



Office for Prevention
and Fight against
Money Laundering

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NATIONAL MONEY LAUNDERING AND
TERRORIST FINANCING RISK ASSESSMENT



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1. INTRODUCTION

1.1. Objectives of the National Risk Assessment

To implement the recommendations of the fourth assessment report MONEYVAL with the view to adjusting the legal framework in line with the 40 Recommendations of the Financial Action Task Force FATF and streamlining the measures to prevent and combat money laundering and terrorism financing established by Law no. 130 of 06.06.2013, the *National Strategy for Preventing and Combating Money Laundering and Financing of Terrorism for the period of 2013-2017* and the *Action Plan for the implementation of the National Strategy for Preventing and Combating Money Laundering and Terrorism Financing* have been adopted.

Therefore, the need for national risk assessment in the field of combating money laundering and terrorist financing is a priority action of the Action Plan of the National Strategy to prevent and combat money laundering and terrorist financing and is based on FATF Recommendation 1. The basic objective of the national risk assessment is to identify, analyze and perceive the risks of money laundering and terrorism financing currently faced in the Republic of Moldova. However, carrying out the national risk analysis in the field of combating money laundering and terrorism financing supports the Moldovan authorities in performing an efficient management and allocation of national resources, thus preventing damage to the integrity and stability of the financial market and the national institutions. The identification of the nature and impact of the national risks will contribute to determining the level and nature of control measures to be applied to a particular product or sector.

The final report, resulting from the risk assessment process, is an important to be used during the development of the actions of a new national strategy of anti-money laundering and counter terrorism financing, or the development of new concepts of national coordination policy development.

According to international estimates, the value of globally laundered illicit financial means amounted to about 2.5 per cent of the Gross Global Product or around 12 trillions USD. Both money laundering and illicit income-generating crimes constitute a major risk for the Republic of Moldova. Thus, the most relevant crimes generating illicit revenues at national level and implying major threat are as follows: drug trafficking, corruption, human trafficking, tax evasion and smuggling.

As a result of the national risk assessment, were established the most relevant offenses, generating illicit income at the national level, representing a serious threat to the state. These include drug trafficking, corruption, trafficking in human beings, tax evasion and smuggling, being identified a clear link between money laundering and terrorist financing - both criminals apply similar methods to preserve and transfer the funds, although having different reason for generation and use.

While the number and type of terrorist organizations denote constant modification, the basic necessities of the terrorists – to increase, to transfer and to use the funds value – remained without change. Terrorist organizations have different financial needs, depending on the size, complexity, networks or isolated individuals thereof. The financial needs relate not only to operational ones, they also include propaganda, recruitment, and training.

The national assessment of the terrorism financing risk, although establishing a medium risk level for the Republic of Moldova, constitutes a priority issue that needs to be developed in subsequent strategic plans.

Given the fact that the financial market of the Republic of Moldova is less developed and its integration into the global financial system is restricted, and the economic environment is closed, the domestic threat is 3 times higher than the external threat, which is constantly increasing. Estimating and assessing the situation by sector facilitates the analysis of money laundering threats, which allows for the identification of phenomenon occurrence in various sectors, which further on assists in detecting the location of crime money investment and legalization and also in determining the attractiveness of the sector where the crime is occurring.

Thus, based on accumulated and assessed data, it can be stated as follows: the **banking sector**, which accounts for 70% of the national GDP, is the most attractive sector and implies a high risk; the **remittance sector**, which accounts for 15.4% of GDP denotes a medium high risk level; the **securities sector** accounts for 1.64% of GDP and has a medium risk level of money laundering; the **insurance sector** accounts for 0.8% of GDP and has a medium low risk level of money laundering; and the **notary – real-estate sector**, which is a small sector with insignificant share in GDP has a medium risk in money laundering and terrorism financing.

To note, the largest majority and the most significant financial analyses, prosecutions and sentences have been conducted in the banking sector, which allows for stating that the banking sector is a sector with high threat.

1.2. National coordination and methodology

The conduct of the **first national assessment** became possible due to strengthening of all efforts of the national authorities and the support provided by the World Bank, which developed the assessment methodology in the field. Thus, following the request for technical assistance submitted to the World Bank in November 2013 and the acceptance to finance above-mentioned assistance by Government Decision no. 697 of 10.09.2015, a process has been initiated to conduct the national risk assessment in the area of money laundering and terrorism financing.

In accordance with the relevant Government Decision, the established working group included the managers of the following national institutions: the General Prosecutor ' Office, the Security and Intelligence Service, the National Bank of Moldova, the National Commission of the Financial Markets, the Ministry of Justice, the Ministry of Internal Affairs, the Ministry of Finance, the Ministry of Economy, the Ministry of Information Technology and Telecommunications, the State Tax Inspectorate, the Customs Service, the Financial Inspectorate, the National Bureau of Statistics, and the National Anticorruption Center.

The Service for Prevention and Combating Money Laundering and Terrorism Financing has been assigned the as coordinator of the National Risk Assessment. The instituted Working Group has been commissioned to collect statistical data and information, to process, to analyze and to consolidate the data and information collected, to participate in the training organized by the World Bank, to ensure cooperation with other institutions involved, and to submit quarterly information on the progress attained in the implementation of duties assigned in accordance with the methodology.

During November 2015 – December 2016, the national authorities in close cooperation with the World Bank have organized and conducted the first training and coordination activity. Concomitantly, seven national work groups have been created.

According to the World Bank methodology, the seven groups are as follows:

- Group no. 1: "National Threats"
- Group no. 2: "National Vulnerabilities"
- Group no. 3: "Vulnerability of the banking sector and financial inclusion"
- Group no.4: "Vulnerability of the securities sector"

- Group no.5: “Vulnerability of the insurance sector”
- Group no.6: “Vulnerability of the sector of other financial institutions “
- Group no.7: “Vulnerability of the sector of other professional participants”

The working groups have also included representatives of national institutions and representatives of the Association of Banks, of the Public Association “Union of Insurers”, of the Union of Notaries, representatives of the securities’ market, of the National Bureau of Motor Insurers, of the Stock Exchange, of the National Depository of Securities. The Group leaders – the representatives of the Minister of Justice, the General Prosecutor’s Office, the National Bank of Moldova, the National Commission of the Financial Market, and the Service for Prevention and Combating Money Laundering – have populated the modules with the data collected, being assisted by World Bank experts through video conferences, training and collaboration by mail.

The self-assessment methodology developed by the World Bank includes well-defined structural and technical modules to collect and consolidate Excel data and information.

1.3. Participation and involvement of the private sector

The collaboration and direct involvement of the private sector in the first exercise of national assessment of risks of money laundering and terrorism financing had a major impact in terms of raising awareness and defining the national vulnerabilities and threats of money laundering and terrorism financing. The representatives of the private sector have attended the first and the second trainings organized with the support of the World Bank in cooperation with the Service for Prevention and Combating Money Laundering. Under the scope of these activities, conducted consultations covered a number of issues, including the development of the questionnaire for the reporting entities, the analysis text for variables, the draft report, and further actions jointly identified following conducted assessment. Thus, the direct involvement of the private sector in the assessment process has contributed to streamlining bilateral cooperation, to enhancing the common perception of current risks, and to increasing private sector confidence in the relevant state institutions.

The immediate outcome of the assessment exercise implied de-blocking the direct communication between the private sector and the relevant state institutions, which enabled proper multilateral assessment of current risks and vulnerabilities and awareness of problems from various perceptions. The stakeholders had a proper platform to exchange views and opinions on current deficiencies and further required actions and the private sector provided its feedback in this regard.

The direct involvement of the private sector in finalizing the report and elucidating further actions needed to mitigate the identified risks, by generating co-actions to strengthen the national financial sector, has substantially contributed to national efforts in this regard.

2. GEOGRAPHICAL, ECONOMIC, POLITICAL AND LEGAL FRAMEWORK

The Republic of Moldova is a country situated in the South-Eastern Europe, bordering by Romania to the west and Ukraine to the north, east and south. The country has no direct access to the sea, but has access to the Danube River on a strip of 430 m in the southern part of its territory, which provides potential access to the Black Sea. After the dissolution of USSR, Moldova has declared its independence in 1991. Since 1991, the territory of Moldova, located on the eastern bank of the Dniester River is under the *de facto* control of the Transnistrian separatist regime. The legislation for preventing and fighting money laundering does not apply in the territory of Transnistria, which makes the financial institutions in the region vulnerable to the activities of legalization of illicitly originated funds.

The National Bank has taken fast track actions to inform the countries, supervisors and specialized agencies in the area of preventing and combating money laundering about the risk of the institutions operating in this region and requested ceasing of all business relationship. However, due to the political situation, the Transnistrian banks have correspondent accounts with the banks of the Russian Federation via which they conduct international transactions.

From administrative viewpoint, the territory of the Republic of Moldova is organized in territorial administrative units and comprises 32 districts, 5 municipalities and 2 special-status regions – the autonomous Unit of Gagauzia, and the Transnistrian Region. The population of the Republic of Moldova is about 3.9 million people, including predominantly Moldovans, followed by Ukrainians, Russians, Gagauz, and Bulgarians. After the collapse of the Soviet Union, Moldova has undergone significant economic decline from which the country managed to get out only in 2000.

In 2009, the European Parliament described the Republic of Moldova as the poorest country in Europe in terms of the national GDP. Gross Domestic Product in 2015 amounted to 88.8 billion lei. The largest share of the national economy is accounted for by the agricultural sector. The Republic of Moldova imports energy resources, oil, natural gas and coal from the Russian Federation, and a part - from Ukraine and Romania.

The Republic of Moldova is a parliamentary republic. The Parliament is unicameral and has 101 MPs elected by popular vote every 4 years. The president of the state is elected by direct vote by the population.

In November 2013, in Vilnius, the Republic of Moldova has signed with the European Union the Association Treaty and a free trade treaty, in result of which the Moldovan products got free access to the Community market and, since 2014, the Moldovan citizens can travel to EU member countries without visas.

The powers of the Courts are vested in the Supreme Court of Justice, the Court of Appeal, trial courts and the independent body ensuring judicial self-administration – the Superior Council of Magistracy. The judiciary power is independent, separate from the legislative and executive power, has its own powers that are exercised by the courts in accordance with the principles and provisions set in the Constitution and other laws. Justice is administered in the name of law through the following courts: the Supreme Court of Justice; Courts of Appeal; judges. Special courts may operate for certain categories of cases. Colleges or specialized panels of judges may operate within the courts.

Constitutional Court – the authority of constitutional jurisdiction is independent and subject to only the Constitution. Upon appeal, the Constitutional Court exercises the constitutionality of laws, regulations and decisions of the Parliament, of Presidential decrees, of decisions and orders of the Government, and of the international treaties to which Moldova is party; interprets the Constitution; makes decisions on the initiatives aiming at revising the Constitution; confirms the results of the republican referenda; confirms the results of the elections of the Parliament and the President of the Republic of Moldova, validates the mandates of the MPs and the President of the Republic of Moldova; establishes the circumstances justifying the dissolution of the Parliament, the dismissal of the President of the Republic of Moldova, solves the unconstitutionality exceptions of legal acts referred by the Supreme Court of Justice; decides on issues having as object the constitutionality of parties.

Prosecution is an autonomous institution within the judiciary, which, within the limits of assigned powers and jurisdiction, defends the general interests of the society, the rule of law, the human rights and freedoms, conducts and carries out criminal investigation, represents the charge in the court, under conditions of the law. Prosecution is a unique, centralized and hierarchical system, which includes:

- the General Prosecutor's Office;
- territorial prosecution;
- specialized prosecution.

The General Prosecutor's Office is headed by the Attorney General, who is appointed and dismissed by the President, at the proposal of the Prosecutors' Council, with the approval of the Parliament.

The Ministry of Internal Affairs, the National Anticorruption Center, and the Customs Service are the bodies assigned to defend the rules of law and are vested with powers of prosecution. Prosecution and operative investigation is carried out by the prosecutor; certain measures of investigation and prosecution are conducted providing the sanction of the investigating magistrate.

The prosecuting body of the Ministry of Internal Affairs conducts prosecution for any offense that is not assigned by law to the area of jurisdiction of other investigating agencies or is assigned to its own competence by the order of the prosecutor. Thus, the outcome of the national risk assessment denotes a share of criminal cases of money laundering initiated and investigated by the Ministry of Internal Affairs.

The criminal investigating body of the Customs Service conducts criminal investigation of offenses referred to in article 248 "Smuggling" and 249 "Evasion of customs payments" of the Criminal Code.

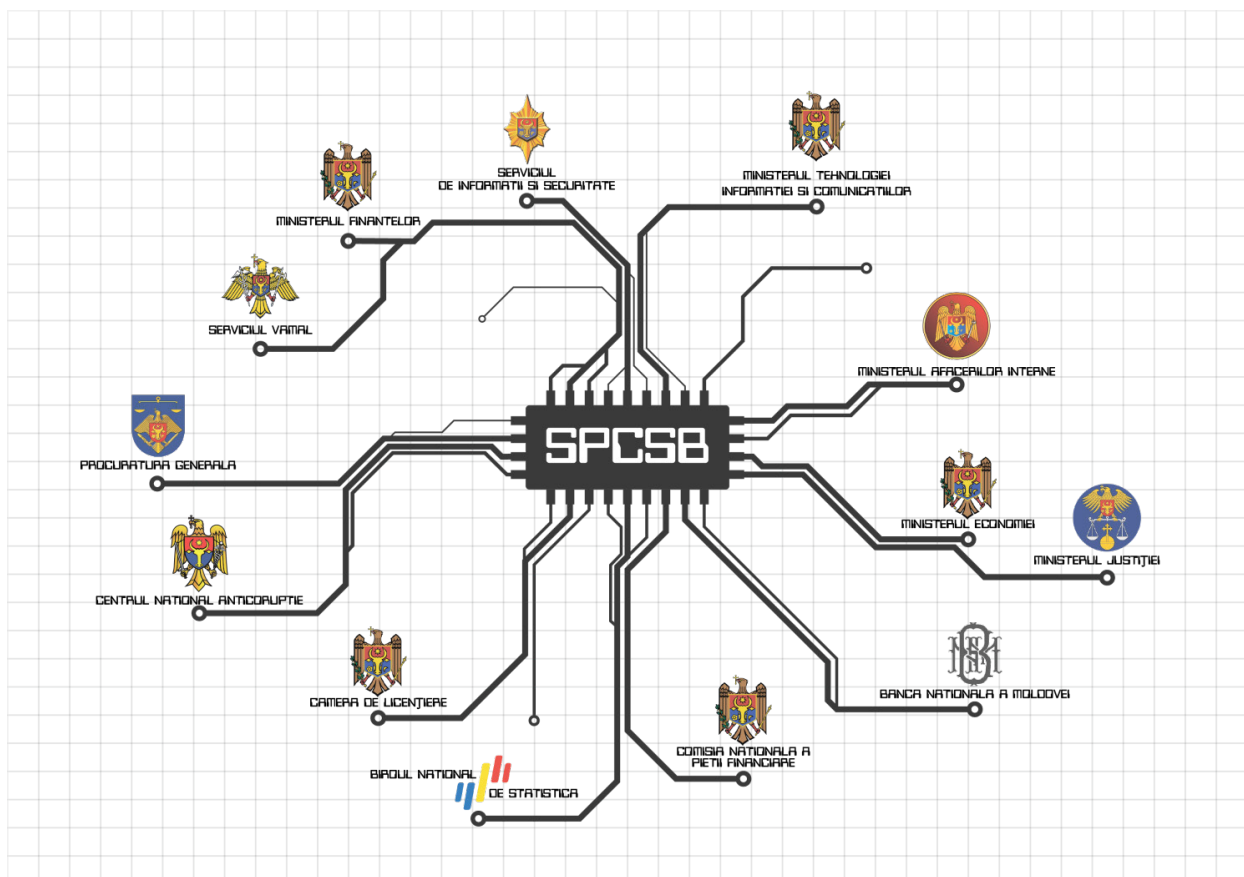
The prosecuting body of the National Anticorruption Centre investigates and prosecutes the offenses referred to in articles 243 "Money laundering", 279 "Financing of terrorism" and 324-335 "Crimes against good development of public sector" of the Criminal Code. Thus, the powers and competence of prosecuting cases of money laundering and terrorism financing are exclusively exercised by NAC.

The Service for Prevention and Combating Money Laundering (SPCML) operates as a specialized body assigned the status of independent subdivision within the National Anticorruption Centre, established on 15 September 2003. The SPCML basic functions, as in accordance with Law 190-XVI of 26.07.2007 "on preventing and combating money laundering and financing of terrorism" consists in receiving, processing, analyzing and disseminating the information

received from non-banking financial institutions and banks, including specialized professions. Based on the information received, this subdivision (SPCML) identifies complex schemes and typologies of money laundering and terrorism financing, and further submits these data to law enforcement agencies and other institutions according to the competence thereof. Prevention measures are also an indispensable part of the SPCML tasks, and are reflected in the annual action plans on the implementation of the National Strategy for prevention and combating money laundering and terrorism financing for the years 2013-2017.

In this respect, the Service has both significantly contributed to informing all the reporting entities on the phenomena of money laundering and terrorism financing and efficiently evolved in establishing and maintaining effective relationships.

The current structure of the local system of anti-money laundering and counter terrorism financing is shown in the chart below.



This system has been set based on the relevant international standards, namely FATF Recommendations and EU Directives, and **is based on prevention** (identifying customers, beneficial owners, prohibiting anonymous transactions, identifying suspicious transactions, etc.) and **fight**, which involves ensuring efficient prosecution and cooperation between law enforcement agencies. The professional capacities of SPCML have been strengthened, and the cooperation with the Council of Europe and the European Commission has contributed to the ongoing capacity-building of SPCML employees.

An important part of SPCML activity relates to supporting efficient external cooperation with the law enforcement agencies from the Republic of Moldova. FATF Recommendations are binding for the Member States and observers of this organization. Since the Republic of Moldova is a member of the Council of Europe, and the Council of Europe is FATF observer (through MONEYVAL), these standards are mandatory also for the Republic of Moldova.

These recommendations have been evolving since 1990, and the last version, including 40 Recommendations, has been adopted in 2012.

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

In this context, the Republic of Moldova, as member of the Council of Europe, is subjected to **ongoing evaluation by a specialized committee of EC (MONEYVAL Committee) on the compliance of the national system of prevention and combating money laundering and terrorism financing with FATF Recommendations**. The last Evaluation Report adopted by the MONEYVAL Committee on 04.12.2012 on the Republic of Moldova (over 300 pages) demonstrated the progress of the national system of prevention and combating money laundering and terrorism financing, and placed Moldova under simplified monitoring regime (a procedure applied to the majority of countries of the Council of Europe).

Additionally, on 27 May 2008, due to the efforts made, the Republic of Moldova became a full member of the Egmont Group, which, on one hand, provides operative exchange of financial information, and, on the other hand, represents international recognition of SPCML as Unit of Financial Information according to international standards.

3. NATIONAL THREATS OF MONEY LAUNDERING

According to the methodology of the World Bank to be applied in carrying out a national risk assessment, under the scope of the national assessment process *initiated in accordance with provisions of Government Decision no. 697 of 09/10/2015*, the data and information at both national and international level have been systematized for the purpose of determining and establishing the national threats and vulnerabilities in the field. National threat and vulnerability represent the two main factors having an impact upon the risk of money laundering at national level.

The basic objectives for establishing the threats related to money laundering included as follows:

- Identification of threats in terms of the type of predicate offense generating illicit proceeds, the origin and the sector involved, the structure of crime products from different perspectives;
- Systemic collection of data on cases investigated;
- Analysis of cross-border threats originating from foreign jurisdictions.

Thus, following the systematization of existing data and information, the working groups have established the most relevant crimes generating illicit revenues at national level and representing a major threat: **drug trafficking, corruption, human trafficking, tax evasion and smuggling.**

3.1. Drug trafficking

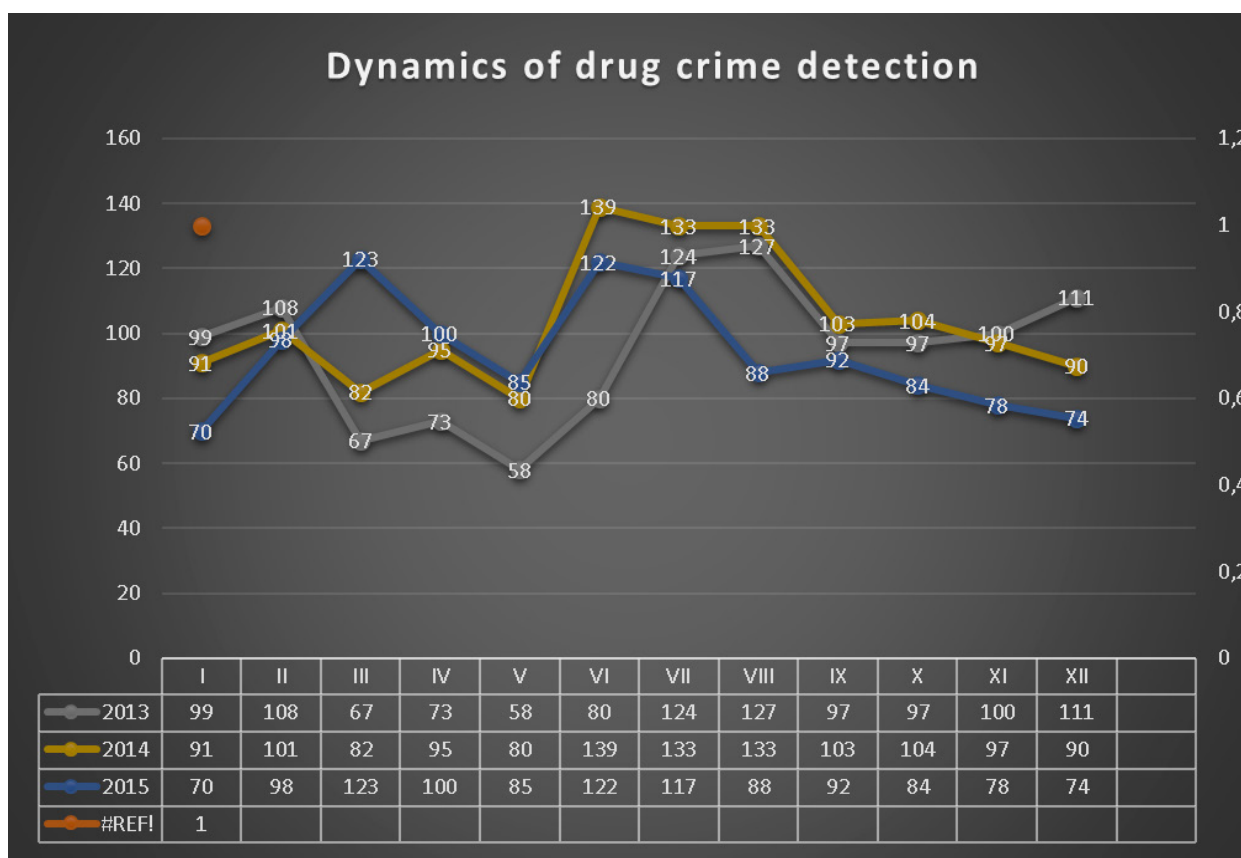
According to the “UNODC Report on drug trafficking in South Eastern Europe” for 2014, the Republic of Moldova is mentioned as one of the transit countries for drugs, especially of those from Turkey.

The *US International Narcotics Control Strategy Report Moldova* www.state.gov/j/inl/rls/nrcrpt/2012/vol1/184101.htm states that “Moldova is not a country of drug production or trafficking, but serves as transit point towards Eastern Europe. The proximity to the European Union, the limited capacity of the bodies authorized to carry out law enforcement and the lack of control in the Transnistrian region complicate the efforts to combat drug trafficking.”

The assessment Report of the General Police Inspectorate (Anti-drug Department) and Ministry of Interior of the Republic of Moldova, on drugs for the period 2013-2015, the measures implemented at national level, confirms the situation stated by the members of the working group on national risk assessment, namely that drug trafficking represents one of the main crime generating illicit revenues. “*In the case of the Republic of Moldova, comparing the period 2013 - 2015, there was an increase in the amount of drug retained. The Republic of Moldova remains a country of destination and transit for the most types of drugs, especially heroin, cocaine, cannabis and synthetic drugs. An increase is also noted in the number of drug users.*”

Given its features, illicit drug trafficking is presented in the majority of reports as the most complex phenomenon of cross-border crime category. The dynamics of detecting drug trafficking crime in the Republic of Moldova is presented in the table below.

According to the data submitted by the Ukrainian partners in 2015, they retained 0.464 kilograms of narcotics, which represents a decrease by 42 times as compared to the same period of the previous year (in 2014 – 19.681 kg). In 99 % of cases, narcotic substances had vegetal origin. Most retention had individual character, with no signs of organized crime and illegal circulation of drugs. In their majority, the cases of illicit trafficking in narcotic drugs have been counteracted in the sectors “North” and “South” of the state border MD-UKR. However, the UKR party has warned that illicit drug trafficking via sea ports remains quite high, as evidenced by the retentions in the Port of Odessa, where the officers retained 146 kg of heroin, transported as sea salt with the itinerary Iran – Georgia – Ukraine – Netherlands.



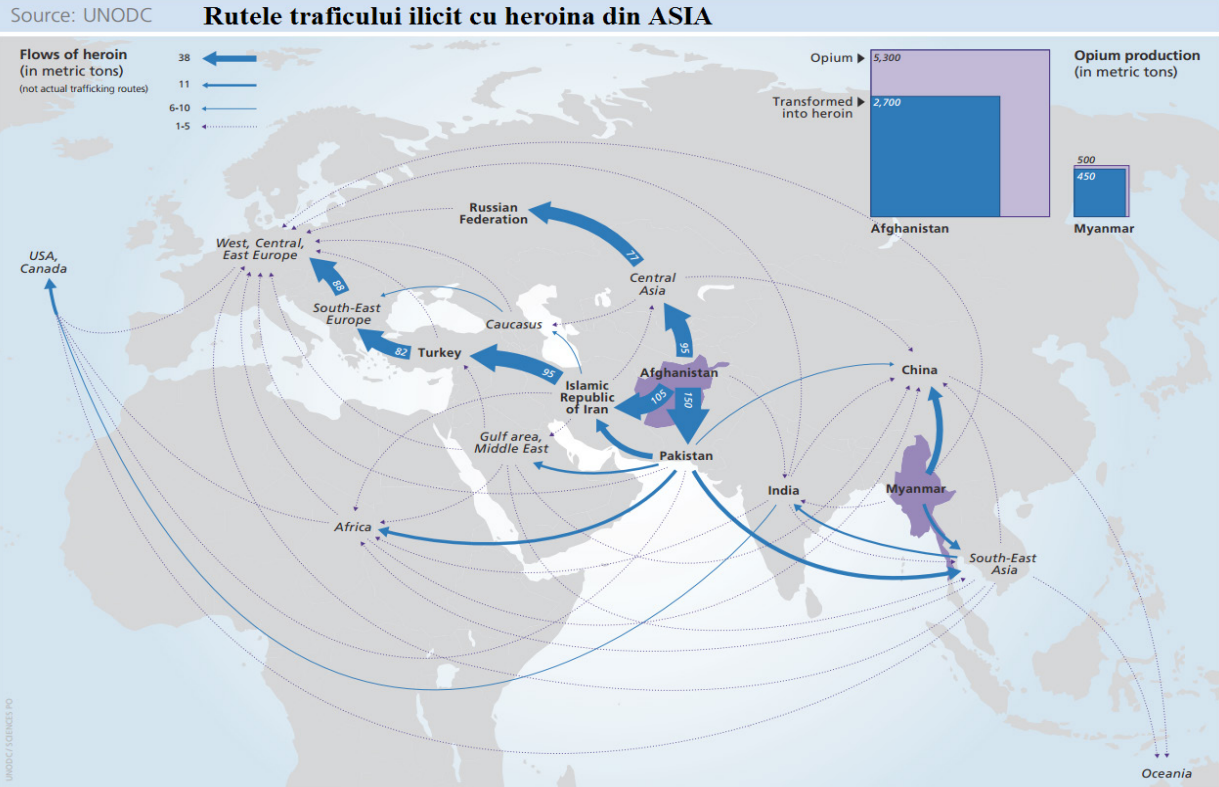
The routes used by Organized Criminal Groups for the traffic of this quantity of heroin to end users remain stable: heroin is further trafficked from Afghanistan via Pakistan – Iran – Turkey – Greece – former Yugoslavian states and the countries of Western Europe.

The historical Balkan route for **heroin** trafficking has as destination Romania, UK and the Netherlands. Romania is an important hub of the northern arm of the Balkan route, along with Bulgaria and Hungary. Into the Republic of Moldova drugs are supposed to come from Romania or Ukraine via Transnistria.

According to the World Drug Report 2014, the harvesting of coca bush is carried out on an area of approximately 133,000 ha, with a global potential cocaine production of **671 tons**. The share value of consumption of this type of drug in Europe is estimated at **100 tons** annually.

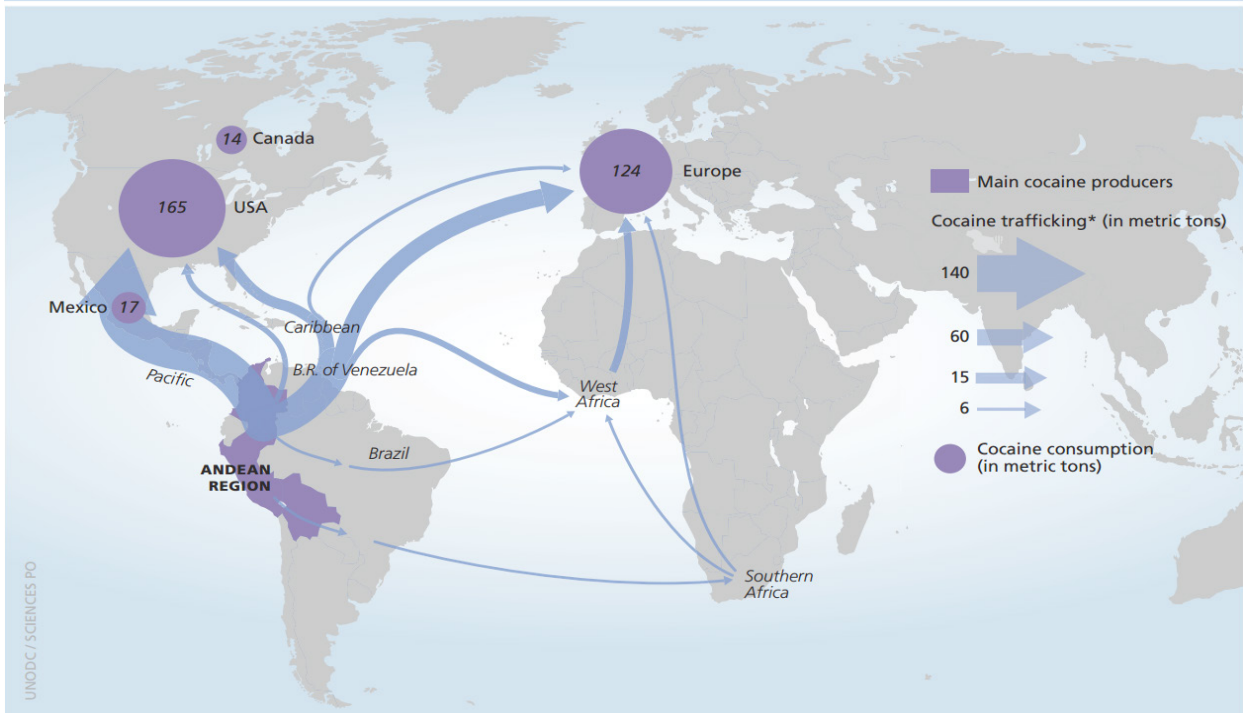
This quantity generally flows to Europe via the following routes:

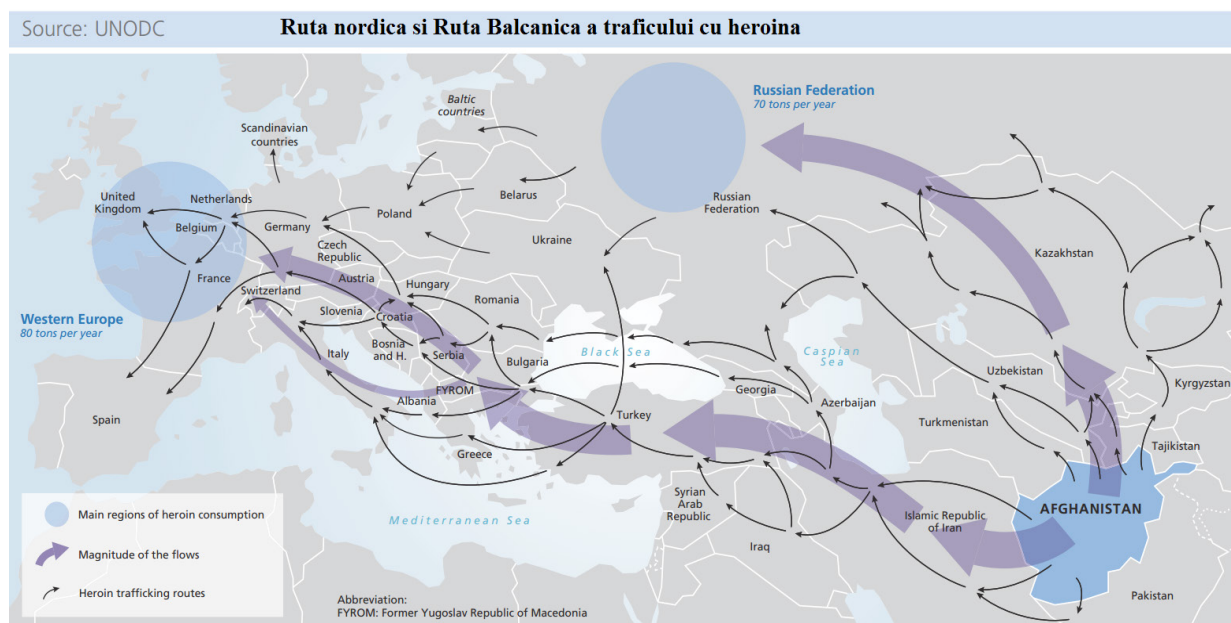
- 1) Spain – France – Austria – Hungary to Romania-Moldova or
- 2) South America – West and Central Africa – Romania – to Central and Western Europe.



Traficul de Cocaina din America de Sud

Source: UNODC, *World Drug Report 2009*, and UNODC calculations, informed by US ONDCP, *Cocaine Consumption Estimates Methodology*, September 2008 (internal paper).





In the Republic of Moldova, out of the number of crimes detected during the reported period, the following types of drugs have been seized:

Drug	Quantity seized:		
	12 months 2013	12 months 2014	12 months 2015
Marijuana	197 kg 632.886 gr	149 kg	109 kg
Hemp plants	156553 plants	200548 plants	145428 plants
Poppy plants	19790 plants	49000 plants	25550 plants
Poppy straws	7 kg 487,56gr	45 kg 075 gr	23 kg 085 gr
Opium	2912 ml	5,43 gr	1,03 gr
Methamphetamine	101,848 gr	90,4 gr	159 gr
Amphetamine	26,2 gr	1 kg 790 gr	4 kg 358 gr
Heroin	336,263 gr	1 kg 955 gr	3 kg 259 gr+127 kg
Liquid heroin	137 ml	?	0,20 ml
Cocaine	10 gr	25 gr	13,54 gr
Ecstasy	347 pastilles	6428 pastilles	12441 pastilles
Hashish	82 kg 448,218 gr	163 kg 800 gr	310 kg 802 gr
Medicines	2,921 gr	2905 pastilles 109 ampoules 57 capsule 56,166 gr MDMA	1146 pastilles, 50 ampoules TRAMADOL – 370 pastilles, 10 ampoules, XANAX – 146 pastilles, DIAZEPAM – 64 pastilles, 40 ampoules DIAZEPEX – 23 pastilles SUBUTEX - 57 pastilles METHADONE - 3 pastilles CLONAZEPAM- 29 ULTRA COD – 30 pastilles ANTALGIC – 204 pastilles DISTONOCALM- 170 pastilles EXTRAVERAL – 50 pastilles

Precursors	1202 pastilles 41capsule	60 pastilles pseudoephedrine 1,11 gr red phosphorus 5 ml hydrochloric acid	PSEUDOEPHEDRINE - 9,988 gr, RED PHOSPHORUS – 5,08 gr POTASIMUM PERMANGANATE – 369gr HYDROCHLORIC ACID- 1 liter 758 ml
Ephedrine	364,782 gr	8,75gr	4 ml / 2,031 gr
PVP	388,2 ml	100gr	3,135 gr
LSD			1504 marks
Total	291 kg 785,183 gr	214 kg	439 kg 642 gr

Based on the analysis of data collected at national level for the period under assessment, drug trafficking ranks the fifth position in the classification of crimes by the number of criminal cases filed. The financial means in cash seized total around 20394 USD, and the goods seized are estimated at 31 581 532 USD over the 3-year term.

The value of legalized and recovered financial means generated from drug trafficking crimes is 1 998 500 USD, which is 6.4% of the total revenue generated from drug trafficking crimes amounting in product equivalent to 31 601 926 USD. Hence, we also see a relatively small number of detections of drug trafficking crimes and, respectively, a low level of recoveries of illicit means.

The report developed by NATO Parliamentary Assembly www.nato-pa.int/default.asp/CAT2=462/CAT1=19/CAT0=576&SHORTCUT=484&SEARCHWORD=moldova following a visit in 2004 to the Republic of Moldova includes an estimated value of illicit drug trafficking of around 200-250 million USD annually in transit via Transnistria.

EU-BAM Mission at the border with the Ukraine has an essential role in controlling border traffic, which led to improved control measures and reduced value of illegal trafficking in goods, including illicit drug trafficking.

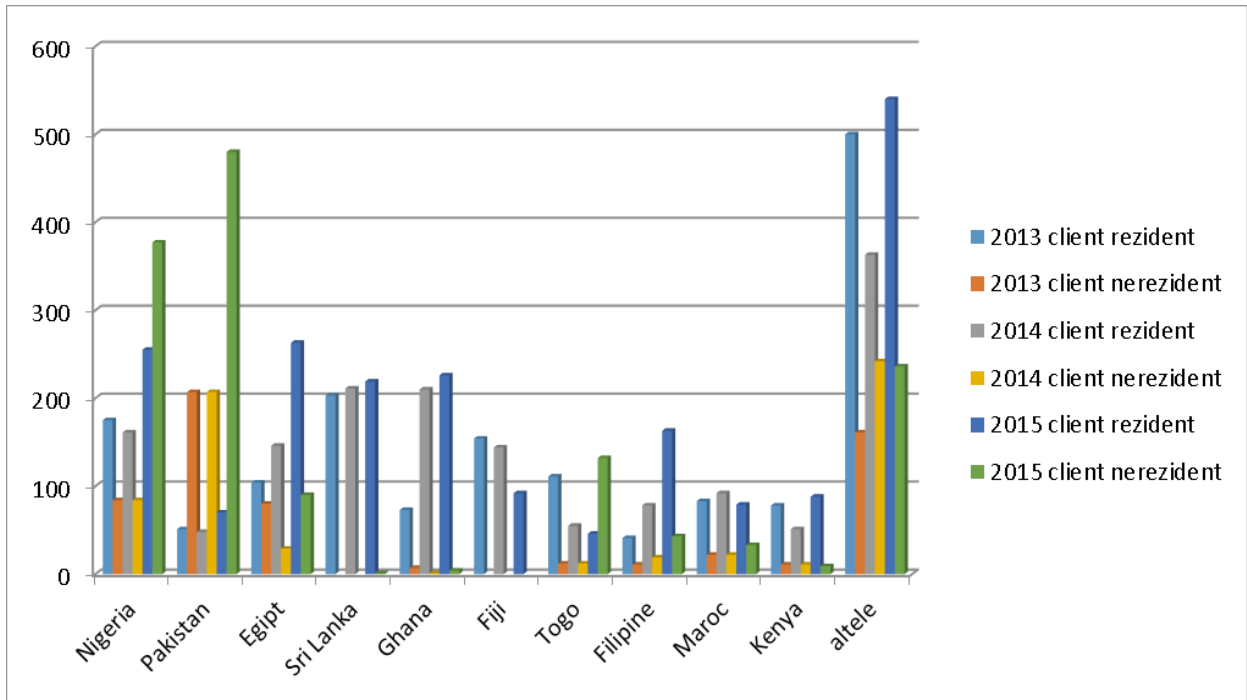
The EU Border Assistance Mission in Moldova and Ukraine was launched in 2005 and aims at promoting border control, customs practices and trade rules in line with the EU standards and meeting the needs of both partner countries. The Mission is a technical advisory body based in Odessa (Ukraine).

The Memorandum of Understanding signed by the European Commission and the Government of the Republic of Moldova and Ukraine in late 2005 represents the basis for EUBAM activity. The mandate of the Mission has been extended to 30.11.2017.

Drug trafficking is among the most common offenses committed and detected by the national authorities, recording about 652 crimes and 290 criminal cases remitted to court. Two resident individuals have been convicted for the offense of money laundering in an initiated criminal case, where means were originating from drug trafficking. A value of around 30.000 USD was confiscated and around 1.963.500 USD was seized.

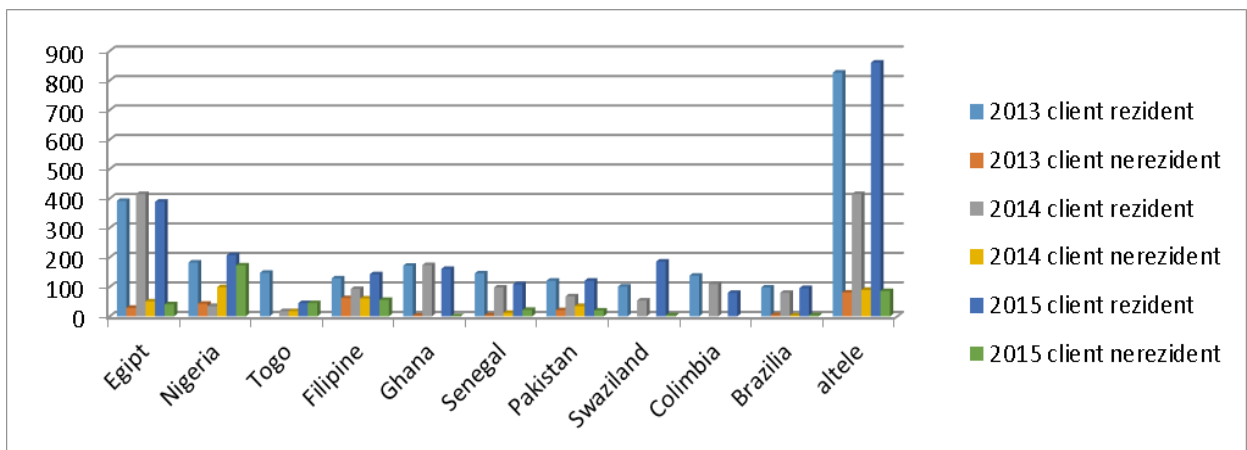
According to the *International Narcotics Control Strategy Report Moldova*, “a major nationwide problem is corruption in correlation with drug trafficking.” www.state.gov/j/inl/rls/nrcrpt/2012/vol1/184101.htm

It is worth mentioning that according to the Service for Prevention and Combating Money Laundering data, in accordance with the provisions of the Order 118 of 20.11.2007, Annex 1 – countries with potential occurrence of illegal production of narcotics, suspicious transactions from the passive archive of the OPCML have been registered from the financial institutions reflected in the diagram below:



Transactions carried out by resident and non-resident individuals to countries listed in Annex 1 of the Order no.118 from 20.11.2007

Thus, data evaluation denotes transactions made by non-resident individuals towards individuals and businesses in Pakistan, followed by Nigeria, Togo and Egypt. At the same time, a larger share of settlement transactions is registered to resident individuals in Egypt, Nigeria, Sri Lanka, and Ghana.



Transactions carried out by resident and non-resident individuals from countries of Annex 1 of the Order no.118 from 20.11.2007

Thus, data evaluation denotes transactions by non-resident individuals from the address of individuals and businesses in Nigeria, Philippines, Togo, Egypt and transactions by resident individuals are mostly towards entities in Egypt, Nigeria, and Senegal.

