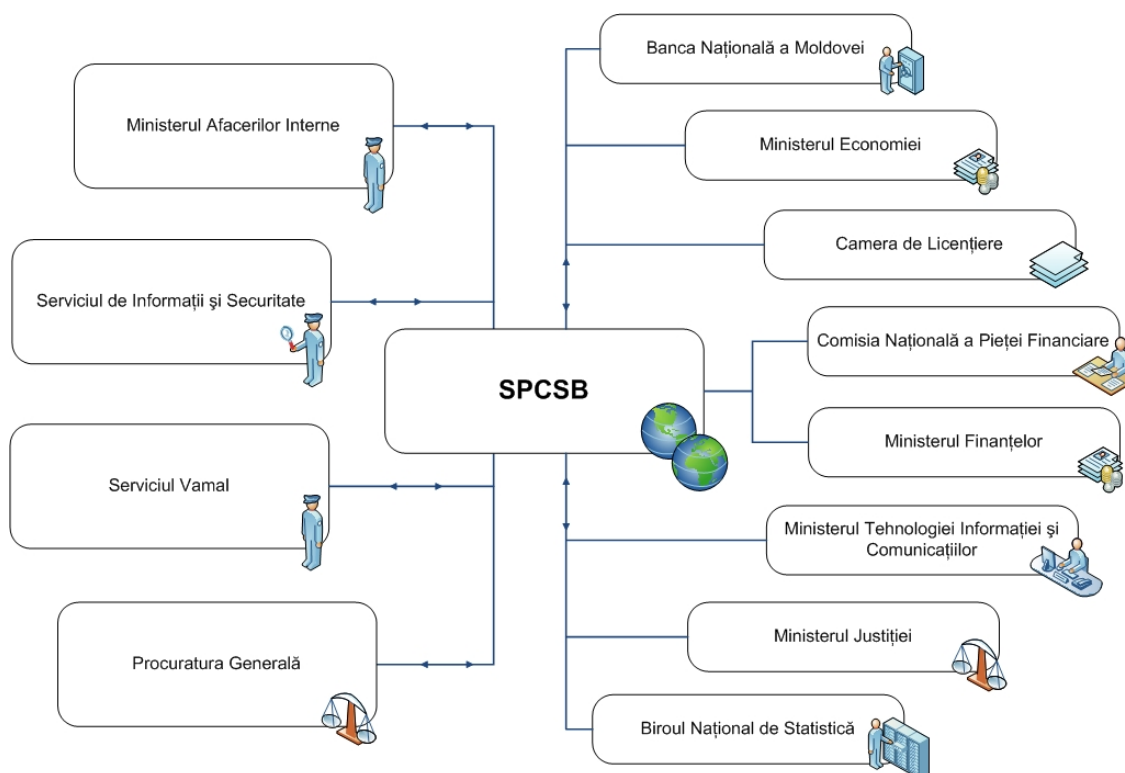
Amendments and additions to the Code of Administrative Offences of the Republic of Moldova no. 218-XVI of 24.10.2008 were adopted, establishing an effective sanctions mechanism in line with international standards for failure to enforce the Law no. 190-XVI of 26.07.07.

Also, the following orders were amended for the purpose of implementation of the provisions of Law no. 190-XVI of 26.07.07 (with the latest changes):

- Order no. 96 of 22 June 2011 amending the Regulation on the organization and functioning of the Office for Prevention and Fight Against Money Laundering, Annex to the Order no. 50 of April 1, 2010 on approval of the Regulations of C.C.C.E.C. subdivisions, their structural units and job descriptions;
- Order of C.C.C.E.C. Director no. 40 of 18.03.2011 approving the Guidance for identification of transactions suspicious of terrorist financing;
- Order of C.C.C.E.C. Director no. 107 of 05.08.2011 approving the model decisions suspending suspicious transactions or activities in accordance with the law no. 190-XVI of 26.07.07;
- Order of C.C.C.E.C. Director no. 114 of 22.08.2011 amending and supplementing Order no. 117 and 118 of 20.11.2007.

The Order of the NAC director approving the instruction regarding the processing, analysis, dissemination and archiving of information on the activities and transactions received from reporting entities for the enforcement of Law 190-XVI from 26.07.2007 on preventing and combating money laundering and terrorist financing was approved.

The current structure of the local system for combating money laundering and terrorist financing can be presented in the following chart.



This system was set up based on international standards, namely the FATF Recommendations and EU Directives, focusing on prevention (client identification, real beneficiaries, prohibition of anonymous transactions, identification of suspicious transactions etc.) and combating, which involves ensuring effective prosecution and cooperation among law enforcement agencies.

At the same time, the professional capacities of the OPFML have been strengthened and the ongoing training to employees was provided due to cooperation with the Council of Europe and the European Commission.

An important aspect of the Office's work is the activity aimed at ensuring an effective external collaboration.

FATF recommendations are binding for Member States and observers of this organization. Since Moldova is a member of the Council of Europe and the Council of Europe is an observer for FATF (through the MONEYVAL committee) these standards are binding for Moldova too.

These recommendations have been evolving since 1990, with the last edition with 40 recommendations adopted in 2012.

At the same time, considering the EU-Republic of Moldova Association Agreement, relevant Directives in the field are also binding (Directive 2005/60/EC and Directive 2006/70/EC).

In this context, Moldova as a member of the Council of Europe is subjected to ongoing assessment by a specialized committee of the EC (MONEYVAL) on the compliance of the national system of prevention and combating of money laundering and terrorist financing with the FATF Recommendations. In this respect the Moldovan delegation, headed by the representative of the Office for Prevention and Fight Against Money Laundering three times per year attends meetings of MONEYVAL committee in Strasbourg where it presents the progresses recorded by the country.

The last assessment report adopted by the MONEYVAL Committee on Moldova on 04.12.2012 (over 300 pages) demonstrated the progress achieved by the national system of prevention and combating of money laundering and terrorist financing, placing Moldova under simplified monitoring (procedure applied to most Council of Europe countries.)

Additionally, on 27 May 2008, thanks to its efforts, Moldova became a full member of the Egmont Group, which on the one hand provides an operational exchange of financial information, and on the other hand represents international recognition of the OPFML as a financial information entity complying with international standards.

Another issue is the exercise of national risk assessment related to money laundering and terrorist financing initiated by the Office in October this year.

Both the EU Directive 2015/849 of 20 May 2015 and the FATF Recommendations are based on national risk assessment in this area. This is a complex exercise mandatory for each developed country.

There are only two risk assessment methodologies at the international level, one developed by the International Monetary Fund and the other by the World Bank. The Office has chosen the methodology of the World Bank, with which

negotiations were initiated in 2013 on technical assistance in this regard.

Following the procedure of acceptance of Moldova as a beneficiary of this project, the Office initiated the process, based on Government Decision no. 697 of 09.10.15 and the national working group was established for this purpose.

On November 16-18, 2015, according to this methodology, a workshop was held with participation of World Bank experts and some 60 representatives of national authorities involved in the process.

The findings of the national risk assessment are crucial and are to be used to amend the legislation mentioned above, as they provide a rationale for the extent of the measures which are required by law for one risk situation or another.