To note, analyzed suspicious transactions are automatically identified by the reporting institutions without any additional analysis of suspicion indices, representing, in numerical terms, an excessive volume with no essence of suspicion, reporting efficiency is low. However, SPCML

has limited resources to qualitatively analyze the number of reports submitted by the reporting entities, which, in cascade, denotes also a reduced number of notes submitted to the Ministry of Internal Affairs on crimes of drug trafficking. At the same time, the number of requests by the Ministry of Internal Affairs on offenses and prosecutions under administration is low. This situation demonstrates the lack of financial analysis within the prosecutions conducted and the inefficient bilateral cooperation in identifying legalized illicit financial means originating from drug trafficking.

It is also noted that international cooperation relationship between SPCML and international institutions and similar services has proven the effectiveness of measures in the area of anti-money laundering at national level, under the scope of combating money laundering and recovering illicit proceeds derived from drug trafficking crime, the authorities detected real estate acquired with financial means derived from drug trafficking in UK.

3.2. Corruption

Corruption – one of the most stringent problems in the Republic of Moldova – is an unavoidable issues widely tackled within public discussions, opinion polls, legislative regulations and political negotiations. According to Transparency International, the Corruption Perception Index in the Republic of Moldova has been ranked 112 of the 182 countries and territories of the World, which indicates to a significant deterioration of corruption perception as compared to the third MONEYVAL Assessment Report, approved in December 2012. In 2015 Moldova's score has been reduced by 33 points as compared to 2014, and the country is still ranked 103 of the 168 participating countries.

The share of respondents who DO NOT accept justification of corruption cases has significantly increased in 2015 as compared to 2014 and accounts for approximately 81%-82% in 2015, which is twice the value of intolerance registered 10 years ago (43%-49%).

	2005	2007	2008	2012	2014	2015
Households	43	60,2	55,8	67,1	71	80,8
Businesses	49	58,1	61,8	78,5	77	81,8

Frequency of corruption. More discussions about corruption and stronger consequences of large corruption felt by citizens lead to increased public perception and awareness about worsening of the corruption phenomenon, even if own individual experience of facing corruption is reducing. This trend has been demonstrated in the most recent survey TI-Moldova: according to survey data, the general perception of citizens and businesses is that the problem of corruption aggravated in 2015 as compared to 2014, but the share of respondents claiming confrontation with corruption decreased. Thus, the percentage of respondents who have faced corruption dropped by 7% among households and by 15% among businesses:

	2012	2014	2015
Households	37,2	30,9	24,4
Businesses	40,2	38,8	23,7

Total estimated value of bribery. Similarly, reduction is observed at the level of another indicator calculated by TI-Moldova in 2015 as compared to 2014 – the total estimated value of bribe paid by citizens and businesses, based on the experience thereof.

Total bribery at the level of households in 2015 amounted to around 860 million MDL, as compared to 2014 – around 891 million MDL. Considering the inflation rate of about 13% over this period, the value of total estimated bribe reduced even more as compared to 2014. Thus, the value of 860 million MDL in 2015 would equal 748.2 million MDL in 2014, i.e. **the decrease of briberies in 2015 as compared to 2014 accounted for 142.8 million MDL or 16%.** Improvement of this indicator, according to TI Moldova, could be the result of both anti-corruption actions undertaken, and the impoverishment of the population, which is not in capacity to pay more bribes. In 2015, the largest unofficial payments by household representatives were made to medical institutions – around 1/3 of total bribe value, to police and educational institutions – around 1/10 of total bribe. It is worth noting that, compared to 2014, and taking account of inflation, bribery in the medical sector reduced by 1/3, while to police increased by 1/5.

The total value of bribes paid by businesses in 2015 amounted to 381 million MDL, and in 2014 – to around 392 million MDL. Given the inflation rate of about 13%, the amount of bribes paid by businesses reduced even more. Thus, the value of 381 million MDL in 2015 would equal 331.5 million MDL in 2014, i.e. **the decline amounted to 60.5 million MDL or 15.4%.** Most informal payments were made to tax offices – around 1/7 of bribes paid by businesses, and to the courts – around 1/8. Compared to 2014, bribes paid to the customs significantly reduced, and bribery in tax offices remained virtually at the same level.

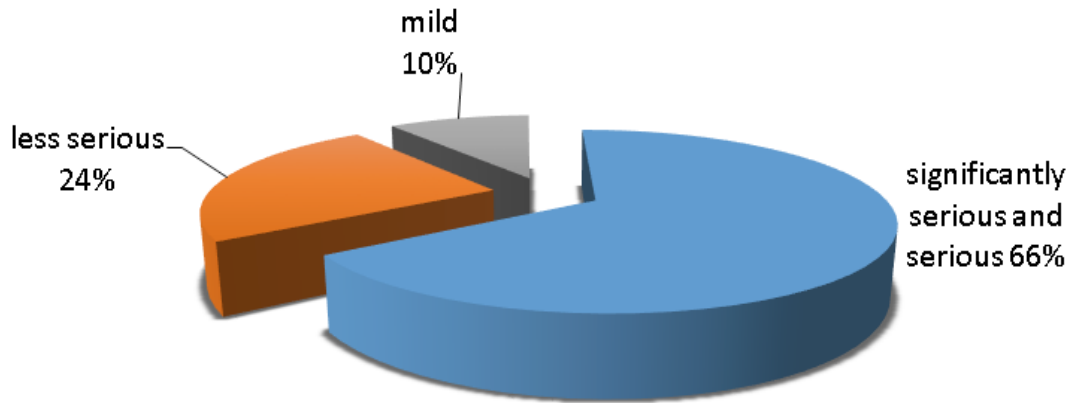
***Denouncing corruption.** When facing corruption, respondents denounced corruption as follows (the data includes the percentage of the participants in the pool reflecting national perception). According to the annual survey of the TI Moldova the indicated data are of reference at the national level, and it's include the percentage of the interviews. The eschaton in the survey is nearly 1150 participants, +-3% error rate.*

	2012	2014	2015
Households	5,1%	4%	8,5%
Businesses	4,6%	13,6%	12,5%

According to the survey, the share of businesses that denounced corruption stayed relatively stable in 2014-2015, while the number of citizens doubled in 2015 as compared to the previous year. In both cases, more than half of those who denounced corruption considered the problem solved in whole or in part.

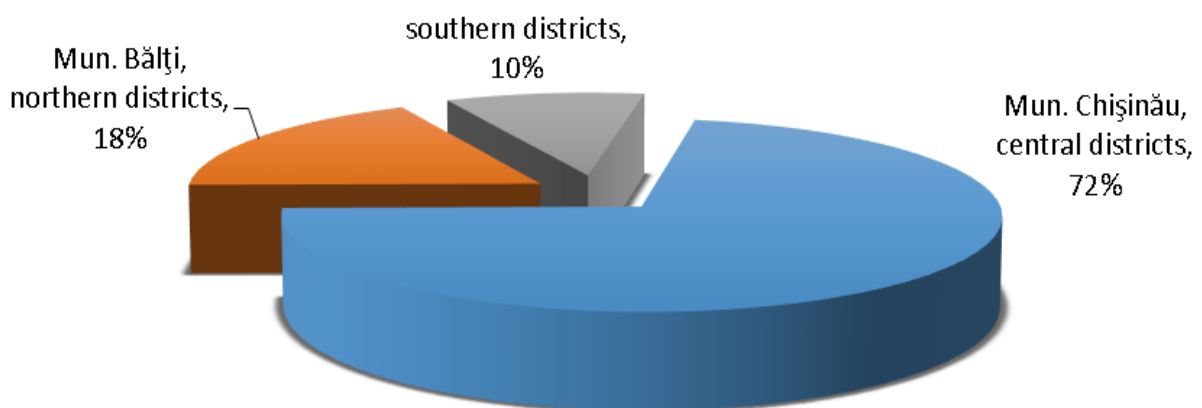
According to the criterion of degree of the seriousness of detected offense, 66% of detected crimes were particularly serious and serious, 24% - less serious, and 10% - mild.

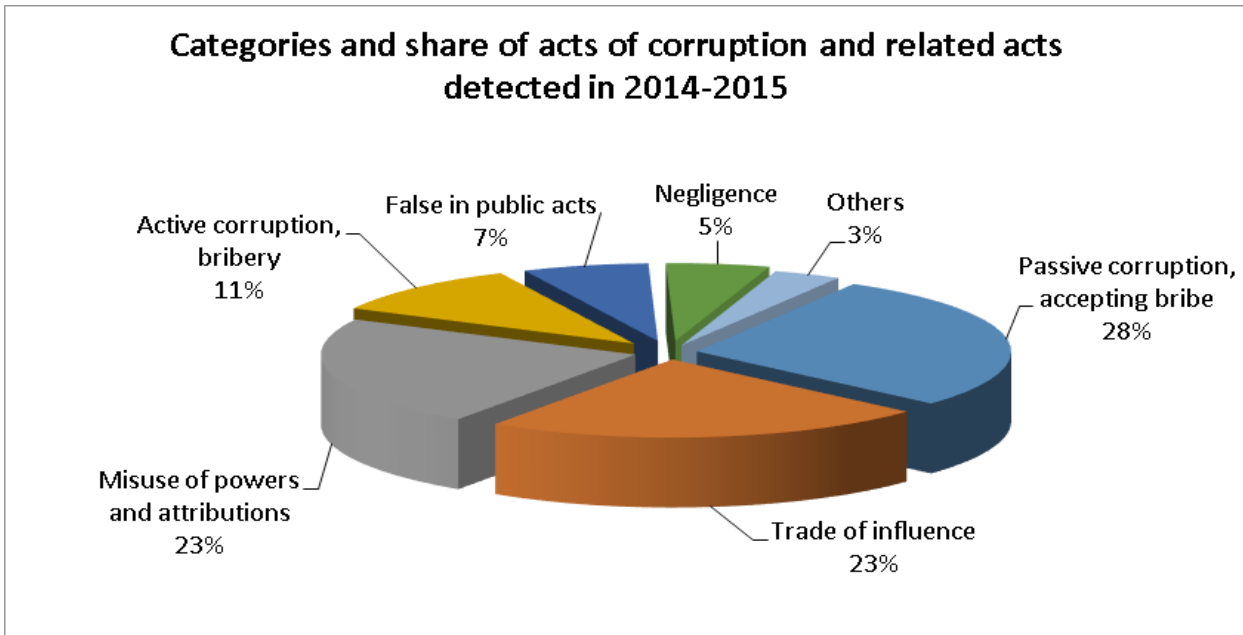
Detected crime, according to degree of social threat



In territorial terms, 72% of crimes have been detected in the municipality of Chisinau and the central districts of the country, 18% - in the municipality of Balti and the north of the country, and 10% - in the southern districts.

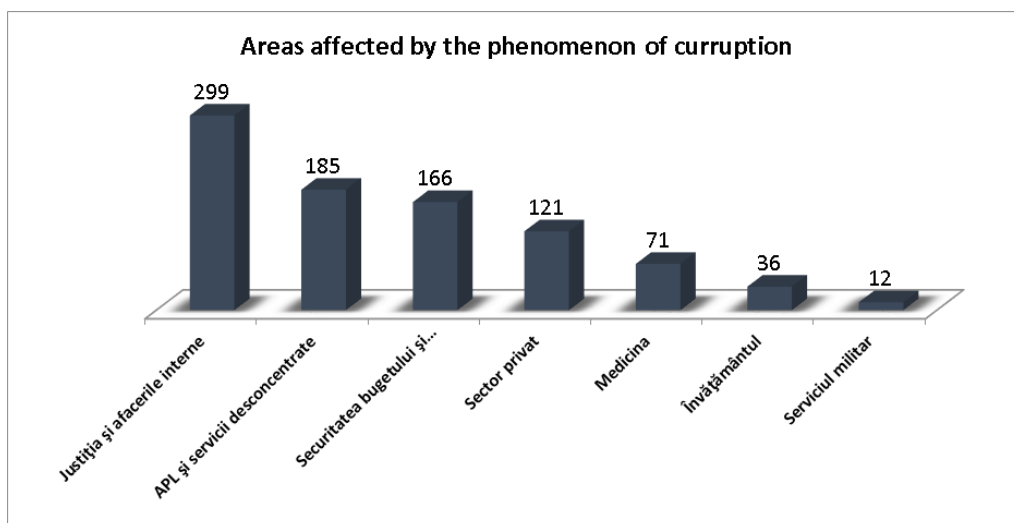
Detected crime in territorial terms





Actions to combat corruption have particularly highlighted the following fields and public institutions¹, that in fact coincide with TI data report.

- **Justice and internal affairs**
- **Ministry of Internal Affairs: prisons and probation offices (Ministry of Justice), courts, law offices, bailiffs**
- **LPA and decentralized services: municipalities, local councils, social assistance, other services**
- **Budget and public asset security: SOEs, customs, IFPS**
- **Private Sector**
- **Medicine**
- **Education**
- **Military service**



¹ The figures provided do not include the 130 offenses detected in various areas, which are under investigation and cannot be mentioned for reasons of information security

The subjects of detected corruption crimes and related crimes were as follows:

- **in the public sector - 416:**

- 5 ministers and deputy ministers (2014-4, 2015- 1);
- 17 judges (2014-8, 2015- 9);
- 3 prosecutors (2014- 1, 2015- 2);
- 8 directors and deputy directors of agencies, public authorities (2014-3, 2015- 5);
- 51 heads and deputy heads of autonomous institutions and subdivisions of public authorities (inspectories, offices, etc.) (2014- 14, 2015- 37);
- 24 mayors (2014- 12, 2015-12);
- 141 policemen (2014-75, 2015- 66);
- 20 criminal investigators (2014-10, 2015-10);
- 44 directors of enterprises, state organizations;
- 71 managers in the area of health care;
- 18 managers in the area of education;
- 14 tax inspectors, reviewers and auditors (2014- 11, 2015- 3).

- **in the private sector and free-lancing - 293**

- 50 lawyers (2014- 27, 2015- 23);
- 25 bailiffs (2014- 10, 2015- 15);
- 58 directors of entities and organizations in the private sector;
- 5 managers of financial institutions;
- 155 individuals (2014-57, 2015- 98).

The area of activity of individuals whose case files have been brought to court during 2014-2015: law enforcement / justice – 48%, central public administration and specialized areas – 20%, local public administration – 13%, medicine – 9%, education – 6%, fiscal / banking – 4%, etc. According to the emphasized data we can underline that the low rating of detection of corrupt activity is due to tolerate public perception to medicine corruption, with all that the perception rate is high according to TI, the majority of the population from the rural regions consider the gifts to medicine as a normal behavior. As far as the corruption in education field we underline a law prosecution rate because of low rate of credibility in police authorities, especially at the local and regional level.

- **Categories of corruption crimes examined in court.** The most common cases solved in courts include trading of influence (43% in 2014, 43% in 2015). Cases of active corruption are seldom (6% in 2014, 11% in 2015, or by 3-4 times less than cases of passive corruption), which denotes the non-denouncement by civil servants of acts of their corruption by active subjects.

Type of corruption crimes in court:	2010-VI.2012	2014	2015
passive corruption and acceptance of bribes	12%	28%	30%
active corruption and payment of bribes	22%	6%	11%
Trading of influence	39%	43%	43%
Abuse of office	14%	19%	14%
Embezzlement	11%	4%	2%

- **Solutions taken on corruption cases examined in court**

In 80% of cases, in 2014, and 85%, in 2015, trial courts have passed sentences that established the guilt of defendants. In 20% of cases in 2014 and 15% in 2015, the court declared acquittals and non-prosecution orders (providing rehabilitation of the defendant).

Orders approved:	2010-VI.2012	2014	2015
conviction	91%	80%	85%
acquittals and non-prosecution (with rehabilitation)	9%	20%	15%

When repeatedly assessing corruption risks, the main focus has been placed on the following positions:

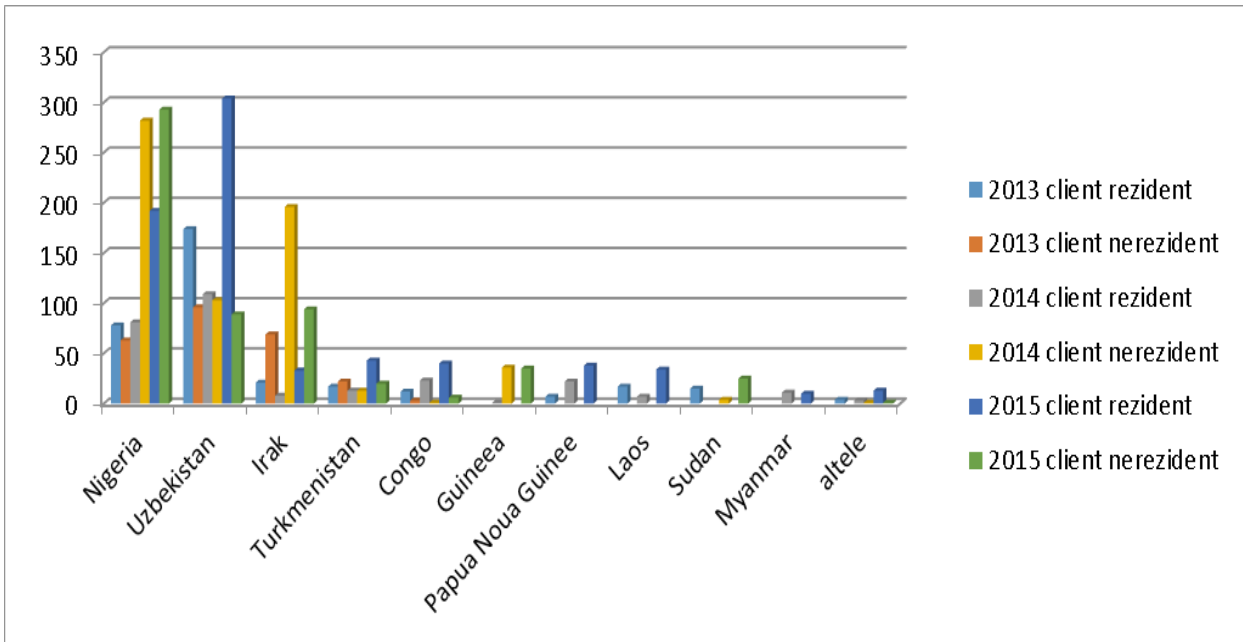
1. Identification of deficiencies in the regulatory framework;
2. Analysis of incidents of integrity/identification of vulnerable processes;
3. Assessment of institution relationship with the public;
4. Effectiveness of the internal control/management system.

Corruption related crimes remain among the top national threats generating illicit proceeds. According to Transparency International, the connection between the phenomena of corruption and capturing of state institutions, political corruption expressed via cooperation of MPs, and selective justice are the threats that distort the national anti-corruption efforts.

According to paragraph 152 page 48 of the 4th fourth MONEYVAL Assessment Report, approved in December 2012, “in terms of criminal cases brought to court and orders on cases of money laundering, the meeting with practitioners denoted that most cases of money laundering seem to have as predicated crime the offence against property, especially bank fraud, tax evasion and corruption, and this is where the question arises whether other illegal revenue generating crimes, like drug trafficking and human trafficking, could be found among predicate crimes of investigated cases of money laundering”.

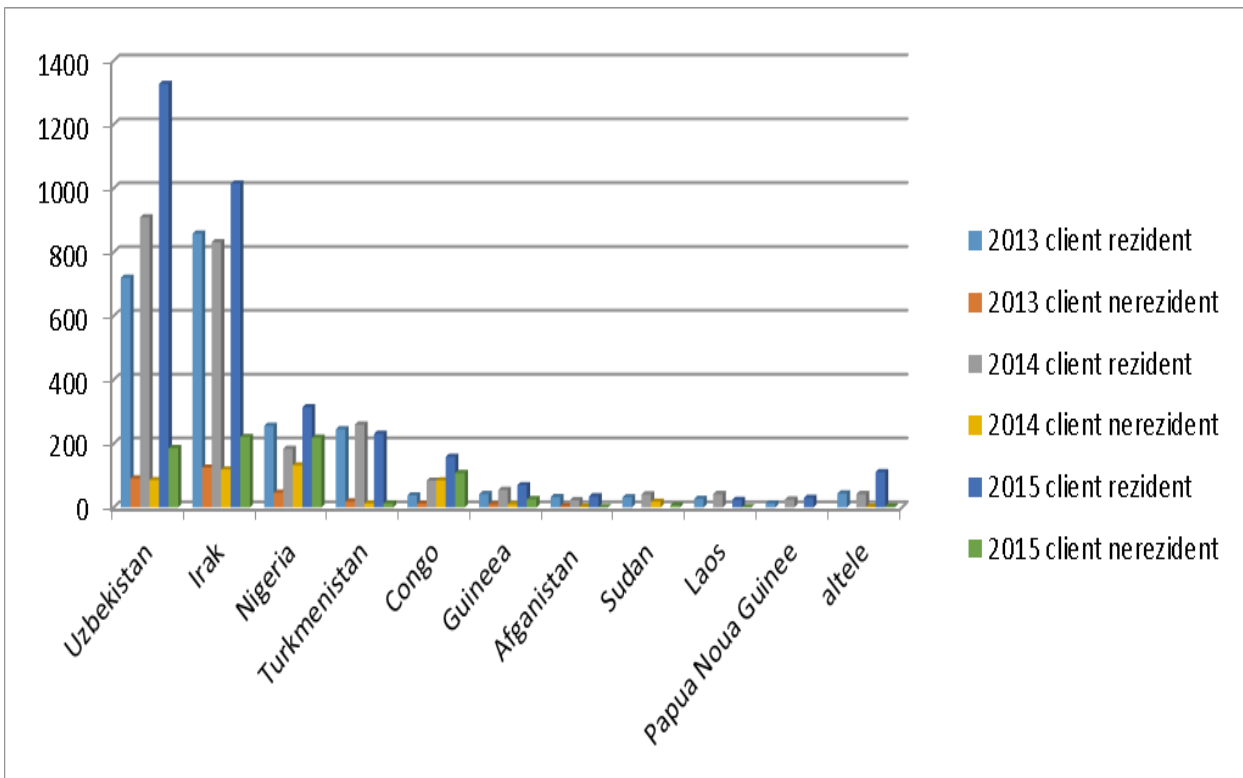
The evaluation of data collected at national level resulted in the initiation of 666 criminal cases under articles 324/325 of the Criminal Code – passive corruption and active corruption, of which 242 cases have been brought to court, and 165 individuals have been convicted in 179 cases with final judgment. An amount of 4790 USD was seized, and 46997 USD was confiscated. Of the total criminal cases initiated under article 243 of the Criminal Code, passive corruption represented the predicate offense in 4 criminal cases: seizure was applied on an amount of 141000 USD.

In accordance with the Order no.118 of 20.11.2007, Annex 2 – high-risk countries in terms of high degree of criminality and corruption, suspicious transactions have been recorded from the financial institutions in the diagram below:



Transactions carried out by resident and non-resident individuals to states listed in Annex 2 of the Order no.118 from 20.11.2007

Thus, data evaluation denotes transactions made by non-resident individuals towards individuals and businesses in Nigeria, Iraq, and Uzbekistan. A higher share of settlement transactions by resident individuals is made to Uzbekistan, Nigeria, Turkmenistan, and Iraq.



Transactions carried out by resident and non-resident individuals from states listed in Annex 2 of the Order no.118 from 20.11.2007

Data evaluation denotes transactions made by non-resident individuals from the address of individuals and businesses in Iraq, followed by Uzbekistan, Nigeria. A higher share of settlement transactions by resident individuals are made from Uzbekistan, Iraq, Nigeria.

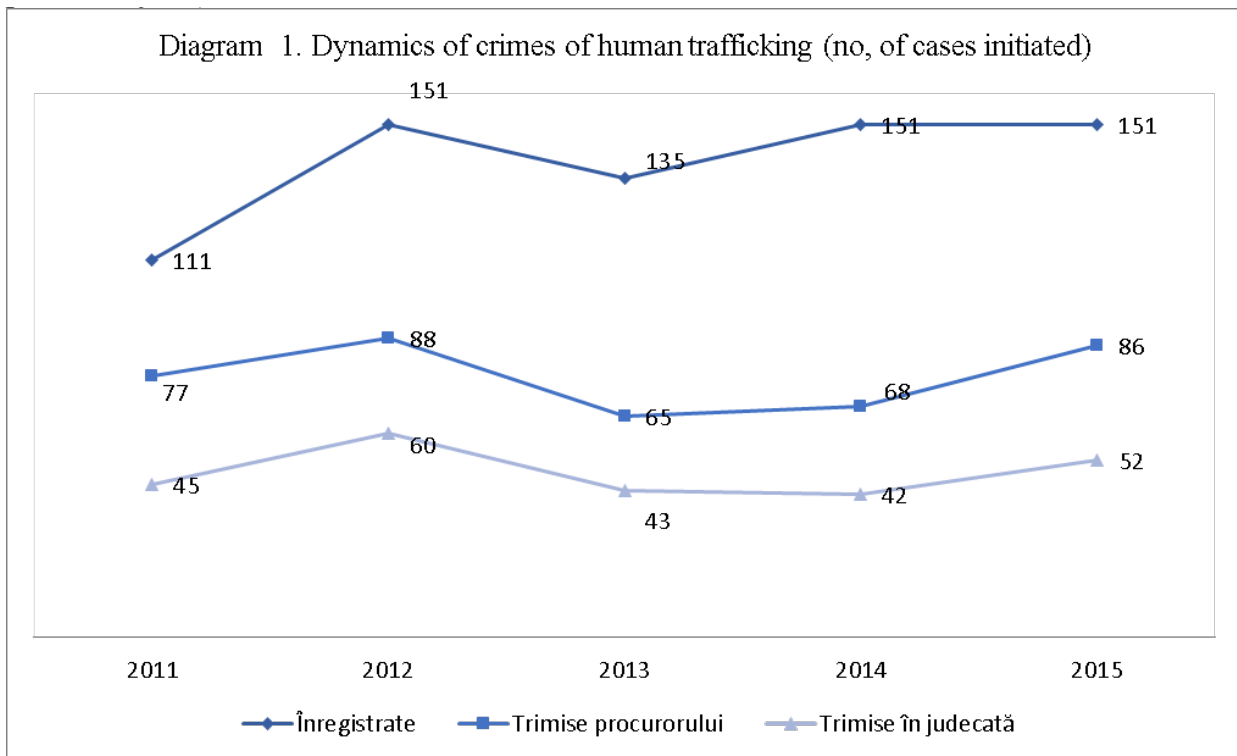
To note, analyzed suspicious transactions are automatically identified by the reporting institutions without any additional analysis of suspicion indices, representing, in numerical terms, an excessive volume with no essence of suspicion. Reporting efficiency is low. To mention, SP-CML has limited resources to qualitatively analyze the number of reports submitted by the reporting entities, which, in cascade, denotes also a reduced number of notes submitted to the NAC and the Anticorruption Prosecutor's Office on corruption crime. At the same time, the number of requests by NAC and the Anticorruption Prosecutor's Office on crimes under administration is low. This situation demonstrates the lack of financial analysis within the prosecutions conducted; however, collaboration relationship with NIC to prevent abuses related to income and assets declaration of civil servants.

3.3. Human trafficking

The character of the organized crime is proven by the high number of Organized Criminal Groups (OCG) identified during the period of 2015 in trafficking of human beings: **13** criminal groups identified in 2015 in decreasing from 17 from 2014. From those 13 identified Criminal Organized Groups were specialized:

- 4 OCG in trafficking of human beings, trafficking of children with the sexual, commercial or prostitution aim.
- 3 OCG in pimping crimes,
- 6 OCG in illegal migration crimes.

Unlike in the previous year, in the reference year we can observe a narrowing of the areas of activity in which identified GCOs have been specialized. Thus, there is an impressive number of GCOs specializing in committing offenses of organizing illegal migration. At the same time, GCOs specialized in trafficking in human beings were not detected for labor and begging purposes (although 2 such groups were documented in the previous year).



Criminal organized group specialized in trafficking of human beings with the goal of sexual exploitation are having more bigger area of activity because of the fact that this type of exploring is in an increasing period, especially in diversity of way of exploitation (erotic massage and erotic chat are added to the classic one). Criminal Organized Groups in trafficking of human beings have a well-organized internal structure, with good established roles and attributions (recruiters, supervisors, transporters), with relations in transit and destination countries (some members of the group are natives of those countries), but as well as with practical knowledge of the organization of the criminal actions in a way to avoid, as far as possible suspicious character of law enforcement authorities or to hide its involvement in such type of activity (using the modern means of communication: social networks, Skype, Viber etc; avoiding the personal transportation or with the own transport of the victims by using road transport or occasional transport).

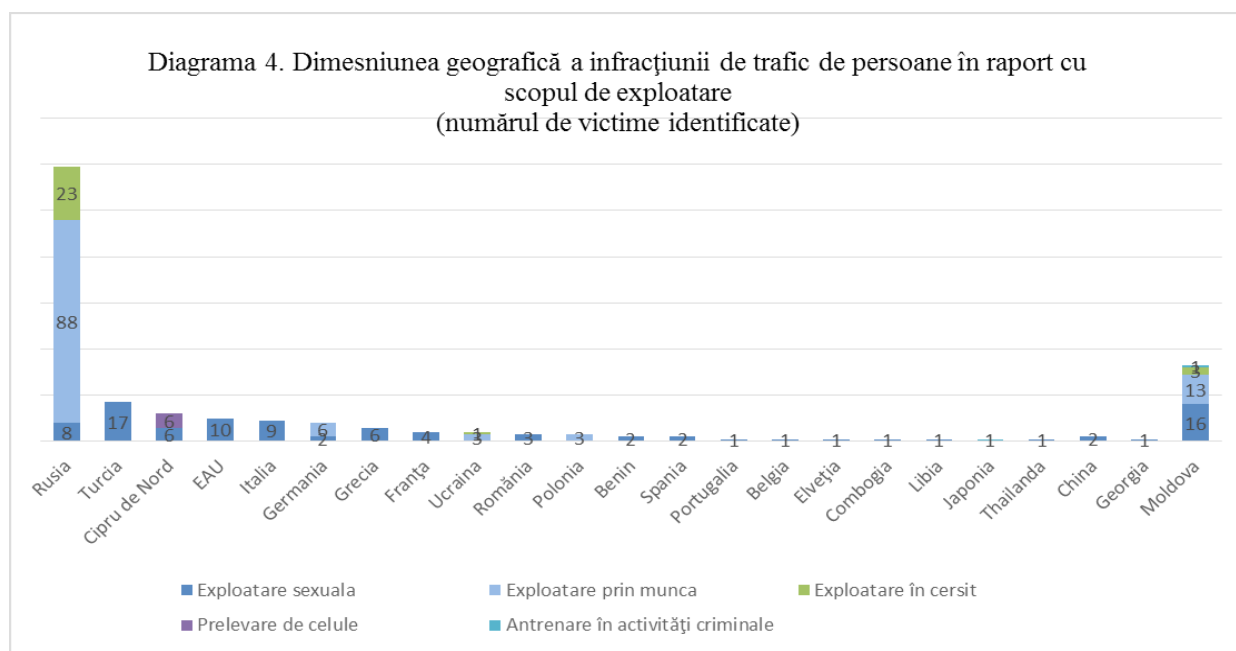
According to the Global Report on trafficking in human beings, trafficking in women to Europe at the end of the Cold War. A large number of workers of all categories moved from Eastern Europe to Western Europe. Part of these workers used to be or have become providers of sexual services, being mostly forced. In 2005-2006, 51% of victims of trafficking in human beings detected in Europe originated from Balkans, the former Soviet Union, and particularly Romania, Bulgaria, Ukraine, Russian Federation and the Republic of Moldova. Yet, this phenomenon started to change because trafficking in women from other parts of the world was more affordable.

The comparative analysis over the recent years shows an upward trend of the number of this type of crime and a positive dynamics as compared to the data provided by the civil society partners. The upward trend does not imply the increase of this phenomenon in general terms, it rather shows the increase of feedback efforts by the law enforcement agencies of the Republic of Moldova, which are targeted towards detection, effective investigation of cases of trafficking in human beings (THB), identification and protection of victims.

Over the reported period, **713 victims of trafficking in human beings** have been identified at the national level of the total number of victims, 157 victims (or about 65%) have been identi-

fied within criminal cases investigated by the Center for combating trafficking of human beings (CCHT), mostly being identified proactively. Revealed cases reflect mainly (over 55%) criminal acts committed during the reported period, the others – in the period of 2011-2014.

According to the criterion of gender of identified victims, 153 victims are women and 89 victims are men; this reiterates that women account for the dominant share in total victims (63% of total identified victims). Women still represent the most vulnerable, but also convenient category for traffickers. Except for labor exploitation, where women account for only 38.31% of victims and exploitation in criminal activity (only two male victims), the percentage of female victims is dominant: 100% - of victims of sexual exploitation and for removal of organs (cells), and approximately 59.25% - of total victims exploited for begging.



In relation to the purpose of trafficking, the situation is as follows:

- *sexual exploitation* 90 victims (37.19%)
- *labor exploitation* 117 victims (44.34%)
- *exploitation for begging* 27 victims (11.16%)
- *removal of organs* 6 victims (2.48%)
- *criminal activity* 2 victims (0.83%)

In terms of geographical dimension of human trafficking in the Republic of Moldova, there is a decrease in the number of victims exploited outside the country in 2015 (209 victims compared to 223 victims in 2014), which accounts for 86.36% as compared to 13.64% of cases of human trafficking within the country (33 victims).

From the viewpoint of exploitation purpose within the country, sexual exploitation prevails with 16 victims identified in this regard, followed by labor exploitation (13 victims), begging (3 victims) and criminal activity (1 victim) (diagram 4 for the year 2015).

In terms of countries of destination, the overall picture of the phenomenon of human trafficking in the Republic of Moldova has undergone some modification determined, to a large extent, by emerged new destinations, including Benin, Portugal, Belgium, France, Switzerland, Cambodia, Japan and China. The main countries of destination of the external traffic (in terms of number of victims) continue to be the Russian Federation, Turkey, UAE, North Cyprus, Italy, Germany and Greece.

Russian Federation remains the main country of destination for all three types of exploitation of human trafficking – 119 people (or approximately 49.17% of the total number of victims), mainly trafficked for purposes of labor exploitation – 88 people (36.36% of the total number of victims), trafficked for begging – 23 victims (9.5% of total victims), and trafficked for sexual exploitation – 8 victims (3.3% of all victims).

The destinations Turkey, UAE and Italy are still in the top positions with respectively 17, 10 and 9 victims of sexually exploitation. To mention, Northern Cyprus is the only country of destination for trafficking for removal of cells (6 victims identified).

In the case of Northern Cyprus, one of the main reasons is the exploitation by offenders of the regional conflict, and, thus, the lack of control over this region, which creates opportunities for criminal activities.

EU countries continue to be a constant destination of human trafficking, which denotes an upward trend in this case. During the reported period, 10 countries have been listed, and trafficking in human beings to these countries relates to sexual and labor exploitation. This situation is determined by the opportunity for offenders to use the visa-free regime with the Schengen zone, which is provided to the Republic of Moldova since middle 2014 and the degree of victim vulnerability, which make them accept high-risk offers without realizing the negative consequences, all in common leading to lower risks for criminals.

At the same time, newly emerged destinations during the reported period should be specified, and specifically the countries of the African region: Benin (2 victims) and Cambodia (1 victim). The victims identified in these countries have been trafficked for sexual exploitation in private homes. They made use of anti-trafficking hotline and contacted the law enforcement authorities of the Republic of Moldova to seek help. Following common actions initiated by CCHT in cooperation with external partners (IOM, Interpol), the victims have been released from sexual slavery and returned back home.

Human trafficking is an offense with high threat in terms of illicit income generation, recording about 437 crimes and 137 criminal files sent to court. Two cases initiated on money laundering with human trafficking as predicate crime have been initiated at national level, and one file has been sent to court. To mention, the conducted evaluation did not establish financial means seized for cases of human trafficking, nor for the two criminal cases of money laundering initiated for the offense of money laundering, which points to the lack of measures of financial investigation on cases of trafficking in human beings.

The low detection of crimes of trafficking in human beings and the poor implementation of seizure and recovery of financial means derived from human trafficking highlights the priority of actions and resources needed for the purpose of training the officers of law enforcement authorities, developing of typologies in the field, streamlining application of legal provisions in effect on investigation, seizure and confiscation of proceeds derived from crimes of human trafficking.

3.4. Tax evasion

The analysis of delinquent phenomena currently existent in the Republic of Moldova in relation to the negative impact thereof on the public budget assigns the phenomenon of tax evasion special consideration. According to the annual report of the Ministry of Interior the damage caused to the state because of this offence is estimated as follows:

- in 2013 - **0.399 billion MDL** or about **2.2%** of total tax revenue (18.3 billion MDL)
- in 2014 - **1.129 billion MDL** or about **5.1%** of total tax revenue (21.9 billion MDL)
- in 2015 - **0.583 billion MDL** or about **2.5%** of total tax revenue (23.6 billion MDL)

Thus, based on the information and outcomes of continuous actions to combat tax evasion carried out by the specialized subdivisions of relevant state bodies, a comprehensive analysis has been conducted to investigate the phenomenon of current tax evasion in the country, providing identification of schemes and tools commonly used and with high injurious effect. The study attempted to identify the general scheme and the main actors involved.

In general, 5 types of companies are used for the operation of all fraudulent schemes of converting and transferring the goods and money derived from illicit activities for purpose of disguising the origin of these products and their further legalization:

- **„missing trader”** – the role of this company is “materialization from nothing” of goods or services. Directors and founders of these companies are usually elderly individuals, from socially vulnerable groups and residents of the Transnistrian region – people that are practically impossible to be detected, know nothing about the existence of businesses registered in their name or, for miserable rewards, have been fraudulently included in the list of directors and founders of such companies.

- **“delinquent company”** – the role of this company is to receive from the “missing trader” the “materialized” good or service and to send the good/service to the intermediary or beneficiary company, thus camouflaging the origin of this good/service. The directors and founders of these companies are real people, whose businesses involve insignificant economic and financial activities. These companies operate for a short time, and then become “missing trader”.

- **“intermediary company”** – this is a company managed by the organizers of the scheme, which participates in the product circuit only for purpose of obtaining “cash” profit, having, at the same time, a secondary purpose of hiding the transaction.

- **„cashing company”** – the role of this company is to get “cash” money. As a rule, these are companies with significant turnover, where the directors and founders are real people whose businesses undertake significant economic and financial activities, based on retail sale of goods and services directly to the end user (network of stores, warehouses, etc.). These companies, considering the specifics of their operations, often sell goods and services without accounting documents, obtaining unaccounted (black) cash. Subsequently, fraudulent accounting documents are developed to certify that the goods (illicitly sold against cash) have been delivered to intermediary companies or to delinquent companies. These companies pay the delivery costs via bank transfer, which is subsequently returned using ‘black’ cash obtained from illicit sales. Participating in this process, the cashing company legalizes the illicit sales in the values required and, as such, hides taxes to be paid by camouflaging the trade margin and, in addition, gains a 1.5% commission.

- **“beneficiary company”** – these are main applicants of the schemes. Generally, the activity of fraudulent schemes is targeted at satisfying the specific needs of these very companies. Usually, beneficiary companies are companies with large turnover, where the directors and founders are real people whose businesses operate significant economic and financial activities. The beneficiaries bear all the costs related to the organization and functioning of these schemes, but they also get the biggest dividends from them, using the “black” cash to purchase goods and services, which are subsequently legalized at the value required and, as such, conceal from paying compulsory taxes and customs fees in result of non-declaration or unauthentic declaration on imports, non-authentic increase of expenses, increase of VAT to be accounted for, as well as use of informal workers unofficially employed.

The main objectives of the fraudulent typologies mentioned above:

- 1) The legalization of the value of the illicit trading (cashing companies),
- 2) The legalization of the requested value of goods and services bought or illegally produced, usually illegally imported or smuggled, as well as beneficiary companies.

The consequences of the functioning of the illegal schemes and negative impact on the society:

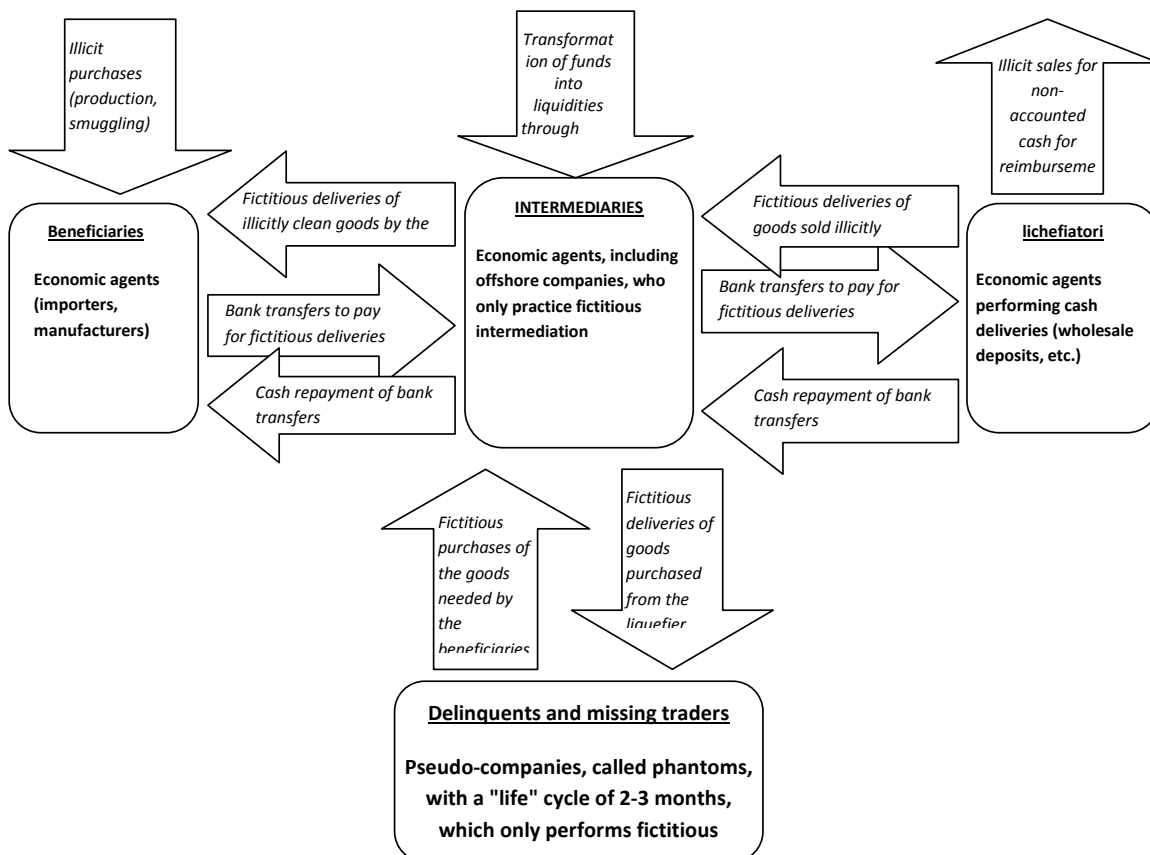
- 1) The impossibility of guarantying the quality of goods, services,
- 2) Tax and customs fees evasion:
 - a. Fraudulent declaration of the value of the imported good
 - b. Commercial income disguising ,
 - c. The fraudulent increase of expenses,
 - d. The fraudulent increase of VAT tax using the illegal implied staff.

The disguising of the goods are ensured by the homogeneity of the goods of activity of the beneficiaries and cashing companies. It can be detected just by applying the procedure of inventory and counterbalance.