At the same time, based on the results obtained during that exercise, the National Strategy to prevent and combat money laundering and terrorist financing will be revised based on the risks to be identified at the system level.

National Strategy to Prevent and Combat Money Laundering and Terrorist Financing for the Years 2013-2017

The Government policy to prevent and combat money laundering and terrorist financing has been promoted in Moldova since 2007, expressed through joint efforts of all competent authorities in this area - actions reflected in two consecutive strategic documents.

The strategic approach is a commitment that reflects both the requirements of international standards, namely FATF Recommendation 31, and the need to have a unified policy in this regard.

Thus, the first strategy in the field was adopted by the Government Decision no. 632 of 05 June 2007 with an action plan for three years and in 2009 Government Decision no. 790 of 03.09.2010 was published, setting the priorities for 2010-2012.

This exercise has been the first experience in this regard with all the consequences involved. Some results were obtained under the auspices of these policies, such as joining the Egmont Group, presenting the progress in the MONEYVAL Committee meetings etc.

On December 4, 2012 Moldova presented the Fourth Assessment Report in the Plenary Meeting of MONEYVAL Committee.

Although Moldova had been placed under simplified monitoring, which requires submission of progress report every two years, MONEYVAL experts identified several deficiencies and shortcomings that might affect the national system to prevent and combat money laundering and terrorist financing.

In these circumstances, the decision was taken to develop a new strategy in the field and an action plan that would remedy all shortcomings and would adjust the national system to international standards.

In the immediately following period the Office drafted the National Strategy to prevent and combat money laundering and terrorist financing for the years 2013-2017 and the Action Plan, which was adopted by the Parliament by Law No. 130 of 06 June 2013.

The basic purpose of this Strategy for a 5-year period is to identify and reduce

vulnerability of the banking and non-bank financial sectors to the risk of money laundering and terrorist financing in terms of compliance with international standards.

At the same time, from a technical standpoint, four strategic objectives were established: *strengthening the prevention system, improving the combating mechanisms, ensuring national and international cooperation, ensuring transparency and feedback on measures to prevent and combat money laundering and terrorist financing.*

To achieve the objectives 13 public authorities and institutions responsible for the implementation of the Action Plan were involved, dividing the plan into *legislative, institutional and implementation measures.*

In turn, a timeframe was established for each action, as well as the responsible authority, the monitoring indicators and the outcome of implementation.

Each action is aimed at achieving one or more of FATF recommendations (international standard), and their achievement in our view will create added value to the national system to prevent and combat money laundering and terrorist financing.

Since July 2013 the complex process of implementing the measures in the plan by the responsible institutions has started.

Strengthening the prevention system

From the institutional point of view the internal structure of the Office for Prevention and Fight against Money Laundering (OPFML) has been optimized, with the exact definition of functional tasks according to the needs and international standards. In this respect, a new Regulation of the OPFML activity was approved by Decision of the National Anti-Corruption Centre Board no. 2 of April 19, 2013, which allowed restructuring of internal responsibilities by splitting the tasks in the Information Analysis Bureau, Financial Investigations Bureau and the International Affairs, Legal Framework and Information Technology Bureau.

Also, in order to streamline the analytical process, optimize the use of administrative and human resources, the instruction on processing, analysis, dissemination and archiving of information on the activities and transactions received from reporting entities was developed.

Other responsible authorities at technical level have designated persons responsible for implementing the Action Plan.

To enhance the efficiency of the national system of preventing and combating money laundering and terrorist financing, the Office initiated international assistance for the organization and conduct of the national risk assessment in the field, which will allow targeting the resources to high risk areas.

A number of bills have been drafted aimed at optimizing the national system to prevent and combat money laundering and terrorist financing according to international standards.

Thus, in order to ensure adequate supervision of reporting entities of leasing companies, the National Commission of Financial Market has drafted amendments and additions to the Law no. 59-XVI of 28.04.2005 "On leasing" and the Law no.

192-XIV of 12.11.1998 "On the National Commission of Financial Market," by which these powers have been delegated to the NCFM. Also, provisions on the requirements for the financial leasing activity were introduced to the draft law on non-banking financial organizations.

The national system to prevent and combat money laundering and terrorist financing also extends on the companies that use and issue electronic money, and in this regard the National Bank drafted a law amending and supplementing certain legal acts, which has already been adopted and provides, inter alia, certain additions to the Law no. 190-XVI of 26 July 2007 on preventing and combating money laundering and terrorist financing with three new categories of reporting entities: payment companies, electronic money issuing companies and postal office providers that perform payment offices. Thus, the activity of IS "Posta Moldovei" that relates directly to electronic money transfers will be supervised by the NBM directly.

In order to comply with FATF recommendation 17, the draft law amending and supplementing the Code of Administrative Offences was developed, providing for the possibility to apply sanctions against reporting entities and establishing the institution responsible for applying sanctions (the OPFML).

Thanks to the efforts made, the law was already passed by Parliament on 05 December 2013 and published on February 7, 2014 in the Official Gazette.

Within the framework of prevention, the Office for Prevention and Fight Against Money Laundering has informed the National Bank of Moldova and other supervisory authorities about existing typologies and the need for remedial recommendations to be issued to commercial banks; ceiling and terms of reporting cash transactions; analysis of suspicious activities and reporting of cash withdrawal from cards by individuals etc.

Streamlining the combating mechanism

It should be noted that international standards and European directives impose new requirements on measures and methods of combating crime, namely sanctioning by seizure in prosecution of crimes that generate proceeds.

In this context, application of the "follow the money" principle is important for Moldova now and will require additional efforts and resources from the Office for Prevention and Fight Against Money Laundering.

This process has already started when on 25.02.2014 the Law no. 326 of 23.12.2013 amending the Criminal Code entered into force, introducing art. 106¹ which provides for "extended confiscation" applied if the person is convicted of the offenses set out in Annex to Warsaw Convention and if the offense was committed for purposes of obtaining profit.

Enforcement of art. 106¹ of the Criminal Code requires a consensus with representatives of the authorities concerned, according to their competence in the criminal prosecution in criminal cases, where extended confiscation can be applied, in order to have financial investigations initiated at the same time, to enable identification of all assets held by the subjects of investigations.

Moreover, assets held in other jurisdictions are also to be established in

financial investigations, and this would ensure recovery of the damage caused to the state by the act of committing the offences.

Ensuring national and international cooperation

The cooperation and assistance section is crucial for combating offences that have an international element, especially due to the transnational aspect, which is always used in schemes to legalize the illegally acquired assets.

Thus, as long as offenders use other jurisdictions to disguise the source of funds, competent authorities will need to exchange information efficiently and quickly.

In this regard, the international exchange of information is fully secured with similar offices in 151 countries within the Egmont Group.

At the same time, in order to encourage the exchange of information, the Office negotiates and signs collaboration agreements, having already signed 44 agreements of this kind.

The Office has provided a framework for effective cooperation with several states and jurisdictions, depending on economic and financial interests of the local business.

Given the specific activity, the Office is involved in numerous commitments to various international organizations, leading several delegations at various forums and meetings such as MONEYVAL committee, Egmont, EAG, Europol, etc., where it presents the country progress reports.

Multiple tasks occur on an ad hoc basis as related to the state's foreign policy.

Thus, the Office hosted an assessment mission of the European Commission on the implementation of the Moldova-EU Action Plan for visa regime liberalization.

Subsequently, the Office representative has been included in the working group formed by the Ministry of Foreign Affairs and European Integration for presenting the progress of the Agreement and developing a national action plan on implementation of the Association Agreement.

Ensuring transparency is the ultimate goal, which is also part of the Strategy and is important both in terms of public awareness about the dangers of money laundering, and in securing the confidence in state institutions.

During the reporting period the Office for Prevention and Fight Against Money Laundering has developed the official web site, through which it communicates press releases on its to media outlets.

It should also be noted that the information broadcast to media outlets generated public debates within different TV shows.

CHAPTER II

Organization of the work of the Office for Prevention and Fight Against Money Laundering

The Office for Prevention and Fight Against Money Laundering operates as a specialized body, as an independent division within the National Anticorruption Centre specializing in prevention and combating of money laundering and terrorist financing.

Under the Law no. 190-XVI of 26.07.07, the Office has the following functions:

- Preventing and combating money laundering and terrorist financing by receiving, analysing and transmitting information on suspicious transactions;
- Developing and implementing policies and strategies for preventing and combating money laundering and terrorist financing in Moldova;
- Coordinating and ensuring the implementation of international standards in the field.

The office is independent in drafting the activity program and makes decisions independently in carrying out tasks within its competence.

Management is exercised by the Head of Office, appointed and dismissed by the Director of the Centre.

The head has a deputy, appointed and dismissed by the Director of the Centre on a proposal from the Head of Office.

The staff of the Office consists of experts, appointed based on the skills and aptitudes of the candidate in financial, banking, legal and economic activity.

The members of the staff of the Office are employed in accordance with the Law no. 1104-XV of 06.06.2002 on the National Anti-Corruption Centre. The appointment and dismissal of Office personnel is made by the Director of the Centre on a proposal from the Head of Office.

The staff of the Office is subject to the rights, guarantees and obligations, as well as the prohibitions and restrictions provided for by the law for employees of NAC and by the Law no. 190-XVI of 26.07.07 on preventing and combating money laundering and terrorist financing.

The Head of Office submits to the director of the Office reports on the activity of the Office annually or on request.

The annual reports, which contain the overall analysis and evaluation of the information received, and the trends in money laundering and terrorist financing are submitted to the authorities and institutions empowered for supervision and control in this area.

The activity of the Office is financed from the funds allocated for the work of the National Anticorruption Centre.

Structure of the Office

The Office for Prevention and Fight Against Money Laundering, as an independent subdivision within NAC, is included in the overall organizational structure.

At the same time, in order to streamline the work, the members of the staff are delegated with responsibilities for the prevention and combating of money laundering and terrorist financing.

The staff of the Office consists of 16 permanent employees, of which: head of the Office, Deputy Head, 7 senior officers of investigation on exceptional cases, 6 senior investigation officers and one investigation officer. At the same time, if necessary, by order of NAC director, the employees of other subdivisions are delegated with responsibilities in preventing and combating money laundering and terrorist financing. All employees have special ranks.

The employees have a degree in law, finance and/or economy, experience in finance-banking and non-bank finance, including holding a Degree of Master in Science.

The employees of the Office may not hold another office and cannot fulfil any functions in reporting entities, and are subject to other prohibitions, such as:

- to exercise other remunerated activity, except for teaching, scientific or creative activities;
- to conduct business activity, either on their own or through a third party;
- to be a member of the governing body of a company or to be a representative of a third party in the Office
- to use the financial, material, technical, informational and other state assets and office information for purposes other than for those related to work etc.

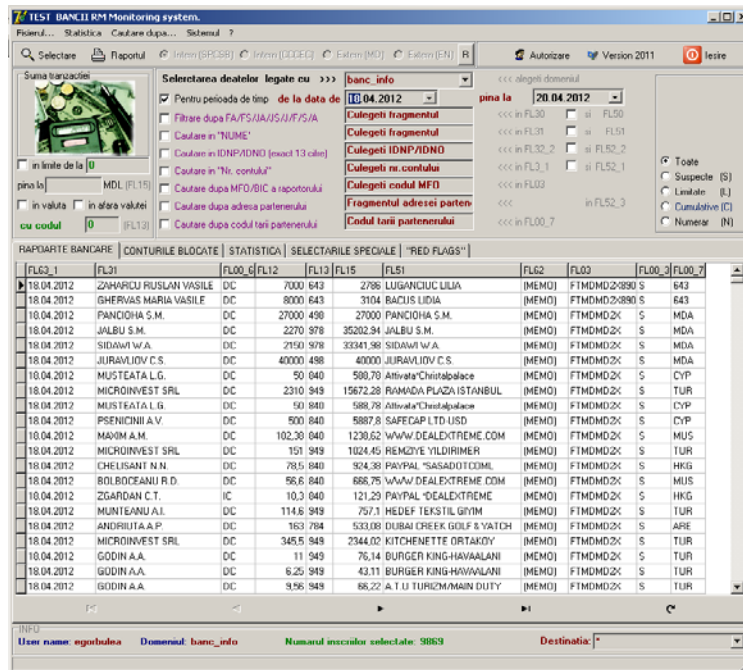
In order to adjust the regulatory framework in preventing and combating money laundering and terrorist financing to international standards and establish relations in the field of cooperation and exchange of information with similar foreign bodies, the OPFML regularly participates in the working meetings organized in this regard.

IT infrastructure, applications and programs

Technical infrastructure and software of the Office for Prevention and Fight Against Money Laundering helps increase the effectiveness, quality and timeliness of the works performed.

The year 2015 was characterized by strengthening analytical capacity of the Office, development of the existing software tools and preparing new tools.

During the reporting period with the support of IT experts the primary information analysis system (OPFML MS „Bank Info”) was upgraded, enabling data preparation for preparing answers to received inquiries.

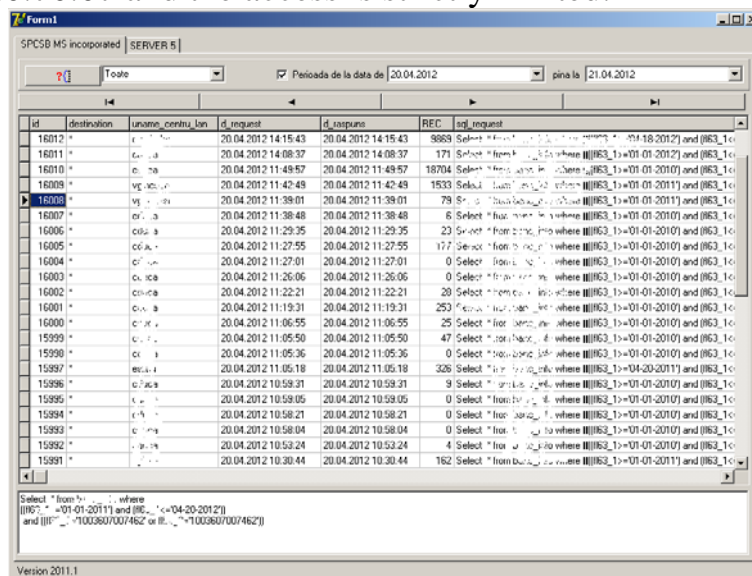


In order to optimize the analytical process the central database server of the Office for Prevention and Fight Against Money Laundering was modernized. The server stores information on the amounts calculated and paid and arrears to the budget by exchange offices in the country.