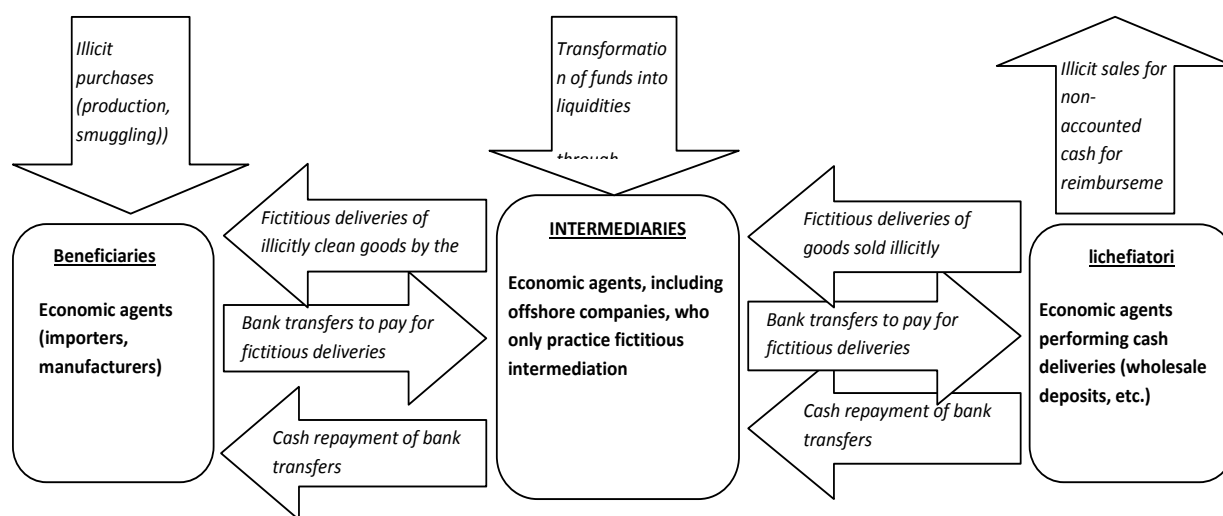
Following the evaluation of data collected at national level, tax evasion represents the fourth offense at national level generating illicit revenues, and, in numeric terms, exceeds cases of money laundering where tax evasion represents the predicate offense (70 of criminal investigations where tax evasion is the crime generating illegal revenues).

In the scheme no.2, the intermediaries have the roles of shell companies from the scheme no.1, buying from the cashing company one type of goods and selling to the beneficiaries another type of being indicated just the common value of the bought and delivered goods.

Scheme 1 (classical combined): transformation of funds into liquidities



Scheme 2 (special nowadays frequently used):



Tax evasion is the most frequent offense generating illicit proceeds investigated by the national authorities. Thus, at overall national level, around 1186 cases have been initiated on acts of tax evasion, within which 44 criminal cases were initiated, USD 255839 were seized, and 1278360 USD were recovered to the state budget through either voluntarily act or in result of confiscation of financial means. The low number of confiscation, seizure and recovery from tax criminal cases is caused by the main typologies described where the offender is in the end a shell company operating in the manner early described.

In 64 cases initiated on the fact of money laundering, tax evasion is the predicate crime generating illicit revenues; 4 individuals were sentenced in 4 cases initiated; confiscated financial means totaled 30000 USD.

Poor implementation of measures to apply seizure and recovery of financial means originating from tax evasion points to the need to prioritize the actions and resources needed to train the officers of law enforcement authorities, to develop the typologies in the field, to enhance the control over income declaration by individuals, and to develop databases of financial data related to individuals.

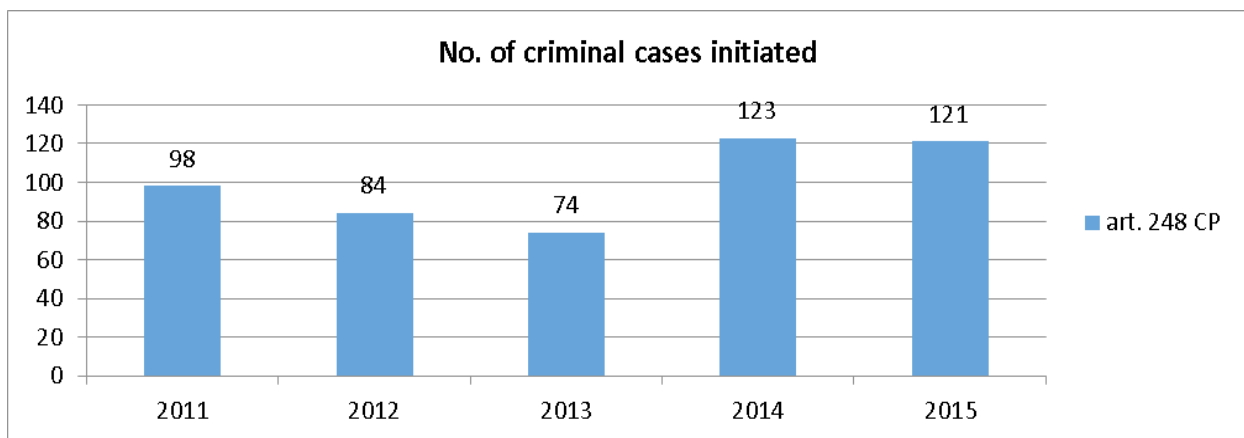
3.5. Smuggling

The value of smuggling in the Republic of Moldova has been estimated at 270 million USD, accounting for almost half of the national trade value, which totaled 520 million USD in 2011 according to a study assessing the black market in the world (www.wcoomd.org/en/topics/key-issues). The Republic of Moldova ranks 65 out of the 91 states in terms of the black market. According to the World Customs Organization Report of 2012, Tunisia, the Russian Federation and Moldova are in the top three countries in terms of origin of smuggling in 2012.

Country	2010	2011	2012	2013	Cumulative	Average
All Developing Countries	906,631	1,007,744	1,035,904	1,090,130	7,847,921	784,792
Moldova	784	1,268	1,131	1,007	9,079	908

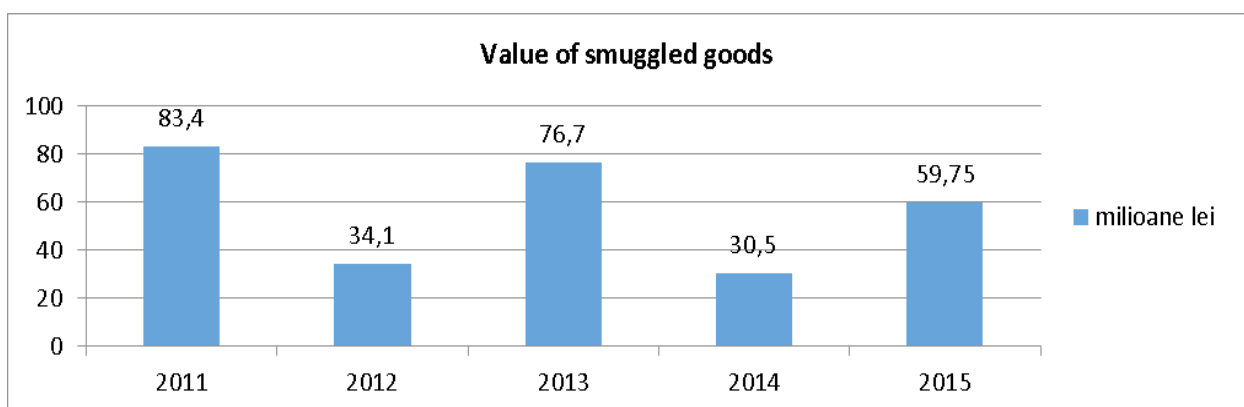
Smuggling – according to article 248 of the Criminal Code, represents crossing the customs border of the Republic of Moldova of goods, objects, narcotics, psychotropic, strong effects, toxic, poisonous, radioactive and explosive substances, weapons, explosive devices, ammunition and other values in large quantities, by eluding customs control or concealing from custom control, by hiding goods in places specifically prepared or adapted for this purpose, by providing fraudulent use of documents or means of customs identification, or by failure to declare or providing non-authentic declaration of goods in customs documents or other documents of border crossing.

Thus, according to statistics for 2011-2015, the evolution of cases initiated by the Customs Service (article 248 of the Criminal Code) is represented as follows:



From 2011 to 2013 a decrease by 25% could be noted in the number of criminal cases (by 24 criminal cases). From 2013 to 2015, due to the actions undertaken by the Customs Service to counter smuggling, the number of criminal cases rose by 66% (by 49 criminal cases).

The value of smuggled goods according to criminal cases in 2011-2015 was as follows:



According to statistics, the value of smuggled goods range from 83.4 million MDL in 2011 to 59.75 million MDL in 2015. To note, in 2013 there was a significant increase of the goods' value as compared to 2012 and 2014, regardless the lower number of criminal cases. Thus, in 2013, as compared to 2012 and 2014, the number of criminal cases was smaller, but the value of arrested goods was larger. In 2015 there was an increase in the value of smuggled goods, which amounted to 59.75 million MDL, compared to 2014, with the same number of criminal cases (2015 -123 cases, 2014 -121 cases).

The “smuggling” phenomenon in the Republic of Moldova generates from both external and internal risks, namely:

- ***Illicit drug trafficking*** State vulnerability to illicit drug trafficking depends on the effectiveness of measures conducted to reduce drug demand and supply in the market of the Republic of Moldova and the use of the country territory as transit country from east to west and vice versa. Reducing drug supply – this depends on measures undertaken by law enforcement agencies to combat illicit drug trafficking and marketing of banned substances in the Republic of Moldova. Thus, in 2015, as compared to 2013-2014, both the number of criminal cases and the quantity of drugs denoted considerable increase, accounting for 191.73 kg (15 criminal cases).

- ***Smuggling of cigarettes and tobacco products.*** The main risk factor that fuels this phenomenon in the region is the difference in prices for tobacco products, which generates, with no significant effort, impressive profits for criminal groups. These elementary trade circumstances encourage traffickers to operate continuously. However, the Transnistrian region is a source of counterfeit or smuggled tobacco products, which significantly affects the revenues to the state budget and undermines the national economy. Thus, in 2015, as compared to the period from 2013 to 2014, the number of cigarette smuggling reduced from 3,094 million cigarettes (in 2013) to 94 720 (in 2015). To note, the phenomenon of illegal transportation of cigarettes is supported by the so-called “shuttles” that transport cigarettes in small quantities by own cars. Analyzing the cases and methods of transporting the cigarettes by car, it appears, however, that the main method is to hide cigarettes in vehicle tires, struts, doors, use of double walls, luggage, speakers, fuel tank, etc. In case of heavy transport vehicles, there have been identified specially designated bays in parts of furniture, walls, luggage, glove box, floor, or conceal in the cargo transported. Thus, according to statistical data (criminal cases, customs offenses), a decrease has been observed in the illicit transportation of cigarettes from 6.69 million cigarette retained in 2013 to 1.74 million in 2015.

- ***Illicit trafficking in drugs and medicinal products.*** Following the analysis of statistical data recorded in the chapter on illicit trafficking in medicinal products, it has been traced out that this type of activity implies two-way crossing of the state border. Upon entering into the territory of the Republic of Moldova, identified infringements relate to illicit introduction into the country of essential medicinal products, which is determined by the price difference among the main countries of production and the price set in Moldova. The lack of tight control over price formation encourages individuals and businesses to violate the laws in the relevant field. Upon leaving the country, frauds imply medicinal products from the group of anabolic steroids, and the trigger of this type of activity is generated by the lack of internal control over the production of these types of products. According to statistics, in 2014, relevant border authorities have documented 30 cases of detention of medicines and medicinal products (18 cases in 2013). The analysis of the situation at border customs posts in terms of illegal movement of medicinal products denotes a 66%-increase of the relevant indicator. However, even if the illicit traffic in medicinal products cannot be considered as separate phenomenon, the massive demand in the market for essential medicines for life, for best-known products from Germany, Italy, etc., whose value in pharmacies account for 200% of products’ real value, maintains the high degree of the risk of illicit trafficking.

- ***Illicit trafficking in foreign currency*** or non-declaring of foreign currency valuing over 10.000 euros is a phenomenon characteristic at both entry and exit into/from the Republic of

Moldova. Thus, in 2015, 3 cases of illicit foreign currency trafficking were detected (approximately 341,795 USD), which is 2 cases more than in 2013 (1 case, 113,952 USD) and 2014 (1 case, 60 060 USD).

- ***The territory beyond the control by the constitutional authorities of the Republic of Moldova (Transnistria region)***. This phenomenon highlights the risk of introducing into the country by evading customs posts of internal control of both weapons and consumer goods, which endangers public/economic security of the country. The analysis of statistical data on external trade of the Transnistrian region denotes a series of types of goods (foodstuffs, consumer goods, fruits, vegetables, tobacco, tobacco products, etc.) that are introduced into the relevant territory in rather large quantities, thus indicating to the significant excess of the volume of mentioned products over the domestic consumption capacity, which would imply that some of these goods are taken out from the Transnistrian region and introduced back into Moldova via smuggling.

- ***Non-authentic declaring or non-declaring of goods*** by businesses/individuals of bad faith by evading customs control, hiding of goods in special designated places or places adapted for such purpose, or fraudulent using of documents or means of customs identification.

- ***Reduction of the customs value of goods*** by using off-shore zones, free trade zones in other states, or by substituting the accompanying documents of goods shipped from China, Turkey, UAE, India, etc.; This subject is provided with significant focus, as import duties paid to the state budget directly dependent on the customs value of goods. However, it is to mention that the lack of mutual agreements on exchange of customs information with customs authorities from countries mentioned above practically impedes verification of the authenticity of customs documents via international administrative assistance.

Vulnerabilities that keep the smuggling phenomenon:

Political factor: political instability, existence of the territory beyond the control of the constitutional authorities of the Republic of Moldova.

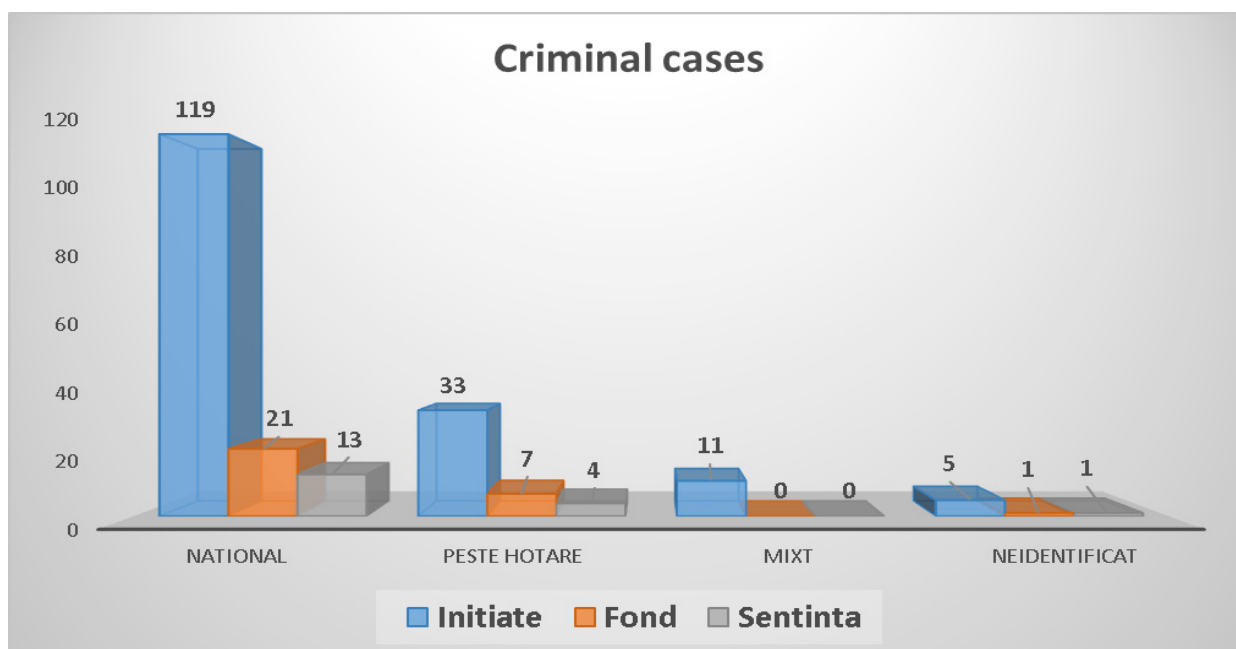
Economic factor: the critical financial-economic condition, low salaries, high inflation rate, fiscal policy framework of the Republic of Moldova, which significantly differs from the ones in the countries of the region, such as excise duties on tobacco products, etc., trigger the market demand of the neighboring countries for smuggled goods for purpose of obtaining considerable profits with no large financial risks. The prices of consumer goods from the neighboring states (including other countries), which are more advantageous as compared to domestic prices, determine Moldovan citizens to procure and introduce such products into the Republic of Moldova with minimum expenditures (smuggling).

Social factor: it is interdependent with the economic factor, in relation with lacking perspective and comfort of people in the society, high unemployment, burden of expenditures imposed on the value of required family maintenance costs.

Environmental factor: has full application and impedes the current difficult attempts to counteract and document cross-border crimes, and implies the existence of the separatist region of Transnistria, where the legal authorities of law and control of the Republic of Moldova

cannot exercise their professional duties. Another weakness implies the border segment where there are strips of forests and dense vegetation, which are used in full by smugglers. To that, geopolitical context is added: conflicts in Ukraine, depreciation of the Ukrainian hryvna and of MDL, inflation in Moldova, which is reflected in prices of goods from neighboring countries and support escalating smuggling.

Legislative Factor: The legislative factors set as vulnerabilities imply the legal rules that delimitate the competences to combat and to investigate smuggling, inconsistencies in the legislation and the activity of law enforcement in the relevant area. The period of time used for submitting criminal cases to competent authorities for purpose of investigation allow the offenders to develop defense strategies and to avoid responsibility. Partial ineffectiveness of the punitive policy of the state implemented by the judiciary seems to be totally ineffective to stop and deter the acts of crime.



The data included is referring to 2013-2015

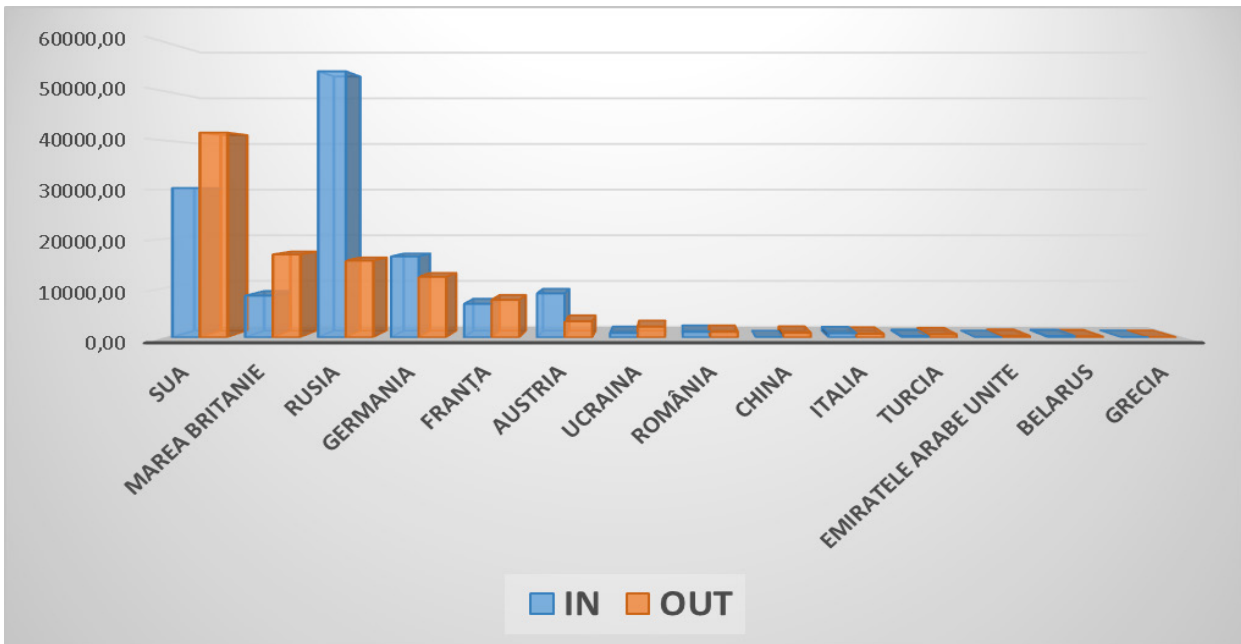
For example, following recent amendments to the law, the criminals have quickly adjusted and adapted the quantities of goods transported, so as the value thereof when committing the crime does not exceed the amount of 50 000 lei (article 126 of the Criminal Code of the Republic of Moldova). This very issue resulted in recidivism among offenders, as it is the default practice that requires application in most cases of non-custodial punishments.

Thus, smuggling represents the offense generating illicit funds at both national and international level and constitutes an element of the money laundering phenomenon. In this regard, the Customs Service makes all efforts to counter smuggling by use of data exchange with neighboring countries on goods crossing the border, use of nondestructive control technical means of (Rapiscan X-Ray), use of mobile teams, assistance from international bodies / missions (EUBAM, OLAF, OMV, etc.) and, not least, use of risk analysis to identify areas sensitive to fraud of customs legislation, including smuggling.

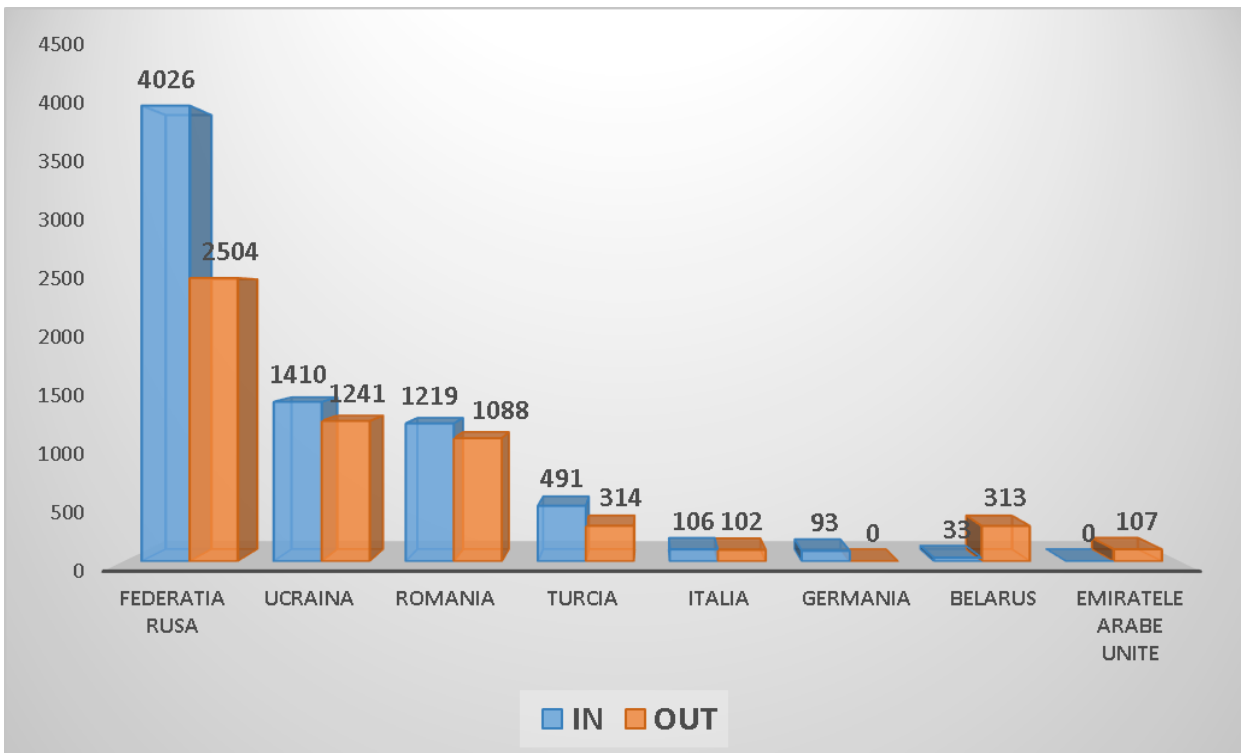
The analysis conducted traced out a relatively small number of actions of combating smuggling and weak application of measures of seizure and recovery of proceeds derived from smuggling.

Additional resources are needed to improve prevention and combating of smuggling and legalization of criminal proceeds derived from smuggling for purpose of unification of the databases on financial means declared upon exiting the territory of the Republic of Moldova, including adjustment to the procedure of declaring the origin of financial means, prioritizations of actions and resources to train officers of competent law enforcement bodies, development of typologies in the field.

An imperative factor in determining the national threats of money laundering implies determining the origin or rather the jurisdictions of crime products.



The data included is referring to 2013-2015



Given that the domestic financial market is less developed, integration into the global financial system is limited, and the economic climate is closed, the internal threat is 3-time higher than the external threat, and the recovered amount of the national illicit revenue is twice larger than the external one; there is an upward trend of the origin of illicit means derived from crimes committed abroad, and a downward trend of the national ones.

The banking fraud and “Landromat” cases distort the statistics maintained over the reported period, but clearly indicate to the attractiveness and vulnerability of the sector.

Media information on bank fraud, JS “Banca de Economii”, transit of funds from the Russian Federation (Landromat), bank card fraud, bad loans, taking over of significant large values by bank employees

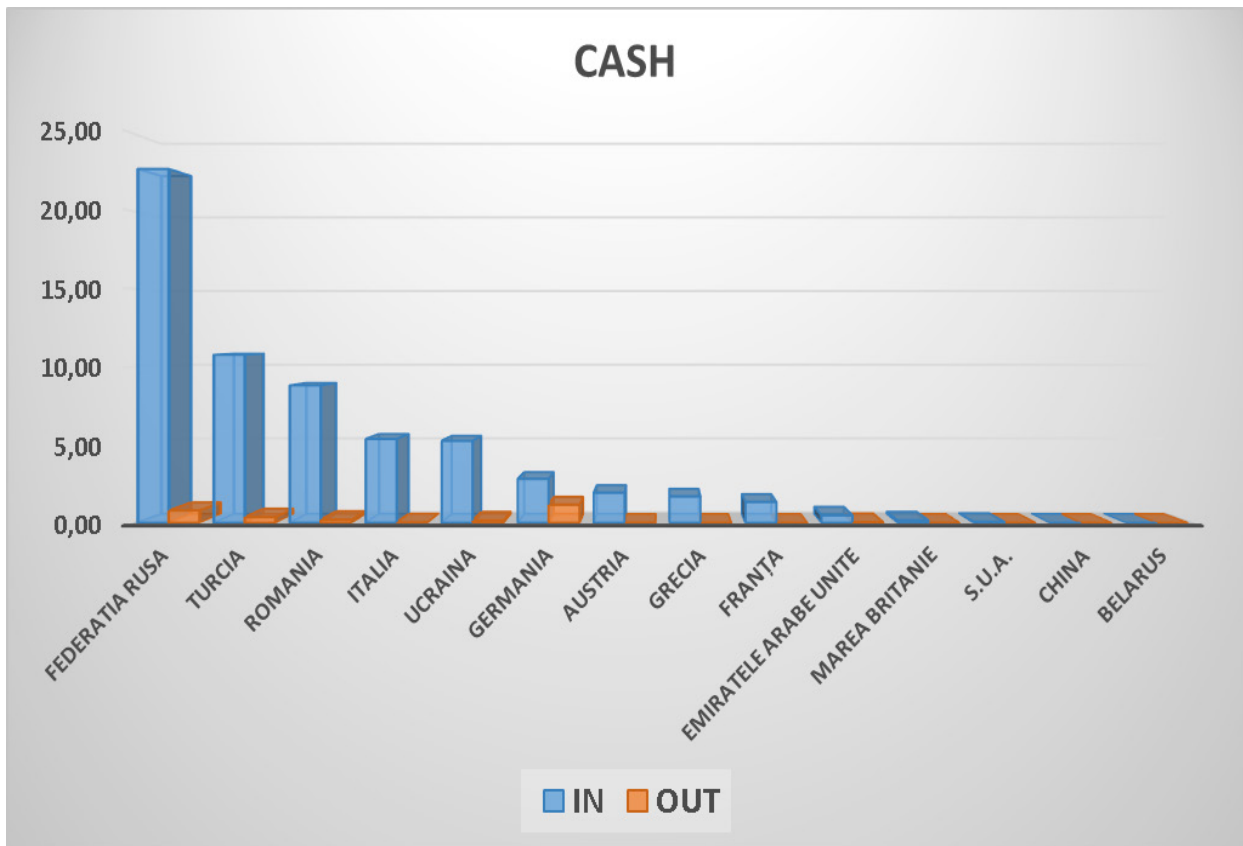
According to the World Bank Report published in September 2010, the underground economy in the period of 1999-2006 accounted for around 45.08%; a recent study by the National Bureau of Statistics estimated that the illegal economy in Moldova reached its highest level in 2011 – about 25.5% of GDP against the lowest level 21.3% in 2007.

The analysis of cross-border threats accounts for another important pillar in assessing money laundering in the Republic of Moldova, allowing for obtaining a real picture of jurisdictions to receive illicit proceeds generated at national level and of the flow of illicit financial means from abroad legalized in the Republic Moldova. According to the relevant methodology, these data have been generated from the analysis of cases of money laundering indicating the origin and destination of illicit funds, international legal assistance requests issued and received, and financial in and out data. Thus, according to assessment outputs, Romania, Ukraine, Russian Federation, Turkey, Austria, Germany, France, Greece, Italy, UAE, US, China, Britain and Belarus are the jurisdictions imposing cross-border threat of money laundering.

To note, according to accumulated data, the flow of financial means in the Republic of in Moldova is shown in the table below; as established, the Russian Federation is *de facto* the country with the highest value of origin, followed by Ukraine and Romania, and the outgoing flow of funds is targeted towards the United States of America, United Kingdom and the Russian Federation, which is explained by the high share of cash flows through commercial banks, export/import of goods and services; transfers the purpose of replenishment of accounts with correspondent banks, placement of overnight deposits and overdrafts, lending, sale/purchase of currency.

To mention, according to the analysis of cash statements upon entry, the Russian Federation is also the country of origin with the highest share, followed by Turkey, Romania and Italy.

To note, during verification of suspicious transactions and cash statements originating from Turkey, difficulties were encountered in cooperation with the competent authorities of Turkey, which created impediments to confirm the source of funds involved in initiated investigations.



Establishing the national threats relating to money laundering and understanding these threats in terms of predicate crimes which generated illegal revenues of origin and industry will contribute to implementation of required policy measures.

To note, the largest number of suspicious transactions, as reported by the reporting entities, involved the Russian Federation, then Turkey, the US and the UAE.

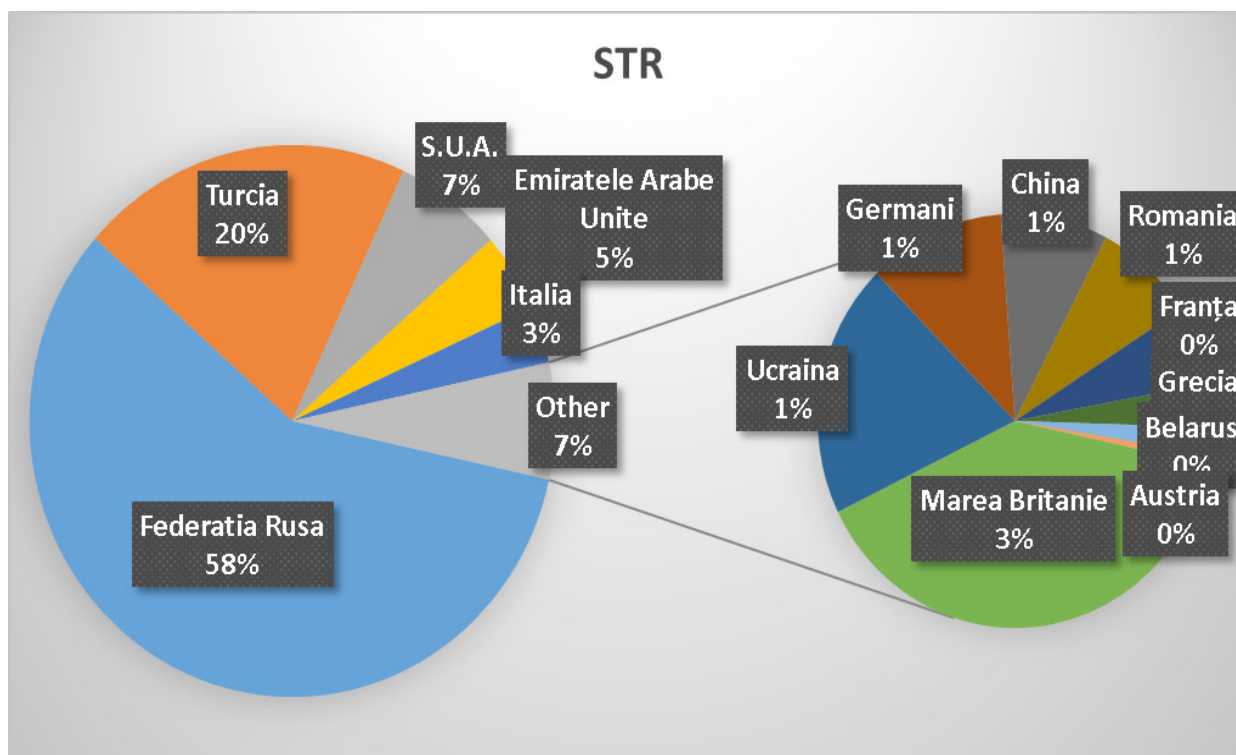
In terms of implicated sector, the strategic analysis of the 18 final irrevocable sentence denoted prevalence of the banking sector (83%), followed by express transfers (11%) and securities (6%).

In 72.2% of cases, financial services involve SWIFT transaction, 16.6% - cash issuance, and 11.1% - express transfers.

Within 33.3% of cases, the predicate crime that generated illegal income is tax evasion, article 244 of the Criminal Code, in 27.77% - fraud, article 190 of the Criminal Code, and in 5.5% - circulation of narcotics, article 217 of the Criminal Code, and 5.5% - 196 prejudice by deception and misuse of powers.

Countries of origin constitute: 61.11% - Republic of Moldova, 16.6% - USA, 11.1% - Uganda, and 5.5% - Germany, and countries of destination of illicit means in 72.22% of cases – Republic of Moldova, 11.11% - Ukraine, 5.55 – Cyprus, 5.5%, 5.5% - Panama, and 5.5% - Latvia.

The determinant factor to initiate investigation resulted in irrevocable sentence was as follows: in 55.5% - report of suspicious transaction sent by a reporting entity, in 38.8% - referrals to other bodies, and in 5.5% of cases – financial investigation. Available data confirms high vulnerability to the lack of financial investigation of detected crimes, inefficient bilateral cooperation between national authorities.



Following investigation, in 72.22% of cases, sentences of imprisonment have been established towards individuals, in 22.2% - conviction of legal persons and enforcement of fines, and in 5.5% - termination of criminal investigation.

The money laundering techniques and methods used in cases with irrevocable sentences represent the typologies where predominant crimes are as follows: placement and issuance of cash; use of offshore companies; counterfeiting of bank cards and withdrawal of money means from foreign bank cards; reception of express money transfers using fake documents for cash withdrawal; incorporation of "Zeus" and "Trijan" virus programs to monitor the user's name, bank account numbers, passwords and authenticated data entered by victims to access web pages of banks. The data were sent to a server in the US and further to group members. The amounts used to be transferred to the accounts of newly created companies, whose directors were recruited via Internet as a simple website to offer jobs. Those individuals were receiving the names of individuals from Moldova and were transferring dispersed amounts, which subsequently were withdrawn in cash.

The Service has documented a complex scheme to use the credit means of JS ZZZZ Bank in an amount of 52,182,266 MDL granted to two local companies.

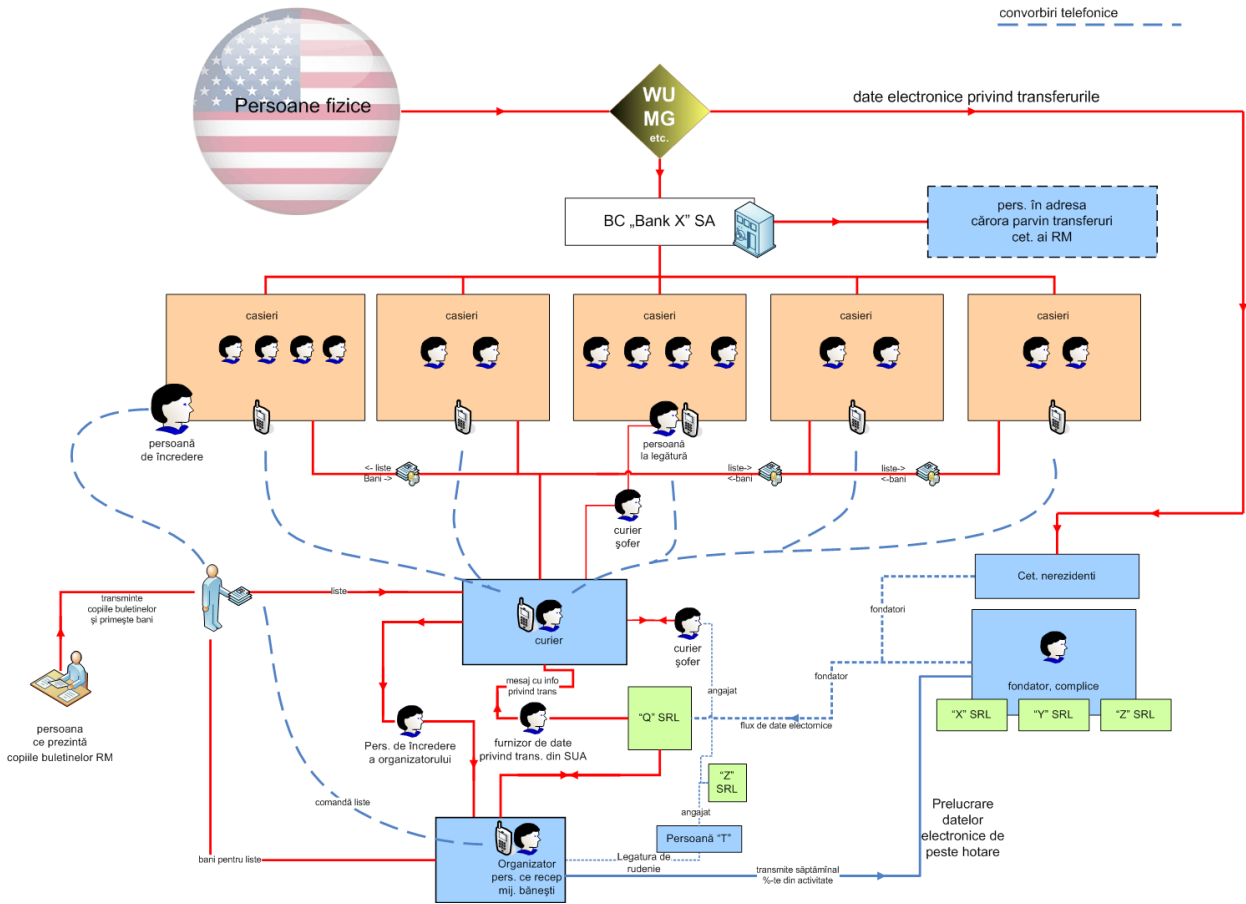
Subsequently, the domestic "ZZZ" bank provided a credit in an amount of **3466845 USD** to a delinquent society and, further on, based on fictitious transactions to pay for construction materials, credit means were transferred via offshore companies to domestic companies that benefited from the original loan to repay loans received, thus causing extremely large prejudice to the bank.

The criminal case initiated on this act has been sent to court; as for now, the beneficiary of the scheme has been sentenced to 5-year imprisonment with execution; the amount of confiscated goods totals **3466845 USD**.

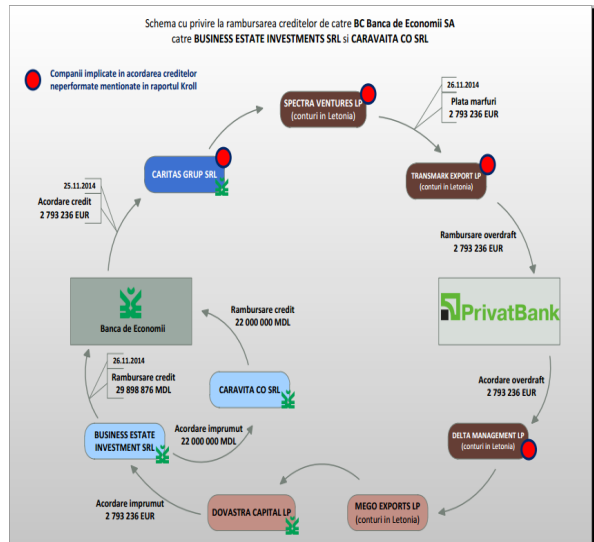
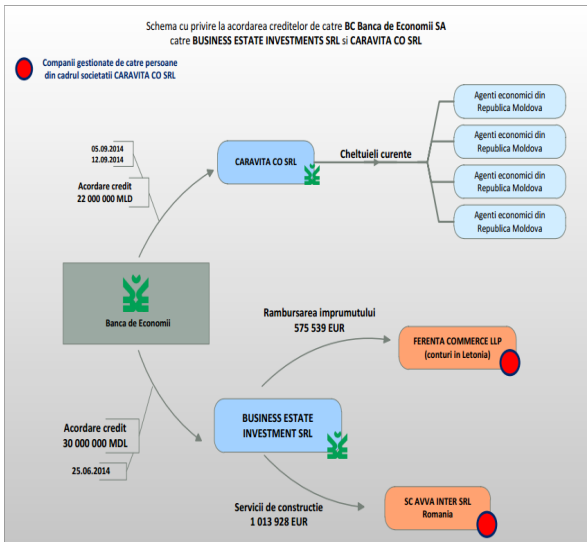
In order to document actions conducted via this scheme, information exchange has been conducted with foreign FIUs, the Egmont secure network has been used to carry out multiple exchange of information on further destination of money means derived from loans provided

JS ZZZZS.A. In result, the officers have established the entire financial route, and have identified the beneficiary persons of offshore companies and the IP addresses used to manage bank accounts.

Trocin Typology:



Nashu Typology:



There are 11 money laundering cases sent to court and under hearing, in which banking sector prevails as involved sector (63.63%), cash (27.27%) and real estate sector (9.0%) involving 7830435 USD.

In 54.54% of cases, involved financial services imply bank transfers, and in 45.45% - cash issuance.

In 36.36% of cases, the predicate crime that generated illicit revenue is fraud, article 190 of CC and 18.18% - embezzlement of foreign property, article 191 of CC, putting into circulation of narcotics, article 217 of CC, human trafficking article 165 of CC, tax evasion article 244 of CC, pimping article 220 of CC and money laundering without indication of predicate crime with 9.0%.

Countries of origin: 72.72% - Republic of Moldova, UK, Ukraine and the United Arab Emirates with 9% each, and countries of destination of illicit means in 81.81% of cases is the Republic of Moldova, including one case in the Transnistrian region and Latvia in 9.0%.