A mechanism has been developed for accessing data from the officers in charge of financial analysis.

During 2015, the system of detailed control over access to personal data, banking or other confidential or secret data was used.

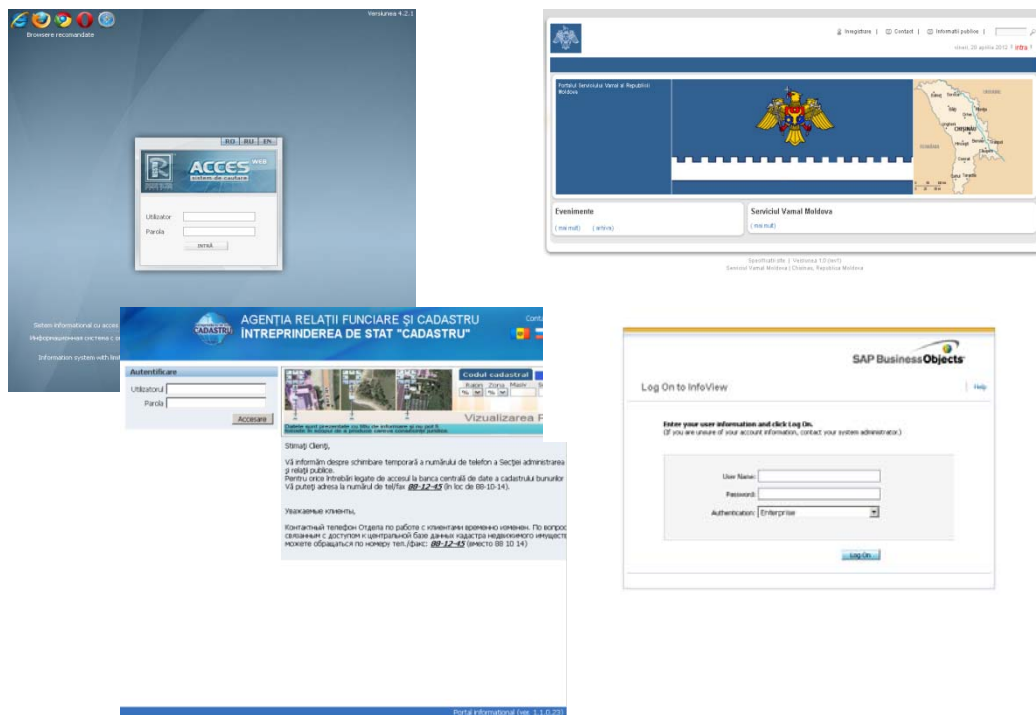
Financial information held by the Office is protected in accordance with the requirements of international standards (FATF Recommendation 26) and the Law no. 190-XVI of 26.07.07 and the access is strictly limited.



Currently, the Office has direct access to all information systems of the country, most of which are connected online.

Thus, the Office is authorized to access the following data bases:

1. Internal data bases:
 - "Archive of exchange rates";
 - "Delinquent companies record"
 - "Record of detected offenses";
 - "Record and analysis of suspicious, limited bank and cash transactions";
 - "Record of sales invoices, balance sheets (interface adapted for OPFML)" etc.
2. External data bases:
 - "Citizens personal data on family relationships";
 - "Data on Identity Documents";
 - "Registered vehicles data";
 - "Data on state border crossing";
 - "Data on resident and non-resident economic entities registered in the country";
 - "Data on foreign persons";
 - "Data about real estate";
 - "Data on financial-economic activity of economic entities";
 - "Data on customs declarations";
 - "Data on searched people, stolen vehicles, criminal history" etc.



The office's information system has been reviewed and amended in order to raise information security and the control system has been adapted to current requirements for ensuring control of access to personal data.

Also during the reporting period, to ensure the practical implementation of new applications, training sessions were held for OPFML employees and the existing internal databases were adjusted to these software products.

In addition, the Office's Information System is equipped with necessary equipment for the preparation of presentations and activity reports.

CHAPTER III

Results and performance

Receipt, analysis and dissemination of information

In accordance with Art. 8 paragraph. 1) of the Law no. 190-XVI of 26.07.07, reporting entities are required to immediately inform the Office for Prevention and Fight Against Money Laundering about any suspicious activity or transaction, in preparation, ongoing or already completed.

Data on suspicious transaction are reflected in a special form, which is sent and received directly by the Office for Prevention and Fight Against Money Laundering within 24 hours.

The proper fulfilment of the requirements of client identification and reporting requires a deeper knowledge of the business activity performed by the client, but also the motivation presented by it before reporting entities. In an economy with stable governance principles, any natural or legal person has the freedom to call any of the offices offered by domestic or foreign financial or non-financial institutions. It is clear that upon the commencement of the business relationship between the institution and the client, the institution must identify the client and the beneficial owner, and in time, will monitor transactions carried out under a risk-based approach.

It is important to note that when implementation of the requirements of client identification fails, the institution will no longer start/continue the business relationship with the client-candidate/existing client and will no longer carry out transactions ordered by the client, will immediately cease any relationship with the client and will immediately report the suspicion to the Office for Prevention and Fight Against Money Laundering by compiling the report on transactions suspected of money laundering and terrorist financing and sending the special form.

The employees of the financial or non-financial institution that maintains the business relationship with the client and comes into contact with it (bank clerk, cashier, account manager etc.) is required to analyse both the kind of activity and the client's behaviour, its profile and typology of transaction.

When the reporting entity knows or suspects that a proposed business relationship or a transaction is involved in money laundering or terrorist financing, it shall verify the client's identity without exception.

Identification data of individuals involves a number of issues related to the date and place of birth, identity documents presented (ID card, passport, etc.). Other issues are factual, accumulated over time, for example, family life, domicile, residence, place of work, contacts with various businessmen, including physical appearance. It is important that the identity of a legal person includes a number of combined aspects, for example, date of establishment, date of registration, associates/shareholders/directors, representatives, primary and secondary activity. These factors are also in constant change.

A very important issue is the presentation of identity documents when starting a business relationship with a "potential client" because these documents can be

forged with high precision, making the error difficult to be identified.

If there is suspicion concerning any presented document, the reporting entities (the bank) must take appropriate practical measures available to them so as to ascertain whether the document was reported as stolen or lost. In cases where a person or entity is an authorized agent acting for or on behalf of the beneficial owner, the entity shall take appropriate measures to verify the identity and the nature of individuals or organizations for which the account is opened or the transaction is carried out.

The term "transaction" refers to the operation concluded or to be concluded between a client and an institution in accordance with the type of offices offered by that institution.

This definition indicates all activities of a client with a reporting entity.

Suspicious transactions have several features, most of them initially including transaction departing from the habitual nature of the activity of a client. Any unusual transaction without economic, commercial, legal justification becomes suspicious regardless of the amount of money involved.

However, it is important to note that a complex transaction involving large sums of money whose provenance, origin, source cannot be justified, shall be immediately deemed, in most cases, as a suspicious, unusual transaction.

Also, once there is certainty about the identity of the client and the beneficial owner, it is important to make the connection between them and the transactions.

In this respect, the entities shall pay increased attention to any activity that an entity considers, by its nature, to be related to money laundering or terrorist financing, in particular on complex transactions, unusually large and all unusual models of transactions that have no economic justification or legal motivation.

Reporting entities establish risk limits allowed for continuous monitoring of offices provided to clients and the entity.

Thus, the reporting entity permanently makes the link between transactions and the economic activity of the client, the risk category they belong to, the source of funds and data, information, updated documents about conducted transactions.

Due to the multitude of types of transactions, their complexity, the client's knowledge level, on the one hand, and because of the level of performance of the IT systems within a reporting entity, access to different databases and staff training of such entity, on the other hand, detecting such suspicions is difficult and depends on the staff of that entity.

Reporting entities have the primary role of detecting the "suspicion" element in their capacity as main providers of information and points of contact with various clients. This suspicion is reported to the Office for Prevention and Fight Against Money Laundering and is in no way treated as evidence in court.

To guide the reporting entities on the criteria and cues by which to detect suspicious transactions, the Office for Prevention and Fight Against Money Laundering has developed the Guidance on suspicious activities or transactions with examples of features of activities / behaviours, containing elements of suspicion that may be identified in each sector with reporting obligations.

The guide was developed in accordance with international standards on

preventing and combating money laundering and terrorist financing, the Law No. 190-XVI of 26.07.07 in order to establish criteria and indicators of possible activities or transactions suspected of money laundering and terrorist financing.

At the same time, transactions suspected of terrorist financing are set out in the lists of persons and entities involved in terrorist activities, published in the Official Gazette of the Republic of Moldova by the Intelligence and Security Office (can be easily accessed on the website www.sis.md).

Additionally, in accordance with Art. 8 paragraph (3) of the Law No. 190-XVI of 26.07.07, transactions conducted or ongoing through a transaction with a value exceeding 500 thousand lei (limited transactions), within 30 calendar days, in the mentioned value, are recorded in a special form, which is sent to the Office for Prevention and Fight Against Money Laundering no later than the 15th day of the month following the reporting month and according to art. 8 paragraph (2) of the Law No. 190-XVI of 26.07.07, activities or transactions made in cash, through a transaction with a value of at least 100 thousand lei (or its equivalent), or in several operations in cash which appear to be linked, are shown in a special form, submitted to the Office for Prevention and Fight Against Money Laundering within 10 days.

Special forms for each type of reporting entity were developed by the Office for Prevention and Fight Against Money Laundering and approved by the Centre for Combating Economic Crimes and Corruption by Order no. 117 of 20.11.2007 on reporting activities or transactions that fall under the Law on preventing and combating money laundering and terrorist financing.

The special forms are completed for each activity or transaction suspicious of money laundering or terrorist financing which meets one of the clues qualifying under article 6 of Law No. 190-XVI of 26.07.07 and can be found in the Guide on suspicious activities or transactions, and for limited and cash transactions.

Special forms are submitted to the Office as an electronic document governed by the Law no. 264-XV of 15.07.2004 on electronic document and digital signature using the description of positions in the electronic format via electronic mail or on magnetic support, in both cases with elements of digital signature or other means of identification.

Receiving information transmitted in this manner will be confirmed immediately by the Office in electronic form.

If the forms cannot be sent by e-mail, they shall be used on paper or magnetic media in a sealed envelope, confirmed by the signature of the person responsible of submission of the information with the stamp of the reporting entity.

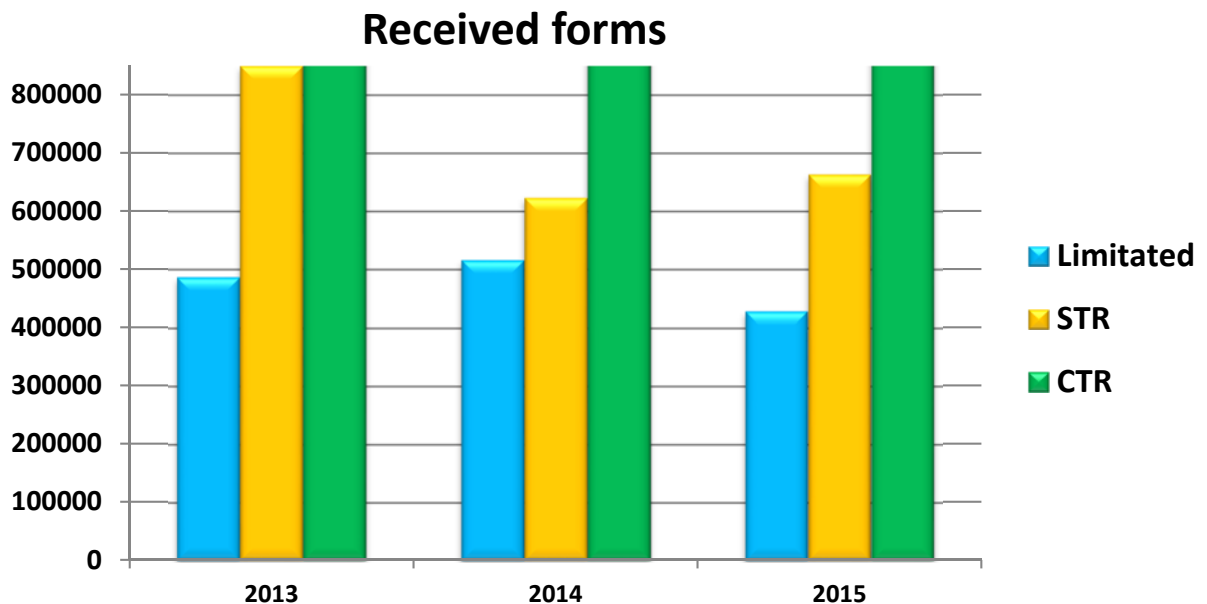
Since the information on financial operations includes confidential data of individuals/legal entities, it shall be kept in the protected database of the Office for Prevention and Fight Against Money Laundering located in the premises of the National Anti-Corruption Centre.

During the reporting period a total number of 2 732 680 forms were received from reporting entities by the Office. It should be noted that a significant share of forms submitted to the office belongs to the banking sector, expressed by 14 banking institutions, which accounts of 99.38% of the total forms received.

A. During this period banking institutions submitted 2,715,919 forms to the Office,

of which 427 694 on limited transactions, 1,625,407 on cash transactions and 662,818 on suspicious transactions.

While the number of cash transactions and suspicious transactions recorded an increase compared to the same period of 2014, the number of limited transactions decreased, mainly because of the instability in the financial and banking market.



B. Referring to the nonbank financial sector, there is a variety of reporting entities which have reported 16,761 forms, of which according to the operations criterion: 8212 limited transactions, 8366 cash transactions and 183 suspicious transactions. After analysing each reporting entity within the nonbank financial sector, the following has been found.