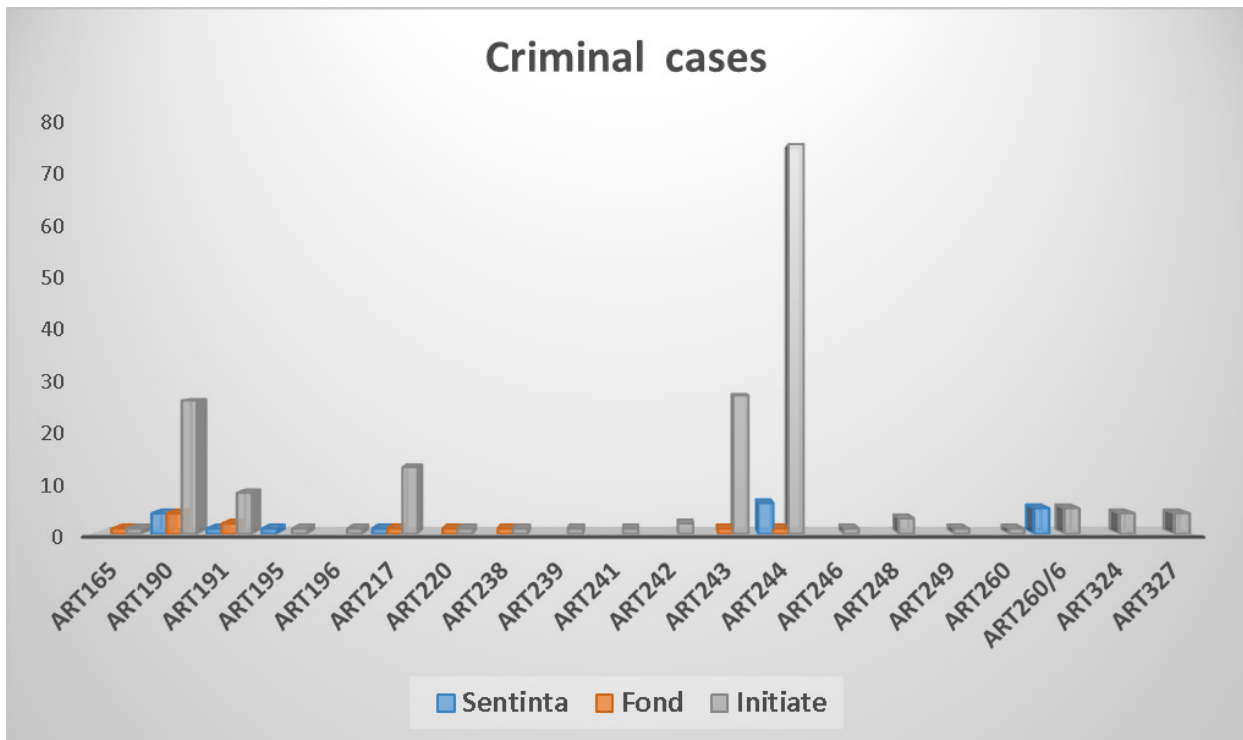
The determinant factor to initiate investigation resulted in sentence in the court of first instance in 27.27% is the report of suspicious transaction report submitted by the reporting entity, in 63.63% - referrals by other bodies, and in 9.0% - request of the peer service in UK.

In 81.81% of cases the court decided imprisonment of individuals, in 18.18% - conviction of legal entities and imposing of fines.

Money laundering techniques and tools used in cases resulted in sentencing by the court of first instance include: forging of documents on ownership over two real estate through a RLE and NRLE for purpose of assets' subsequent alienation and appropriation of illegally obtained money means. The individual, who was an employee of a commercial bank in 2007, has illegally embezzled the property of the bank by withdrawing cash from treasury, with subsequent legalization of funds by acquisition of real estate and commercial areas; legalization of money means derived from pimping and human trafficking, concealing and disguising the origin of illicit proceeds from sale of counterfeit alcohol production; committing the money laundering crime by the citizen of AQ suspected for selling drugs in the United Kingdom, which, in terms of disguising the origin of funds, legalized money means amounting to over 750 thousand EUR via the Moldovan company IM"FSRL, director Moldovan national, invested to carry out construction of AQUAPARK.

In the total of 139 cases of money laundering under execution, the banking sector is the main sector involved (79.13%), followed by express transfers (4.31%), cash (4.31%) and insurance, financial leasing, and real estate (0.71%).

In 54.67% of cases, the predicate crime that generated illegal income is tax evasion, article 244 of CC, with 19.42% of cases of money laundering with no identified predicate crime, 18.70% - fraud, article 190 of CC, 4.31% - information fraud followed by active corruption and passive corruption, article 324-325 of CC, abuse of office, article 327 of CC, embezzlement of foreign property, article 191 of CC, 2.87% - drug trafficking, 2.15% - smuggling, human trafficking, article 165 of CC, causing damage through deception, article 196 of CC, handling of events, article 242 of CC - 1.43%, and 0.71% - other offenses generating illicit proceeds as follows: abuse of office in the private sector, article 335 of CC, acquisition of loans by deception, article 238, practice of illegal entrepreneurial activity, article 241 of CC, pimping, article 220 of CC, violation of credit rules, article 239.



Countries of origin: 57.55% - Republic of Moldova, 16.6% - the US, 11.1% - Uganda, and 5% - Germany; and countries of destination of illicit means: 72.22% - Republic of Moldova, 11.11% - Ukraine, 5.5% - Cyprus, 5.5% - Panama, and 5.5% - Latvia.

Determinant factor for investigation: 66.9% - report of suspicious transactions sent by the reporting entity, 30.96% - referral by other bodies, 0.71% - statements by detainees, and 1.43% - disjunction of criminal cases investigated.

The analysis of initiated ML investigations shows that 101 cases or 54.54% of total cases are under examination which involves nearly 22 168 609 150 USD (1 case under investigation involve 20 billion USD), 23 cases or 16.5% were closed, and 6 cases of 4.31% were suspended, 6 cases were merged, and 3 cases or 2.15% were reclassified and sent to court as predicate crime.

4. NATIONAL TREATS OF TERRORISM FINANCING

4.1. General information on risks and terrorist threats

The analysis of the security condition and the assessment of extremist-terrorist risks and threats in the Republic of Moldova show a negative trend of the security condition in the anti-terrorist area. Such outcome has been determined by both the security condition at regional / global level and the domestic disturbances, favored, to various extents, by external impacts.

According to the data of the Institute for Economics and Peace, the terrorism index decreased in 2014 to 0.04 from 0.35 in 2013, accounting for an average of 0.78 for the period of 2002-2014. Respective terrorism Index measures the direct and indirect impact of terrorism, including its effects on lives lost, injuries, property damage and the psychological aftereffects. It is a composite score that ranks countries according to impact of terrorism from 0 (no impact) to 10 (highest impact).



Geostrategic positioning and socio-economic and political situation in the Republic of Moldova have also served as favorable conditions for the resurgence of risks and threats related to terrorist activity.

- *Transit zone*

The Republic of Moldova may become a transit zone, intersected by passenger flows from / to European countries or risk areas. People involved in terrorist activities, in particular in the recent phenomenon of Foreign Terrorist Fighters may use the territory of RM as transshipment point onto the route of travel (from conflict area in Syria (via Turkey) to the Russian Federation and EU) to countries other than countries of nationality/residence, for purpose of terrorism.

- *„Foreign Terrorist Fighters” Phenomenon*

Although Moldova is not a state exporting foreign terrorist fighters, there are acts detected with regard to Moldovan citizens who have been radicalized and involved in actions of international terrorist organizations. Over the first semester of 2016, the Antiterrorist Center of SIS of RM, in common with bodies of the Prosecutor’s Office, documented and countered 13 cases of crimes committed by the mentioned category of people. Most of detected foreigners were expelled from the Republic of Moldova. However, there were cases at regional level related to involvement of Moldovan citizens in mercenary activities within the antiterrorist operations in Ukraine.

However, to note, many young people from Moldova have participated in the Ukraine conflict. One of them, aged 21 years, served as battalion commander in the rebel campaign “Сомали” in Donetsk region, under the pseudonym “Академик” and held the rank of major lieutenant. Recently, that person returned from eastern Ukraine, where he took part in the military conflict.

He held a service record card of the so-called paramilitary structures of the Donetsk People’s Republic, a military uniform with distinctive signs of mentioned detachment, topographic maps of the fighting regions, military acts, and flag of “Сомали” detachment.

The individual recalled his intentions to move to Transnistrian and subsequently to Odessa. He expected recruiting citizens from the Transnistrian region to accompany him in the Odessa area for the purpose of taking action to destabilize the situation. The military said he had indications to recruit citizens of Moldova in Transnistria, to exhort to fight for the separatist republic in eastern Ukraine against for a remuneration of 500-600 USD monthly.

In this case it has been decided to transfer to the Ukrainian party the person suspected of committing terrorist acts. Following SIS request to MIA BMA, the detainer has been listed as “undesirable person” for a 5-year term and escorted to the Security Service of Ukraine.

- *Flow of foreign citizens from the risk zones*

Over the past years, there was a massive exodus of people (immigrants/refugees) from risk areas, who were heading to Europe. National security risks posed by this phenomenon imply entering and establishment in the European countries, under cover as refugees, of individuals involved in terrorist activities. Within this context, in 2014-2015, the Republic of Moldova has also recorded a growth rate of foreign citizens from risk areas, who are asylum seekers or people intending permanent establishment in the territory of our state. Thus, the largest number of foreigners who came to the attention of national authorities and have been verified by information channels, originate from countries like Afghanistan, Pakistan, Lebanon, Libya, Iraq, Syria, Yemen.

Given the currently existing trends and the status of the Republic of Moldova as a transit country, a forecast could be made of an eventual increase in the inflow of immigrants and asylum seekers in Moldova, in the current year and the immediately following period.

To note, in early 2015, the specialized authorities of the Republic of Moldova investigated the activity of a group of people suspected of links with the terrorist group Islamic State.

Conducted searches have resulted in detection of four people and three children. These people intended to arrive in Syria, to join the Islamic State to participate in the conflict.

The first pair is a man from Dagestan and Chechen minor. As stated, the man’s brother died in Syria, on the part of the Islamic State. The man was accompanied by a 16-year old Chechen minor. That person came to Moldova from Norway on April 24, 2015, being expelled from the Russian Federation.

In the second pair, the woman came from France, having a residence permit in this country, and the man had Chechen origin, but held a fake passport of the Republic of Tajikistan. The man said he had previously participated in the conflict in Syria.

In 2014 there was another major case revealed by the Moldovan authorities involving radioactive substances used to produce weapons of mass destruction.

Seven members of a group smuggling nuclear substances were detained after a series of searches carried out in the territory of Moldova, and four people were announced in search.

Special measures carried out by Moldovan officers in cooperation with agents of the US Federal Bureau of Investigation resulted in the confiscation of 200 grams of uranium and one kilogram of mercury. The substances were brought by train from the Russian Federation at the beginning of the year and were moved to different places: Chisinau, Orhei and Edinet. The suspects intended to sell them for the price of 8000 EUR / 1gr. and demanded 1.6 million EUR for the entire quantity of uranium. Detainees admitted their guilt.

To collect evidence for smuggling documenting, the group was infiltrated an undercover cop. A 5-gram sample of radioactive material has been bought under judicial control against an advance of 15000 USD. Initially, the suspects asked for 30000 EUR. For purpose of research, the substance has been sent to the US Federal Bureau of Investigation, which confirmed that the substance is radioactive.

The material can be used to make dirty bombs, but the traffickers intended to rather collect financial benefits and not to manufacture bombs.

4.2. Legal framework

On September 27, 2001 the Moldovan Parliament adopted Decision no. 464 on combating terrorism, which sets, as recommendation, the need for consolidation of the overall efforts of state authorities for purpose of enhancing counter-terrorism capacities. On October 12, 2001, the Parliament adopted Law no. 539-XV on combating terrorism. This law establishes the legal and organizational framework in the area of combating terrorism, determines the procedure of coordinating measures of the national authorities performing counter-terrorism actions, action carried out by central and local public administration, the rights, responsibilities and interests of persons directly participating in anti-terrorist operation or injured following terrorist acts.

On October 27, 2005 amendments were adopted to the Law on preventing and combating money laundering and terrorism financing, providing partial implementation of provisions of UN Security Council resolutions no. 1373 (2001) and no. 1267 (2001); subsequently, amendments were made to the Criminal Code of the Republic of Moldova to establish criminal liability of legal persons for terrorism financing and other terrorist related crimes.

To implement the 12 universal tools to combat terrorism, including the Convention of the Council of Europe on Prevention of Terrorism, adopted in Warsaw on May 16, 2005 (ratified by Law no. 51-XVI of 07.03.2008), the International Convention on Suppression of Acts of Nuclear Terrorism, adopted in New York on April 13, 2005 (ratified by Law 20-XVI of 21.02.2008), the Convention for suppression of unlawful acts against safety of maritime navigation, adopted in Rome on March 10, 1988 (ratified by Law no. 192-XVI of 28.07.2005), the Protocol for suppression of unlawful acts against safety of fixed platforms located on the Continental shelf, adopted in Rome on March 10, 1988 (ratified by Law no. 193-XVI of 28.07.2005), the Parliament has operated significant modifications to the Criminal Code in August 2008.

The offense of terrorism financing is considered consumed regardless of whether the terrorist offense has been committed, the goods have been used to commit this crime, or the actions have been committed within or outside the Republic of Moldova.

Also, certain crime components have been amended and supplemented and new components have been introduced in the Moldovan Criminal Code:

- article 280 establishes “hostage-taking” as crime;
- article 284 para. (2) provides “creating or leading a criminal organization or an organized criminal group with the aim of committing one or more crimes of terrorist nature”;
- article 292 para. (1¹) established as crime “the manufacture, procurement, processing, storage, transportation, use or neutralization of radioactive materials if such action caused, by negligence, the death of a person, other serious consequences or created threat of causing death or serious injury to corporal or health integrity, essential damage to property or the environment”;
- article 295 establishes as crime “stealing radioactive material or devices or nuclear facilities, threatening to remove or requests transmission of such materials, devices or equipment”;
- Article 295¹ establishes as crime “possession, manufacture or use of radioactive material or devices or nuclear facilities to cause death or serious injury to corporal or health integrity, or essential damage to property or environment”;
- Article 295² establishes as “attacking nuclear installation”.

Procedural issues

In the Republic of Moldova, persons that are suspected, accused or convicted for terrorist crimes or for participating in such crime are not subject to special rules of procedure. The Criminal Procedure Code of the Republic of Moldova does not distinguish between the rules applicable in criminal cases including terrorist crime and other serious, specifically serious or exceptionally serious crimes. So far, no terrorist crimes have been registered in the Republic of Moldova.

Special normative acts

Pursuant to article 10 para (2) of the Law on Combating Terrorism, on 14.06.2002, the Moldovan Government approved the Regulation of Antiterrorist Task Force. The regulation establishes the composition, duties and jurisdiction of the task force, establishing also the special legal status of the unit and the territory where antiterrorist actions are carried out.

On 13.11.2006, pursuant to article 6 para (4) of the Law on combating terrorism, the Government created the Antiterrorist Centre of the Security and Intelligence Service of the Republic of Moldova – the body empowered with technical coordination of measures to prevent and combat terrorism by competent public authorities.

Special investigation measures

Special investigation measures aimed at preventing and combating serious, specifically serious and exceptionally serious crimes apply also within activities to prevent and combat terrorism and terrorism financing. The Moldovan legislation provides no special provisions for any specific operative measures of specific investigation to be applied upon preparation or performance of terrorist crimes.

Under the scope of ensuring fundamental human rights and freedoms, article 303 of the Criminal Procedure Code of the Republic of Moldova no. 122-XV of 14.03.2003 and article 6 para (2) pt. 1) of Law no. 59 of 29.03.2012 on operative investigation activity apply for preventing and combating criminality, ensuring state security, public order, protection of rights and legitimate interests of individuals, detection and investigation of crimes, including terrorist offenses.

Prevention and combating of terrorism financing

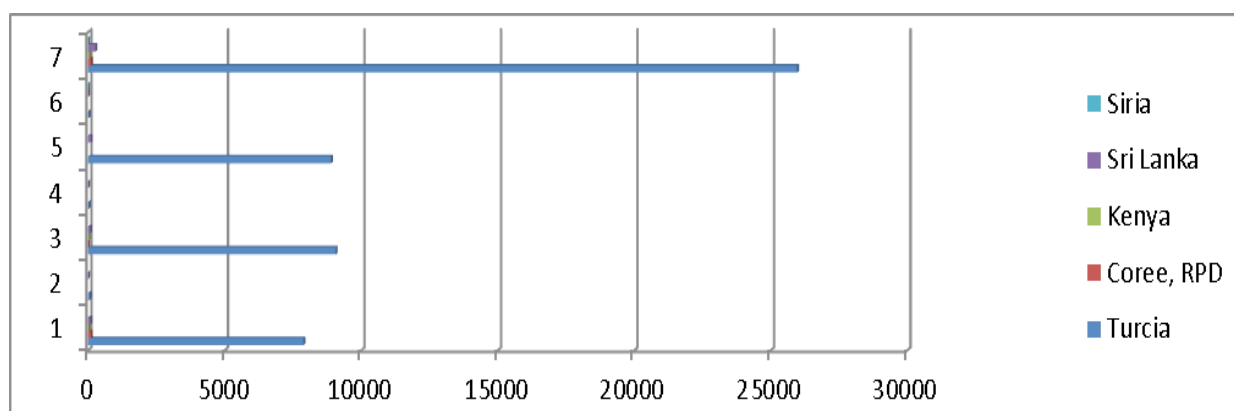
Prevention and combating of terrorism financing is regulated by law no. 190 of 26.07.2007 on preventing and combating of money laundering and terrorism financing and the Law on

Combating Terrorism. On 18.07.2002, the Parliament of Moldova ratified the International Convention for the Suppression of Terrorism Financing, New York 1999, and on 13.07.2007, the European Council Convention on Money Laundering, Detection, Seizure and Confiscation of Proceeds Originating from Crime and Terrorism Financing, adopted in Warsaw on May 16, 2005.

Law no. 190 of 26.07.2007 on preventing and combating money laundering and terrorism financing assigns to financial institutions and a number of natural or legal persons the status of reporting entity.

The mentioned law provides the “freezing regime” and thus, the reporting entities are entitled to apply 2-working days cease on transactions in goods, except for transactions of account replenishment, of persons and entities involved in terrorist actions, financing and provision of other support to terrorist actions; of businesses dependent or controlled directly or indirectly by such persons and entities; of natural and legal persons acting on behalf or at the direction of such persons and entities, including means derived or generated from property under ownership or control, directly or indirectly, of such persons and entities listed, as well as associated natural and legal persons, providing immediate notification of the relevant body, but not later than 24 hours from request receipt. If no decision of the relevant body is received within the mentioned 2-day period, the reporting entities execute the transaction.

The analysis of transactions through the financial-banking system of the Republic of Moldova in relation to states with high risk of money laundering and terrorism financing is shown in the table below:



Thus, there were all in all 26389 suspicious transactions according to the analysis presented above, of which Turkey accounts for 98.42% and Sri Lanka – for 0.41%. Transactions with Turkey are usually transactions related to conduct of economic activities between states, but *de facto* these transactions do not represent a real picture: selling of clothing and footwear imported from Turkey does not *de facto* reflect the real value of goods, because a large part of payments are made in cash. So, it comes out that payments of import custom duties, value added tax and income tax are made for real values. This situation fuels the shadow economy, thus weakening the state fiscal policy.

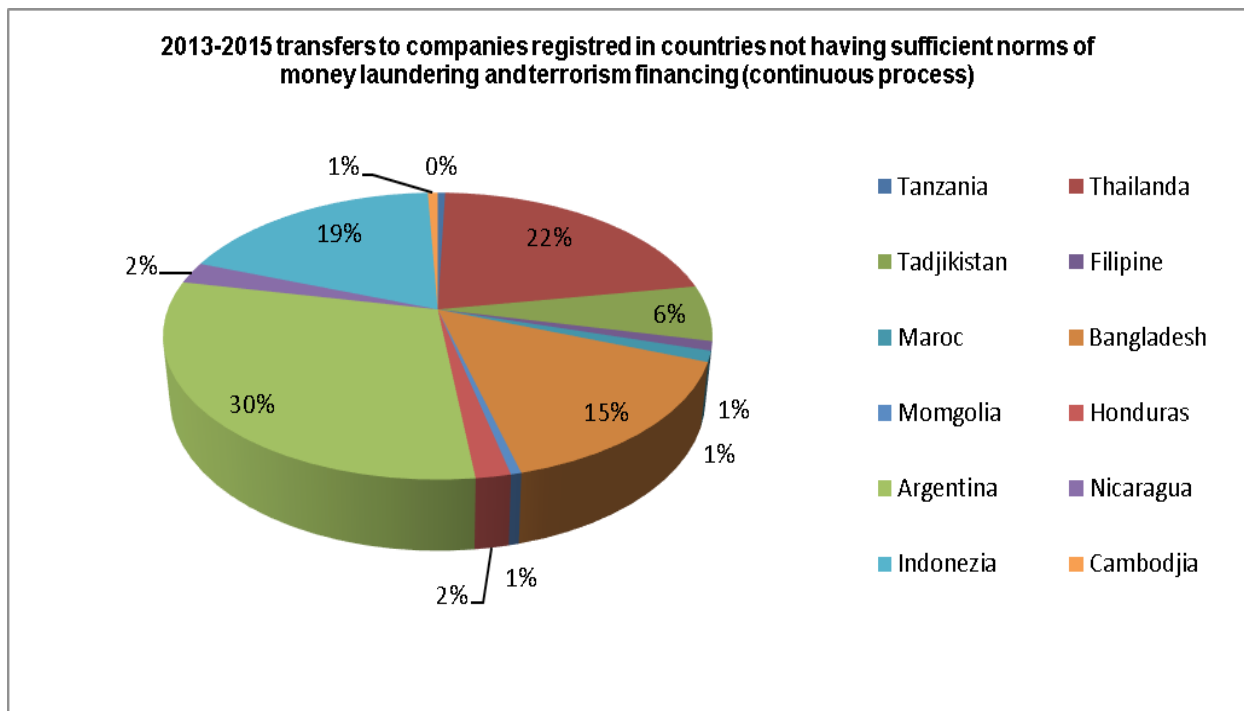
The transfers to Sri Lanka imply payments for imported tea. The transfers to Kenya imply payments for tobacco. There was only one transfer to Syria by an embassy accredited in the Republic of Moldova. 107 transfers were made to the Democratic People’s Republic of Korea for metal, dental equipment and air services.

A similar study has been conducted for countries that do not have enforced adequate rules on money laundering and terrorism financing (continuous process).

Transfers to Thailand imply payments for travel, frozen fish and paper.

To mention, all the above-reported transactions with listed countries are qualified as suspicious transactions, without establishment of the suspicious nature of transactions and their eventual connection with money laundering and terrorism financing, which results in distortion of the amount and risk degree implied.

Until now, the Office for prevention and fight against money laundering did not receive any report on suspicious transactions of terrorism financing: only a few cases have been signaled of partial compliance of names with the list of persons, groups and entities involved in terrorist activities.



It is also worth mentioning that, to transfer money means, the members of terrorist groups widely use the services provided by informal payment services, or conduct transfers in small amounts, which can be detected only in result of common cooperation and at the request of authorities involved in the investigation.

Thus, in 2013-2015, the Center for Prevention and Combating of Money Laundering provided 69 responses to requests received from the Security and Intelligence Service; there was also one case registered of partial compliance of the name with the list of persons, groups and entities involved in terrorist activities, and the case was brought to the notice of SIS.

4.3. Institutional framework

Under Articles 6 and 7 of the Law on Combating Terrorism, the President of the Republic of Moldova is entitled to coordinate the entire activity to counter terrorism.

The Government is the main authority entitled to organize the activity to combat terrorism and to ensure required forces, means and resources for this purpose.

The Security and Intelligence Service of the Republic of Moldova is the national authority directly performing the activity to combat terrorism. The Security and Intelligence Service of the Republic of Moldova fights terrorism by preventing, detecting and terminating terrorist

activities, including international ones, by conducting counter-terrorism operations. The Service contributes to ensuring the security of the institutions of the Republic of Moldova located in the territory of other states, and of Moldovan citizens employed in these institutions and family members thereof, collects data on international terrorist organizations, undertakes other specific measures to prevent and combat terrorism assigned by law under the scope of its jurisdiction.

Yet, according to functional competences, the activity to prevent and combat terrorism in the national territory, including in the area of preventing and combating terrorism and terrorism financing, is carried out by two subunits of the Security and Intelligence Service – the Antiterrorist Center and the specialized operative division in charge of preventing and combating terrorism. Thus, the Antiterrorist Center of SIS is responsible for developing, updating and publishing in the Official Gazette of the Republic of Moldova the lists of persons and entities involved in terrorist activities. Within this context, on 15.11.2011, the Service director signed Order no. 68 on the lists of persons, groups and entities involved in terrorist activities. From 2012 to 2015, 39 amendments were made to the Orders on the lists of persons, groups and entities involved in terrorist activities according to UN resolutions.

The Antiterrorist Centre of the Security and Intelligence Service of the Republic of Moldova is the body empowered to direct, coordinate and implement measures to combat terrorism. The Charter, basic tasks and organization scheme of the Center have been established by the Regulation approved by Government Decision no. 1295 of 13.11.2006.

The Antiterrorist Center is responsible for the analysis and coordination of the overall system of counter-terrorism activities carried out by public authorities authorized to act in this area. To achieve the objectives set, the Center permanently develops and conducts tactical, theoretical and practical exercises for streamlining interoperability between state authorities competent in preventing and combating terrorism. The Centre is also responsible for the continuous improvement of the regulatory framework in the field, development and completion of a number of systems and measures to safeguard and respond to possible terrorist actions (the national system of antiterrorist alert, the system of diagnosis and prevention of eventual terrorist measures, methodologies and recommendations on protection and behavior in case of terrorist acts, etc.). A very important role of the Center implies also maintenance of information and documentation measures, which evolves in development of an information system, completion of the central database with materials collected following activities of domestic and foreign inter-institutional cooperation.

4.4. International legal assistance and extradition

International legal assistance in cases concerning crimes of terrorist nature is provided in accordance with the national legislation and the international treaties to which Moldova is a party, or other international obligations assumed by the Republic of Moldova.

The Council of Europe Convention on Prevention of Terrorism, adopted in Warsaw on 16.05.2005, the European Convention on Suppression of Terrorism and the Protocol amending the Convention, ratified by the Republic of Moldova in 2008, 1999 and 2004, respectively, and other international instruments in the field facilitates the process of extradition of persons who have committed terrorist crimes.

4.5. International cooperation

Under the scope of full execution of counter-terrorism priority, the Republic of Moldova is part of the global anti-terrorist coalition and supports the international community efforts in fighting terrorism; this priority has been confirmed by the Parliament of the Republic of Moldova immediately after the terrorist attacks in the United States in 2001.

The Republic of Moldova fully supports the activity of the United Nations Security Council, of the Antiterrorist Committee acting under it, and takes all necessary measures to implement, at the national level, the resolutions of the Security Council on combating terrorism. The Republic of Moldova is party to the 12 UN legal instruments to combat terrorism and meets the necessary internal procedures for the ratification of the 13th tool – the International Convention on the suppression of acts of nuclear terrorism adopted by the UN General Assembly on 13 April 2005.

Our state supports and actively participates in the Council of Europe initiatives of fighting terrorism. Moldova has ratified the European Convention on the Suppression of Terrorism of 1977 and the related Protocol of amendment of 2003, as well as a number of other European conventions on extradition and legal assistance in criminal matters. On May 1, 2008, the Republic of Moldova has ratified the Council of Europe Convention on prevention of terrorism and money laundering, search, seizure and confiscation of proceeds from crime and terrorism financing since 2005.

The Republic of Moldova is party to the Agreement on Cooperation of Member States of the Commonwealth of Independent States in fighting terrorism since 1999, joined the membership of Anti-terrorist Centre of CIS members, cooperates with the Member States of the Black Sea Basin under the Agreement of 1998 and additional Protocol of 2002, ratified the Agreement on cooperation between GUAM member states in combating terrorism, organized crime and other types of serious crimes since 2002.

In addition to multilateral treaties, there are bilateral agreements signed with the governments of Romania, Ukraine, Turkey, Hungary, Italy, Latvia, Israel, Czech Republic, Poland, Bulgaria and other countries.

Relevant conventions of the Council of Europe - Moldova	Signed	Ratified
European Convention on Suppression of Terrorism (ETS 90)	04/05/1998	23/09/1999
Amending Protocol (ETS 190)	15/05/2003	10/03/2005
European Convention on Extradition (ETS 24)	02/05/1996	02/10/1997
First Additional Protocol (ETS 86)	26/06/1998	27/06/2001
Second Additional Protocol (ETS 98)	26/06/1998	27/06/2001
European Convention on Mutual Assistance in Criminal Matters (ETS 30)	02/05/1996	04/02/1998
First Additional Protocol (ETS 99)	26/06/1998	27/06/2001
Second Additional Protocol (ETS 182)	-	-
European Convention on the Transfer of Proceedings in Criminal Matters (ETS 73)	27/06/2001	24/04/2007
European Convention on Compensation of Victims of Violent Crimes (ETS 116)	-	-
Convention on Laundering, Search, Seizure and Confiscation of Crime Originated Proceeds (ETS 141)	06/05/1997	30/05/2002
Convention on Cybercrime (ETS 185)	23/11/2001	-

Additional Protocol concerning the criminalization of acts of a racist and xenophobic nature committed through computer systems (ETS 189)	25/04/2003	-
Council of Europe Convention on Prevention of Terrorism (ETS 196)	16/05/2005	01/09/2008
Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (ETS 198)	16/05/2005	01/05.2008

Conclusion:

The risk of terrorism financing in the Republic of Moldova could be perceived as low due to the “transit” nature of the country and the global context within which the Republic of Moldova is not perceived as a target of terrorism acts. Yet, the Republic of Moldova has shown full support to all actions undertaken by the international community in the view of preventing and combating terrorism at global level.

To note, the Republic of Moldova is mainly an Orthodox country. Yet, the national legislation allows also for promoting other religions. Since 2011, the registration has been allowed of non-commercial organizations convening members of the Muslim community, who represent, however, an insignificant number of members as compared to the overall country population, and no incidents have been recorded with the involvement of people mentioned. Radicalization of separate individuals takes part, mainly, via social networks and has a sporadic character, having no connection with established communities.

However, use by international groups of the territory of the Republic of Moldova for purposes of intermediation of sale of radioactive substances is a warning signal for the national authorities and reveals the need to conduct more rigorous measures to counter the phenomenon.

The analysis of transactions through the financial-banking system of the Republic of Moldova in relation with states with high risk of money laundering and terrorism financing denotes the formal character upon qualifications as suspicious transactions of transaction with the with no identification of links with activities of money laundering and terrorism financing to affect the amount and degree of risk thereof.

Moreover, the Service for Prevention and Combating of Money Laundering has not been reported any suspicious transactions of terrorism financing; the only transactions reported related to only few cases of partial compliance with the list of names of persons, groups and entities involved in terrorist activities.

Thus, in 2013-2015, the Service for Prevention and Combating of Money Laundering responded to 69 requests received from the Service of Intelligence and Security; there was also a case registered of partial compliance of the name with the list of persons, groups and entities involved in terrorist activities, and SIS has been duly informed about it.

The lack of mechanisms to control the Transnistrian region creates dangerous premises of using that land for smuggling in commercial goods, cash and arms trafficking.

Moldova may become a transit zone, as it lays at the intersection of passenger flows from/to European countries or risk areas. Because of the escalating conflict at regional level, in the east of Ukraine, premises may emerge for population migration from affected territories, and under such umbrella, people involved in terrorist activities or FT may also transit the area. In particular, this situation implies regional risks, as cases have been detected of involving Moldovan citizens in mercenary in the antiterrorist operation zone in Ukraine.

However, to consolidate reaction capacities and to streamline the overall efforts of preventing and fighting terrorism and proliferation of weapons of mass destruction, actions should be taken at state level to improve technical endowment of relevant subdivisions, to procure IT programs and to train the representatives of all national authorities involved in the relevant process. Considering the dynamics of developing new procedure sand tactics to identify and neutralize terrorist elements, another important issue relates to international cooperation and exchange of experience in the field, which gains specific importance within the context of massive enlargement of the terrorist phenomenon.

Under the scope of adjusting the national legislation to current realities and international standards, a number of modifications are needed as follows:

- introduction of a new concept of verification of airline passengers for purposes of ensuring counter-terrorism security, detecting attempts to enter, transit or exit the territory of the Republic of Moldova by individuals affiliated to al-Qaeda, Taliban movement, "ISIL" (Da'esh), etc;
- obligation of competent authorities in the area of prevention and combating of terrorism to communicate to the Security and Information Service of the Republic of Moldova any information on attempted entry, transit or exit into/from the country of individuals involved in terrorist activities. The list of individuals and entities involved in terrorist activities shall be developed, updated and published in the Official Gazette of the Republic of Moldova by the Security and Intelligence Service;
- immediate notification of the Antiterrorist Center on any information concerning individuals or entities involved in terrorist activities;
- modification and amendment of the Criminal Code of the Republic of Moldova by establishing as criminal offence the acts of traveling abroad for terrorist purposes, as well as other associated acts implying social threat and danger.

5. NATIONAL VULNERABILITY TO MONEY LAUNDERING

The national vulnerability to money laundering is determined by the overall vulnerability of sectors and the ability of the state to fight money laundering at the national level.

The basic objectives of assessing state capacity to fight money laundering are as follows:

- identification of weaknesses and deficiencies in the capacity to combat money laundering;
- prioritization of action to strengthen the state capacity to combat money laundering.

In the result of gathering the data and analysis performed it was established that the AML/CFT national system is vulnerable due to limited capacities at the national level to fight against money laundering and terrorism financing as well as due to high vulnerability of certain sectors as banking, insurance, securities and real estate agents.

Dealing with the capacities of the law enforcement authorities this is affected primarily by the insufficiency of the financial and human resources as well as an imperfect legal and secondary institutional framework.

Thus till the moment the legal framework managed to ensure a high level of conviction for money laundering in comparison with the number of investigation initiated and dissuasive penal sanctions applied to convicted persons. It should be mentioned that the confiscation of the proceeds generated from money laundering statistics is low as well as in the cases of the predicate offences.

The experience professionalism and the number of the specialists involved in investigations and prosecution of money laundering cases, the integrity and independence of those are not in a measure to guarantee positive results.

The high level of corruption in law enforcement and judicial authorities, political corruption affects the capacities to combat money laundering and terrorism financing.

5.1. Quality of policies and strategies to prevent and combat money laundering.

The National Strategy to prevent and combat money laundering and terrorist financing for 2013-2017 and the Action Plan have been adopted by the Parliament by Law no. 130 of 06 June 2013 (<http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=348887>).

The basic objective of this 5-year Strategy was to identify and reduce the vulnerability of the financial-banking and non-banking sectors to the risks of money laundering and terrorist financing in the light of relevant international standards.

Strategy implementation is supported by the relevant Action Plan, which is to be consistently implemented by all stakeholders.

Also, from technical viewpoint, four strategic objectives have been established: *strengthening the system to prevent money laundering and terrorist financing; improving the regime to combat money laundering and terrorist financing; supporting national and international cooperation; ensuring transparency and feedback on measures to prevent and combat money laundering and terrorist financing.*

Achievement of set objectives implied involvement of 13 public authorities and institutions responsible for the implementation of the Action Plan, which was *separated into legislative, institutional and implementation measures*.

Every action implemented is aimed at achieving one or more FATF recommendations (international standard), and achievement of all actions will create added value to the national system to prevent and combat money laundering and terrorist financing.

Strategy implementation is assessed through an institutional framework that supports regular supervision and monitoring of progresses in this area.

The Service for Prevention and Combating Money Laundering, as an independent body within the National Anticorruption Center, is responsible for developing the Strategy, ensuring the implementation of the Action Plan, and coordinating and supervising the activity of all the institutions involved in the process of Strategy implementation.

The Government is in charge of monitoring and coordinating Strategy implementation at national level.

The actions provided for the years 2013 - 2015 have been completed, except for two objectives: national risk assessment exercise, and amendment of Law no. 190-XVI of 26.07.07 on preventing and combating money laundering and terrorist financing.

Thus, the amendment of the above-mentioned Law has not been completed because of the need to adjust the regulatory framework to the newly adopted European legislation. In this context, it should be noted that, on May 20, 2015, the European Parliament adopted the 4th Directive 2015/849 on preventing the use of the financial system for money laundering and terrorist financing, which introduced wider standards as compared to 3rd Directive (2005/60/ EC), placing specific focus on the need of national risk assessment in the field.

To note, both the 4th Directive, and FATF Recommendations are currently based on the national risk assessment in the field, which is a complex mandatory exercise for every state.

Thus, the conclusions of the national risk assessment are crucial and should be used upon amendment of the legislation, as they justify the scale and complexity of measures required by law to respond to the risks in the field.

The current strategy does not contain a risk-based approach and does not identify the sectors vulnerable to the risk of money laundering and terrorist financing.

5.2. Effectiveness of money laundering concept regulation

Money laundering, as element of crime, has been criminalized in the Criminal Code of the Republic of Moldova of 24.03.1961 by Law no. 1326-XV of 26.09.2002, which introduced Article 164/9. In the same edition, the composition of crime has been included in article 243 of the Criminal Code of the Republic of Moldova of 18.04.2002, which entered into force on 12.06.2003. Subsequently, the article has been subject to significant amendment following Laws no. 243-XVI of 16.11.2007 (in effect since 14.12.2007) and no.277-XVI of 18.12.2008 (in effect since 24.05.2009), which transposes the UN Convention standards against Transnational Organized Crime (Palermo Convention of 2000) and the UN Convention against illicit traffic in narcotic drugs and psychotropic substances (Vienna Convention of 1988).

Evaluating the regulation of ML definition in the criminal law traced out the followings.

The law of the Republic of Moldova applies the principle of predicate crime universality and covers all the categories of crime designated as such by FATF. According to statistical data, the Republic of Moldova is a country with high-crime environment; most recorded offenses relate to circulation of narcotics and psychotropic substances, theft and robbery, trafficking in human beings, weapons, corruption, fraud, smuggling. Criminal money originates from both internal

and external criminal activities. Since most registered crimes are profit targeted, the ML risks are assessed as high. In the framework of the national risk assessment at national level, the following threats have been identified in the areas of crime: drug trafficking, human trafficking, corruption, tax evasion, fraud.

The term “acquisition” of goods, used in defining ML forms before 14.12.2007 was replaced with the term “purchase” of goods, the latter notion being more restricted as against the previous one. Yet, in practical terms of judicial investigation and prosecution, there were no impediments caused by the restriction of the meaning of this form of the crime objective issue.

Lacking regulation of the definition of goods used in defining money laundering and regulating special confiscation. Yet, in practical terms, provisions of Article 3 of Law No. 190 of 26.07.2007 on preventing and combating money laundering and terrorist financing are applied, which define the notion of goods, but in the sense of law and not of the Criminal Code. However, in practical terms, there are no impediments related to the interpretation of the notion of goods, which imposes regulation thereof also in the general part of the Criminal Code.

The introduction since 14.12.2007 in the definition of ML of the term “illegal income” in exchange of the previous terms “obtained following crime committing” or “derived from crime committing”. This is a conceptual modification in the legislation: the notion “illicit” is much larger and cannot be automatically understood as equivalent to the terms “obtained following crime committing” or “derived from crime committing”. The purpose of the ML crime could be easily affected by uncertainty, especially since it is not covered in the Criminal Code, and falls under the scope of only article 3 of Law no. 190 of 26.07.2007 on preventing and combating money laundering and terrorist financing, which, also in the sense of law, explains the term “illicit” as “provided, used or resulting, directly or indirectly, from crime”.

The rules governing the general conditions under which criminal liability of legal persons arise are imperfect, and the contents of money laundering crime, in the case of legal persons, provide for sanction only for the simple form of crime, not also for aggravating circumstances. Thus, regulated sanctions cannot be considered as commensurable with the degree of prejudice of crime committed by legal persons. For individuals, however, the legislation provides sanctions proportional to the degree of crime prejudice.

The Criminal Code and the Criminal Procedure Code regulate also two simplified procedures of criminal case investigation, based on the agreement of admission of guilt, and based on administrative evidence in the phase of prosecution, the defendant being entitled, in these cases, to the mitigation of the above-mentioned minimum and maximum sanction limits within which the punishment is established.

In case of convictions for competing crime, ML and predicate offence, the penalty falls under the scope of Article 84 of the Criminal Code, which regulates the cumulating of penalties for each separate offence in competition. Similarly, if there is a penalty for predicate offence which is not executed in full, the subsequent penalty for ML shall fall under the scope of article 85 of the Criminal Code, which regulates the subsequent formation of the overall penalty.

Comparing penalties by law for ML crime (minimum and maximum, including for simple components and aggravating circumstances) with penalties for other categories of offense identified as threat, the character and degree of prejudice imposed by ML crimes are larger than those imposed by tax evasion offence, less than those of human trafficking and passive corruption and approximately the same as those of drug trafficking and smuggling.

The statistics and records of criminal cases of ML are held according to the unique system of recording of crimes, criminal cases and people who committed crimes. The holder of the Central Data Bank is the Ministry of Internal Affairs. However, this system keeps track of data according to a number of unique indicators for all crimes and does not comply with the requirements on keeping record of separate categories of crime. Similarly, the database may not contain updated

information for all criminal cases. Accordingly, statistical data on certain categories of crimes are held individually, manually, by the relevant specialized investigation subdivisions. Thus, according to the information collected by the Anticorruption Prosecutor's Office with regard to ML cases examined in court, in 2009, since the first irrevocable sentence on ML crime, and up to 2015 inclusive, 11 sentences have been established and remained final and irrevocable in respect to 14 individuals and 3 businesses.

With no account of penalties for predicate crime and irrevocable penalties set for offence cumulation, the current situation with regard to penalties for ML crimes is as follows. In terms of those 3 businesses, 2 businesses have been penalized with fines amounting to 7,000 conventional units (1 c.u. = 20 MDL) and the third company – with a fine of 6600 conventional units. With regard to individuals, in one case the criminal proceedings have been terminated based on circumstances excluding criminal liability, one individual was acquitted, 12 persons have been convicted. Of the 12 individuals convicted, one person was convicted for ML with no aggravating circumstances and was sentenced for 3-year prison with real execution. 7 individuals have been convicted for ML in specifically large volumes (aggravating circumstance with the most severe penalty according to article 243 of the Criminal Code) and were sentenced to imprisonment, but with suspension of sentence execution for a certain period of probation ranging from 2 to 5 years. Of these, for 3 individuals, the sentence of imprisonment was established under the minimal limit provided by law based on article 79 of the Criminal Code due to existent exceptional circumstances of the case. In respect of 4 individuals, also on grounds of extremely large volume, based on article 79 of the Criminal Code, the court applied milder punishment of other category, i.e. a fine of 5,000 conventional units and three fines of 200 conventional units in exchange for imprisonment for 5 to 10 years. Thus, as identified following the analysis of sentences established by court, although the legislative framework is appropriate, the value of penalties is not sufficient to consider the penalty as a dissuasive one.

5.3. Complexity and effectiveness of the regulation of assets' preservation, tracing and confiscation

The regime of ceasing suspicious activities and transactions (freezing) falls under the scope of article 14 of Law no. 190 of 26.07.2007 on preventing and combating money laundering and terrorist financing. The body entitled to initiate these measures is the Service for Prevention and Combating Money Laundering within the National Anticorruption Center. By decision of the Service, the execution by the reporting entities of suspicious activities or transactions is subject to ceasing for the period specified in the decisions, but not more than 5 working days. If this term is insufficient, and providing a well-grounded request by the Service, the investigating magistrate may decide to extend the terms set for ceasing suspicious activities or transactions for a period of up to 30 days. However, in certain cases, this period may be insufficient to establish the reasonable suspicion of crime committing as required for the initiation of criminal proceedings, during which the investigator and prosecutor are entitled to apply interim measures.

Seizing falls under the scope of articles 202 - 210 of the Criminal Code and is provided as a precautionary measure for recovering of damage caused by the offense, eventual special confiscation or extended confiscation of assets, and warranty of enforcement of fine.

Following the assessment of the complexity and effectiveness of the regulation of seizing for purpose of eventual special confiscation or extended confiscation of assets, the following findings have been established.

Seizure may be applied to only the assets of the suspect, defendant, offender, as well as the civilly liable party, in cases stipulated by law, regardless the type of assets and the holder of

assets, while confiscation may be applied also on assets belonging to other persons that have accepted such assets being knowledgeable about illegal acquisition thereof. Therefore, this category of assets cannot represent the object of seizure for the purpose of eventual confiscation.

Similarly, seizure may not be applied on the assets of enterprises, institutions and organizations, except for the illicitly acquired share of collective ownership, which may be separated without prejudice to the economic activity. These two conditions – separation of share and no prejudice to economic activity – relate to illicitly acquired assets and represent practically very high standards that impede enforcement of seizure on assets of legal persons. As with regard to assets of legal persons used or intended to be used for committing crime, they cannot be seized in no circumstance. This situation favors the use of missing traders to commit ML.

Another very high standard affecting the scope of seizing is that seizure of property may be applied only in cases where accumulated evidence enable to validly assume that the suspect, defendant, offender or other persons holding the assets may hide, damage, or spend the assets. In this case the prosecution has to assume additional burden of probation.