Insurance companies have reported 746 forms for transactions, of which 74 cash transactions, 490 - limited to 182 - suspicious.

Savings and loan associations reported 511 forms for cash transactions.

Microfinance organizations have reported 772 forms for transactions, of which 143 - limited and 579 - in cash.

Professional participants of securities market reported 133 forms for transactions, of which 110 – limited, 22 - cash and 1 - suspect.

Public notaries reported 10527 forms for transactions, of which 3525 limited and 7002 - in cash.

Leasing companies reported 399 forms for transactions, of which 271 - limited and 128 - cash.

SE "Cadastre" reported 3673 forms for the transactions.

Following the analysis of forms received from institutions in the financial banking, non-banking and freelance sector, in 2015 there were 236 detailed analytical reports registered, and 395 cases were placed under monitoring. Registered analytical reports were based on 179 suspicious transactions, 32 limited and 25 cash transactions.

During 2015, referring to the topic of investigation for each type of transaction, of the 179 suspicious transactions the subjects were - 26 local individuals, 19 – non-resident individuals, 96 – resident legal entities and 38 non-resident legal entities. At the same time, of 25 transactions in cash, 7 were local individuals, 18 - domestic legal entities were reported. Out of 32 subjects of limited transactions 1 was a domestic natural person, 23 - domestic legal entities and 8 non-resident legal entities.

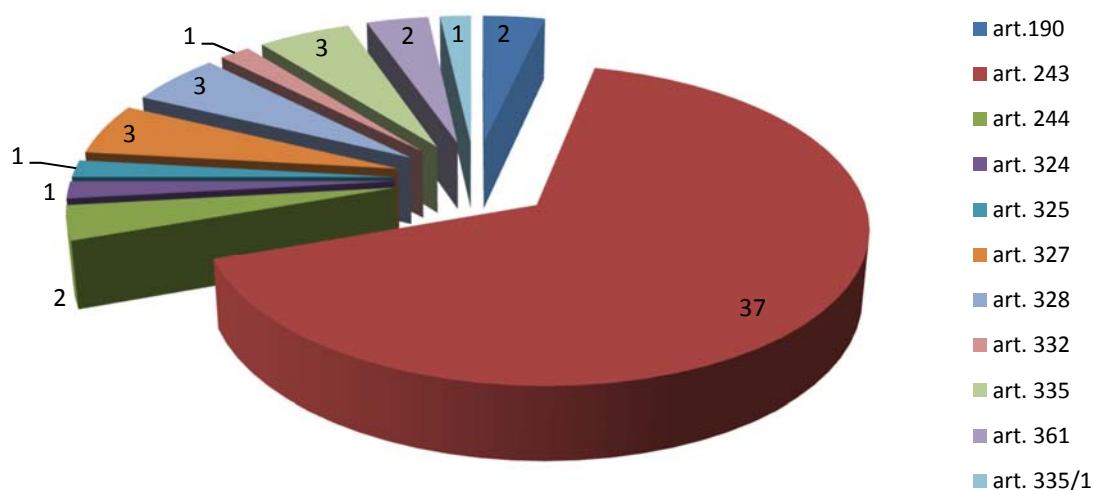
Following the accumulation and examination of the information based on analytical reports, as well as special measures of investigation, 35 materials were submitted to the Anticorruption Prosecutor's Office, to the GDCP of the NAC - 58 materials, the State Fiscal Inspectorate - 25 materials, the National Commission for Integrity - 5 materials, National Bank of Moldova - 3 materials, the National Commission of Financial Market - 11 materials, and to the Ministry of Internal Affairs and the Intelligence and Security Service- 2 materials each.

Activity related to combating of money laundering. Identified Typologies

Based on materials disseminated by the Office to criminal prosecution bodies, for 2015, 56 criminal cases were initiated on a number of offenses, including 37 on the offense of money laundering.

Thus, there is a positive trend compared to last year, when based on Office materials 44 criminal cases were initiated on a number of offenses, including 35 on the offense of money laundering.

Criminal cases



Under the compliance measures initiated and the feedback, the Office employees drafted 81 decisions on sanctions to be applied for contraventions

identified for non-compliance with the law on preventing and combating money laundering and terrorist financing by an insurance company, 4 micro-finance companies, 5 insurance brokers and a public notary, with application of fines in the amount of 563 thousand lei, of which 281.5 thousand lei have been paid.

Within the securing measures, in 2015 the Office delivered 126 decisions to stop the suspicious transactions in accounts, suspending funds in the amount of 2.59 million lei, 3.26 million USD, 4.06 million EUR and 300 thousand RON. Also, the Office issued a decision to suspend changes to the data in the "State Register of Real Estate" for a building worth 22.2 million lei.

Later, during the criminal proceedings, the prosecution bodies seized the funds in a number of accounts, land, construction and vehicle with a total value of 278.09 mln MDL, 1.53 million EUR and 320778 USD as a securing measure.

Based on materials submitted by OPFML 91 searches were conducted, 42 people were recognized as suspects, 22 people were arrested.

During 2015, 7 criminal cases were brought to justice, in one case the sentence was delivered against a natural person and 2 legal persons.

The Tax Office has already cashed in the preliminary amount of 3.7 million lei based on the information received from the Office.

To strengthen joint actions to prevent and combat money laundering and terrorist financing earlier this year, the Office has issued 14 reports on the outcome of the examination of suspicious transactions received during 2014.

Typologies

The OPFML participates in the investigation of several schemes of money laundering at the international level, the results have been achieved thanks to effective collaboration and contribution of similar specialized offices and institutions from abroad, a number of typologies having been identified involving the financial and banking system of the Republic of Moldova, as follows:

1. Currently, the OPFML provides information support in the criminal case no. 2014978151, started based on offense elements under art. 335 Criminal Code of the Republic of Moldova (abuse of office) committed by decision makers at Banca de Economii S.A..

Thus, information on illegal loans granted during the period 2013 - 2014 by Banca de Economii S.A. to delinquent companies and intermediaries amounted to about 13 billion lei has been submitted.

At the same time, offshore companies to which the lending proceeds had been consigned were identified as a result of cooperation with counterparts in Latvia, Great Britain, Romania, Estonia and the Russian Federation, with identification of the holders of accounts of these companies, as well as the subsequent destination of funds.

The OPFML also provided operational support in identifying assets belonging to the accused, which must be seized. The total amount of seized goods so far is about 75 million lei.

In the investigations carried out in cooperation with similar offices other offences have been identified, including corruption involving senior state officials, which currently are being investigated.

2. The office documented a complex scheme of use of the lending proceeds of Banca de Economii S.A. amounting to 52,182,266 lei granted to 2 local companies.

Subsequently Banca de Economii S.A. granted a loan amounting to 2,793,229 EUR to delinquent companies and on the basis of fictitious transactions for payment of construction materials, the lending funds were transferred through offshore companies to local companies which had received the initial loan to repay the received loans, which caused exceptionally serious prejudice to the bank.

In order to document actions through that scheme information was exchanged with representatives of FIU Latvia through the secure Egmont network. 7 exchanges of information on future destination of funds from loans granted by Banca de Economii S.A. were held, the whole financial route was established and the beneficiaries of offshore companies and IP addresses used for the management of bank accounts were identified.