Seizure of goods applies by order of the criminal investigation body and, at the request of the prosecutor, is subject to authorization by the investigating magistrate. To prevent disappearance, alienation, concealment of goods, the law establishes an exception to the basic rule. Thus, in case of flagrant crime or case that can no longer be postponed, the prosecuting authority has the right to apply seizure on assets by own order, with no authorization by the investigating magistrate, providing immediate notice, within 24 hours from the moment of action, to the investigating magistrate, who will verify the legality of seizure, will confirm seizure outcomes or will declare seizure invalidity.

Special confiscation regime falls under the scope of article 106 of the Criminal Code. The institution of extended confiscation, provided by article 106/1 of the Criminal Code, entered into force on 25.02.2014.

According to the general rule, confiscation may be applied onto both the assets used to commit crime, and assets resulting from crime; if such assets no longer exist or cannot be identified, confiscation will be applied on the value of consideration thereof.

However, under additional conditions, the law stipulates as follows:

- instruments of crime shall be confiscated only if belonging to the offender, not on those belonging to other people, or at least the equivalent thereof;
- proceeds from crime and related income, assets converted or transformed, partially or wholly, from proceeds resulted from crime and income from such assets shall be subject to confiscation only if, similarly, belonging to the offender or other persons who have accepted these assets being knowledgeable about the illegal acquisition thereof. In this case confiscation shall not be applied on the equivalent value of assets held by their parties in good faith, even if the assets have been acquired free of charge;
- the regulation does not cover the confiscation of the object of money laundering, covering only the goods used or intended for terrorist financing.

According to the law, special confiscation may be applied even if the infringer is not yet established the criminal punishment, which is not the equivalent of the lack of conviction. At the same time, the tool used for establishing conviction, acquittal and cease of criminal proceedings, in relevant cases, should also include: ... 2) ruling on special confiscation; ... “. The tool of acquittal or cease of criminal proceedings should include the provision of revoking the measures of eventual special confiscation if such measures have been taken. Thus, in case of acquittal (for example on grounds that the act has not been committed by the defendant) or a

sentence of cease, the situation of seized assets subject to confiscation is still uncertain. The ambiguity is still larger in terms of such assets if the prosecutor decides to discontinue and/or terminate the criminal proceedings. In other words, the Moldovan legislation does not provide confiscation in rem.

In terms of evidence of proof in case of special confiscation, it remains on the account of the prosecution. Yet, Law no.326 of 23.12.2013 incorporated in the Criminal Code (article 106/1) a new security measure – the regime of extended confiscation, which, although not imposing a reversal of the evidence of proof, implies the separation thereof between the prosecution and the defense. This is a significant achievement, especially if considering the non-amendment of constitutional rules (article 46 (3) of the Constitution), according to which the licit character of property acquisition is presumed.

Statistical data on confiscation application are held by the Ministry of Justice along with data on the results of case examination in court. Yet, the recording system does not allow for the identification of data required separately for the components of crime provided in the Criminal Code: in some cases the information refers to a category of offense in general. Although certain statistical data have been provided during the exercise of assessment (MONEYVAL and the Conference of States Parties to Warsaw Convention), these data used to be identified manually and were not complete. Because of poor statistics, the effectiveness of law enforcement measures and activities cannot be properly assessed.

With regard to the weight of seizure enforcement in relation to the number of sentences in general and the sentences on profit-generating crime, in particular, but also to the number of rulings on ML, this safety feature is seldom applied and does not achieve the set target.

For example, according to internal data of the National Anticorruption Prosecutor's Office, out of the total of 198 criminal cases (including 167 corruption and corruption-related crimes and 4 cases of ML), within which conviction sentences have been established in the first court in 2015, only in 4 cases special confiscation has been ordered; the value of confiscated assets totaled 3000 EUR, 1200 MDL, 420000 MDL and 6000 EUR. In none of the ML cases confiscation has been enforced.

Under such circumstances, the confiscation regime can be assessed as inefficient.

In terms of statistical data related to enforcement of seizure as ensuring measure both in case of ML crime, as well as all other types of offence, there is no unique system of seizure recording; some authorities keep track of these actions depending on own needs and for internal use.

Within the context of priority measures to improve the regime of security and confiscation measures, the following is required:

- training of investigators, prosecutors and judges in the area of application of security and confiscation measures;
- regulation of the civil confiscation regime;
- creation of an agency of illicit assets recovery within law enforcement authorities;
- revision of the management tool of seized and confiscated assets;
- proper assessment of the effectiveness of the confiscation instrument, of practical trends and of deficiencies requires a single automated registration based on same criteria for all participants in criminal proceedings, reflecting the information by every article of the Criminal Code, for each specific case, and including the number of security measures ordered and authorized in a case for purpose of subsequent confiscation and valuation of assets seized, confiscated and recovered in result of confiscation enforcement.

5.4. Quality of data collection and processing by SPCML

The Service for Prevention and Combating of Money Laundering operates as a specialized body, as independent subdivision within the National Anticorruption Center, and is entitled to carry out prevention and combating of money laundering and terrorist financing.

In accordance with Law no. 190-XVI of 26.07.07, the Service is assigned the following functions:

- prevention and combating of money laundering and terrorist financing through reception, analysis and submission of data on suspicious transactions;
- development and implementation of policies and strategies for preventing and combating money laundering and financing terrorism in the Republic of Moldova;
- coordination and support of implementation trends of international standards in the field.

The staff of the Service includes 16 permanent officers, of which: head of the Service, deputy head, 7 senior officers of investigation of exceptional cases, 6 senior investigation officers, and 1 investigation officer. However, if necessary, by order of the NAC Director, officers of other subdivisions are delegated with tasks in the area of preventing and combating money laundering and terrorist financing. All the staff is assigned special ranks.

The officers have university degree in the field of law, finance and /or economics, experience in the area of finance, banking and non-banking, including holders of Master degree. The staff of the Service cannot hold other jobs and cannot perform functions within the structure of reporting entities.

At the same time, according to legal provisions, the officers of the Service for Prevention and Combating of Money Laundering are subject to commercial, banking or professional secret. Disclosure of such secrets contrary to set provisions, result in liability as in accordance with the in effect, for the prejudice caused by illegal disclosure of data obtained in the exercise of duty. Submission of information in a duly manner to similar foreign services shall not constitute disclosure of secrets protected by law.

In accordance with article 8 paragraph 1 of Law no. 190-XVI of 26.07.07, the reporting entities shall immediately inform the Service for Prevention and Combating of Money Laundering about any suspicious activity or transaction in process of preparation, execution or concluded.

The data on suspicious transaction are entered in a special form, which is submitted to and received directly by the Service for Prevention and Combating of Money Laundering within 24 hours. Reporting entities fill in also special forms on limited transactions and cash transactions.

The special forms are submitted to the Service in form of electronic documents, in accordance with Law no. 264-XV from 15.07.2004 on electronic documents and digital signature, using description of fields electronically, via e-mail or magnetic support, bearing in both cases digital signature elements or other means of identification.

Since the information on financial transactions include confidential information on individuals / businesses, data are stored in a secure database within the Service for Prevention and Combating of Money Laundering located in the headquarters of the National Anticorruption Center.

The technical infrastructure and software used by the Service for Prevention and Combating of Money Laundering significantly contributes to increasing the effectiveness, quality and timeliness of the work performed.

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

The Service co-operates with the specialized authorities at the national level, including the Ministry of Internal Affairs, the Intelligence and Security Service, the Prosecutor General, the State Tax Service, supervision bodies, and reporting entities.

In May 2008, the Republic of Moldova became full member of the Egmont Group, which includes Financial Intelligence Units of 151 member states and enables exchange of information via the ESW secure channel, which facilitates obtaining and providing information in a relatively short term. The Service currently has 45 memorandums signed with peer services in other countries.

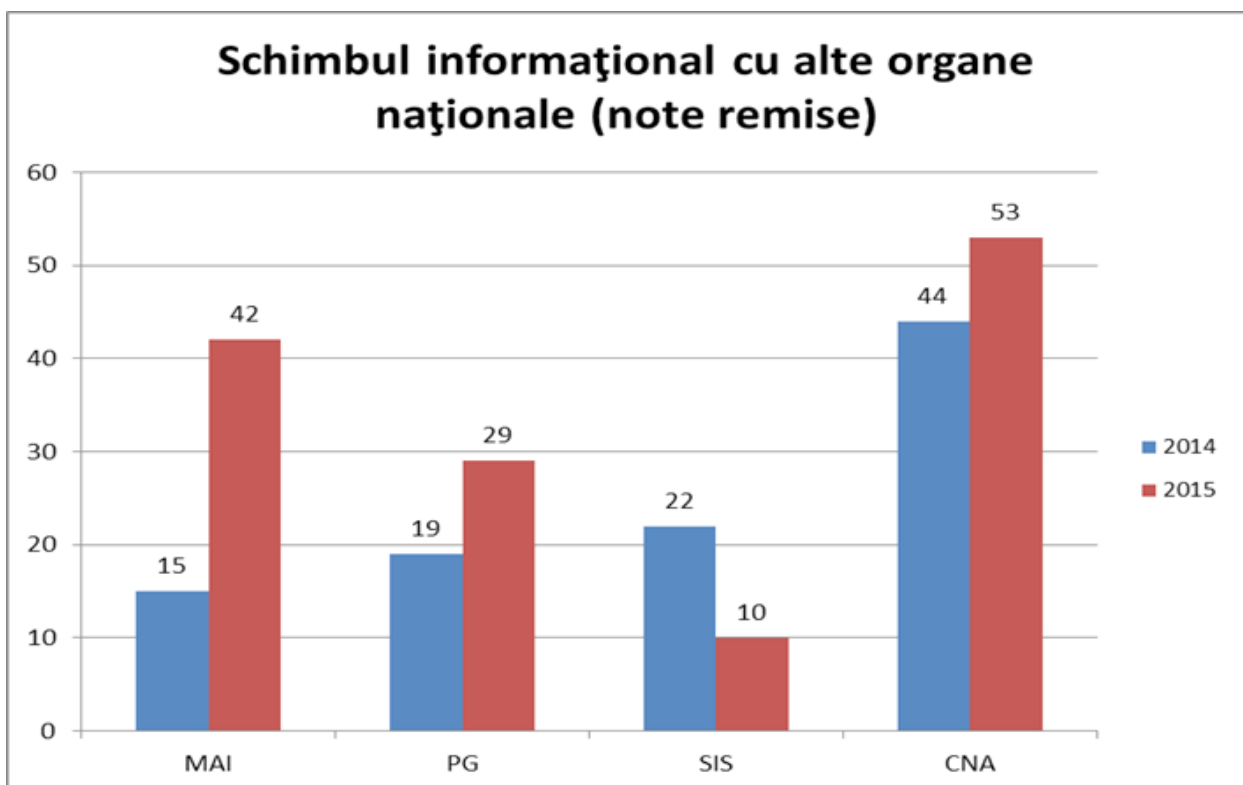
The Service participates at the meetings of the MONEYVAL expert Committee within the Council of Europe, which specializes in assessing countries in terms of implementation of measures to prevent and combat ML/FT and compliance with international standards.

Thus, the outcomes of the assessment reports of this Committee are placed special focus by all international profile organizations, FATF, EU institutions, business associations and investors, and the risk of being assigned negative score directly affects the integration of the national banking and financial system into the international one.

Currently, the delegation of the Republic of Moldova within MONEYVAL plenary sessions is headed by the Service for Prevention and Combating of Money Laundering, which regularly reports country progress in the field.

The Service for Prevention and Combating of Money Laundering is the hub within the CARIN network, which is specialized in exchange of information between the national Offices of Asset Recovery at international level.

To note, the activity of the Financial Intelligence Unit falls under the scope of legal provisions complying with relevant international standards, and the Unit activity is specifically focused on reception, analysis and dissemination of information received from reporting entities. In the light of this, it should be noted, however, that due to the large volume of data received from reporting entities, FIU needs additional human resources to ensure all activity related processes, both internally, as well as internationally.



At the same time, in order to increase FIU efficiency, there is a need to promote state interests and to participate in the most important international forums, as well as to train and develop the staff. Moreover, the lack of advanced IT programs and the FIU technical endowment may generate serious deficiencies in the process of analysis and identification of suspicious activities of money laundering and terrorist financing.

The current FIU attributions may not be assessed as adequate in the light of continuous enhancement by FATF of the activity of financial intelligence services by delegation of broader levers and enforcement of tougher sanction regime.

Within the context of internal cooperation effectiveness, the Service maintains cooperation relationships with domestic specialized authorities. Thus, in 2015, based on cooperation agreements signed by NAC and other institutions, the Service submitted 100 responses (analytical notes) to the requests received, including as follows: at the request of the Ministry of Internal Affairs, 42 analytical notes has been submitted on 75 legal entities and 64 individuals; at the request of the Intelligence and Security Service, 10 analytical notes were submitted on 5 legal entities and 12 individuals; at the request of the Prosecutor General, 29 analytical notes were submitted on 38 legal entities and 22 individuals; at the request of the National Anticorruption Center, 53 analytical notes were submitted on 123 individuals and 131 legal entities.

In parallel, for prevention purposes, SPCML concluded and submit 16 notices to domestic financial-banking and non-banking institutions on the typologies of use of the national financial system.

The process of cooperation between the bodies involved in preventing and combating money laundering and terrorist financing at national level is impeded by the lack of a coordination body (structure), which would bring together the representatives of relevant authorities for the purpose of facilitating the exchange of information, submitting and discussing joint initiatives, and debating on system efficiency improvement.

As well, the cooperation between FIU, the supervision bodies and the reporting entities is carried out sporadically, depending on emerging needs of participants, which affects improving cooperation relationship and impedes information exchange.

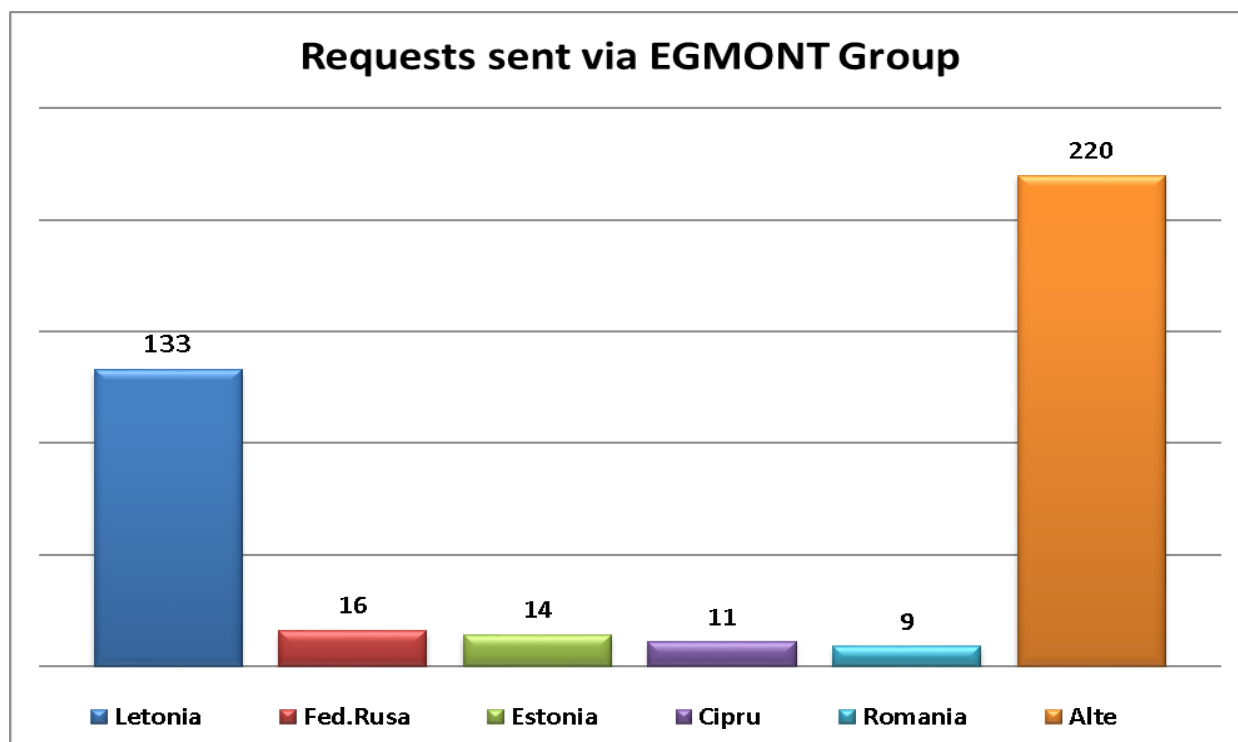
Thus, the national cooperation of the representatives of authorities/entities involved in preventing and combating money laundering is poor, denoting largely formal and non-lucrative character.

With regard to international cooperation in the area of preventing and combating money laundering at FIU level, in 2015, under the investigation of various typologies of money means legalization, SPCML submitted 419 inquiries to peer services from other countries and received 349 responses.

In parallel, the Service received for consideration from peer services in other countries 30 inquiries and submitted 27 notes.

As compared to the same period of the previous year, information exchange increased by 26%. In 2014, 331 inquiries were sent to peer services from other countries (35% more than in the same period of the previous year), and 216 responses were received. At the same time, the Service received for consideration from foreign peer services 16 requests and provided 14 responses.

The Service actively participates in various international forums and meetings in the field, reporting on the progress and experience in the field.



International cooperation in the area of preventing and combating money laundering at FIU level is very dynamic, but obtaining information from certain countries may take longer periods, or even be prevented because of strict legal provisions on banking and commercial secret, which requires requesting information via rogatory letters.

However, the process of obtaining information evidence through treaties of mutual legal support within criminal cases takes a long time, which hinders criminal investigation and leads to delays in crime examination.

5.5. Capacity and resources assigned for investigation, prosecution and trial of ML crimes and other financial crimes, including prosecution and confiscation of assets.

The Centre for Combating Economic Crimes and Corruption (CCECC) has been established in 2002 as a body entitled to protect the rule of law, and specialized in combating economic, financial and tax crime and corruption. By 2012, the prosecuting authority of CCECC was entitled to investigate economic crimes, money laundering, corruption offenses and corruption related infringements; the criminal proceeding was vested in the Anticorruption Prosecutor's Office. Since 2012, to enhance domestic capacities to fight corruption, CCECC was reorganized into the National Anti-Corruption (NAC), and the power of investigating economic crimes has been assigned to the prosecuting authorities within the territorial subdivisions of the General Police Inspectorate, under the direction of prosecutors from territorial prosecution offices. The NAC criminal investigative body was still entitled to prosecute corruption crimes and corruption related infringements, but also money laundering (regardless the predicate offense) and terrorist financing, still under the management of prosecutors of the Anticorruption Prosecutor's Office.

Prosecuting of smuggling and customs payments evasion falls, according to the law, under the authority of the prosecution bodies of the Customs Service (CS).

So, the prosecution bodies within the subdivisions of the General Police Inspectorate (GPI) are entitled to prosecute any offense that is not assigned by law under the authority of other investigating agencies or is assigned under their jurisdiction by order of the prosecutor.

Although the power of ML investigation is ascribed to the prosecution body of NAC, the Attorney General and the deputies thereof may decide, by motivated order, to assign performance of criminal investigation to any investigating authority (article 271 (7) of Criminal Procedure Code); thus, there is impediment to investigation by other prosecution agencies of money laundering crimes in common with the predicate offense within the jurisdiction thereof or separately from it.

However, in the absence of material powers provided by law, the criminal investigating bodies of GPO and CS do not show an active role by default in investigating laundering of money proceeds derived from offences under their jurisdiction, which virtually explains the very small number of ML cases initiated and investigated by police, as compared to the share of criminal offenses generating international profits.

The largest share of case files related to initiated and investigated ML crimes is accounted for by the prosecution body of NAC under the management of the Anti-Corruption Prosecutor's Office. Within the prosecution body of NAC there is a division from which around 4-5 officers are involved mainly in the investigation of criminal cases in the area of banking and finance, especially ML. The work experience of these officers in the field of criminal prosecution is 4 years, on average, which is less than the average work experience of the entire staff of the criminal investigation body.

The average workload assigned to one NAC investigator is about 20-25 cases in co-management. Of this, the officers involved in ML investigation have around 6-7 cases of ML.

There is no institutional specialization on ML investigation within the Anticorruption prosecutor's Office, but, of the total of 37 prosecutor positions, 3-4 prosecutors are involved in such investigations. The work experience of these officers in position of prosecutor is under the average level at the overall institution level.

Criminal cases on financial and economic crimes, including ML, are investigated based on the territorial principle, at crime scene, with no special expertise in this regard. Cases are distributed randomly.

Neither NAC or GPI investigators, nor prosecutors, and nor judges are assisted by any staff specialized in finance and economics.

In terms of financial and technical support, NAC is financed from the state budget. NAC staff totals 350 units, including 56 units in the prosecuting body. NAC budget is constantly rising. Overall, NAC is much better equipped as compared to other law enforcement agencies. However, NAC reports problems related to technical equipment, and provision of prevention activities (awareness campaigns, commercials, etc.), which are covered by external assistance projects.

The budget allocated to the Judiciary, both the courts and the prosecution office, is also increasing on a yearly basis. Managing court budget is attributed, confusingly, to a number of authorities (Superior Council of Magistracy and Ministry of Justice). More serious problems are faced by the Superior Council of Prosecutors. The law does not provide endowment of SCP with own budget, detached members, seconded staff, and headquarters. Despite increases in the budget, the Judiciary is still signaling problems of inadequate funding.

Salaries of NAC investigators since April 2013 account for around 2.5-3 average salaries per economy, of which the basic salary accounts for around 0.25% - 0.35% of the average monthly salary per economy, from 0.8% to 1.2% of the average salary is accounted for by bonuses to the basic salary for military (special) rank, seniority, qualification category, special conditions of work, work intensity, and fulfillment, under emergency regime, of special tasks of major importance, and 1.5 average salaries per economy is accounted for by monthly increases for the efficiency shown in preventing

and combating corruption; this increase is a fixed amount, payable to all staff and, as such, it is not stimulating. Therefore, there is no tendency of staff migration. Although this remuneration is quite high as compared to the average salary per country, to ensure security and stability, it is appropriate to revise the wage system so that the basic salary of a criminal investigation officer of NAC, but also of GPI and CS, be increased to about 1.7-2.2 average salaries per economy, and the anticorruption bonus to account to around 0.2-0.5 of average salaries depending on shown efficiency.

In terms of the position of police officer, this is not very attractive. Police officers are remunerated similarly to NAC officers, except for the monthly bonus for the efficiency shown in preventing and combating corruption, which creates a huge gap between the salaries of the two categories of officers.

Regarding the salaries of prosecutors, there is basically no difference in the salary level of a territorial prosecutor and that of the prosecutor of the anticorruption prosecution: the gross salary thereof accounts for approximately 1.2 of the average salary per economy in 2015. This salary remained unchanged since 2012, when the value has been increased by 30%. Similarly, in the case of prosecutors, the law does not provide any bonuses for seniority or any anticorruption increase for the prosecutors of the Anticorruption Prosecutor's Office.

In terms of remuneration of judges since 2014, these salaries have significantly increased: the lowest gross salary for the smallest seniority accounts for 3.0 average salaries per economy.

A deficient aspect of the capacity of investigating and prosecuting financial crime, ML inclusive, relates to the inadequacy of training both for the investigators of GPI and CS, and of NAC in the field of ML investigation, but also of assets' identification, tracing and recovery. There is no regulation of the number of trainings to be attended by an investigator in a specific time-period. Training insufficiency is also valid for prosecutors and judges. Although the latter are obliged to attend minimum 40 hours of training annually, training in the field of financial crime and ML investigation, asset recovery, financial investigations are very seldom, but this is basically due to the lack of trainers with practical experience in the area.

Within regard to identification and tracking of criminal assets, this activity forms integral part of criminal proceedings carried out by the officer conducting criminal investigation, based on evidence provided in CPC, including special investigative measures. However, because of the lack of special regulation of financial investigations, the practice of criminal proceedings lacks such actions, specifically since neither investigation, nor prosecution benefits of any support by financial or economic experts in identifying and tracing criminal assets. These circumstances could partially explain the reduced number of seizures and confiscations.

5.6. Integrity and independence of criminal investigators, prosecutors and judges

The National Integrity System evaluates the state capacity to resist corruption. NIS assessment was made in 2014 based on Transparency International methodology, and established high degree of vulnerability to corruption and systemic nature of corruption in the Republic of Moldova.

The Republic of Moldova has an advanced institutional infrastructure and legal framework for prevention and combating corruption. The main institutions in the field are the National Anticorruption Center, the National Integrity Commission, the Anticorruption Prosecutor's Office, the Court of Accounts, and the Service of Intelligence and Security. The National Anticorruption Strategy is the basic document governing the actions in field. Over the recent years, the legal framework has been strengthened: a number of important laws have been approved and amended. For example:

- Law no.325 of 23.12.2013 was approved on testing of civil servant integrity; yet, the law became unworkable given the provisions of Decision no. 7 of 16.04.2015 on the control over the constitutionality of certain provisions of Law no. 325 of 23.12.2013 on testing of civil servant integrity (Notification no. 43/2014);
- the laws on income and property declaration, and conflict of interest were amended;
- amendments to the Law on the National Anticorruption Center took effect as of 30.10.2015, providing passing control over NAC from the executive to the parliamentary body;
- provisions have been introduced on waiver of immunity of judges for corruption acts and tightening of anti-corruption sanctions;
- since 25.02.2014, criminal liability for unjustified enrichment and extended assets confiscation have been incorporated into the Criminal Code. Certain provisions of the legal framework are already in force (waiver of immunity of judges), other provisions should be still approved in terms of effectiveness (illicit enrichment, extensive confiscation);

Despite general Government efforts over the last years, in the ranking of the Corruption Perception Index (CPI), Moldova registered in 2011-2015 the following results:

Year	2011	2012	2013	2014	2015
CPI	2,9	3,6	3,5	3,5	3,3
Rank	112 of 183	94 of 176	102 of 177	103 of 175	103 of 168

The cascade fall of three cabinets and the multiple gaps in implementing the National Anti-corruption Strategy, the Justice Sector Reform Strategy, and the Association Agreement Republic of Moldova – EU have mitigated the public confidence in the government ability to deal with corruption. Although public become less tolerant to corruption and more active in monitoring the governance and participating in decision-making, it is still quite passive and reluctant when seeking prosecution of concrete persons for acts of corruption.

Still one of the poorest countries in Europe, Moldova underwent important institutional reforms in several areas to ensure a competitive market economy, denoting modest advancing in international rankings related to business simplicity and competitiveness. However, for many officers of public authorities, the low incomes are still a justification for corrupt behavior.

The 2014 Report of Transparency International – Moldova “Corruption in the Republic of Moldova: perceptions and experiences of businesses and households – 2014” denotes as follows:

Households consider that corruption is widespread in hospitals, courts, police, prosecution, educational institutions. Compared to 2012, there is a larger share of respondents arguing that corruption has increased in courts and medical institutions. In the perspective of businesses, the areas / authorities mostly affected by corruption include: courts, police, customs, issuing of construction licenses, and tax inspectorates. Compared to 2012, there is a larger share of respondents arguing that corruption has increased in courts.

When asked about the most corrupt branch of state power, both categories of respondents pointed to Judiciary (judicial system); the viewpoint of businesses to this respect worsened as compared to 2012.

Thus, according to the 2014 Report of TI-Moldova, judiciary is perceived as the most corrupt branch of the three branches of state power.

In terms of the most corrupt institutions, except health and education institutions, the respondents identified the courts, police, customs, prosecutors, and tax authorities. The degree of integrity thereof has direct impact upon the state capacity to fight money laundering at the national level.

Activity outcomes of the anti-corruption authorities– the National Anticorruption Centre and the Anticorruption Prosecutor’s Office – confirm the perception outlined in the Report. Over the recent years, subjects of prosecution for corruption and corruption related crimes passed to court became more policemen, criminal investigation officers, customs officers, but also judges, prosecutors, ministers, even an ex-prime minister. One case investigated also the attempt to corrupt Members of the Parliament for and amount of 250.000 USD.

The 2014 Report of Transparency International – Moldova “National Integrity System” has identified a number of factors affecting the integrity and independence of law enforcement bodies, prosecution, anti-corruption agencies and the judiciary.

Independence of the judiciary is ensured, to certain extent, by the procedure to appoint judges and prosecutors. Judicial independence should be ensured by self-administration bodies, in particular – by SCM and SCP. The current legal provisions do not provide real independence of the Prosecutor’s Office against the political factor, implying appointment of Attorney General by the Parliament. The prosecution reform has been delayed since 2013. In general, the judicial system is not perceived as an independent system. Public perception of the dependence of the Judiciary on specifically the political factor is supported also by the procedure of implementing the law. This refers in particular to appointment by the Parliament of SCM and SCP members. The Legislature, in the process of nomination of SCM and SCP members, is not always balanced, transparent and accountable. In practical terms, Judiciary independence would increase if self-administration bodies enhance their capacities.

The national legal framework sets provisions aimed at ensuring the integrity of judges and prosecutors. Candidates for judges and prosecutors should be subject to polygraph testing and screening. Judges and prosecutors are required to submit declarations on income and personal interests. The control over the information included in declarations should be vested in the National Integrity Commission, and all statements should be published on NIC website. Judges have the duty to respect the Code of Ethics for judges, and prosecutors – to respect the Code of ethics for prosecutors. In practice, despite the regulations, there are many cases of failure of integrity of the representatives of Judiciary, which are constantly reported by mass media, as well. There are cases of involvement of the representatives of Judiciary in scheme of forced takeover of property. The legal clauses on accountability fail to be applied in full, and the most serious problems relate to individual accountability of judges and prosecutors.

As with regard to police bodies, a particular problem relates to the lack of independence of the prosecuting body within GPI subdivisions. In fact, the current organization has deviated from the objectives set in the Concept of MIA reform, which provided separation of Criminal Investigation Department from other subdivisions in charge exclusively for prosecution. There is no clear delineation of powers of various investigating agencies and subdivisions of the Police. The prosecuting authority is not sufficiently independent. Although there are legal rules aimed at ensuring the independence of individual police officers, including procedures to contest illegal orders of superiors, these rules do not always apply. Another problem refers to appointment procedures, especially appointment by transfer of heads of subdivisions. In such cases, the contest is not mandatory. As for accountability, the problem relates to the lack of relevant criteria to assess the performance of the prosecution.

Despite public perception of NAC officers as the most professional and trustworthy officers among the anticorruption staff, they were perceived as under pressure during political crisis in the first half of 2013. A positive aspect to mention is that the anticorruption agencies have seized the threat of being attracted in the political struggle in 2014 (election year) and have focused on combating corruption in the judiciary system, which would allow achieving subsequently tangible results in other areas, as well. Overall, despite the efforts made, there are cases of failure of internal integrity mechanisms. In 2011-2013, prosecution was initiated with regard to one

NAC officer and two other officers of the precursor institution – Center for Combating Economic Crimes and Corruption. Despite regulations, the anticorruption agencies do not practically benefit of plenary independence. NAC undergoes constant reorganization, which is not always justified from institutional viewpoint and is publicly perceived rather as attempts to intimidate the institution authority. Another problem relates to the lack of relevant criteria to assess prosecution performance.

5.7. Quality of Border Controls, Comprehensiveness and Effectiveness of Customs Regime on Cash and Similar Instruments.

The territory beyond the control of the constitutional authorities of the Republic of Moldova (Transnistrian region) denotes the risk of introduction into the country by evading customs posts of internal control of both weapons and consumer goods, which endangers public/economic security of the country. The analysis of statistical data on external trade of Transnistria defines a series of types of products (foodstuffs, consumer goods, fruits, vegetables, tobacco, tobacco products, etc.), which are introduced into the relevant territory in rather large quantities, thus indicating to significant excess of the volume of listed goods over internal consumption capacity, and so, assuming taking over of part of listed goods from Transnistria and introduction into the territory of Moldova by smuggling.

Lacking tools of control over the Transnistrian region creates dangerous premises for using the territory of Transnistria for routes of smuggling in commercial goods and cash.

The legal framework governing the cash customs regime in the Republic of Moldova includes as follows: Customs Code of the Republic of Moldova, Law no. 1569 of 20.12.2002 on import and export of goods into/from the Republic of Moldova by individuals, Law no. 62 of 21.03.2008 on foreign exchange regulation, GD no. 1140 of 02.11.2005 to approve the Regulation on implementing customs destinations.

In particular, Law no. 62 of 21.03.2008 on foreign exchange regulation sets the limits on introduction/removal of payment instruments into/from the Republic of Moldova.

Thus, residents and nonresidents individuals are entitled as follows:

- 1) upon entry into the Republic of Moldova, to introduce unlimited cash in national currency and cash and traveler's checks in foreign currency;
- 2) upon leaving the Republic of Moldova, to draw out cash in national currency, and cash and traveler's checks in foreign currency in the total amount not exceeding 10000 euro (or equivalent thereof) per person/trip, without submission to customs bodies of confirmative documents mentioned in point 3);
- 3) upon leaving the territory of the Republic of Moldova, to draw out cash in national currency, and cash and traveler's checks in foreign currency in the total amount exceeding 10000 euro (or equivalent thereof), but not exceeding 50000 euro (or equivalent thereof) per person/trip, providing submission to customs bodies of confirmative documents for the amount exceeding 10000 euro (or equivalent thereof).

At the same time, in accordance with Law no. 190 on preventing and combating money laundering and terrorist financing, the Customs Service communicates to SPCML, before the 15th of the month following the reported at the latest, all the information on foreign exchange values (except cards) declared by individuals and legal entities. Subsequently, FIU examines the information received in terms of legalization of assets obtained in result of illicit activities.

In 2013, the verification of legality has covered currency introduction declarations in an amount of 165 million lei by 1330 citizens, and of currency withdrawal in an amount of 767 000 EUR, 429 000 USD by 132 citizens.

At the same time, in 2014, the verification of legality covered currency introduction declarations in an amount of 966 million lei, of which 28.18 million EUR and 28 million USD. In 2015 the verification of legality covered currency introduction declarations in an amount of 1.487 billion lei, of which 49.6 million EUR and 22 million USD.

However, one of the major problems faced by FIU in its relationship with the Customs Service relates to obtaining data on withdrawal of payment instruments from the territory of the Republic of Moldova, which is due to the lack of a database of payment instruments withdrawal. This situation imposes raise major risks of taking advantage of this shortfall for purpose of money laundering.

Furtheron, the declaration of precious stones and metals that can be used for value transfer is carried out according to general procedures set for declaration of goods, but the relevant information is not examined from viewpoint of money laundering.

Thus, the analysis of the table on criminal cases initiated by the prosecuting authority of the Customs Service on actions of cash smuggling denotes that, the majority of smuggling cases have been registered upon exit, including due to restrictions on withdrawal of payment instruments from the territory of the Republic of Moldova.

Article no. 29 of Law no. 62 on foreign exchange regulation allows withdrawal, upon exit from the Republic of Moldova, of cash in national currency, as well as cash and traveler's checks in foreign currency in total amount over 10,000 EUR (or equivalent thereof), but not exceeding 50,000 EUR (or equivalent thereof) per person/trip providing submission to customs bodies of documents confirming the amount exceeding 10000 EUR (or equivalent thereof). However, amounts exceeding 50,000 EUR (or equivalent thereof) may only be transferred from Moldova through the financial-banking system.

5.8. Level of financial integrity and effectiveness of forced execution of tax receivables

In terms of degree of financial integrity, to support consistent fulfillment of the basic task of exercising full control over tax compliance, correct calculation, payment in full and in due time of tax obligations to the national budget for the purpose of improving the control activities carried out by the State Tax Service pursuant to subparagraph e) para (1) article 133 of the Tax Code, planning of control measures should be made based on analysis of tax compliance risk criteria.

The State Tax Service, similar to other tax administrations in Europe, aims, under the scope of basic objectives, to achieving the best results following implementation of voluntary compliance. Yet, for this very purpose, STS has limited resources, meaning that correct decisions should be taken on distribution of available resource to support achievement of best outcomes in terms of increasing voluntary compliance by each separate taxpayer. Thus, the tax administration process should aim at ensuring tax collection in accordance with the law so that to increase public confidence in the Tax Service and to demonstrate that the system works properly. Within this context, the tax authority requires a methodology for determining rational allocation of available resources to support best decision-making.

Risk-based analysis implies establishing the most important tax control risks and scoring such risks based on a prescribed scale to reflect the weight of each criterion depending of criterion relevance for the overall risk level (purpose and type of control). Scoring of risks could

be made separately for each taxpayer; subsequently, risks shall be classified based on assigned scores, according to the individual level of estimated risk.

The risk analysis results is represented by the list of taxpayers in the State Tax Register with a major risk score, for the purpose of ensuring proper planning of control activities.

According to the letter of the Government of the Republic of Moldova no. 1414-100 of 05.02.2004, the list of taxpayers selected based on risk analysis shall be excluded resident taxpayers of free economic zones, in whose case inspection is carried out exclusively providing the consent of the Prime Minister.

In accordance with the rules on moral (non-financial) stimulation of honest taxpayers, approved by Order no. 396 of 05.06.2015 of MSTI, the list of taxpayers selected based on risk analysis is excluded the taxpayers entitled to moral (non-financial) stimulation, holders of certificates of credibility, who benefit of 2-year exemption, since certificate issuance date, of general and thematic tax audits.

The list of taxpayers selected based on risk analysis is excluded the taxpayers selected and approved for monitoring and voluntary compliance regime, through the “Annual Program of voluntary compliance of taxpayers” approved by Order of MSTI for the same period.

To conclude, one of the major shortcomings in the process of forced enforcement of tax claims implies significant divergences among the amounts of the fines calculated by the tax body and the amount of money means collected to the State Budget. In particular, this gap is determined by “delinquent companies”, which have accumulated, before 2015, large debts to the State Budget and have not paid their tax liabilities.

However, the tax body is facing staff shortage across the country, and this deficit is to be replenished over a series of employment stages. Also, due to constant staff turnover and new employment, there is a need for continuous staff training and adequate financial motivation to train specialists in the field.

5.9. Level of formalization of the economy

According to official information from the National Bureau of Statistics, the degree of shadow economy could be presents as follows:

According to estimates for January-September 2015, the elements of shadow economy accounted for 24.7% of GDP, which is by 1.9% less than in the same period of 2014.

Formal sector dropped by 0.1%, and the informal one reduced by 1.2 percentage point as against same period of the previous year. A 0.8 p.p. decrease was observed with regard to household production for own consumption.

“Economic activity” over the reference period was as follows: agriculture, hunting, forestry, fishing and fish farming - 0%, followed by “other service activities” - 2.5%, wholesale and retail ; repair of motor vehicles - 2.6%, industry - 2.8%, construction - 0.9%, transport and communications – 0.6%.

However, according to estimates for January-September 2013, the elements of shadow economy accounted for 27.7%, of GDP, which is by 0.7% less than in the same period of 2012.

The formal and informal sectors reduced by 1.5 percentage point as against same period of the last year. Growth has been recorded at the level of household production for own consumption by 2.3 percentage points.

In terms of “economic activities” over reported period, the largest share is accounted for by agriculture, hunting, forestry, fishery and fish production - 7.6%, followed by “other service activities” - 6.3%, wholesale and with retail; repair of motor vehicles - 5.1%, industry - 3.9%, construction - 2.3%, transport and communications–2,0%.

In conclusion, shadow economy is still high because of a series of cash-based economic activities, specifically agriculture, where workers are employed seasonally or for certain time-periods and because of the “envelope wage” payment, which affects both the national economy as involved beneficiaries.

Further on, transactions in movable and immovable property between individuals are largely made in cash, involving payment of the equivalent value of goods, which also considerably fuels shadow economy.

5.10. Availability of Reliable Identification Infrastructure and independent sources of information

A number of awareness and information campaigns have been launched at state level to inform the public about the resulted long-term negative effects of the paid “envelope wage”.

Law no. 467 of 21.11.2003 on Information and State Information Resources sets out the basic rules and operation norms in the area of creation and development of the national information infrastructure as the operating environment of the information society in the Republic of Moldova, regulates the legal relationship emerging upon creation, formation and use of state automated information resources, technologies, information systems and networks. The Ministry of Information Technology and Communications is in charge, through its structures, for implementation of the necessary infrastructure.

The governmental platform www.date.gov.md provides data on founders of enterprises in the Republic of Moldova.

The name and surname of the founders of around 200 thousand companies have been made public and can be accessed free-of-charge by every citizen.

This is an important step forward for the Republic of Moldova, as open publishing of data represents an effective, timely and important anti-corruption measure to ensure a transparent and secure business environment. Moreover, access to information on founders will increase the degree of confidence by consumers and civil society and will create a more transparent environment for mass media.

Thus, the following information about founders or companies thereof is available of the portal date.gov.md:

- IDNO/tax code
- registration date
- full name of enterprise
- legal and organizational form
- legal address
- list of managers
- list of founders of companies registered in the Republic of Moldova (for individuals: name and Surname; for businesses: Name)
- type of certified activity
- types of non-certified activities

Until now, data about founders of companies were available against payment, provided that the information issued is open and public. The initiative to make the data public supports the implementation of Law no. 220-XVI of 19.10.2007 on State Registration of legal entities and individual entrepreneurs.

The data about companies registered in the Republic of Moldova and the information about founders thereof will be updated on a monthly basis and will be presented in a more accessible electronic register.

Before implementation of the concept – government platform www.date.gov.md, which allows free-of-charge access to data on founders of Moldovan enterprises – because of implied access costs, only banking institutions could afford themselves using those services, and, as statistics showed. There was a limited use of the database for purposes of custom verification.

Thus, most reporting entities did not use to check the information provided by customers through the relevant service because of implied costs, or, in case of certain reporting entities, because of the inadequate supervision, which did not require strict provisions in this regard.

There are also difficulties in establishing the identity of beneficial owners in the case of customers with complex structure and in verifying the identity of nonresident customers.

The problem of the mechanism used to identify beneficial owners of customers of commercial banks has been raised also by the experts of the Council of Europe in the Assessment Report on preventing and combating money laundering and terrorism financing MONEYVAL, approved in December 2012. In parallel, experts of the International Monetary Fund and the World Bank have reiterated problem of identifying the beneficial owners of commercial banks in the 2014 FSAP Assessment Report. Upon state registration of companies, the founder or the shareholders of the company is identified, and the information about the beneficial owner is not requested. To also note, the country lack the mechanism to collect and maintain the information about the beneficial owners by the authorities entitled for company registration.

According to the information submitted by banks, there is evidence of problems related to the identification of beneficial owners, particularly for non-resident companies.

In the event that founders of non-resident legal persons are other legal persons, the information about the beneficial owner is not requested. Moreover, there are no provisions on updating the information on the beneficial owner.

The lack of a register of identified beneficial owners has been also revealed.

Available independent sources of information include the Credit Bureaus. The Law no. 122-XVI of 29.05.2008 on Credit History Bureaus regulates the relationship that emerges upon establishment of credit histories, submission of credit reports, establishment, operation and termination of credit history bureaus, performance of actions related to credit history development in terms of disclosure of data within credit histories, protection of information contained in credit histories, and other relations.

LLC ME “Credit Bureau” is the first company in the Republic of Moldova created for the purpose of developing, processing, storing and submitting the information required to assess compliance by debtors of the obligations assumed under loan contract. The operation of such company in the financial market will significantly enhance protection of lenders and debtors on the account of the overall mitigation of credit risks, and will increase the efficiency of activities conducted by financial institutions and other lending companies.

LLC ME “Credit Bureau” was registered at the State Chamber of Registration on March 26, 2008 and was set up as a Limited Liability Company; original founder include 11 commercial banks out of the total of 16 commercial banks currently licensed in the Republic of Moldova.

As for now, associates of JS ME “Credit Bureau” include 14 commercial banks, 2 leasing companies and one non-resident company – SC “SIVCO Romania” SA, which is a developer of software applications, including for the area of the activity of JS ME “Credit Bureau”.

Thus, the Credit Bureau is an institution providing services of collecting and processing information on the execution by debtors of assumed obligations, referred to as credit histories.

The institution also participates in the development of a database of credit histories and data provision to users of credit histories; this activity is carried out independently, in accordance with the Moldovan legislation. Thus, both the lending institutions and the customers may obtain personal credit histories via the Credit Bureau.

Existence of credit history bureaus is essential for a viable financial system, providing the financial institutions with the opportunity to adequately assess credit risks. However, credit bureaus provide only data on credit history available, which do not fully reflect the range of complex financial information. The only source to get financial information implies the clients requesting relevant services.

At the same time, it is to note that not all the reporting entities have access to the information of the Credit Bureaus. In the absence of other information sources, these entities may access only mass media sources, data available through the Internet, and specialized economic magazines. However, these sources provide rather general data and do not allow obtaining detailed information on customer financial situation and do not support the capacity of establishing transactions patterns and the commercial history of customers.

6. SECTOR REPORTS

6.1. Banking sector

From 2012 to September 2015, 14 commercial banks were licensed and operating in the Republic of Moldova. Banking assets have been growing by around 20% annually over this period and have reached a value of about 69,3 billion MDL (USD 3,53 billion) at end-period. This value accounted on an average, for a high share around 70% of GDP over the reported period, implying significant impact imposed by the banking sector on elements identified and considered upon assessment of the risks of money laundering and terrorism financing.

Further on, the banking sector is characterized by a relatively large number of customers - about 2.3 million of an average, and beneficiaries of products and services offered by commercial banks include both resident and non-resident natural and legal persons. The customer's risk profile denotes an average risk level, which differs depending on the geographical factor involved, type of customer, or product used.

All the commercial banks in the Republic of Moldova may conduct financial activities permitted under the legal requirements on attracting deposits, issuing loans, performing transfers and payments, issuing cards and other payment instruments, conducting foreign exchange operations, activities of investment portfolio management and consultancy, providing fiduciary services, trading in money market instruments, including futures and options, trading securities, etc.

During the analyzed period, the world economy has been marked by a series of continuous modification trends. Thus, there was a significant slowdown in the growth rate of a number of economies, which generated turmoil in the foreign exchange and stock markets. These changes and the economic crisis in the Russian Federation and other countries have determined declining of emerging and developing countries, including the Republic of Moldova. However, the strengthening of the USD resulted in reduced stock prices on raw materials, which deepened the downward trends of oil prices. Under such circumstances, the CIS financial crisis epicenter has been adversely affected by the crisis in the Russian Federation and the depreciation of the Russian Ruble. Under these circumstances, the national economy of the Republic of Moldova has been seriously hit and registered a negative dynamic, while the economic activity of companies has been influenced by the adverse impact of a number of both internal and external factors. The worsening of the economic climate and the persistence of regional economic and political uncertainties generated restriction of public domestic demand and investments. Consequently, some of banks' borrowers became incapable of repaying contracted loans, and the banks started to record losses and non-performing loan portfolios. In response to that, a series of measures have been undertaken to increase capitalization of banks, which has not been successful in all cases.

Thus, on the background of the economic crisis, during the reported period, under the scope of national assessment of the risks of money laundering and terrorist financing and involvement of other external factors, the banking sector has registered a particularly severe fraud, which tarnished the image of the banking sector and of the national authorities of the Republic of Moldova in charge for banking supervision. Over the reported period, the overall country image and the banking sector have been adversely affected by the transit transactions conducted via one commercial bank for the purpose of transferring money means of doubtful origin from the banks of the Russian Federation to banks located in the European Union, and especially in Republic of Latvia.

Within this context, the banks that have been involved in the above-mentioned transactions have violated the banking law as follows:

- failure to adopt adequate risk-based measures to identify and verify the customer and the identity of the beneficial owners thereof;
- failure to apply appropriate measures to identify the source of funds;
- non-application of measures to monitor transaction made and to collect of all supporting documents for identification of purpose and nature of customer's activity;
- non-application of specific prudential measures to identify corresponding institutions;
- fraudulent provision of loans in large amounts to over-indebted borrowers that did not conduct stable economic activity;
- performance of excessive placements with banks abroad in violation of prudential risk norms;
- failure to comply with prudential coefficients, such as large exposures, provision of loans to affiliated persons, establishment of adequate reserves to cover credit risks, liquidity, etc.
- failure to report all suspicious transactions to the Service for Prevention and Combating of Money Laundering;
- failure to comply with the remedial measures imposed by decisions of the Council of Administration of the National Bank;
- failure to apply internal control system tools and mechanisms for purposes of early identification of devaluation risks and implicitly of money laundering risks, etc.

Further on, given that part of the Moldovan territory is under the control of non-recognized and therefore illegitimate authorities of Transnistria, the banking sector is facing a relatively high continuous exposed risk of money laundering and terrorist financing towards people and activities in the relevant area. Thus, the so-called "banks" operating in the eastern part of the Republic of Moldova are not licensed by National Bank of Moldova to conduct financial activities, are not subject to supervision by any certified authority, are not recognized and accepted internationally, and therefore are not required to comply with the legal requirements of know-your-customer rules in the light of international standards on anti-money laundering and counter terrorist financing. However, it is to be mentioned, that the so-called "banks" operating in the eastern part of the Republic of Moldova perform transactions only with the banks located in Russian Federation.

Estimating and assessing different sectors facilitate the process of money laundering threat analysis, and allows the possible identification of ML phenomena in various sectors that consequently can permit to detect the attractiveness of crimes occurrence and the impact to the sector it produces. Thus, as evidenced by accumulated and processed data, the banking sector, which accounts for 70% of GDP, is the most probable attractive sector for ML purposes. To note, financial analysis, prosecutions and most high-value sentences have implied the banking sector.

The cases of bank fraud and transit of money means distort the statistics held over the reference period, because it had effect to products and services offered by banks, such as, money transfers, electronic banking, currency exchange, etc., yet clearly pointing to sector attractiveness and vulnerability.

Identified national vulnerabilities, such as:

- lack of independence in the activity of law enforcement and judiciary bodies,
- existence of multiple control levels in the process of criminal investigation,
- corruption within law enforcement and judiciary bodies,

- pecuniary penalties for money laundering and financial crimes severely affects the banking sector and created premises for the development of a crime climate for bank fraud and transit of funds from the Russian Federation.

The analysis of statistical data shows a medium-high vulnerability of the banking sector, determined, by products/services offered by banks implying high risk of money laundering and terrorist financing.

Thus, risk analysis resulted in the identification of the following products/services that impose the risk of money laundering and terrorist financing: payments via current accounts of legal entities and individuals; provision of loans to legal entities; international transactions into/from the Republic of Moldova associated with legal entities; transactions via electronic banking services; foreign exchange transactions associated with legal entities and transactions to/from Transnistrian “banks”.

At the same time, it was found the following additional gaps: lack of good knowledge of bank employees; availability and enforcement of sanctions; effectiveness of compliance (internal control) system and effectiveness of monitoring and identification of suspicious transactions.

The following shortcomings were identified with regard to the regulations in force:

- lack of legal requirements on enforcement of restrictive measures and of tools of enforcement of international sanctions;
- lack of safeguard measures to protect financial institutions in their relationship with countries that do not comply with international standards to prevent and combat money laundering and terrorist financing or are subject to sanctions and embargoes;
- lack of explicit methods and mechanisms to identify and qualify suspicious transactions and activities to be reported to the Service for Prevention and Combating of Money Laundering;
- lack of adequate effective, proportionate and dissuasive sanctions;
- existence of exceptions applicable onto the regime of suspicious transactions reporting;
- lack of requirements on identification of the beneficial owner by the authority entitled to register legal persons or in case of data modification;
- existence within legal requirements on identifying Politically Exposed Persons through inclusion of civil servants of medium and low rank, which exceeds international standards requirements;
- existence of exemptions from the requirements of know-your-customer rules, which exceeds international standards requirements.

The risk profile of customers identified within the analysis as imposing onto the banking sector a high degree of risks of money laundering and terrorist financing denotes as follows: non-resident corporate customers; Transnistria resident customers; customers having in their ownership structure effective non-resident founders or beneficiaries; customers performing transactions through correspondent institutions; customers performing transactions with offshore countries/areas and corporate clients performing currency exchange operations in specifically large amounts.

These circumstances denote a series of gaps in the banking sector:

- lack of shareholder transparency in some of the banks;
- lack of risk assessment in this area in the banking sector;
- existence in the banks of some employees that are dishonest and non-integral
- limited allocation of resources, which determines the low quality of transaction monitoring actions;

- existence of a poor mechanism to determine and update the list of Politically Exposed Persons and other types of high-risk customers;
- existence of a relatively large volume of transactions conducted via Transnistrian “banks”, in absence of clear rules and effective monitoring;
- lack of a register of effective identified beneficiaries;

It is to be mentioned, that during the analyzed period, in the banking sector occurred a banking fraud that affected the image and soundness of the sector. Thus, during this period, 3 banks offered credits in big amounts in a fraudulent mode to some of their customers that are legal persons. Afterwards, it was found that the bank’s debtors had no capacity to reimburse the taken credits and thus, the 3 banks become insolvent, but the NBM should have to withdraw the activity license for the 3 banks.

6.1.1. Supervision

As the supervising authority of commercial banks, the National Bank of Moldova has a legal framework which empowers it to regulate and supervise the area of prevention and combating of money laundering and terrorist financing. Thus, the National Bank is entitled and in charge for carrying out on-site controls and remote analysis over the implementation by banks of relevant legislative acts and specifically over holding by banks of written policies and procedures, implementation of know-your-customer policies and procedures and customer transaction monitoring, implementation of specific security measures, reporting of suspicious transactions to the Service for Prevention and Combating of Money Laundering, implementation of internal control measures, etc.

In result of on-site inspections, the National Bank traces out violations related to as follows: non-identification and non-verification of customers and beneficial owners; inadequate monitoring of transactions, lack of transaction confirmatory documents and lack of information on the origin of funds in the accounts; inadequate establishment of the customer risk level and, subsequently, non-application of special security measures towards such customers, including in relationships with correspondent institutions and Politically Exposed Persons; inadequate identification of suspicious transactions and subsequently, failure to report such transactions to the Service for Prevention and Combating of Money Laundering; inadequate verification by internal audit of actions by banks of preventing and combating money laundering and terrorist financing, etc.

Infringements have also been traced with regard to lack of information and data to identify bank shareholders and debtors thereof and misapplication by bank administrators of all legal requirements on preventing and combating money laundering and financing of terrorism.

Risk analysis in this area has highlighted gaps and shortcomings at the level of supervision procedures and practices and, in particular, lacking assessment of money laundering and terrorist financing risks, insufficient tools and mechanisms for on-site and offsite supervision, limited experience of personnel, etc.

According to statistics, in the banking sector have been identified 139 criminal cases, of which 29 cases have been sent to court with sentences issued on 18 cases. In 114 criminal cases the predicate offense is present, including offenses listed in 15 articles of the Criminal Code.

According to data analyzed, most criminal cases associated with products of banks involved in money laundering relate to current accounts of individuals and businesses.

Certain products that affect the image of the country and the sector have cross-border features. This category includes products related to some express money transfers via the payment systems “Western Union” and “Money Gram” and of course the transit of money from Russian Federation.

6.1.2. Financial inclusion

As a result of the development of the financial markets and economic changes that take place in the modern society, there is an ever-growing need to increase the financial education of the population.

Thus, a series of products, services and activities have been developed, aimed to inform the population regarding the changes and developments that took place in the financial markets.

Given the interconnectedness of economies and continuous globalization, the Republic of Moldova cannot remain separated in relation to the measures taken to promote financial literacy.

In these circumstances, in recent years, a number of measures have been undertaken aimed to increase financial literacy in Moldova, which through proper education will help develop the skills and financial knowledge that will enable individuals to take financial decisions of any kind, in a wise and appropriate way. Eventually these measures will contribute to broadening the financial inclusion of the population, increasing consumer protection and financial market development in terms of a robust and effective governance and providing quality products and services with minimum risk.

Financial inclusion has a positive impact on the perception of the rights to financial services, as well as protecting the lawful state by preventing frequent use of the shadow banking and financial services or informal money remittance systems for illegal purposes.

In Moldova, by Government Decision of 24.07.2013 approving the strategy on consumer protection, steps have been taken to distribute information regarding the rights and obligations of consumers and promoting educational programs in this field. For this purpose, a series of events have been conducted to inform the public regarding the financial products and services that are available and educate the population in order to include it in the domestic financial system.

Thus, following the approval of the above-mentioned strategy, the national campaign on promoting cashless payments was conducted. The purpose of the campaign was to educate people about other payment instruments, in particular banking cards, internet banking, use of alternative payment service providers etc.

The commercial banks, in turn, informed the population about the products offered, specially created to solve some social problems, for example, cards were issued for use by persons that receive pension or receive benefits after birth or for raising children.

Also a positive impact has had the promoted campaigns aimed to inform the population about the decreasing interest rates, the developing payment instruments, consumer protection, limiting the cash in the economy etc.

Given the statistics of the banks, the volume of products offered are still modest. Therefore, for 9 months of 2015 the volume of products in the context of financial inclusion offered by the banks amounted to about 12 mln. Lei, with a share of annual GDP slightly below 0.01%.

Regarding the risk assessment of money laundering and terrorism financing of the products offered in the context of financial inclusion, we mention that at the moment no indicators have been identified that could lead to such a risk.

Thus, in order to increase the level of financial inclusion of the population it is necessary to promote some initiatives to educate and raise awareness, to develop essential financial products, to promote the initiatives of the private sector in financial products development, use of the Postal Offices network in rural areas, applying less stringent requirements for low risk customers, consumer protection and proper procedure for complaints. At the same time, implementation of financial inclusion policies should not be burdened by the policies and procedures aimed to combat money laundering and terrorism financing.

6.2. Securities sector

The securities market of the Republic of Moldova has a small size and includes, as of 31.12.2015, the Moldovan Stock Exchange, the National Depository of Securities, 12 registrar companies, 19 investment companies and 3 independent evaluators registered in the Register of authorized persons. Since entry into force of Law no. 171 from 11.07.2012 on the capital market, the capital market infrastructure has undergone a series of changes at structural level, which resulted in the establishment of the overall framework for the emergence of new trading platforms: regulated market and multilateral trading system.

Currently, the types of tools and services available on the capital market are very limited. Thus, the portfolio of the capital market entities consists of a single category of securities – shares, these being the only securities circulating in the market. All placements of issues of securities carried out during the reference period are closed.

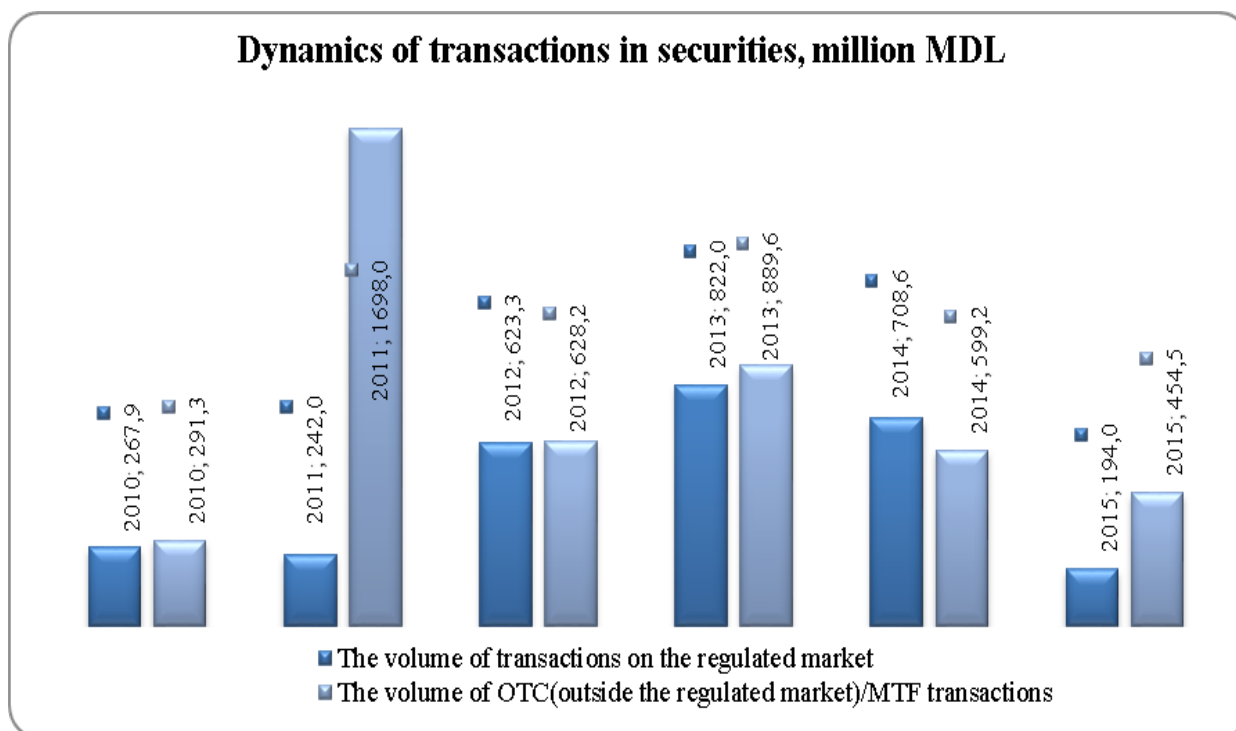
The slow development pace of the domestic capital market is mainly due to the followings: lack of active institutional investors, lack of fiscal incentives, poor corporate governance, low liquidity of the market, obsolete information technologies, underdeveloped market infrastructure, lack of financial instruments diversity, poor investment culture in terms of securities' portfolio. Even though the issues stated above represent a sensitive matter that could be considered attractive for possible actions of ML through the transactions in securities, taking into account the actual situation of the market representing a very low level of the number and value of transactions – possible attempts to launder money would be rapidly traced by the supervisory authority.

Dynamics of the main indicators of the capital market

Nr.	Monitoring indicators	2011	2012	2013	2014	2015
1.	Value of issues of securities, million MDL	1389,3	1106,0	950,1	1249,6	221,08
2.	Value of transactions in securities, million MDL	1940,0	1251,5	1711,6	1307,8	648,5
3.	Value of stock market transactions,					
	• Million MDL	241,9	623,3	822,0	708,6	193,97
	• In relation to total value of transactions in securities, %	12,5	49,8	48,0	54,2	29,9
	• In relation to GDP, %	0,29	0,72	0,80	0,64	0,16

With regard to the insignificant share of trading in securities within total GDP, which at the end of 2015, represents a total value of 0,53 percent, the following aspects could be mentioned:

- the capital market denotes a concentration of control packages, that is why the interest in buying minority stakes is irrelevant;
- payment of dividends is one of the basic incentives of attracting investments, thing that is not characteristic for the majority of issuers of the Republic of Moldova. However, dividends are paid by financial institutions, thus these entities could be attractive for investors;
- the investor in the Republic of Moldova has no guarantee, that, following the acquisition of shares at certain price, any profit will be obtained from subsequent sale thereof, let alone a profit comparable with the ones in the international stock markets.



The value of transactions in the stock/regulated market in 2010-2015 amounted to 2857.8 million MDL or 38.5% of total transactions. The analysis of the distribution of transactions between the stock market and the OTC market shows a uniformity trend of the stock and OTC segments, except for the year of 2011, when the volume of OTC transactions exceeded by 7 times the volume of stock transactions, mainly due to transactions related to equity stakes in commercial companies.

Making an analysis of the vulnerabilities on the capital market, regarding the base profile of the clients, it could be stated that most customers of entities are included in the “standard” category. This is determined by the fact that investment societies do not complete international transactions, most customers implying a potential risk of money laundering include nonresident customers or customers with foreign capital.

With regard to the vulnerability of entities to abuse actions in the capital market (misuse of inside information, unauthorized disclosure of inside information and manipulation on the market), it has been noted that the lack of information about shareholders, potential investors and involvement thereof in abusive actions and/or previous infringements of legal provisions of the Republic of Moldova determines vulnerabilities to market manipulations. At the same time, the vulnerability of the entity depends also on the personal integrity of the shareholder.

However, taking into account the current development stage of the domestic capital market, there is no sense mentioning manipulations in the market in classical terms, as there is no continuity of transactions, no speculative transactions, and no flexibility of securities’ price: most transactions imply concentrations of control packages or changes in the structure of the main shareholders of the issuers. Within this context, we cannot state high vulnerability of entities towards actions of abuse.

According to data presented by professional participants of the capital market, it is possible to contract customers and/or to provide further activities and services without face-to-face contact with the customer, but such cases are very seldom.

The vast majority of entities operating in the capital market have reported a relatively simple procedure of transaction traceability, specifically considering the currently small volume of transactions in terms of both number and value. However, there are many systems of transaction recording, which differs from one entity to another. There is no single and unique system (to be implemented by all market participants), and no single format to be used for recording customers and transactions, in order to facilitate reporting of suspicious transactions to competent bodies.

Furthermore, it has been also established that there is inadequate implementation of legislative provisions with regard to identification of customers, of beneficial owners, as well as application of enhanced due diligence toward clients by the registrar societies. These factors could be considered as a vulnerability of the sector of money laundering.

Over the last five years, the capital market registered a series of transactions that have involved particular interest of state authorities and have been widely reflected in the media, considering their qualification by mass media as “raider attacks”, although there is no legal provision stipulated to regulate this term. In the case of share transactions of public entities, like financial institutions, the request to use the notion of “raider” phenomenon implied showing the hostile takeover of shares of certain companies through the means of Court decisions, according to which the securities were transferred as payment for fictitious debts, including through contributions to the share capital, in order to hide the beneficial owners of shares.

Later, the non-banking and banking financial market supervisory authorities, in order to combat this phenomenon, took adequate measures, resulted especially in amendments to the legislation in force.

However, there are still some weaknesses of the legal framework with regard to identification of the beneficial owner by the relevant authorities, as anticipation of such phenomenon would allow entering of only bona fide investor, assuming also that the origin of funds would be a real and transparent source. Thus, it is to be mentioned the very limited capacity for the supervisory authority to identify and verify the beneficial owner, especially regarding the persons residents of other states. This issue implies improving the national as well as the international cooperation between the regulatory and supervisory authorities. Moreover, the capacity of intervention is also reduced to minimum if there are legally binding court decisions.

Conclusions:

The capital market of the Republic of Moldova is currently representing a segment with insignificant impact upon the investment environment, except for only transactions in securities issued by financial institutions and/or insurance companies.

An efficient development and operation of the capital market will provide opportunities for faster financing of both the state, the central and local public authorities, as well as of commercial societies; within this context, the capital market should constitute not only a mere component of the market economy, but also a barometer for the activity of every issuer in part and of the economy in general.

From the analysis performed above, it could be concluded a medium low vulnerability of money laundering of the securities market.

Thus, as for now, the following vulnerabilities could be stated in the capital market:

- legislative deficiencies at the level of identification of the beneficial owner for the purpose of establishing the origin of financial resources (confirmative documents), of other documents issued by competent authorities in the jurisdiction of the ultimate beneficiary for the purpose of achieving a clear and accurate picture about the beneficiary;

- lack of adequate legal regulations to implement the necessary framework to identify the beneficial owner or the person controlling transactions with securities;
- reporting entities have limited resources that do not allow them to ensure an ongoing training program for their employees in the field on AML, or, eventually, to hire qualified specialists in order to perform an efficient internal control.

6.3. Insurance sector

The insurance sector in 2015 included 15 insurance companies, including 13 companies carrying out general insurance, 1 company carrying out composite activities and 1 company carrying out life insurance.

Revenue from gross subscribed premiums in 2015 amounted to 1228.5 million MDL, including 1141.0 million MDL in the category of “general insurance”, which is or by 17.5 million MDL more than in 2014 and 87.5 million MDL in the category “life insurance”, which is by 7.5 million more than in 2014. The total value of gross subscribed premiums rose by 2.1%.

The degree of insurance penetration, to the situation on 31.12.2015, expressed as ratio of gross premiums to GDP, accounted for 1.01%, attesting a reduction by 0.07 percentage points from 2014.

As regards the assessment of the vulnerabilities of the insurance sector, the following were found.

Upon evaluation of the “market size” indicator, based on above-stated statistical data with regard to the total value of gross subscribed premiums and insurance compensations paid by type of insurance, the working group has assessed the total amount of domestic compulsory civil-liability insurance (MTPL), external compulsory civil-liability insurance (“Green Card”), and land vehicles insurance (CASCO) (Motor insurance (other than MTPL)) as “low”. The magnitude of the established assessments is due to the fact that the total value of the insurance premiums, subscribed at the end of 2015, amounted to 1228.5 million MDL, which represents approximately 1% of GDP, the share of the premiums related to these 3 types of insurance is the highest in aggregate, around 0.6% of GDP (0.2% of GDP for each class of insurance). For the other 4 identified products, evaluation qualifications have been set as low. These qualifications have been set by taking into account that the insurance market is in its incipient stage of development and the products subject to evaluation are underdeveloped, which is common for emerging economies like in the Republic of Moldova, where the development of the insurance market largely depends on compulsory and semi-compulsory products (CASCO – due to the development of the leasing and auto lending, which obliges the beneficiaries to contract this insurance product).

Upon assessment of “the use of insurance intermediaries (agents)”, the followings have been established: in external compulsory civil-liability insurance (“Green Card”), domestic compulsory civil-liability insurance (MTPL) and land vehicles insurance (CASCO) and life insurance – medium-high; property insurance – medium, credit risk insurance – low, and reinsurance – N/A. Establishment of values has been based on the large amount of intermediaries and the diversification thereof, as well as the share of gross subscribed premiums by insurers. To note, in 2019-2016, the market of the Republic of Moldova totaled annually, on an average, 80 insurance brokers, 200 corporate insurance agents, and around 300 individual insurance agents, although the value of gross subscribed premiums by intermediaries accounted for around 40%.

“The base customer profile” of identified products evolved as follows: credit risk insurance – high risk; external compulsory civil-liability insurance (“Green Card”) – medium risk; domestic compulsory civil-liability insurance (MTPL), land vehicles insurance (CASCO), reinsurance, and life assurance – low risk. The high-risk qualification assigned to external compulsory civil-liabil-

ity insurance (“Green Card”) and credit risk insurance is due to the existent higher vulnerability to both money laundering and committing fraud by making false claims determined by the common non-residents performing such transactions and the high liability limits. Moreover, in the case of the Green Card, the geographical boundaries of the risk stay exclusively outside the Republic of Moldova, especially in the territory of the European Community and other countries participating in the Green Card system, which would create the risk of non-capacity to manage the money laundering risk based on domestic general rules. At the same time, preventing ML/TF in the case of the Green Card falls under the regulatory framework of the European Community and other countries participating in the Green Card system, which is the territory of occurrence of the insured risk.

Other types of insurance have been assessed respectively as having low level of risk, as these types of insurance have low levels recorded as share of GDP, as well with regard to premiums and compensations (with few exceptions).

To assess the “availability of investment policies”, the working group assigned the “not available” qualification to most types of insurance, except for life insurance, given that these products do not provide any investment components, and the contracts are concluded for a 1-year term maximum, as in compliance with the legislation.

Life insurance were assessed as “available” and “prominent” in terms of investment policies because, although the life insurance market is underdeveloped and the degree of penetration of insurance premiums, at the situation of 31.12.2015, is 7.1% of total gross subscribed premiums, the aggregate value of ML/TF risk is insignificant; however, there may be limited eminent risks per contract / transaction.

Liquidity transactions at the level of almost all products identified has been assessed as having medium-high risk, except for insurance of goods – medium, and reinsurance and insurance of credit risk – N/A. These qualifications imply the specifics of the Moldovan economy: people believe in cash and, respectively, there is a lack of credibility in the banking system, so, most settlements by individuals are made in cash.

Reinsurance and insurance of the credit risk imply no risk due to product specifics (transactions are carried out only between legal persons and the legislation on accounting does not allow cash settlement).

“Availability of cross-border use of identified products” denotes as follows: external compulsory civil-liability insurance (“Green Card”) and reinsurance – high; life assurance, land vehicles insurance (CASCO) and credit risk insurance – medium-high; domestic compulsory civil-liability insurance (MTPL) and property insurance – no risk. The high qualifications are due to the specifics of the products considered – these transactions are mainly carried out with non-residents, the “no risk” qualification is determined by the exclusively in-house coverage of relevant transactions.

“Product anonymous use” - the working group has established that products identified for evaluation cannot be used anonymously, as the current law in the area of insurance requires compulsory identification of the insurer and the insurance intermediaries upon conclusion of insurance contracts, as well as inclusion in the insurance contract of the insured person and of the beneficiary. Thus, before occurrence of insured risks and, respectively, payment of insurance compensation, the insurer will know the beneficiary defined in the contract (except for cases of motor civil-type liability insurance), and assignment of the beneficiary’s right of can be made only upon transmission of this legal right, made by attorney, judgment court, etc.

The “existence of ML typologies on product abuse” – this is a vulnerable factor and for most products it has been qualified as “existent but limited” and for land vehicles insurance (CASCO) – as “nonexistent”. Establishing these qualifications presumes that credit risk insurance, life insurance, Green Card and reinsurance imply high liability and, thus, low insurance premiums.

“Use of product in fraud or tax evasion schemes” has been assessed as follows: external compulsory civil-liability insurance (“Green Card”) and credit risk insurance – “existent”; domestic compulsory civil-liability insurance (MTPL), land vehicles insurance (CASCO), reinsurance, life insurance – “existent but limited”; and property insurance – “non-existent”. In the area of products assessed as having “existent” and “existent but limited” risks; there were attempts and transactions of tax evasion through payment of damages, given that insurance compensations, as in accordance with the tax law, are classified as non-taxable income (in case of insurance companies, these payments are recorded as deductions of the taxable income base, and in case of beneficiaries, these incomes are tax exempted).

For example for life insurance contracts are set high insured sum/ liabilities and duration of the contract exceeds one year which creates impediments to verify transactions made on this policy fact that creates an eminent risk of exposure policies to money laundering. *At the moment were not found any cases of money laundering although there are risks.*

With regard to external compulsory civil-liability insurance (“Green Card”) and land vehicles insurance (CASCO) – due to the fact that cross-border contractual relationships (insurance policy issued in RM and coverage territory are EU or other states) it creates a risk of money laundering.

In assessing the vulnerability factor “difficulty to trace product transaction records”, the working group qualified most insurance products as “traceable”, except for reinsurance and credit risk insurance, which have been assessed as “difficult/time consuming”. The area of reinsurance and credit risk insurance implies complicated types of insurance, which usually include a number of components difficult to identify: related transactions are carried out with non-residents, and any potential investigation requires various documents, information, evidence, which, in turn, require collaboration with multiple jurisdictions, and this has been proven to be time consuming.

“Significant use of the product otherwise than directly” – the majority of insurance products have been qualified as “unavailable”, except for credit risk insurance, which has been assessed as “available but limited”. The legislation in force provides application of “know-your-customer” rules, and transactions and insurance contracts are concluded physically on paper in the presence of the insured party, and payment of insurance compensations are made to identified beneficiaries; thus, individuals are identified based on their IDs and are paid in cash or by transfer to the bank account, and legal persons are identified based on the registration certificates issued by the State Chamber of Registration. In the case of credit risk insurance, the original beneficiary (the entity receiving the compensation from the insurance company) is identified as of the date of contract conclusion and the subsequent use of financial resources is untraceable for the insurance company.

The variable “Availability of product-related ML control measures” for all identified products has been assessed as “existent, but limited”: depending of product specifics, the process of combating ML/FT includes trained and experienced specialists holding specific skills, abilities and knowledge related to the product investigated and general knowledge of ML control procedures of risk mitigation.

Given the cross-border nature of products, certain procedures fall under the regulation of the national legislation applicable in the country of residence of the transaction object/subject. The assigned “limited” qualification has been determined by the limited need for special procedures due to the specifics of the product.

The circulation of aforementioned products creates certain threats / vulnerabilities of ML / FT depending on the position in the insurance / reinsurance market, one of this is acquisition of equity larger than 10% in the share capital of insurance companies with the highest turnover by unidentifiable persons, which indicates imminent risk of influence concentration.

During 2012-2015, there were several deficiencies on the non-transparent manner of transactions with the shares of insurance companies and hostile takeover methods by “interposed” beneficial owners acting in concert on the insurance market.

In conclusion, it could be stated that the legal framework in the area of insurance includes vague criteria with regard to prudential assessment of an acquirer of equity, including to procedures of effective application thereof.

Thus, to establish due transparency of the insurer’s shareholders, the followings priorities have need identified:

1. There is an urgent need for defining due diligence criteria and procedures to provide legal certainty, clarity and predictability, which represents the prerequisites to assess potential acquirers of equity.

2. However, to exclude the risk of market monopolization by compromised persons who are beneficiaries of companies acquiring equity in the capital of domestic insurers, urgent improvement is needed of the process of regulation and supervision of insurance activity in the Republic of Moldova, including in terms of transparent shareholding and continuous monitoring of the quality thereof, accountability of shareholders and potential shareholders, and consolidation of financial capacities of insurers to avoid system instability, which would also contribute to the quality of supervision of insurers for the perspective of Law no. 190-XVI of 26.07.07.

Within such conditions, to avoid any risk of market destabilization as result of triggered insolvency of insurers, that under current circumstances could lead to generation of ML/FT risks, concrete measures are required to be defined to extend the tools available to the regulators and supervisors of insurers by establishing the legal framework to support financial recovery of the insurer in financial difficulty at the stage when the insurer envisaged is in satisfactory financial condition.

In this regard, to prevent situations of intentional bankruptcy of insurers for purpose of avoiding payments towards insured customers, the followings should be enacted:

1. providing the incorporation of the insurer’ financial situation analysis and the monitoring of actions in the financial recovery plan.
2. supervising the activity of the insurer’s governing bodies in terms of enforcement of measures aimed at remedying the factors that have led to the worsening of the insurer’s financial situation.

It is important to note that the draft law No. 4 of 25.02.2016, were submitted proposals to amend the Law no. 407-XVI from 21.12.2006 “On insurance” with the changes related to the mentioned issues.

A highlighted threat to the insurance market was the situation created within the National Insurers Bureau (BNAA). In the period from December 2014 to March 2015, BNAA has been managed by interposed people, who made transactions with financial means of BNAA without express powers to act so. In these circumstances, the BNAA activity has been paralyzed. Moreover, the prerogatives and powers of the National Bureau of Moldova in the Council of the International Green Card Insurance System in Brussels have been compromised.

Consequently, based on the complaint of the National Vehicle Insurers Bureau, the criminal investigation body of the National Anticorruption Center, jointly with the SPCML, started a criminal case and conducted an analysis of the transactions by which the BNAA was embezzled by funds.

As a result of the measures taken by the Green Card Bureau, the decision was taken to revoke the suspension decision of BNAA from the “Green Card” system, while maintaining the status of

a monitored member of the Republic of Moldova, subject to the imminent examination of measures that will restore financial stability and security of the BNAA with the involvement of the Moldovan authorities.

Taking into consideration the above mentioned and following the performed assessment, it is important to highlight that the risk of identifying the beneficial owner is the most significant for the insurance sector. Considering that the total value of the insurance premiums, subscribed at the end of 2015 constituted 1228.5 million MDL which represents about 1% of GDP, the insurance sector being characterized as underdeveloped and taking into account all its vulnerabilities, it is noticed that the insurance sector is not attractive for money laundering and terrorist financing.

6.4. Other financial institutions

6.4.1. Savings and Loan Associations

The Savings and Credit Association (SCA) represent a noncommercial organization with the special legal status, which has the aim to offer financial resources to the population from rural zones, usually to its members, in order to support their economic and social activities. The SCA's license offer the possibility to perform the activity exclusively in Republic of Moldova. Moreover, SCA's are established by members which are citizens of the Republic of Moldova and offer products and services exclusively for its members. The Savings and Credit Associations does not use agents in their activity and according to the legislation cannot perform the activity abroad.

Using anonymous services provided by the SCA's it is impossible at this moment, as it is required the physical presence at the application, concluding of the agreement, receipt / deposit cash, including when the payment of interest occur.

The Savings and Loan Associations (SCAs) of the Republic of Moldova represent a dynamic development trend. The establishment and development of these institutions are determined specifically by the need to finance the rural sector in particular. The main task of those institutions is to facilitate the access of rural residents to the basic financial services, including savings deposit and lending, and to support the legal activities of associations' members with the view to improving the economic and social conditions thereof.

Currently, the system of Savings and Loan Associations holding the B-category license includes 61 associations, and total members amount to 62000, increasing by 24% from the level recorded in 2010.

The loan portfolio of SCAs with the B-category license as of the end of 2015 reached the highest level in the last five years. Thus, the portfolio value amounted to 335.0 million MDL, which is 2.2 times more than in 2010, and accounted for 0.3% of GDP. This figure implies a low impact imposed by this product in potential actions of money laundering and terrorism financing in the national economy. Given that the services and products of these institutions are mainly used by resident individuals, the risk profile of SCA activities is very low.

It is to be mentioned, that supervisory authority checks the compliance of SCAs with minimum requirements as regard to capital, reserves, financial prudential norms, the existence of equipment and activity area, the administrators, etc.

The analysis of the risks of money laundering and terrorism financing in the SCA sector defined that the potential negative impact upon the product provided by SCAs may occur in particular because of cash use.

Prudential requirements by SCAs in the area of preventing and combating money laundering and terrorism financing include the approved regulatory framework and, in particular, the Law

on preventing and combating money laundering and terrorism financing and the related regulations approved by the National Commission of the Financial Market. However, a number of shortcomings have been identified, and specifically as follows:

- exclusion of Savings and Loan Associations holding the A-category license from the scope of reporting entities;
- lack of guidelines and recommendations developed specifically for the purpose of training the staff in the area of proper application of know-your-customer requirements, in particular upon identification of beneficial owners;
- identification of complex and unusual transactions or verification of transaction scope and determination of suspicious transactions;
- lack of the secondary legal framework for the implementation of rules related to customer verification based on the lists of Politically Exposed Persons or individuals subject to sanctions, restrictions or other prohibitions, as well as other persons assigned high-risk degree;
- lack of clear requirement to identify the persons acting on behalf of a third party;
- lack of methodological indications on typologies of money laundering and terrorism financing by sector involvement; etc.

In parallel, conducted inspections defined a series of shortcomings in the activity of the Savings and Loan Associations in terms of efficient implementation of measures to prevent and combat money laundering and terrorism financing, and specifically as follows:

- lack of resources allocated specifically to the needs of the given area;
- low efficiency in terms of application of relevant requirements on identification and reporting of suspicious transactions;
- lack of identification of PEPs and other high-risk customers; etc.

However, the conduct of business by the Savings and Loan Associations, the products and services offered, the business environment, the customer base, the applicable legal framework and other related aspects imply a ***medium-low vulnerability of money laundering and terrorism financing associated with the activity of the relevant sector.***

6.4.2. Foreign Exchange Offices

The service of cash foreign currency exchange in the Republic of Moldova is provided to individuals by foreign exchange offices in accordance with the legislation in force.

Foreign exchange transactions imply transactions of foreign currency purchase and sale against national currency or other foreign currency, and, where appropriate, transactions related to purchase and sale of foreign currency checks.

The widely and frequent use of cash in the economy of the Republic of Moldova in common with the currently large volume of remittances determined the operation in the market of a significant number of exchange offices.

According to statistical data, the volume of purchase/sale transactions in foreign currency by the foreign exchange offices in 2012-2014 rose from 11.2 billion MDL (USD563,100,608) to 14.6 billion MDL (USD734,041,864), accounting to around 13% of GDP on an annual basis. This figure denotes a medium-low impact of this product in terms of money laundering and terrorism financing. In addition, the degree of foreign exchange impact may be established based on the customer risk profile, which is actually formed of resident individuals.

The foreign exchange offices in the Republic of Moldova operate based on a sound legal framework which is sufficiently equipped to provide appropriate measures to prevent and combat money laundering and terrorism financing. Yet, there are some gaps that need to be removed, and namely: lack of a defining framework to check the customers against the lists of Politically Exposed Persons or individuals subject to sanctions, restrictions or other prohibitions, as well other persons assigned high-risk degree; lack of guidelines and recommendations for foreign exchange offices in the area of proper implementation of requirements on the identification of complex and unusual transactions or verification of transaction scope, etc.

Also, the current regulatory framework allows the customers of foreign exchange offices to conduct foreign exchange operations without proper identification thereof. In result, non-identification may imply the risk of using exchange services to legalize illegally obtained funds, as the exchange office holds no data with regard to the real person and the beneficiary of conducted transactions.

Over the reported period, the foreign exchange segment included 370 foreign exchange offices and approximately 750 foreign exchange units acting in addition to commercial banks. Under these circumstances, the number of foreign exchange offices is relatively high in comparison with the total population number and the number of territorial administrative units denoting large concentration of citizens using foreign exchange transactions.

Under these circumstances, except for the foreign exchange units operating by commercial banks, a series of shortcomings have been identified within the activity of foreign exchange offices with regard to efficient implementation of measures to prevent and combat money laundering and terrorism financing, including as follows: lack of resources assigned for these specific area; low efficiency in implementing know-your-customer requirements; low efficiency in implementing the relevant requirements on identification and reporting of suspicious transactions; lack of identification of PEPs and other high-risk persons, as well as of persons subject to sanctions and other restrictions, lack of specialized training in the relevant area; etc.

Within the on-site inspections carried out by the National Bank of Moldova as in accordance with legally assigned powers and competence, a number of shortcomings have been traced out in the activity of foreign exchange offices, and specifically as follows: intentional fragmentation of customer's transactions for the purpose of avoiding identification of the individual; lack of updated programs to prevent and combat money laundering and terrorism financing; lack of special registers that need to be maintained; lack or small number of transactions reported to the competent body; etc.

6.4.3. Leasing companies

The activity of leasing companies in the Republic of Moldova is regulated by the Leasing Law no. 59-XVI of 28.04.2005. In the period of 2013-2015, there were 22 leasing companies operating in the territory of the Republic of Moldova. The purpose of these units is to ensure economic development in the Republic Moldova by providing financing for various projects of economic agents or for acquisition of goods by other stakeholders.

As a result of the analysis performed, it was found that the volume of activity for the leasing companies during 2014-2015 years have totaled about 1 billion lei/year (about 55 mln. USD), in an annual growth by around 2%. The most common products and services offered by leasing companies are referring to granting leases to natural and legal persons for the purchase of goods, such as cars, equipment, machinery, etc. The largest share of these products lies the leases granted for the purchase of cars by individuals.

Under the analysis scope of risks of money laundering and terrorism financing faced by the leasing sector, it has been traced out that, in accordance with the current legislation in the area of preventing and combating money laundering and terrorism financing, **there is no official authority assigned to conduct supervision and control of leasing institutions.**

Consequently, the lack of the regulatory framework for the supervision and control of the leasing sector determined negative results denoted by many factors affecting the activity of leasing companies, specifically with regard to as follows: implementation of entry control actions; remote and on-site supervision; application of sanctions; integrity of employees and level of knowledge thereof; implementation of compliance requirements and internal control measures related to prevention and combating of money laundering and terrorism financing.

At the same time, the lack of a supervisory body generated a cascade effect, which has adversely affected the inherent variables and elements under analysis, including as follows: implementation of know-your-customer rules and identification of beneficiary owners; identification of high-risk customers; implementation of enhanced due diligence measures; monitoring of customers; transactions and activities; identification and reporting of suspicious transactions; etc.

A number of gaps that are mentioned above, are a result of lack of statistical data related to activities of prevention and combat of money laundering and terrorist financing on the one side of the leasing companies, and on the other side of the supervisory body. At the same time, it is to be mentioned that leasing companies for the analyzed period have not reported any suspicious transactions to the Office for Prevention and Combat of Money Laundering, as according to the legislation in force.

However, there is a need for improving the regulatory framework related to leasing activities, specifically as follows: approval of guidelines and recommendations for appropriate training in the area of know-your-customer requirements for purpose of identification of beneficial owners; identification of complex and unusual transactions and verification of transaction scope; identification of suspicious transactions; approval of the defining framework for the verification of customers against the lists of Politically Exposed Persons or individuals subject to sanctions, restrictions or other prohibitions, as well as other high-risk persons; development of explicit requirements on identification of persons acting in the name of a third party; approval of typologies of money laundering and terrorism financing; etc.

At the same time, given the lack of a supervisory body in the segment of leasing companies vested with powers related to combating money laundering and terrorism financing, the working group has also highlighted the lack of resource allocation into the relevant area to meet the required needs, lack of qualified experts and trained specialists to conduct efficient supervision; lack of risk analysis and identification of involved risk typologies; etc.