The criminal case was initiated and sent to court, the beneficiary of the scheme was sentenced to 5 years imprisonment, with the confiscation of assets worth 52,182,266 lei.

3. The office disclosed the activity of an international criminal group specializing in the legalization of proceeds obtained by extortion from businesses in Lithuania, the French Republic, the Czech Republic, and Hungary etc.

Thus, a number of companies in the EU have been injured due to a new type of fraud called "social engineering" based on obtaining confidential information through psychological manipulation of international companies.

The criminal group consists of citizens of Israel, the Russian Federation, Lithuania, Moldova.

On the accounts of the companies involved about 1.3 million euros are currently seized as a sanction for fraud against several foreign companies.

In order to document the activity of the criminal group information exchange was conducted with representatives of the FBI in the US Embassy, Interpol, Europol via the Police Cooperation Centre of MAI and similar offices (FIU) of Hungary, Czech Republic, Lithuania, Latvia (first stage), subsequently informing about the typology all European FIU, the FIU of Israel and the post-Soviet space.

Criminal prosecution was initiated in this case, and funds held in bank accounts of the companies involved were seized.

4. The Office is currently documenting the international scheme of theft of funds through fictitious electronic stores developed as web pages for getting access to bank cards of foreign citizens and legalizing the defrauded funds of companies in the Republic of Moldova.

Subsequently, in order to complete the legalization process, the funds were transferred through the remote payment system to different foreign companies with

accounts in the Czech Republic, Malta, and Latvia.

Following the precautionary measures taken by employees of the Office, funds totalling 650 000USD on bank accounts of those companies were seized.

During the investigation the Office requested support from the FBI, the representatives of Visa and MasterCard, as well as similar offices in the US, Czech Republic, Malta, and Latvia.

The measures taken by the Office helped prevent the use of financial and banking system of Moldova for the legalization of proceeds defrauded from foreigners, with subsequent distribution to several European countries.

5. Following the monitoring of bank accounts of an Italian citizen the Office representatives established that the citizen held funds in foreign currency in one of the local banking institutions, the source of which was not known.

Following the initial financial investment it was established that the person was being prosecuted by the Anti-Mafia Directorate of Italy and sentenced for trafficking in drugs, weapons and organized crime.

Following the collaboration with the Italian Anti-Mafia Directorate criminal investigation was initiated on the fact of the crime of money laundering and the funds amounting to 2 mln Euro on the bank accounts were seized.

6. Following the measures taken by the OPFML a scheme of manipulation of football matches to obtain profit from bets on rigged matches and legalization of illegally obtained funds was identified.

During the period August 2014 - March 2015, 2 people originating in Singapore influenced the players of a football club from Moldova to manipulate football matches played by that club.

By using the company in Singapore (based on payment for consulting offices) and fast money transfer systems, the offenders received funds from organizers of the transnational criminal group in Hungary and Malaysia, after which the funds were used to pay the football club players.

The investigations conducted exchange of information with similar office in Singapore, and based on the information presented by the Office, EUROPOL established a working group within the Directorate for Sport Corruption EUROPOL with the participation of the Office, in which 14 EU member states have initiated similar internal investigations on the basis of information gathered by the Office.

7. Following the financial investigation conducted by the OPFML it was established that a group of foreigners was operating in the Republic of Moldova with criminal intentions to use the banking system of the Republic of Moldova for transiting funds with illegal origin and stealing money from the accounts of correspondent banks in some countries, the funds amounting to hundreds of millions EUR.

There were 3 French citizens, 2 Mexican citizens, 1 Dominican, 1 US citizen, 1 citizen of Congo and 1 citizen of Gabon identified in the group.

At the same time it was established that the group members had planned and

conducted a series of banking fraud via a commercial bank in Moldova, and to this end they had opened a number of bank accounts on behalf of several companies managed by them.

Cooperative relations were established during the investigations with competent offices of the US, France and Germany in exchanging information about the group's activities in Moldova.

Also contact persons were informed in the Embassy of the USA, France and Germany in Chisinau and Bucharest, including the Honorary Consul of Mexico on the conducted investigations.

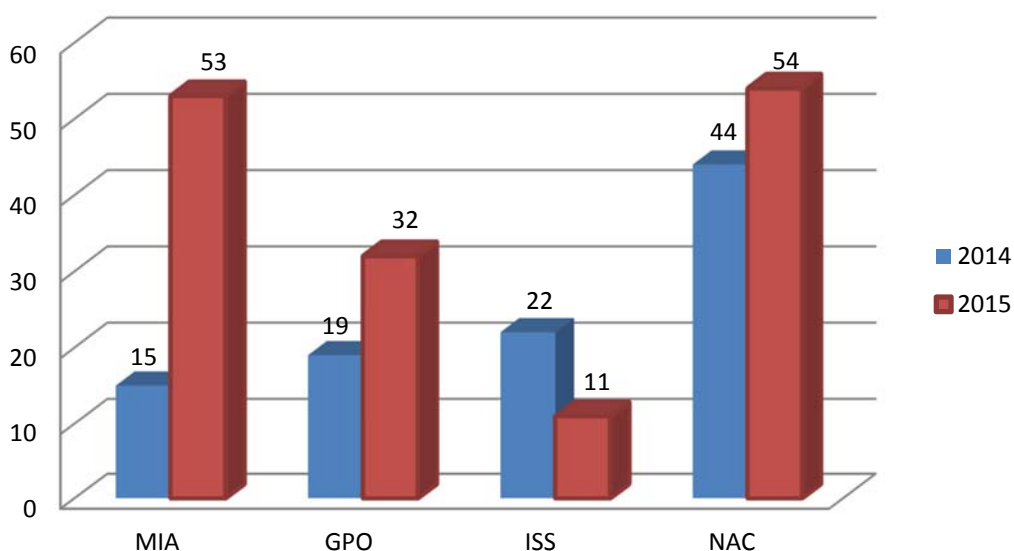
CHAPTER IV

Interaction with national/international institutions

The office provided necessary information support to other authorities involved in financial investigations, as follows.

At the request of the Ministry of Internal Affairs 53 analytical notes were submitted on 81 legal entities and 92 individuals. Also, at the request of the Intelligence and Security Office 11 analytical notes on 6 legal entities and 12 individuals were submitted at the request of the General Prosecutor's Office, 32 analytical notes on 42 legal entities and 22 individuals, and 54 individual notes on 123 individuals and 132 legal entities were submitted to the National Anticorruption Centre.

Information exchange with national authorities



During this period, the Office for Prevention and Fight Against Money Laundering, in the process of investigating various typologies of money laundering, sent 503 inquiries to similar offices in other countries and received 355 answers.

At the same time, the Office received for examination from similar offices in other countries 37 inquiries, and sent 32 answers.