However, considering the specifics of provided financing and the related work environment, the customer base in the leasing sector implies a medium risk level, because funds for real economy development projects are provided to resident legal entities and resident individuals.

6.4.4. Microfinance organizations

The analysis of activities conducted in the segment of microfinance organizations in the Republic of Moldova denotes upward trends of the main activity indicators in the period 2013-2015. The qualitative consolidation of the sector implies transforming the microfinance intermediaries into institutions providing financial services in a professional manner, aimed at supporting the welfare of service beneficiaries and establishing adequate bases for customer education on effective management of own financial resources.

The analysis of the money laundering and terrorism financing risks in the reported sector has identified that the products offered by the microfinance institutions imply certain risks related to the usage of mentioned services – via agents or intermediaries, with no direct contact, or in cash. Under certain conditions, these risks may become quite substantial.

Thus, according to sector statistical data and information, as of the end of 2015, 119 microfinance organizations were registered in the Republic of Moldova. The loan portfolio of microfinance organizations in this period amounted to about 2.8 billion MDL and accounted for 2.4% of Gross Domestic Product. This figure implies a low impact of this product in potential actions of money laundering and terrorism financing onto the national economy. Lending is the product provided by microfinance organizations to customers. According to the analysis of conducted transaction in breakdown by type of transaction – in cash or by transfer, the largest 7 microfinance organizations reported 80% of non-cash transactions and, respectively, 20% of cash transactions. To note, in 2013-2015, microfinance organizations did not report any suspicious transaction. However, for failure to report transactions, sanctions have been applied in a total value of 44300 MDL. The risk profile of customers denotes a medium-low level of risk, as services are predominantly provided to resident individuals.

Prudential requirements towards microfinance organizations with regard to prevention and combating money laundering and terrorism financing include the approved regulatory framework – the Law on prevention and combating money laundering and terrorism financing, in particular, and related Regulations approved by the National Commission of the Financial Market. However, a number of shortcomings have been identified, namely as follows:

- lack of guidelines and recommendations for appropriate training in the area of know-your-customer requirements, specifically for purpose of identification of beneficial owners;
- identification of complex and unusual transactions and verification of transaction scope; identification of suspicious transactions;
- lack of a secondary framework for the verification of customers against the lists of Politically Exposed Persons or individuals subject to sanctions, restrictions or other prohibitions, as well as other high-risk persons;
- lack of clear requirements on identification of persons acting in the name of a third party; lack of typologies of money laundering and terrorism financing, as well as of requirements and tools of risk assessment; etc.

In parallel, the conducted analysis revealed another essential deficiency in the area of microfinance activity – the lack of an adequate regulatory framework to allow supervision of sector entities. However, it is to note that, in accordance with the Law on microfinance organizations, the National Commission of the Financial Market conducts the monitoring of microfinance organizations. In this context, the lack of a supervisory body generated negative results at the level of many factors affecting the activity of microfinance organizations, specifically as follows:

- undertaking of relevant actions of control, remote and on-site supervision;
- application of sanctions, integrity and level of knowledge of employees, application of compliance functions and internal control measures to prevent and combat money laundering and terrorism financing.

Meanwhile, lack of a supervisory body, produced ***cascading effect that adversely affected also the inherent variables and factors, including as follows: identification of customers, of beneficial owners, of high-risk customers, implementation of enhanced security measures, etc.***

Within the context of above-mentioned, the drawbacks at the level of the supervisory body include as follows:

- allocation of appropriate resources, employment of qualified specialists to ensure conduct of efficient supervision;
- establishment of relevant risks, identification of typologies of implied risks, etc.

However, considering the specific activity of microfinance institutions, the services and products provided to customers, the work environment, the applicable normative framework and other related factors, the sector has a medium-low level of vulnerability of money laundering and terrorism financing.

Yet, given the lack of adequate supervision over the sector, implementation of measures to prevent and combat money laundering and terrorism financing by sector institutions cannot be assessed as efficient, specifically with regard to the followings:

- identification and verification of customers and beneficial owners;
- transaction monitoring and identification of suspicious transactions, adequacy of allocated resources;
- implementation of identification requirements towards high-risk customers, including identification of Politically Exposed Persons or of person's subject to sanctions and other restrictions, etc.

6.4.5. Nonbank payment service providers

The activity of nonbank payment service providers and specifically of payment companies, electronic money issuers and providers of postal service providers fall under the regulation scope of the Law on payment services and electronic money, and other regulations.

The supervision and regulation requirements towards nonbank payment service providers with regard to preventing and combating money laundering and terrorism financing have been implemented in 2014. Under these circumstances, all the activities conducted with the view to determining the money laundering and terrorism financing risks at the level of services and products provided by sector institutions have encountered quantitative data limitations, which impeded qualitative assessment and forecast of expected outcomes. However, based on the overall conduct of activities, on provided products and services, business environment, customer base, applicable legal framework and other related factors, applied supervision practices, etc. allows assessing the overall medium level of vulnerability to money laundering and terrorism financing associated with reported activities.

To mention, since entry into force of the Law on payment services and electronic money, 8 non-bank payment service providers have been licensed by the National Bank of Moldova in the period from 01.09.2014 to 30.09.2015.

Payment services provided by non-bank payment service providers include:

- cash placements/withdrawals into/from payment accounts, and all operations required for operating a payment account;
- money remittances through international money remittance systems and electronic postal mandates;
- payments for services: housing, non-housing, public utilities, various services via payment terminals in cash (cash-in), other devices or portals of non-bank providers (official websites);
- issuance and redemption of electronic money.

As a rule in an internal market, payment services offered by non-bank payment service providers are low risk payments. Nevertheless, only some of these could have a slightly higher risk (i.e.: money remittances through money remittance systems and issue, redemption and transactions with electronic money).

From all non-bank payment service providers, only Poșta Moldovei provides money remittances through international money remittance systems and electronic postal mandates. Most transfers sent / received are from countries: Russia, Italy, USA, Spain, Portugal, while transfers from / to countries with high risk of money laundering represent 0.1%.

Users of non-bank providers of payment services are in most cases natural persons.

The frequent and largely use of cash in the economy of the Republic of Moldova essentially contributes to the increase in payments through non-bank payment services providers, who have cumulatively amounted, over the reported period from Q 1 to Q 4 2015, to around 16.9 billion MDL or about 13.9% of GDP. Based on statistical data, about 90% of transactions have been conducted via Moldavian Post („Poșta Moldovei”).

This figure implies a medium-low level of influence imposed by this product in terms of money laundering and terrorism financing. The set level is also confirmed by the customers' risk profile, which actually implies mostly resident individuals.

The legal framework governing the activity of nonbank payment service providers of the Republic of Moldova stipulate adequate measures to prevent and combat money laundering and terrorism financing. Yet, there are some deficiencies that need to be removed, specifically as follows: lack guidelines and recommendations for non-bank payment service providers with regard to proper application of know-your-customer, and specifically identification of beneficial owners, identification of complex and unusual transactions, or verification of transaction scope, identification of suspicious transactions; lack of a defining framework for the verification of customers against the lists of Politically Exposed Persons or individuals subject to sanctions, restrictions or other prohibitions, as well as other high-risk persons; lack of explicit requirements on identification of persons acting in the name of a third party; lack of typologies of money laundering and terrorism financing, as well as of requirements and tools of risk assessment; etc.

Under these circumstances, a number of shortcomings have been identified in the activity of non-bank payment service providers with regard to effective implementation of measures to prevent and combat money laundering and terrorism financing: low efficiency in applying relevant requirements towards identification and reporting of suspicious transactions; lack of resources allocated for specific needs; low efficiency in applying requirements on customer identifications; lack of a proper payment monitoring system; lack of identification of PEPs and other high-risk persons, and persons subject to sanctions and other restrictions; lack of specialized trainings for employees; etc.

A series of above-mentioned shortcomings have been identified within the on-site controls conducted by the National Bank of Moldova in accordance with legally assigned powers: lack of adequate policies and procedures to prevent and combat money laundering and terrorism financing; lack or small number of transactions reported to competent bodies; lack of identification of high-risk persons; failure to verify the beneficial owners of certain customers; etc.

Furthermore, at the level of supervisory body of non-bank payment service providers, the working group highlighted the need to develop adequate supervision methods and practices and to build professional skills and knowledge, including in the area of money laundering and terrorism financing typologies.

6.4.6. Real estate agents

The economic and political crisis in the republic of Moldova affects the capacities of formulating clear forecasts. Given the large dependence of many sectors, including of the real estate market on the economic condition of the country, revival signs will occur only following overcoming of the economic crisis.

Prices for real estate continue to go down. During 2015 year no significant change has been noted at the level of offered prices; yet, prices as of year-end are lower than those recorded at the beginning of the year. Because of the need for disposal of property, the sellers reduce the prices of offered real estate.

The number of transactions in commercial goods also denotes decreasing trends. Reduced household income and more rational use of money result in significant losses for many sectors of leisure and entertainment, but also trade. Owners prefer to lease their property rather than sell it at prices significantly lower than expected. The market of industrial real estate denotes demand for only small warehouses. Large industrial objects, with associated large areas of land are not demanded by buyers, despite the low prices per square meter. The land market shows larger demand for only land plots provided for commercial construction, or small areas located at the intersection of intense pedestrian flows.

The current condition of the market demonstrates a supply in excess of demand. The political background becomes increasingly noticeable in the decisions and strategies of social and economic development. The real estate market currently reflects the overall instability in the country expressed in price dynamics and number of transactions. Forecasts do not foresee significant events, so, it is mostly likely that prices will continue to decline over 2016.

Given that construction companies negotiate directly with individuals and businesses, the real estate agents in the Republic of Moldova account for an insignificant share in the market of real estate transactions.

For purposes of supervising the activity of real estate agents, the Service (FIU) has involved "Cadastru" SOE, which is in charge of recording all real estate transactions. To this end, the Director of the State Enterprise "Cadastru" issued the Order no. 39 of 12.03.2014, which establishes the procedures to report the requested information to the Service.

To mention, over the reported period, SOE "Cadastru" is not included in the list of reporting entities as in accordance with Law no. 190-XVI of 26.07.2007 on prevention and combating money laundering and terrorism financing.

To note, according to the legislation in effect, all contracts of real estate sale selling/buying are subject to authentication by a notary. Lack of notarization implies non-registration of ownership rights over immovable property, so any real estate transaction concluded directly by the resident or non-resident individual or legal entity with the construction company or the

administrative-territorial authority or via a real estate agency shall be made providing proper notarization and shall be reported to the Service by public notaries.

To mention, according to the law in effect, agricultural land shall not be disposed to non-residents, and, as such, external threat is low. There is no forbidden in legislation regarding to the selling of apartments and houses to non-residents legal and natural persons.

Given the fact that transactions via real estate agencies imply additional costs in form of commissions, the risk of ML is insignificant.

The small number of real estate agencies and the low volume of performed transactions represent a low threat to the sector. Yet, because mostly selling-buying transactions are made in cash, the sector is assigned as having a medium-high risk degree.

The analysis of compliance of real estate agencies with legal provisions in the area of prevention and combating money laundering and terrorism financing identified the following shortcomings:

- lack of a supervisory body to control the implementation and enforcement of normative acts related to preventing and combating money laundering and terrorism financing;
- failure to identify and failure to report suspicious transactions;
- lack of resources for enforcement of legal provisions on identification of PEPs, of beneficial owners;
- implementation of their own programs to prevent and combat money laundering and terrorist financing
- lack of legal provisions related to identification of origin of funds associated with intermediated transactions;
- lack of training on typologies in the field.

The conduct of activity by real estate agencies, the products and services provided, the work environment, the customer base, the applicable legal framework and other associated factors determined the general **medium-high vulnerability** to money laundering and financing of terrorism in the activity of this sector.

6.4.7. Auditors

The legal framework governing the activity of auditors in the Republic of Moldova includes Law no. 61-XVI from 16.03.2007 on Audit Activity, the Code of Conduct of the audit profession, other laws regulating the activity of auditor, and the international treaties to which the Republic of Moldova is party.

As of 01.01.2016, 291 auditors have been operating in the territory of the country. 259 auditors practice directly the audit activity within audit companies or as individual entrepreneur auditors.

According to article 10 para. (1) of Law no. 190-XVI of 26.07.2007 on preventing and combating money laundering and terrorism financing, article 31 of the Law on Audit no. 61-XVI of 16.03.2007 and the Regulation of the Supervisory Board of audit activity by the Ministry of Finance approved by Government Decision no. 1450 of 24.12.2007 on certain measures for enforcement of Law no. 61-XVI from 16.03.2007 on Audit, the supervision and control of audit activity, including of reporting entities – auditors, are vested in the Supervisory Board of Audit Activity.

Within the context of implementation of the provisions of article 27 para (3) point a) of Law no.61-XVI of 16.03.2007 on Audit and article 10 (2) of Law no. 190-XVI of 26.07.2007 on pre-

venting and combating money laundering and terrorism financing, the Minister of Finance issued Order no. 63 of 10.08.2009, which provided enforcement of methodological Guidelines on implementation of measures to prevent and combat money laundering and terrorism financing by audit companies and auditors individual entrepreneurs.

According to item 26 of the above-mentioned methodological Guidelines, in the event of identification by the audit companies and auditors individual entrepreneurs of any suspicious transactions, such transactions shall be reported to the Service for Prevention and Combating Money Laundering and terrorism Financing as in accordance with provisions of article 8 of Law no. 190-XVI from 26.07.2007 on preventing and combating money laundering and terrorism financing. To note, no suspicious transactions have been reported by auditors in the reported period of 2010-2015.

However, according to article 10 para (5) of the Law on Auditing, based on the Order of the Minister of Finance no. 61 of 04.06.2012 on approval of legislation in the field of audit, the audit companies and auditors individual entrepreneurs have to annually report to the Supervisory Board on the development and implementation of the Policy on prevention, detection and reporting of cases of money laundering and terrorism financing, and integration of procedures on assessment of money laundering and terrorism financing risks; type of assessed risk associated with transactions of money laundering and terrorism financing (low / standard / high); number of cases of suspicious transaction reported according to article 8 of Law no. 190-XVI of 26.07.2007 on preventing and combating money laundering and terrorism financing.

Thus, according to the information submitted to the Supervisory Board, the procedures used to evaluate the risk of money laundering and terrorism financing are applied concomitantly with standard professional procedures established under the International Auditing Standards. The risks of money laundering and terrorism financing are evaluated depending on the size of the audit company and the audited entity, and the risk is qualified as standard or high.

According to the Provisional Regulations on external control of audit quality, approved by Order of the Minister of Finance no. 43 of 24.03.2014, the control and verification Service within the Supervisory Board conducts the external control of audit companies and auditors individual entrepreneurs for purposes of establishing the existence and application of audit quality control policies and procedures at the level of audit companies and auditors individual entrepreneurs; audit quality control policies and procedures at the level of audit mission; as well as verifying observance by audit companies and auditors individual entrepreneurs of provisions of the Law on Auditing no. 61-XVI of 16.03.2007 and of International Auditing Standards, Code of ethics of professional accountants, and other normative acts governing the auditing activity.

According to article 15 letter f) of the Law on Audit and Chapter X of the Regulation on auditors' certification, approved by Government Decision no. 1450 of 24.12.2007, auditors are subject to continuous professional training.

As of 01.01.2015, the revenues from sales by audit companies and auditors individual entrepreneurs totaled 109. 469. 669 MDL, including 71.630.407 MDL from auditing.

Prudential requirements for auditors with respect to preventing and combating money laundering and terrorism financing are set in the approved regulatory framework, including the Law on preventing and combating money laundering and terrorism financing and other related regulations approved by the Ministry of Finance. However, a number of shortcomings have been identified, as follows:

- lack of an adequate control by the supervisory body implies a risk factor upon qualification if suspicious transactions and application of due diligence procedures towards customers;

- lack of auditors' resources to enforce legal provisions on identification of PEPs and beneficial owners, implementation of own programs to prevent and combat money laundering and terrorism financing;
- non-identification and non-reporting of suspicious transactions;
- lack of training on risk typologies in the field.

We could mention that the external audit in the banking system has not identified any irregularities. Also, we have not received any forms regarding suspicious transactions identified during the audit.

However, the conduct of audit activities, the products and services provided, the work environment, the customer base, the applicable legal framework and other associated factors allow to establish **low vulnerability** to money laundering and terrorism financing associated with the activities of the reported sector.

To note, the above-mentioned deficiencies and shortcomings have been reflected in the Evaluation Report of the Committee of Experts of the Council of Europe in combating money laundering and terrorism financing (MONEYVAL) approved in December 2012.

6.4.8. Lawyers

The legal framework governing the legal practice includes the Constitution of the Republic of Moldova, the Law on Advocacy no. 1260 of 19.07.2002, other laws regulating the activity of lawyers, and the international treaties to which Moldova is party.

The license authorizing the conduct of lawyer activity is issued by the Ministry of Justice under the conditions of Law and represents the only document certifying admission to the profession of lawyer and confirming the status of the lawyer.

All the 1938 lawyers operate within regional bar associations. The number of bars in the Republic of Moldova corresponds to the number of courts of appeal. Thus, the 4 Moldovan Bars are located in Chisinau, Balti, Cahul and Comrat. The Bar in Chisinau is the largest bar. All the members of the Bars in the Republic of Moldova form the Union of Lawyers of the Republic of Moldova.

The governing bodies of the Bar are as follows:

- the UL Council;
- Commission on Ethics and Discipline
- Auditing Commission
- Licensing Commission.

The conditions of the legal profession, the organization forms of the legal profession, the limits imposed, the types of legal assistance, the guarantees for legal assistance and the procedure of entering the legal profession are strictly regulated by the Law and the Status of the legal profession.

Continuous professional education is carried out within the Union of Lawyers, the bars and the forms of profession practice and aims at fulfillment by lawyers of professional obligation of continuous education based on quality legal culture and sound preparation for proper performance of activities of public interest.

Protection of honor and professional prestige, respect of the Law, of profession Status and of binding decisions of professional bodies vested in the Commission on Ethics and Discipline, which is the sole disciplinary court of the Union of Lawyers. The Commission on Ethics and Discipline is also responsible for practical enforcement of provisions of Law no. 190 by all lawyers. Failure to comply with these provisions entails disciplinary liability.

Thus, the Commission on Ethics and Discipline has applied disciplinary sanctions, as follows:

- Warning – 5
- Fine – 15
- Termination on internship – 1
- Withdrawal of license – 5, including 3 based on irrevocable sentences of conviction

The Licensing Commission:

1. adopts decisions on the admission to examinations;
2. organizes examinations for admission to internship and qualification;
3. approves the results of examinations for admission to internship and approves decisions of admission to profession practice;
4. approves the results of qualification examinations and adopt decisions on admission to profession practice.

The Licensing Commission issues decisions for the inclusion of trainee lawyers for qualification examination based on the evaluation of professional training activity thereof. The decisions of the Licensing Commission may be challenged in administrative proceedings in respect to the procedure of examination organization. The qualification assigned by the Commission shall not be disputed.

The lawyers provide qualified legal assistance to individuals and legal entities by providing advice and explanations, drafting legal documents, representing client interests in court and before other public authorities and individuals and legal entities.

Unlike the legislation of other states, the rules of the Republic of Moldova do not provide for the right of the lawyer to conduct fiduciary activities.

Unlike other European countries, in the Republic of Moldova, professional liability insurance for the lawyers is not mandatory. This does not mean that the lawyers in the Republic of Moldova do not optionally provide insurance of customers' risks for occurrence of professional errors.

Prudential requirements of lawyers with respect to preventing and combating money laundering and terrorism financing are established in the approved regulatory framework, and specifically the Law on preventing and combating money laundering and terrorism financing and related regulations approved by the Union of Lawyers. However, a number of shortcomings have been identified, specifically as follows:

- lack of actions undertaken by the supervisory board on the control of implementation and enforcement of normative acts related to preventing and combating money laundering and terrorism financing;
- lack of a self-administration body to be vested more effective responsibilities to oversight the activity of lawyers in the area of compliance with AML/CTF rules;
- non-identification and non-reporting of suspicious transactions;
- lack of legal provisions on identification of source of funds related to intermediated transactions;
- lack of lawyers' resources for enforcement of legal provisions on identification of PEPs, of beneficial owners and implementation of own programs to prevent and combat money laundering and terrorism financing.

We could mention that the activity that generates the greatest vulnerability to money laundering is when lawyers are authorized to represent certain companies registered in offshore whose beneficial owners are not known and are involved in certain transactions with suspicious origin of money.

The conduct of legal activities, the products and services provided, the work environment, the customer base, the applicable legal framework and other associated factors allow to establish **low vulnerability** to money laundering and terrorism financing associated with the activities of the reported sector.

6.4.9. Dealers in precious metals and stones and pawnbrokers

The entrepreneurial activity in the field of precious metals and stones is carried out based on licenses issued under the Law № 451 from 30.07.2001 on regulation by licensing of entrepreneurial activity and the provisions of the Law on the regime of precious metals and precious stones.

Activities with precious metals and stones include:

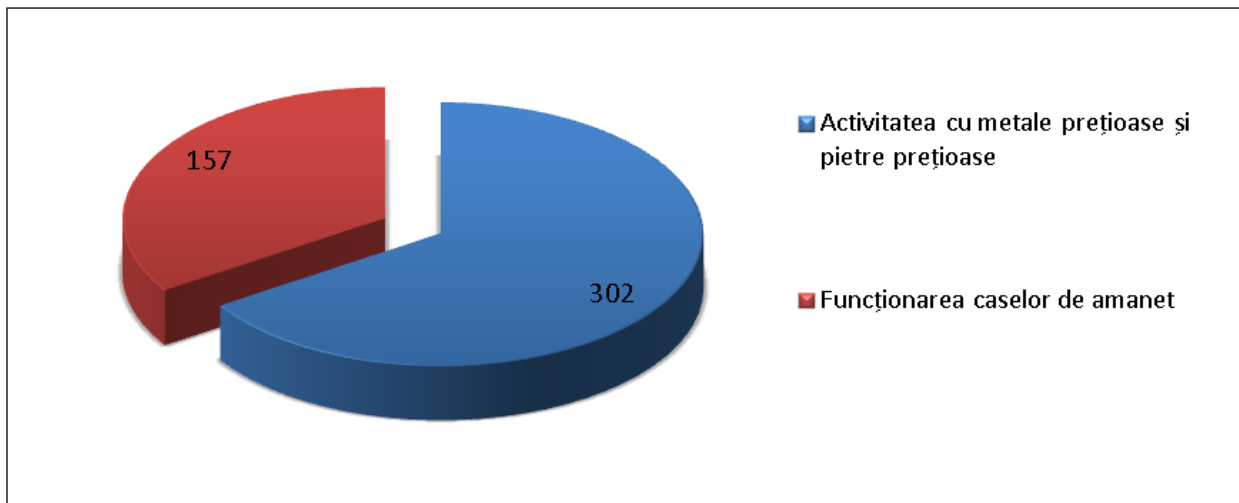
- a) trading in articles of precious metals and stones;
- b) manufacture and repair (restoration) of articles of precious metals and stones;
- c) faceting of precious stones;
- d) acquisition from the population of precious metals and precious stones incorporated in articles and scrap;
- e) collection and processing of waste and scrap containing precious metals;
- f) pawnshop with pawning of articles of precious metals and precious stones.

	Turnover, thousand MDL	Income Tax paid	No. of conducted controls	Fees calculated
2010	1272617,1	-3057,5	127	2199,9
2011	1382016,9	-134,0	209	696,8
2012	1395763,2	18008,1	217	2674,4
2013	1470483,6	21472,4	201	2090,0
2014	1701321,2	10591,2	128	1284,7
2015	2211717,3	13843,3	95	4230,0

Marking and sale of articles of precious metals is conducted exclusively based on payment documents confirming acquisition of the excise duty. The rules to govern retail trading, reception, storage and recording of articles of precious metals and precious stones are provided in Government Decision no. 261/13.05.1996 approving the Rules on retail, reception, storage and recording of articles of precious metals and precious stones.

According to the data of the Registry of licenses, as of 31.12.2015, there were 449 license holders registered to practice the “activity with precious metals and precious stones; operation of pawnshop”, of which 298 holders operate in the field of precious metals and precious stones, and 151 agents operating as pawn shops.

The sector of precious stones and precious metals accounts for 1.45% of GDP.

Diagram no. 1. Number of license holders by type of activity

To note, there were no suspicious transactions reported in 2010-2015 by license holders practicing the activity with precious metals and precious stones.

Although there is a regulatory framework in place in the area of preventing and combating money laundering and terrorism financing, a number of shortcomings have been identified as follows:

- lack of actions undertaken by the supervisory board (Licensing chamber) on the control of implementation and enforcement of normative acts related to preventing and combating money laundering and terrorism financing;
- lack of a self-administration body to be vested more effective responsibilities to oversight the activity of lawyers in the area of compliance with AML/CTF rules;
- non-identification and non-reporting of suspicious transactions;
- lack of legal provisions on identification of source of funds related to intermediated transactions;
- lack of resources for enforcement of legal provisions on identification of PEPs, of beneficial owners and implementation of own programs to prevent and combat money laundering and terrorism financing.

The conduct of dealers operating in the field of precious stones and precious metals, the products and services provided, the work environment, the customer base (natural persons), the applicable legal framework and other associated factors allow to establish **medium vulnerability** to money laundering and terrorism financing associated with the activities of the reported sector.

6.4.10. Public notaries

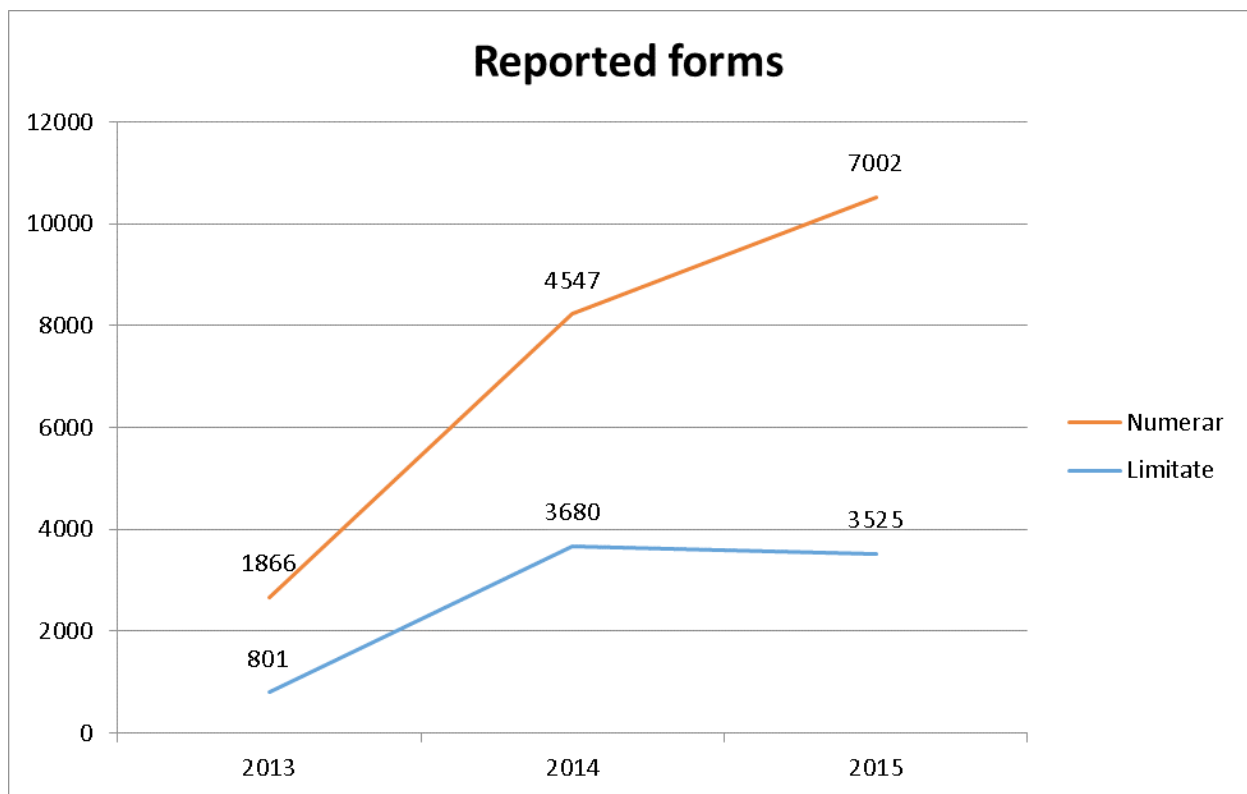
Notaries represent the public institution of law empowered to protect, under condition of law, the rights and legal interests of individuals and of the state by performing notarial acts in the name of the Republic of Moldova in accordance with the Law on notary no. 1453 of 08.11.2002.

Public notaries represent the basic subjects of the notary activity. Currently, public notaries are self-financed agents, who are subject to personal liability for any prejudice caused in the conduct of professional activity. According to article 9 of the Law no.1453 from 08.11.2002, to

be eligible to conduct public notary service, the individual applicant should meet the following criteria: to hold the citizenship of the Republic of Moldova; to have permanent residence in the Republic of Moldova; to have full legal capacity; to hold degree in law; to be fluent in Romanian; to have no criminal record, no previous convictions of serious crimes committed intentionally; to have impeccable reputation; to undergo internship up to one year.

As for now, 296 individuals hold the notary license. The license to conduct notary services is issued an indefinite period of time, based on the order of the Minister of Justice, providing indication of the location for which the contest has been promoted. The license issued is recorded in the State Register of notaries, which is held by the Ministry of Justice.

The notary activity is based on the notary's skills, knowledge of methods related to identification, authenticity of signatures, discernment and consent, etc. Also, we would like to mention that the notaries don't have the ability to verify the authenticity of presented to them documents. The public notary holds personal liability for any mistakes in the exercise of the notary function.



Currently, the Ministry of Justice has no capacities to ensure planned control of 296 public notaries within 2 years having only 4 people in the relevant staff. This situation determined the need to modify the prescription term from 2 to 5 years or to increasing the staff of the notary department from 4 to 12 employees (according to Ministry of Justice study). The first option implies a number of risks, given that seldom controls may produce large prejudice to the applicants for notarial acts, to the state and to other persons.

The notaries' customer base includes domestic natural and legal persons. Domestic PEPs, non-resident customers, customers from high-risk jurisdictions, and customers associated with businesses located in high-risk jurisdictions account for an insignificant share in the total number of customers using the services provided by public notaries.

The degree of using cash within transactions authenticated by public notaries is medium-high.

The level of identification and reporting of suspicious transactions to the Service for Prevention and Combating Money Laundering and Terrorism Financing is low.

Although there is a regulatory framework approved in the area of preventing and combating money laundering and terrorism financing, a number of shortcomings have been identified, as follows:

- lack of proper control by the supervisory authority implies a risk factor within qualification of suspicious transactions and application of due diligence procedures towards customers;
- low level of suspicious transaction reporting to the Service for Prevention and Combating Money Laundering and Terrorism Financing;
- incapacity to access information regarding the beneficiary owner (in the case of non-resident individuals and legal entities);
- lack of legal provisions on identification of the origin of financial means associated with authenticated transactions;
- decreasing value of authenticated contracts (the cadastral value is declared)
- lack of own resources of the notaries to enforce legal provisions on identification of PEPs, beneficial owners, implementation of own programs to prevent and combat money laundering and terrorism financing.

The conduct of notary activities, the products and services provided, the work environment, the customer base(natural persons), the applicable legal framework and other associated factors allow to establish **medium vulnerability** to money laundering and terrorism financing associated with the activities of the reported sector.

6.4.11. Gambling

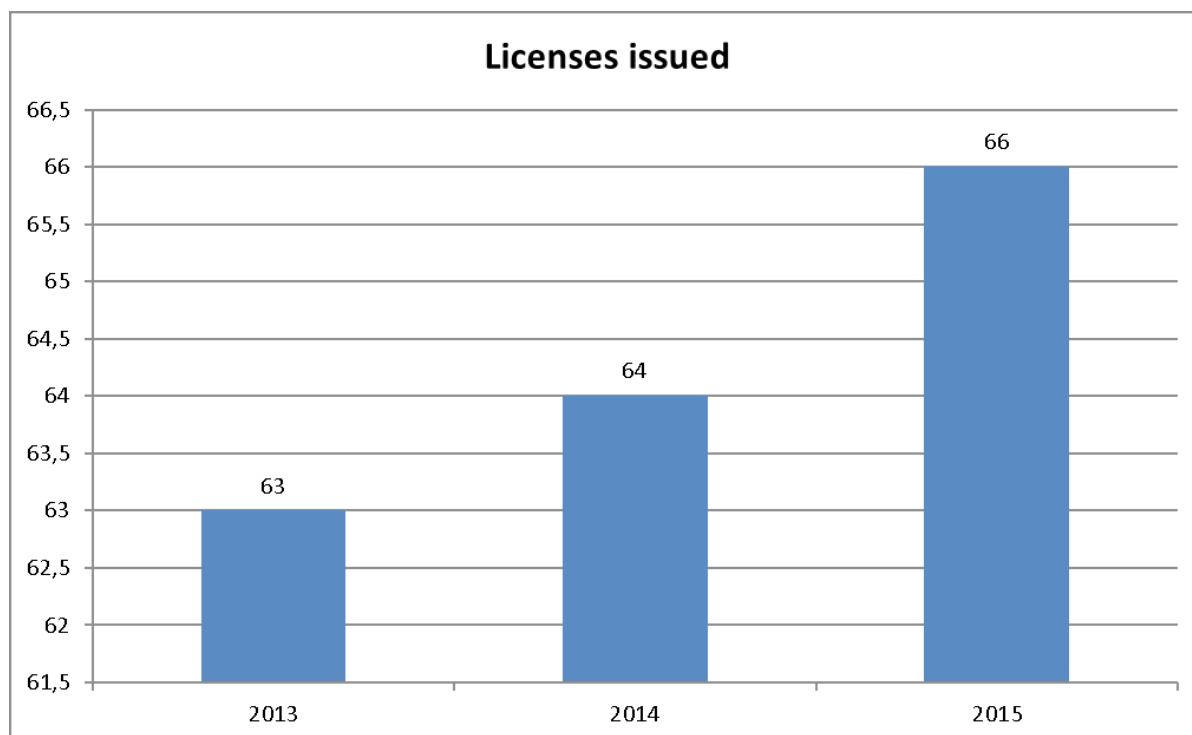
The legal framework to govern the economic activity in the gaming market includes the Law of gambling no. 285-XIV of 18.02.1999, and other laws governing the activity of economic agents in the field of gambling.

As for now, the gambling sector includes 67 gambling market operators.

The large majority of gambling operators, as according to submitted information, did not register profit values and declared insignificant benefits or losses (the real income is not reported).

Paradoxically, the gambling market expands and shows development trends. Over the recent years, the number of economic agents practically doubled.

As identified following the analysis of revenues and profits collected by licensed economic agents in the field of gambling, of all companies, around 42.6% have indicted losses, with respect to approximately 14% there is no information available on revenues, and about 34.4 % of companies reported profits; however, reported profits are insignificant as compared to incomes.



*Information on the activity in the gambling market as of 30.12.2015
(number of legal addresses of authorized activities; number of gambling equipment)*

The majority of customers are some businessmen and non-resident citizens. We would like to mention that there is no limit of cash in establishing stakes and winnings are released only in cash and only at games room cash desk.

The supervision of implementing of regulatory framework approved in the area of preventing and combating money laundering and terrorism financing by economic agents in the field of gambling is carried out by Licensing Chamber.

Gambling activity	No. of licenses	Legal address	Gambling equipment	Roulettes	Tables
<i>Game machines with money gains</i>	52	306	3727	87	0
<i>Casino operation</i>	3	3	0	0	21
<i>Placement of bets on sporting competitions</i>	11	67	0	0	0
<i>Lottery organization and performance</i>	1	2	0	0	0
Total	67	306	3727	87	21

The level of identification and reporting of suspicious transactions to the Service for Prevention and Combating Money Laundering and Terrorism Financing is low.(ex. 2015 year - 15 reports)

Although there is a regulatory framework approved in the area of preventing and combating money laundering and terrorism financing, a number of shortcomings have been identified, as follows:

- lack of proper control by the supervisory authority implies a risk factor within qualification of suspicious transactions and application of due diligence procedures towards customers;
- low level of suspicious transaction reporting to the Service for Prevention and Combating Money Laundering and Terrorism Financing;
- lack of training in the area of preventing and combating money laundering and terrorism financing;

The analyzed variables allowed to establish a **medium vulnerability** to money laundering and terrorism financing associated with the activities of the reported sector.

7. DEFICIENCIES AND GAPS IN THE ASSESSMENT PROCESS

It is for the first time for the Republic of Moldova to conduct the national assessment of risks of money laundering and terrorism financing, which is, essentially, a lengthy and complex process requiring considerable resources and efforts by the institutions involved nationwide.

Given the comprehensive character of the task and the multitude of stages implying various degrees of complexity, the authorities have faced a number of difficulties, but managed to face and overcome the obstacles due to common efforts of all stakeholders.

However, following the approval of the Government Decision on the national risk assessment and the establishment of the working group formed of the representatives of the relevant institutions, a series of problems occurred in the process of implementing set provisions, specifically with regard to collaboration, accountability and non-proportional allocation of resources by the main stakeholders.

Staff turnover at executive level has adversely affected achievement of expected outcomes at all stages of the assessment process.

The administrative reforms conducted during the national assessment exercise at the level of the institutions involved in the exercise of risk assessment have also affected the general process.

The measures designed by the stakeholders during the assessment process have not been effectively transposed into internal procedures, so that the institutions failed to allocate adequate resource by creating working groups to include at least some representatives of the institutions concerned.

The officers designated as executors did not have access to the data and information required within the process, and because of that the overall process of data provision by separate groups encounters certain delays.

Members of the working groups have used the classical manner of communication through inter-institutional querying instead of direct communication, and this pattern imposed difficulties in the process of data collection.

Because of failure of the institutions to report to NAC – the Coordinator of the national risk assessment exercise – according to predefined terms, the overall processes has been negatively affected.

The lack of statistical data, but also of other information deemed required did not enable performance of consistent evaluation according to the modules defined by the World Bank. This deficiency is to be recovered in the subsequent action plan.

However, given that own legal process has been initiated at national level in terms of national assessment of risks of money laundering and terrorism financing, on the background of strong political desire and proper awareness and prioritization of actions, and effective collaboration between NAC and the Government of the Republic of Moldova, additional allocation of resources has been provided by the national institutions involved, which made possible due implementation of defined measures.

8. ACTIONS TO IMPROVE NATIONAL STATISTICAL DATA

To implement FATF Recommendation 1 on the assessment of national risks in the field of preventing and combating money laundering and terrorism financing, a national survey has been conducted to investigate the current methodologies in the field, and namely the methodology developed by the International Monetary Fund and the World Bank, which have effective policies and procedures in the field.

Following the survey, it has been decided to request the World Bank to provide technical assistance in the implementation of the national risk assessment methodology developed within the process initiated by the Republic of Moldova.

The World Bank Methodology includes two core modules – the “national threat” and the “national vulnerability”, which include 8 sub-modules and define a program of data collection and a program of data assessment.

Thus, to identify the national threats in the area of money laundering and terrorism financing, the set working groups have accumulated a wide range of data on initiated cases of money laundering and terrorism financing and the results attained, the size of affected sectors, the regions indicating geographical threat, the value of undetected criminal proceeds in correlation with the predicate crime that generated illicit profits.

Thus, a series of gaps and deficiencies have been established with regard to maintenance of statistical data, insufficient information and data errors, and specifically as follows:

Lack of unified database on investigations of money laundering, inclusion of the following information:

- Predicate crime associated with SPCML notes to competent bodies;
- Lack of maintenance of data on involved sectors;
- number of entities involved;
- average value of the transfer made;
- amount of funds involved;
- products involved;
- main offense;
- amount detected;
- numbers of citizens involved;
- country of destination;
- country of origin;
- summary of techniques and methods used;
- determinant factor to initiate investigation;
- synthesis of case;
- Outcomes of the decision on investigation;
- Number of notes to competent bodies in correlation with the number of suspicious transactions associated with note.

Maintenance of statistical data on funds' blocking, seizures applied and confiscations made within cases of money laundering and terrorism financing is very important.

Given that data collected contain errors, gaps, overlaps, and inaccuracies, which create in common a distorted picture of data, a working group is proposed to be established for the purpose of defining uniform criteria of recording from the perspective of all international instruments implying reporting of data on investigation, prosecution, court decisions, seizures and confiscations.

9. THE PRIORITIES IDENTIFIED FOR IMPROVING THE NATIONAL AML/CFT SYSTEM

Priority no.1

Technical endowment of the Financial Intelligence Unit, law enforcement agencies, prosecutors and judges in the field of financial investigations and recovery of illicit proceeds

Priority no.2

Improve the quality of the normative acts in force, policies and strategies in the field

Priority no.3

Enhance and streamline the measures to identify the beneficial owner

Priority no.4

Enhance interinstitutional cooperation by creating a practical and viable data and information exchange mechanism

Priority no.5

Enhance international cooperation through qualitative execution of international technical assistance requests, active participation in international committees and forums

Priority no.6

Reduce cash transactions and develop national strategies for financial inclusion

Governmental Decision on approving the Action Plan For mitigating the risks associated with money laundering and Terrorism financing for 2017-2019

Pursuant to Article 13¹ paragraph (2) letter l) and paragraph (3) of the Law No. 190-XVI of 26 July 2007 on anti-money laundering and counter-terrorism financing (Official Gazette “Monitorul Oficial” of the Republic of Moldova, 2007, No. 141-145, Article 597), with its subsequent amendments and additions, and with a view to streamlining the anti-money laundering and counter-terrorism financing process, the Government DECIDES:

1. Approve the Action Plan for mitigating the risks associated with money laundering and terrorism financing for 2017-2019 (attached hereto).
2. Ministries, other central administrative authorities, public institutions and relevant associations:
 - 1) Shall take the necessary measures to fully implement the actions of the afore-mentioned Plan within the established deadlines;
 - 2) Shall, each semester, by the tenth date of the first month of the next reporting period, submit to the Anti-Money Laundering Service of the National Anti-corruption Centre informative notes on the implementation of the actions included in the afore-mentioned Plan.
3. The Anti-Money Laundering Service:
 - 1) Shall analyze the implementation process of the actions included in the afore-mentioned Plan;
 - 2) Shall, on an annual basis, submit to the Government the Report on monitoring the implementation of the activities provided for in the afore-mentioned Plan.
4. The actions provided for in this Decision shall be funded from and within the limits of the allowances approved for these purposes in the budgets of the involved authorities, as well as from other sources, according to the current legislation.
5. The National Anti-Corruption Centre shall be responsible for the enforcement of this Decision.

Prime Minister

PAVEL FILIP

Countersigned by:

Minister of Finance

Minister of Internal Affairs

Minister of Justice

Octavian Armasu

Alexandru Jizdan

Vladimir Cebotari

Endorsed by:

Secretary General of the Government

Lilia PALII

Approved at the Government meeting of _____

Coordinated with:

Director of the National Anti-corruption Centre

Viorel CHETRARU

Approved
By Government Decision
of 27th september 2017

ACTION PLAN

for mitigating the risks associated with money laundering and terrorism financing for 2017-2019

The Action Plan for mitigating the risks associated with money laundering and terrorism financing for 2017-2019 (hereinafter referred to as “*the Plan*”) was initiated in conformity with the World Bank Methodology, based on the results of the Report on National Risk Assessment, carried out in accordance with the provisions of the Government Decision No. 697 of 9 October 2015, approved by Order of the Director of the National Anti-corruption Centre in March 2017.

The threats and vulnerabilities identified by the working group (set up under the above-mentioned Government Decision) have created clear prerequisites for developing joint actions to mitigate the identified risks.

The representatives of the working group consisting of the heads (representatives) of the following national institutions: General Prosecutor’s Office, the Information and Security Service, National Bank of Moldova, National Financial Markets Commission, Ministry of Justice, Ministry of Internal Affairs, Ministry of Finance, Ministry of Economy, Information Technology and Communications, Tax Service (Main State Tax Inspectorate), Customs Service, Financial Inspectorate, National Bureau of Statistics and National Anti-Corruption Centre, have determined the level of vulnerabilities (low, medium low, medium high, and high), and the national threats generating illegal proceeds.