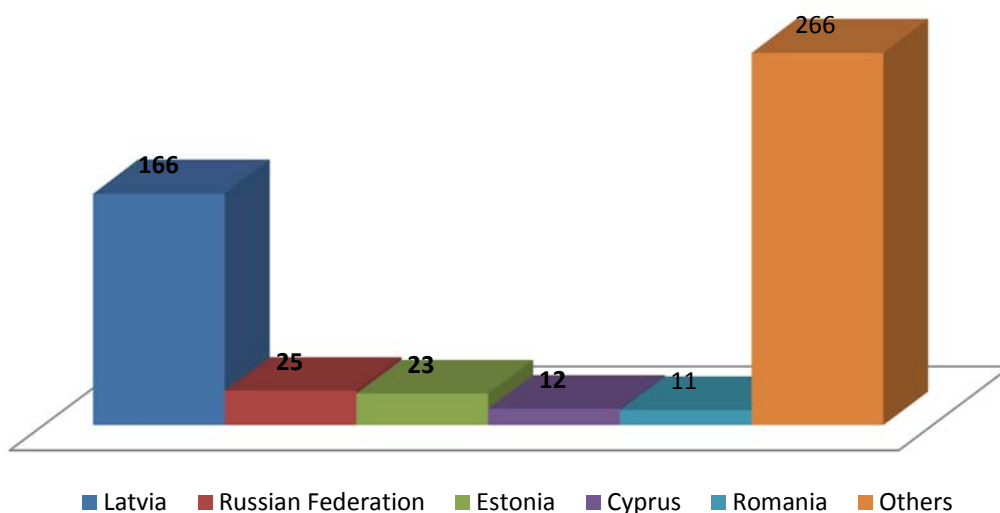
Compared to the same period last year, information exchange has increased by 51%.

The Office actively participates in various forums and international meetings, where it presents the progress and experience in the field.

Currently, in order to streamline the process the financial information offices, a number of states have been associated in various regional and international

organizations that provide an exchange of information based on the same principles and promoting similar policies and standards in the field.

Requestes sent via Egmont Secure Web



- **EGMONT Group**

The Egmont Group was established in 1995, and is a unique organization in the world and includes Financial Intelligence Offices, which provide the framework for efficient cooperation on the exchange of information, training, exchange of experience and know-how in prevention and combating of money laundering and terrorist financing. (Currently, the Egmont Group has 151 members.)

In May 2008, Moldova became a full member.

Although paying annual membership fees, on the background of fiscal austerity Moldova has not been participating in the works and decision making in annual plenary sessions since June 2013.

- **MONEYVAL committee of experts of the Council of Europe**

A specialized committee of the Council of Europe for the evaluation of countries on measures to prevent and combat ML/FT and their conformity with international standards.

Thus, the results of the evaluation reports of this Committee are the focus of all specialized international organizations, FATF, EU institutions, business associations and investors, and the risk of obtaining negative score directly affects the integration of the national financial banking system in the international one, with all related risks.

The delegation of the Republic of Moldova is currently led in the plenary MONEYVAL meeting by the Office for Prevention and Fight Against Money Laundering, which regularly presents the progresses achieved by the country.

It should also be mentioned that the last assessment of Moldova in December 2012 demonstrated a positive country score and compliance with international

standards placing Moldova under simplified monitoring (a mechanism applicable to most Council of Europe member states).

This was followed by two progress reports in December 2014 and December 8, 2015 respectively.

Both the national and the international system to prevent and combat money laundering and terrorist financing were developed based on the principle of prevention measures in the banking institutions, which, along with the authorities, are the most concerned about eliminating risk factors in engagement into legalization of capital.

The system is effective as long as this mutual correlation between banking institutions and authorities is working. In this case, the efficiency of this system was minimized by the factor of complicity and participation in the offense of abuse of office by the management of banks, as confirmed by the prosecution initiated by the Anticorruption Prosecutor's Office against the bank managers in this regard.

Moreover, the complicity factor in this case is characteristic to some banking institutions in other states that have facilitated these suspicious transactions on correspondent accounts without notifying relevant offices in those states.

However, both international standards, and the threats and risks of money laundering and terrorist financing experience a dramatic change both nationally and internationally, forcing quick action to adopt new effective mechanisms.

In these circumstances, by 2016 the Parliament is expected to receive for approval a new law on the prevention and combating of money laundering and terrorist financing, which will contain the latest international standards, namely Directive IV adopted on 20 May 2015, the updated FATF recommendations, which in the near future will be tightened as regards the funding of terrorism and the realities and particularities of the national banking system.

- **CARIN Network**

The Office for Prevention and Fight Against Money Laundering is the point of contact within the CARIN network, specialized in the exchange of information between national Asset Recovery Offices at the international level.

The Office has attended the meetings held by the following profile forums.

On 10 March 2015, in Hague, Netherlands, EUROPOL held a working meeting where issues related to the implementation of efforts both on the investigation and prosecution and recovery of illicit proceeds transferred through virtual electronic payment systems accounts, and their confiscation and use in the national interest were discussed.

The need for such meetings occurred with the development and wider use of all virtual payment systems, for which there is a constantly increasing demand due to the fact that they allow initiation of currency transactions from anonymous accounts.

On April 10-18, 2015, in Reno, Nevada, USA, the representative of the Centre participated in the Open World program organized by American Councils for Education and the US Congress.

The Program aims to promote mutual understanding between Moldova and

the USA by creating the possibility for Moldovan leaders to learn more about American political and social life and to share ideas and expertise with their American counterparts.

On May 12, 2015, the Office representative participated in the launching of the project "Fighting corruption and promoting good governance/Combating Money Laundering" held in Strasbourg, France.

During the event, the Project logistical framework for regional and country component was presented. Under this project Moldova will benefit from a range of activities focused on the priorities identified within the framework of strategic collaboration with European partners. The event was also an effective platform for prioritizing and planning the next steps in combating corruption and money laundering for Eastern Partnership countries during 2015-2017.

On 12 May, the World Bank officially accepted granting of technical assistance to the Office for conducting the national risk assessment in preventing and combating money laundering and terrorist financing. Thus, the Office has streamlined its efforts to prepare project implementation stages.

The Office developed the draft GD in this regard, which was adopted on 09.10.2015.

On June 02-05, 2015, representatives of the Centre participated in the working session of the Europol Platform for Asset Recovery Offices (ARO Platform), which took place in Brussels, Belgium.

The event was attended by delegates from 19 countries and members of the CARIN network, where the issues of implementation of efforts both in the investigation and prosecution of illegal proceeds, which move through the accounts of virtual electronic payment systems, as well as confiscation and their use in the national interest were addressed for the first time.

On June 17-19, Office representatives participated in the working session on "match fixing", held at Europol headquarters in Hague, Netherlands, organized by Europol FP Sport Corruption Directorate.

The meeting addressed the prospects of investigations initiated by institutions in Latvia, Hungary, Moldova and Finland in combating the manipulation of sports results in football matches and laundering of the proceeds of these crimes.

On October 20-21, 2015, the Office participated in the International Conference on "Identification of new trends in combating corruption, money laundering and illicit asset recovery in Europe" held in Prague, Czech Republic.

The event was organized with the assistance and financial support of the Ministry of Finance of the Czech Republic, the Government of Norway, Council of Europe and brought together practitioners from law enforcement bodies, judges, experts in anti-corruption, combating money laundering, recovery of illicit proceeds.

Currently, the Office has 45 memorandums signed with similar offices from other countries.