According to the World Bank Methodology, seven working groups were formed:

- 1) Group 1 “National threats”;
- 2) Group 2 “National vulnerabilities”;
- 3) Group 3 “Vulnerabilities of the banking sector and financial inclusion”;
- 4) Group 4 “Vulnerabilities of the security sector”;
- 5) Group 5 “Vulnerabilities of the insurance sector”;
- 6) Group 6 “Vulnerabilities of the other financial institutions’ sector”;
- 7) Group 7 “Vulnerabilities of the other professional participants’ sector”.

The working groups were composed of private sector representatives, such as the Association of Moldovan Banks, the Insurers’ Union of Moldova, the Moldovan Union of Notaries, the National Motor Vehicle Insurers’ Bureau, the Moldovan Stock Exchange, and the National Securities Depository of Moldova, representatives of the professional security market participants and of the registry companies.

The national risk assessment in anti-money laundering and counter-terrorism financing aims both at an efficient redistribution of resources according to the capacity and level of identified risks, and the development of a national action plan for reducing the identified vulnerabilities.

Therefore, according to the standard model provided in the Annex to the World Bank Methodology used by the working groups, this Plan contains information on the established source of risk, the main objective, the main implementer, the co-implementer, the practical actions, the estimated budget and the implementation deadline.

Estimating and assessing the situation in the sectors facilitate the analysis of the threats related to money laundering, the identification of this phenomenon in different sectors, highlighting the sector in which the criminal proceeds are invested and legalized, and the determination of its attractiveness.

Considering that the Moldovan financial market is under development and that its integration into the global financial system is limited, and the closed economic climate, the internal threat is about 3 times higher than the external threat, while the latter is increasing.

An important aspect identified in the national evaluation process is the lack of practice in conducting parallel financial investigations in criminal cases initiated, especially in those with a high level of threat.

Thus, based on the accumulated and evaluated data, it was established that the banking sector, which accounts for about 70% of the national GDP, is the most attractive, with a high money laundering risk yield, followed by: the remittances sector, which is estimated at 15.4% of GDP with a high money-laundering risk yield; security - 1.64% of national GDP, with an average money laundering yield; the insurance sector - 0.8% of the national GDP, with a low money laundering risk yield; as well as the notaries and real estate sector, which is in itself a small sector with an insignificant share of the national GDP and a high risk of money laundering.

Most financial analyses, criminal investigations and lawsuits have been initiated with the involvement of the banking sector, so this sector is a high threat.

The main objectives for identifying the money laundering-related threats were: to identify the threats in terms of the type of main offence generating illegal proceeds, the origin and sector involved; to establish the structure of the criminal proceeds from different perspectives; to systemically collect data on cases on trial; the analysis of cross-border threats from foreign jurisdictions.

At the same time, following the systematization of existing data and information, the working groups have identified the most relevant offences generating illicit revenue at national level, which are a major threat: drug trafficking, corruption, human trafficking, tax evasion and smuggling.

National security is another area evaluated, which, according to the risks and threats of extremist-terrorist nature in Moldova, show a negative evolution at the anti-terrorist level. This fact was determined both by the regional/global security situation, and by the internal disturbing factors, to some extent influenced by external factors.

The risk of terrorism financing on the territory of Moldova can be perceived as being low because of the country's transitory nature and the global context in which our country is not perceived as a target of acts of terrorism. At the same time, Moldova fully supports the actions taken by the international community to prevent and fight against terrorism.

National vulnerability to money laundering is determined by the general vulnerability of the sectors and by the State's anti-money laundering ability at national level.

The main objectives of assessing the State's ability to fight against money laundering were to identify the weaknesses and shortcomings in anti- money laundering and counter-terrorism financing capacity and to establish priority actions to strengthen the State's anti-money laundering and counter-terrorism financing capacity.

The assessment of the capacity to fight and criminalize money laundering identified weaknesses in the regulation of the corpus delicti of the money laundering offence.

The assessment of the anti-money laundering capacity and of the regulation of the illegal proceeds recovery and assets confiscation process has found deficiencies of precautionary measures, namely: suspension, legal limitation of the precautionary measure application – seizure, deficiencies in the regulation of the special confiscation and the extensive confiscation, the failure to implement in practice the seizure and confiscation, the lack of an agency for illegal asset recovery and of a mechanism for the efficient asset management, the lack of clear statistics

on seizure and confiscation. The capacities and resources engaged in the process are limited in the absence of sufficient technical equipment, adequate professional training and adequate remuneration of staff. Ineffective national co-operation is driven by the lack of continued practice of investigating “predicate money laundering offences” through joint task forces (created only in rare cases), the lack of a clear mechanism for national co-operation, the formal exchange of information to protect the “institutional identity”, the small number of case files on laundering of proceeds obtained from predicate offences.

Ineffective international cooperation is marked by the long time to obtain evidence through request letters and delayed examination of criminal cases.

The level of financial integrity and enforcement of tax claims is another aspect assessed, where significant inconsistencies between the amounts of fines calculated by the tax authority and the amount of money collected, staff shortage in the tax authority, the constant staff turnover (low remuneration) and the need for in-service training have been identified.

The assessment of the economic development level found that a high level of cash-based economy is being maintained (agricultural activities, procurement of real estate, motor vehicles, and insufficient information of population on the long-term negative effects of the cash-based activities).

Identifying the beneficial owner is assessed as a priority in all the sectors analyzed. The lack of a clear mechanism for collecting and keeping the information about the beneficial owners by the registration authorities, the provisions on updating the information on beneficial owners, a register of identified beneficial owners, and the difficulties in identifying the beneficial owners in the case of non-resident companies are factors which must be taken into account when implementing this Plan.

The threats and vulnerabilities identified by the working group have created clear prerequisites for developing joint actions to mitigate the identified risks.

Duration and financial resources allocated

The implementation time of the actions is 3 years, with partial coverage from the resources raised under foreign technical assistance projects, and within the budgetary limits of the concerned institutions.

Conclusions

The development and implementation of this Plan shows the need to strengthen the efforts of national institutions to streamline the national anti-money laundering and counterterrorism financing system.

This document combines the efforts of the competent institutions of the State and civil society, which will enable the efficient re-allocation of resources and identification of priority actions needed to mitigate the identified risks associated with money laundering and terrorism financing on the territory of Moldova.

Monitoring indicators:

- 1) the number of forms received for each type of transaction;
- 2) the number of analytical notes prepared on the identified suspicious transactions;
- 3) the number of suspicious activities identified out of the total of reported transactions;
- 4) the number of national and international trainings and workshops on preventing and combating money laundering and terrorism financing;
- 5) the number of recommendations made on the current situation in the sectors under scrutiny, and the proposals for its recovery;
- 6) the number of draft regulatory documents on the implementation of the relevant international recommendations and standards, developed, amended and endorsed;

- 7) the number of identified money laundering and terrorism financing typologies;
- 8) the number of bank accounts frozen, and the amount of money in these accounts;
- 9) the number of uncovered money laundering and terrorism financing offences, including predicate offences;
- 10) the number of identified natural and legal persons - offenders and amounts calculated and collected as a result of their tracking;
- 11) the number of sentences handed down in criminal cases in respect of money laundering and terrorism financing offences;
- 12) the number of draft regulatory documents developed, amended and endorsed;
- 13) the number of pieces of information and analytical notes disseminated by the responsible institutions and other law enforcement bodies on the identified illegal actions;
- 14) the number of requests sent and received from similar structures in other states;
- 15) the number of requests for rogatory letters received/sent;
- 16) the number of agreements signed with similar services in other countries on the exchange of relevant information;
- 17) the number of press releases on anti-money laundering and counter-terrorism financing measures published on the websites of the relevant institutions;
- 18) the number of notifications on money laundering and terrorism financing received and settled;
- 19) the number of meetings with the reporting entities held;
- 20) The number of strategic studies conducted.

Expected outcomes:

The Action Plan will be regarded as implemented, if the proposed objectives are achieved and the following outcomes are obtained:

- 1) sectorial risks identified and mitigated;
- 2) current regulatory documents improved;
- 3) measures to identify the beneficial owner taken;
- 4) surveillance improved;
- 5) cash transactions reduced;
- 6) national financial inclusion policies developed;
- 7) the effectiveness of inter-institutional cooperation enhanced;
- 8) the effectiveness of international cooperation enhanced;
- 9) Technical endowment of law enforcement bodies, prosecutors and judges for parallel financial investigations and recovery of illicit proceeds.

No. ord.	Sources of risk	Main action	Implementers	Co-implementers	Measures	Expenses	Deadline
1	2	3	4	5	6	7	8
1. National threats							
Mitigating the risks associated with national threats							
1.1.	Limited capacity and resources in fighting against money laundering offences and offences that generate an increased national threat in terms of illicit income	Strengthening of the competent bodies' capacity to prevent and fight against money laundering and predicate offences	Ministry of Internal Affairs; Customs Service; National Anti-corruption Centre; Anti-Money Laundering Service; General Prosecutor's Office; Superior Council of Magistracy; National Institute of Justice	Anti-corruption Prosecutor's Office; Prosecutor's Office for Combating Organized Crime and Special Cases	Budget the necessary resources in conformity with the established priorities, and review the list of staff involved in fighting against drug trafficking, trafficking in human beings, corruption, tax evasion and smuggling	Within the approved budget allocations	Semester I, 2018 – semester I, 2019
		Training of the competent bodies on money laundering typologies and applying special investigative measures	Ministry of Internal Affairs; Customs Service; National Anti-corruption Centre; General Prosecutor's Office; National Institute of Justice		Increase the number of staff responsible for investigating and prosecuting money laundering offences	Within the approved budget allocations	Semester I, 2018 – semester I, 2019
					Implement the e-File program, and streamline the information circuit maintenance system	Within the approved budget allocations	Semester II, 2017 – semester II, 2018
					Train the competent bodies' representatives in increasing the effectiveness of the regime of seizing and confiscating assets resulting from criminal activity	TWINNING Project; within the approved budget allocations; foreign sources	Constantly
1.2.	Legislative and institutional shortcomings in anti-money laundering	Developing methodologies for conducting financial investigations	National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service; General Prosecutor's Office; National Institute of Justice		Develop the Methodology for conducting financial investigations, and train the competent bodies' representatives on Methodology implementation, and adopt a joint order on conducting investigations	TWINNING Project; within the approved budget allocations	Semester II, 2018 – semester I, 2019
		Harmonizing the legal anti-money laundering framework with the EU Directive 2015/849 of 20 May 2015	Anti-Money Laundering Service; General Prosecutor's Office; Ministry of Finance		Develop methodological indications for gathering and keeping statistics needed for systematic risk assessment of money laundering	Within the approved budget allocations	Semester II, 2017 – semester I, 2018
					Develop the Methodology on conducting criminal investigation and examination in court of case files associated with money laundering offence	TWINNING Project; within the approved budget allocations; foreign sources	Semester I, 2018 – semester I, 2019
					Develop the module on multidisciplinary in-service training of judges and prosecutors in money laundering and terrorism financing cases	TWINNING Project; foreign sources	Semester I, 2018 – semester I, 2019
					Introduce provisions on asset management that are subject to precautionary measures, set up the seized and confiscated asset management unit	TWINNING Project; within the approved budget allocations; foreign sources	Semester II, 2018 – semester I, 2019

1	2	3	4	5	6	7	8
1.3.	Lack of a management mechanism for seized and confiscated assets	Revising the existing management measures for seized and confiscated assets	Ministry of Justice; State Tax Service; General Prosecutor's Office	State Tax Service	Develop a centralized system for gathering and updating statistics on seized and confiscated assets, or the improvement of the current ones	Within the approved budget allocations; foreign sources	Semester I, 2018-semester I, 2019
1.4.	Lack of a database on seized and confiscated assets	Carrying out a study on the centralized accumulation capacity of data on seized and confiscated assets	National Anti-corruption Centre; Ministry of Internal Affairs	State Tax Service	Implement international techniques and methods for detecting smuggling of daily consumer goods (weapons, drugs, currency, tobacco products)	Within the approved budget allocations; foreign sources	Constantly
1.5.	High level of smuggling	Streamlining the measures to fight against smuggling by redistributing and allocating the necessary resources	Customs Service; Ministry of Internal Affairs	National Anti-corruption Centre	Streamline co-operation in joint smuggling investigations	Within the approved budget allocations	Constantly
					Allocate and re-distribute the resources for strengthening the operational capacity of mobile customs posts, including in the Transnistrian perimeter	Within the approved budget allocations	Constantly
2.	Terrorism financing						
Mitigating the risks associated with terrorism financing							
2.1.	Lack of periodic evaluation of the non-profit sector from the perspective of terrorism financing risks	Identifying measures to periodically evaluate the non-profit sector from the perspective of terrorism financing risks	Information and Security Service; Ministry of Justice	Anti-Money Laundering Service; State Tax Service	Organize regular joint working meetings with representatives of Anti-Money Laundering Service; Information and Security Service; Ministry of Justice	Within the approved budget allocations	Constantly
					Organize seminars and training on identifying and analyzing the involvement of non-profit organizations in terrorism financing activities	Within the approved budget allocations; foreign sources	Constantly
					Develop cooperation with global payment systems	Within the approved budget allocations; foreign sources	Constantly
					Set up a working group to develop the regulatory framework on the regulation and limitation of the use of cash by non-profit organizations	Within the approved budget allocations; other sources	Semester I, 2018-semester I, 2019
					Organize the exchange of experience with specialized services from other states in identification of terrorism financing activities through non-profit organizations	TWINNING Project; foreign sources	Semester I, 2018-semester I, 2019
2.2.	Lack of cooperation mechanisms at national level	Establishment of cooperation mechanisms at national level	Information and Security Service; Anti-Money Laundering Service; Ministry of Internal Affairs	State Tax Service; Customs Service	Appoint a representative responsible for the interaction of authorities engaged in counter-terrorism financing with the Anti-Money Laundering Service	Within the approved budget allocations	Semester I, 2018-semester I, 2019
					Set up the Working Group to identify the mechanism for the exchange of information on suspicions arising from the analysis of information on transportation of cash	Within the approved budget allocations	Semester II, 2017-semester I, 2018
					Participation of Anti-Money Laundering Service, Ministry of Internal Affairs and the Intelligence and Security Service staff in anti-money laundering training and seminars	TWINNING Project; foreign sources	Semester I, 2018-semester I, 2019
2.3.	Shortage of training on detecting and investigating terrorism financing cases	Organization of professional training activities	Information and Security Service; Anti-Money Laundering Service	Information and Security Service; Anti-Money Laundering Service	Organize and participate in anti-money laundering and counterterrorism financing, practical exercises, attract relevant foreign experts	Within the approved budget allocations; foreign sources	Constantly

1	2	3	4	5	6	7	8
2.4.	Identification and reporting of activities and transactions suspected of terrorism financing	Adjusting the regulatory framework for reporting of activities and transactions suspected of terrorism financing in conformity with the standards of the International Financial Action Task Force	Information and Security Service; Anti-Money Laundering Service	Reporting entities	Implement a new guideline on identifying transactions and activities suspected of terrorism financing	Within the approved budget allocations; foreign sources	Semester II, 2017–semester I, 2018
2.5.	The limited capacity and resources of the bodies responsible for identifying and investigating terrorism financing	Technical endowment and capacity building of bodies responsible for identifying and investigating terrorism financing	Information and Security Service; Anti-Money Laundering Service; Ministry of Internal Affairs		Revise the instruction on receiving, analyzing and disseminating suspicious transactions	Within the approved budget allocations	Semester II, 2017–semester I, 2018
					Allocate additional human resources	Within the approved budget allocations	Semester I, 2018–semester I, 2019
					Provide technical equipment and databases, including those used internationally	Within the approved budget allocations; foreign sources	Constantly
					Organize study visits to specialized anti-money laundering and counter-terrorism financing services in other states	TWINNING Project; other foreign sources	Semester II, 2018–semester I, 2019
					Participation of employees of the institutions engaged nationally in counter-terrorism financing training and seminars	Other sources	Semester I, 2018–semester I, 2019
3. National vulnerabilities							
Mitigating the risks associated with national vulnerabilities							
3.1.	Legislative and institutional shortcomings in the criminalization and interpretation of “money laundering” and “financing of terrorism” definitions	Improving the legislative and institutional framework for money laundering and terrorism financing offences	Supreme Court of Justice; General Prosecutor’s Office	National Anti-corruption Centre; National Institute of Justice	Analyze the judicial and criminal prosecution practice to identify the causes and legislative conditions that led to the release from the investigation, closing/suspending the criminal trial or the acquittal of the person	TWINNING Project; within the approved budget allocations; foreign sources	Semester I, 2018–semester I, 2019
			Supreme Court of Justice	Ministry of Justice; Supreme Court of Justice	Analyze the judicial practice of applying criminal sanctions for money laundering to assess the deterrent nature thereof	TWINNING Project; foreign sources	Semester II, 2018–semester I, 2019
			Ministry of Justice	Supreme Court of Justice; National Anti-corruption Centre; Anti-corruption Prosecutor’s Office	Set up an inter-institutional working group to draft amendments and harmonies the legal framework for criminalizing money laundering and terrorism financing with the international standards	Within the approved budget allocations	Semester II, 2017–semester I, 2018
			Supreme Court of Justice		Draft an explanatory Decision of the Plenum of the Supreme Court of Justice on the judicial practice in the case of money laundering and terrorism financing offences	Within the approved budget allocations	Semester II, 2017–semester I, 2018
			General Prosecutor’s Office	National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service	Develop the institutional framework for criminal prosecution bodies and prosecutors for criminal prosecution practice in the case of money laundering and terrorism financing offences	TWINNING Project; within the approved budget allocations; foreign sources	Semester II, 2018–semester I, 2019
			National Institute of Justice	National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service	Identify, through consultation with practitioners, the problematic themes, and conduct the in-service training according to a special program of all the staff which investigates, tracks and tries the money laundering and terrorism financing cases	TWINNING Project; foreign sources	Constantly

1	2	3	4	5	6	7	8
3.2.	Legislative and institutional shortcomings in the regulation and interpretation of the provisions related to the application of precautionary measures, special confiscation and extended confiscation	Improving the legislative and institutional framework governing the precautionary measures, special confiscation and extended confiscation regimes	General Prosecutor's Office; National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service	Anti-corruption Prosecutor's Office; Prosecutor's Office for Combating Organized Crime and Special Cases	Analyze the criminal prosecution practice of applying precautionary measures of seizing assets for the purpose of possible special confiscation and extended confiscation, identify the causes and legislative and institutional conditions that led to the failure to apply or reject the authorization thereof	TWINNING Project; within the approved budget allocations; foreign sources	Semester II, 2018-semester I, 2019
			Supreme Court of Justice	Ministry of Justice; Supreme Court of Justice	Analyze the judicial practice of applying the special confiscation and extensive confiscation	Within the approved budget allocations	Semester II, 2018-semester I, 2019
			Ministry of Justice	Supreme Court of Justice; General Prosecutor's Office; National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service	Draft amendments to the legal and institutional framework governing the application of precautionary measures, special confiscation and extended confiscation	Within the approved budget allocations	Semester II, 2017-semester I, 2018
			Supreme Court of Justice		Draft an explanatory decision of the Plenum of the Supreme Court of Justice on the judicial practice of applying the precautionary measures, special confiscation and extended confiscation regimes	Within the approved budget allocations	Semester II, 2018-semester I, 2019
			General Prosecutor's Office	National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service	Develop the institutional framework for criminal prosecution bodies and prosecutors regarding the criminal and judicial prosecution practice when applying the precautionary measures, special confiscation and extended confiscation regimes	Within the approved budget allocations	Semester I, 2018-semester II, 2018
			National Institute of Justice	National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service	Identify topics for in-service training on money laundering for those investigating, prosecuting and trying money laundering and terrorism financing predicate offences	TWINNING Project; within the approved budget allocations	Constantly
		Performing financial investigations	National Institute of Justice	National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service	In-service training on parallel financial investigations	TWINNING Project; other foreign sources	Constantly
			General Prosecutor's Office; Anti-corruption Prosecutor's Office; National Anti-corruption Centre; Agency for the Recovery of Criminal Goods	Customs Service; Ministry of Internal Affairs	Develop the Methodology for qualitative and quantitative evaluation of the results of the financial investigations carried out	Within the approved budget allocations	Every year
			General Prosecutor's Office	National Anti-corruption Centre; Customs Service; Ministry of Internal Affairs	Develop the institutional framework for criminal prosecution bodies and prosecutors regarding the practice of initiating and conducting financial investigations	Within the approved budget allocations	Semester II, 2017
3.3.	Reduced capacity and insufficient resources to fight against money laundering	Strengthening the anti-money laundering capacity of law enforcement and judicial bodies	National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service; General Prosecutor's Office	Anti-corruption Prosecutor's Office; Prosecutor's Office for Combating Organized Crime and Special Cases	Perform a study on the number of criminal cases initiated and investigated over the past 5 years, the workload in these cases and their outcome for assessing the human resources needed for effective investigations	Within the approved budget allocations; foreign sources	Semester II, 2017-semester I, 2018

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			<p>National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service; General Prosecutor's Office</p> <p>National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service; General Prosecutor's Office</p> <p>National Institute of Justice</p>	<p>Anti-corruption Prosecutor's Office; Prosecutor's Office for Combating Organized Crime and Special Cases</p>	<p>Establish the procedure for identifying the criteria for appointing criminal investigation officers and prosecutors with certain experience in the investigating money laundering offences</p> <p>Establish individual performance criteria for criminal investigation officers, investigation officers and prosecutors</p> <p>In-service training of criminal investigation officers and investigation officers, prosecutors and judges to increase their professionalism in anti-money laundering</p> <p>Assess the financial, technical, and logistical needs for effective anti-money laundering, in the context of revising the competencies</p>	<p>Within the approved budget allocations; foreign sources</p> <p>Within the approved budget allocations</p> <p>TWINNING Project; within the approved budget allocations; other sources</p> <p>Within the approved budget allocations</p>	<p>Semester II, 2017–semester I, 2018</p> <p>Semester II, 2017–semester I, 2018</p> <p>Constantly</p> <p>Semester II, 2017–semester I, 2018</p> <p>Semester I, 2018–semester I, 2019</p> <p>Semester II, 2017</p> <p>Constantly</p> <p>Semester I, 2018–semester II, 2018</p> <p>Semester I, 2018–semester II, 2018</p> <p>Constantly</p>
3.4.	Insufficient cash declaration regime	Allocating sufficient financial resources to ensure effective results	<p>General Prosecutor's Office; National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service</p> <p>Customs Service</p>	<p>General Prosecutor's Office; National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service</p> <p>Anti-Money Laundering Service</p>	<p>Delimit the institutional financial needs for anti-money laundering and justify them when drafting the Annual Budget Law</p> <p>Improve and standardize the process of unified electronic record keeping of cash withdrawal</p> <p>Train the Customs Service employees on the standardization of the information system and on its usage</p>	<p>Within the approved budget allocations</p> <p>Within the approved budget allocations; foreign sources</p> <p>TWINNING Project; within the approved budget allocations; other sources</p>	<p>Semester I, 2018–semester I, 2019</p> <p>Semester II, 2017</p> <p>Constantly</p>
3.5.	Adjustment of the regulatory framework to facilitate the anti-money laundering process	Establish viable mechanisms for cooperation at national level	<p>General Prosecutor's Office; Ministry of Internal Affairs; Customs Service</p> <p>Anti-Money Laundering Service</p>	<p>Anti-corruption Prosecutor's Office; Prosecutor's Office for Combating Organized Crime and Special Cases</p> <p>National Anti-corruption Centre; Ministry of Internal Affairs; Supreme Court of Justice; General Prosecutor's Office; State Tax Service</p> <p>National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service; Supreme Court of Justice; General Prosecutor's Office; State Tax Service</p>	<p>Appoint a responsible representative of the authorities engaged in anti-money laundering and counterterrorism financing to interact with the Anti-Money Laundering Service</p> <p>Draft and approve the Regulation on conducting financial investigations by all law enforcement bodies</p> <p>Organize joint training with the representatives of authorities engaged in anti-money laundering and counterterrorism financing, with the participation of relevant international experts</p>	<p>Within the approved budget allocations</p> <p>TWINNING Project; within the approved budget allocations; foreign sources</p> <p>Within the approved budget allocations</p> <p>TWINNING Project; within the approved budget allocations; foreign sources</p>	<p>Semester I, 2018–semester II, 2018</p> <p>Semester I, 2018–semester II, 2018</p> <p>Constantly</p>

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				National Anti-corruption Centre; Ministry of Internal Affairs; Customs Service; Supreme Court of Justice; State Tax Service; General Prosecutor's Office; National Bank of Moldova	Adjust the regulatory framework to facilitate the national cooperation process, including by revising the bilateral co-operation agreements	Within the approved budget allocations	Semester IV, 2017 – semester II, 2018
3.6.	International cooperation	Streamlining the international cooperation	Anti-Money Laundering Service Ministry of Internal Affairs	General Prosecutor's Office; Ministry of Internal Affairs; National Anti-corruption Centre; Customs Service; Information and Security Service	Making enquiries at the specialized anti-money laundering and counter-terrorism financing services	Within the approved budget allocations	Constantly
3.7.	Level of financial integrity, informal economy, and effectiveness of enforcement of tax claims	Establishing mechanisms for recording and controlling cash	State Tax Service	Anti-Money Laundering Service	Exchange of information through the International Police Cooperation Centre (Interpol, Europol, etc.) Develop the cooperation with EUROJUST to facilitate the process of obtaining evidence in criminal cases Implement and streamline the taxation system for natural persons based on their expenditure and purchases Streamline the internal cash control not covered by the Law No.190-XVI of 26 July 2007 on anti-money laundering and counter-terrorism financing (the legal entity reporting to tax service of the cash issued by the company to natural persons)	Within the approved budget allocations; foreign sources Within the approved budget allocations Within the approved budget allocations	Constantly Semester I, 2018 – semester II, 2018 Semester I, 2018 – semester II, 2019 Semester II 2017 – semester II, 2018
3.8.	Identification of the beneficial owner	Improving the beneficial owner identification process	Public Services Agency	Anti-Money Laundering Service	Create the National (electronic) Register of Bank Accounts and Payment Systems' Accounts Initiate the process of cooperating with and joining the Organization for Economic Cooperation and Development (it manages the international database that permits identifying the Moldovan citizens who hold bank accounts in the member states) Create the Register of Beneficial Owners	TWINNING Project; within the approved budget allocations; foreign sources Within the approved budget allocations; foreign sources TWINNING Project; within the approved budget allocations; foreign sources	Semester I, 2019 – semester II, 2019 Semester II, 2017 – semester II, 2018 Semester II, 2018 – semester I, 2019 Semester I, 2018 – semester I, 2019

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4.	Vulnerabilities of the banking sector	Reducing the banking sector vulnerability risks					
4.1.	Deficient legal framework on preventing and combating money laundering and terrorism financing	Improvement of current normative acts	National Bank of Moldova, Office for Prevention and Fight against Money Laundering		Harmonization of legislation on preventing and combating money laundering and terrorism financing and other laws related to the banks' activity in the field of preventing and combating money laundering and terrorism financing. Introducing the definition of risk assessment, application of simplified precautions measures to low-risk customers and new sanctions for failure to comply with the Law No. 190-XVI of 26 July 2007 on preventing and combating money laundering and terrorism financing Changing the regulatory framework (the Regulation on the banks' activity in the field of preventing and combating money laundering and terrorism financing; Guidelines on identification of the beneficial owner; Guidelines on cross-border relations in the context of legislation on preventing and combating money laundering and terrorism financing; Guidelines on monitoring by the banks of the clients' transactions and activities aimed at preventing and combating money laundering and terrorism financing; Guidelines on the risk-based approach to clients by the banks aimed at preventing and combating money laundering and terrorism financing, etc.) Changing the regulatory framework (Guide on suspicious transactions and activities; Guide on reporting activities and transactions that fall within the scope of the law; Guide on identifying politically exposed persons; Guide on the identifying transactions suspected of terrorism financing, etc.) Identifying patterns of money laundering and terrorism financing in the banking sector and informing the reporting entities Adjusting other regulatory documents to streamline the measures ensuring the extension of the term for enforcement of cessation decisions; adjustment of administrative pecuniary penalties for non-compliance, etc. Adjusting the internal procedures for the on-site and desk controls, including in the field of preventing and combating money laundering and terrorism financing	TWINNING Project; within the approved budget allocations; external sources	II semester 2017-I semester 2018
						Within the limits of budget appropriations; external sources	I semester 2018- II semester 2018
						Within the approved budget allocations	II semester 2017- I semester 2019
						Within the approved budget allocations	II semester 2017-I semester 2018
						Within the approved budget allocations	II semester 2017-I semester 2018
						Within the approved budget allocations	I semester 2018-III semester 2018

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4.2.	Failure to identify the money laundering and terrorism financing risks	Identification and assessment of money laundering and terrorism financing risks	National Bank of Moldova; Office for Prevention and Fight against Money Laundering; reporting entities	Reporting entities	Identification and assessment of money laundering risks related to bank transactions with clients/legal entities registered in the offshore areas. Identification and monitoring of economically meaningful funds transit activities Implementation of international financial sanctions associated with terrorism activities and proliferation of weapons of mass destruction Applying risk-based measures to new products launched by financial institutions, as well as the re-assessment of risks attached to currency exchange related products, money transfers, loans for legal entities, in view of investment banking Drafting risk assessment reports and plans to mitigate the identified risk	External sources Within the approved budget allocations Other sources Other sources	I semester 2018 – II semester 2018 III semester, 2017 – I semester 2018 Constantly II semester 2017-I semester 2019 Constantly
4.3.	Gaps in identification of the clients' beneficial owners	Undertaking measures to identify and check the clients' beneficial owners, and the banks' shareholders and beneficial owners	Reporting entities	National Bank of Moldova; the Public Institution "Public Services Agency"	Identification of the bank's clients' beneficiary owners for which information is missing. Enforcing the requirements laid down in the normative acts in the event of non-compliance. Availability of independent information sources. Ensuring the bank employees access to national and international official databases and to independent sources Verifying the clients' beneficiary owners' identity which raise doubts about the truthfulness of information provided. Enforcing the requirements laid down in the normative acts in the event of non-compliance. Compilation of the register of the clients' beneficial owners identified for each banking institution	Other sources Resources	Constantly Constantly
4.4.	Lack of transparency for shareholders in some banks in the banking sector		National Bank of Moldova	Office for Prevention and Fight against Money Laundering	Assessment of shareholders in banks and identification of their concerted shares. Undertaking actions required by the current normative acts Implementing an IT application relating to licensing and authorization and monitoring the banks' shareholders transparency. Continuous assessment of the banks' shareholders to ensure the transparency of the banking system.	TWINNING Project; within the limits of approved budget appropriations; other sources Within the limits of approved budget appropriations; external sources External sources	II semester 2018-I semester 2019 Constantly II semester 2017- I semester 2019

1	2	3	4	5	6	7	8
4.5.	Insufficient surveillance activity	Improvement of banks surveillance in preventing and combating money laundering and terrorism financing	National Bank of Moldova	Office for Prevention and Fight against Money Laundering; reporting entities	<p>On-site controls to check the compliance by the banks with the requirements laid down in the normative acts related to preventing and combating money laundering and terrorism financing.</p> <p>On-site controls to check the compliance by the banks with the normative acts regarding identification of currency, credit, market, operational, information security risks etc.</p> <p>Improving the ex officio surveillance mechanism by implementing an IT solution of remote analysis of information related to preventing and combating money laundering and terrorism financing of high-risk clients, including politically exposed individuals, non-commercial organizations, to non-resident clients, other categories</p> <p>Increasing the resources allocated for compliance with normative acts on prevention and combating money laundering and terrorism financing</p> <p>Enforcing sanctions and remedial measures based on shortcomings and irregularities found, as well as based on the risk of involvement in money laundering and terrorism financing operations</p> <p>Organization of trainings and workshops on preventing and combating money laundering and terrorism financing for both representatives of the reporting entities, and for competent authorities</p> <p>Ensuring increased continuous monitoring of transactions with banks in Transnistria</p>	<p>Within the limits of approved budget appropriations</p> <p>Within the approved budget allocations</p> <p>TWINNING Project; within the approved budget allocations; external sources</p> <p>External sources</p> <p>Within the approved budget allocations; external sources</p> <p>Within the approved budget allocations</p> <p>TWINNING Project; within the approved budget allocations; external sources</p> <p>Within the approved budget allocations</p>	<p>Constantly</p> <p>Constantly</p> <p>I semester 2018 - I semester 2019</p> <p>Constantly</p> <p>II semester 2017 - I semester 2019</p> <p>II semester 2017 - I semester 2018</p> <p>Constantly</p> <p>Constantly</p>
4.6.	Lack of cooperation	Improving cooperation between national and international agencies	National Bank of Moldova	Reporting entities	<p>Establishing by the National Bank of Moldova and Office for Prevention and Fight against Money Laundering of the Risk Analysis Center to strengthen cooperation in prevention and combating money laundering and terrorism financing</p> <p>Entering into cooperation agreements with competent national and international authorities to facilitate the exchange of information related to prevention and combating money laundering and terrorism financing</p> <p>Participation in working meetings and assemblies of relevant international organizations aimed at strengthening the relations and promoting achievements</p> <p>Optimization of databases of statistics and information needed to be stored</p> <p>Providing high-performance software for use in preventing and combating money laundering</p>	<p>Within the approved budget allocations</p> <p>Within the approved budget allocations</p> <p>TWINNING Project; within the approved budget allocations; other sources</p> <p>Within the approved budget allocations; other sources</p> <p>Within the approved budget allocations</p>	<p>Constantly</p> <p>Constantly</p> <p>II semester 2017 - II semester 2018</p> <p>Constantly</p>
4.7.	Total or partial lack of data and information	Improving the system of collecting and storing data and other relevant information	National Bank of Moldova	Reporting entities	<p>Optimization of databases of statistics and information needed to be stored</p> <p>Providing high-performance software for use in preventing and combating money laundering</p>	<p>Within the approved budget allocations; other sources</p> <p>Within the approved budget allocations; other sources</p> <p>TWINNING Project; within the approved budget allocations; other sources</p>	<p>II semester 2017 - II semester 2018</p> <p>I semester 2018 - II semester 2018</p>

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4.8.	Reduced effectiveness of reporting suspicious transactions	Improving the information system for identification, collection and reporting transactions	Office for Prevention and Fight against Money Laundering; Reporting entities; National Bank of Moldova; other competent authorities	Reporting entities	Enforcement of administrative fines Organizing and conducting trainings on identified typologies and qualification of suspicious transactions Remote control of the quality of filling in the forms and timely reporting on suspicious transactions	Within the approved budget allocations TWINNING Project; within the approved budget allocations; external sources Within the approved budget allocations	Constantly Constantly Constantly
4.9.	Financial inclusion	Development of financial inclusion actions	National Bank of Moldova; Office for Prevention and Fight against Money Laundering; reporting entities; other authorities, if needed	Reporting entities	Development of a strategy and implementation of actions to promote financial products and services, including the use of new payment instruments, information on consumer protection, limitation of use of cash in economy, lowering interest rates, etc.	Within the approved budget allocations; external sources	II semester 2018 - II semester 2019
5.	Securities sector vulnerabilities						
Reducing the risks related to the identified securities sector vulnerabilities							
5.1.	Limited possibilities for identification and checking of the beneficial owner	Streamlining the beneficial owner identification mechanism	The National Commission of Financial Market; Office for Prevention and Fight against Money Laundering	Licensed and authorized entities on the capital market	Adjustment of the regulatory framework to streamline regulatory aspects pertaining to the activity of licensed and authorized entities on the capital market. Introducing the notions of the risk assessment of money laundering and terrorism financing and the risk-based approach to initiating business relations, as well as for the duration thereof. Introducing the concept and mechanism of simplified precautionary measures pertaining to clients Adjusting the secondary legislation framework derived from the approved legislative changes	Within the approved budget allocations; TWINNING Project Within the approved budget allocations	II semester 2017 - II semester 2018 II semester 2017, II semester 2018
					Identification of beneficial owners by the reporting entities in conformity with legislation requirements	Within the approved budget allocations;	Constantly
					Assessment of the current legal framework undertaking measures needed to meet the requirements to apply for membership in the International Organization of Securities Commissions	TWINNING Project Within the approved budget allocations; external sources; TWINNING Project	I semester 2018 II semester 2018
		Membership in the International Organization of Securities Commissions	National Commission of Financial Market	Licensed and authorized entities on the capital market	Organization of regular trainings and workshops on consistent enforcement of legislation, clients identification measures, risks and trends in the field, etc.	TWINNING Project; within the approved budget allocations; other sources	I semester 2018-II semester 2018

1	2	3	4	5	6	7	8
5.2. Limited effectiveness of supervisory procedures and practices	Improving the monitoring and control procedures	National Commission of Financial Market; Office for Prevention and Fight against Money Laundering	Licensed and authorized entities on the capital market	Development of guidelines for reporting entities on transactions reporting procedures, precautionary measures, etc.	TWINNING Project; within the approved budget allocations; other sources	II semester 2018- I semester 2019	Constantly
5.3. Limited knowledge of the reporting entities staff	Improving the knowledge of staff employed in reporting entities	The National Commission of Financial Market; Office for Prevention and Fight against Money Laundering	Licensed and authorized entities on the capital market	Keeping the reporting entities informed about current international sanctions, updated lists of countries posing higher risk etc.	Within the approved budget allocations	II semester 2017 - II semester 2018	Constantly
6. Insurance sector vulnerabilities	Improving the reporting entities staff	The National Commission of Financial Market; Office for Prevention and Fight against Money Laundering	Licensed and authorized entities on the capital market	Organization of regular trainings and workshops on consistent enforcement of legislation, clients identification measures, risks and trends in the field, etc.	Within the approved budget allocations; TWINNING Project	II semester 2017 – II semester 2018	Constantly
6.1. Limited possibilities for identification and checking of the beneficial owner	Streamlining the beneficial owner identification mechanism	The National Commission of Financial Market; Office for Prevention and Fight against Money Laundering; Reporting entities	The Insurers Union	Adjustment of the regulatory framework to streamline regulatory aspects pertaining to the activity of licensed and authorized entities on the capital market. Introducing the notions of the risk assessment of money laundering and terrorism financing and the risk-based approach to initiating business relations, as well as for the duration thereof. Introducing the concept and mechanism of simplified precautionary measures pertaining to clients	Within the approved budget allocations; TWINNING Project	II semester 2017	Constantly
6.2. Limited effectiveness of surveillance practices and procedures	Improving the surveillance and control procedures	The National Commission of Financial Market; reporting entities	The Insurers Union	Adjusting the secondary legislation framework derived from the approved legislative changes	Within the approved budget allocations; TWINNING Project	II semester 2017 - I semester 2018	Constantly
		Reporting entities		Identification of beneficial owners by the reporting entities in conformity with legislation requirements	Within the approved budget allocations; other sources	Constantly	Constantly
				Monitoring of identification and verification of clients and beneficial owners, increased precautions measures, international restrictive measures. Reporting transactions to the Office for Prevention and Fight against Money Laundering. Internal control systems	Within the approved budget allocations	Constantly	Constantly
				Continuous monitoring of transactions	Within the approved budget allocations	Constantly	Constantly
				Enforcing sanctions and remedial measures, as appropriate, based on the shortcomings and irregularities revealed during surveillance	Within the approved budget allocations	Constantly	Constantly
				Identifying, updating and verification of clients according to their risk category	External sources	Constantly	Constantly
				Money laundering risk analysis within the entity, starting from the national risk assessment. Drafting and approval of the relevant report	External sources	II semester 2017	II semester 2017
				Preparation and approval of an Action Plan to remediate the identified risks	External sources	II semester 2017	II semester 2017

1	2	3	4	5	6	7	8
6.3.	Limited knowledge and misuse of legislation on preventing and combating money laundering by the staff of reporting entities	Improving the knowledge of the staff employed in reporting entities	The National Commission of Financial Market; Office for Prevention and Fight against Money Laundering; reporting entities;		Organization of regular trainings and workshops on consistent enforcement of legislation, clients identification measures, risks and trends in the field, etc. Development of guidelines for reporting entities on procedures for reporting transactions, precautionary measures, etc. Development of a mechanism to keep the reporting entities permanently informed about current international sanctions, updated lists of countries representing a higher risk etc. Organization of regular joint working meetings	Within the approved budget allocations; TWINNING Project Within the approved budget allocations; TWINNING Project Within the approved budget allocations; external sources	Constantly Constantly Constantly
6.4.	Poor cross-agency cooperation	Establishing a tight and effective cooperation between authorities	Office for Prevention and Fight against Money Laundering; The National Commission of Financial Market; National Bank of Moldova		Signing the memoranda of cooperation and establishing the information exchange procedures Developing a mechanism to facilitate sharing of information on prevention and combating money laundering and terrorism financing	Within the limits of approved budget allocations Within the approved budget allocations Within the approved budget allocations	Constantly II semester 2017- I semester 2018 Constantly
7. Other professional participants sector vulnerabilities							
Reducing the risks of other professional participants sector vulnerabilities							
7.1.	Legal framework on preventing and combating money laundering and terrorism financing to be updated	Improvement of the current normative framework	Office for Prevention and Fight against Money Laundering; Notarial Chamber; Union of Attorneys of the Republic of Moldova; Ministry of Finance; Public Services Agency	Office for Prevention and Fight against Money Laundering; reporting entities	Changing the internal rules of the reporting entities in the field of preventing and combating money laundering and terrorism financing Amendment of Guidelines on beneficial owner identification Amendment of the Guidelines on monitoring of the clients' transactions and activities in the field of preventing and combating money laundering and terrorism financing Amendment of the Guidelines on the risk-based approach to clients in preventing and combating money laundering and terrorism financing Identifying patterns of money laundering and terrorism financing in other professional participants sector	TWINNING Project; within the approved budget allocations; external sources TWINNING Project; within the approved budget allocations; external sources Within the approved budget allocations; external sources Within the approved budget allocations; other sources Within the approved budget allocations; external sources	II semester; 2017 II semester; 2017- I semester 2018 II semester; 2017- I semester 2018 II semester 2017 - I semester 2018 II semester; 2017- I semester 2018
7.2.	Failure to properly identify the money laundering and terrorism financing risks	Identification and assessment of money laundering and terrorism financing risks	Reporting entities	Surveillance agencies	Development of a risk assessment report on money laundering and terrorism financing within the agency	External sources	II semester 2017

1	2	3	4	5	6	7	8
7.3.	Inefficient surveillance	Improvement of surveillance in preventing and combating money laundering and terrorism financing	National Bank of Moldova, National Commission of Financial Market; Public Institution "Public Services Agency"; Ministry of Finance	Office for Prevention and Fight against Money Laundering	Carrying out on site controls to check compliance with the money laundering and terrorism financing legislation Monitoring of identification and verification of clients and beneficial owners. Enforcement of increased precautions measures, international restrictive measures. Reporting transactions to the Office for Prevention and Fight against Money Laundering. Enforcement of internal control measures. Enforcing sanctions and remedial measures based on shortcomings and irregularities found during surveillance Participation in trainings and workshops in the field of preventing and combating money laundering and terrorism financing of the employees of supervisory agencies and reporting entities Implementation of a new Guide on identification of suspicious transactions and activities	Within the approved budget allocations; external sources Within the approved budget allocations	I semester 2018 Constantly
7.4.	Reporting of suspicious transactions and activities	Normative framework on reporting suspicious transactions and activities	Office for Prevention and Fight against Money Laundering	Reporting entities	Analysis and upgrading of existing software for suspicious transactions analysis Revision of the instruction regarding the receipt, analysis and dissemination of information related to suspicious transactions	Within the approved budget allocations; external sources TWINNING Project; within the approved budget allocations; external sources TWINNING Project; within the approved budget allocations; external sources TWINNING Project; within the approved budget allocations; external sources	II semester 2017 Constantly Constantly Constantly
7.5.	Lack of effective, dissuasive and proportionate sanctions.	Normative framework on sanctions enforcement in preventing and combating money laundering and terrorism financing.	Office for Prevention and Fight against Money Laundering		Adjusting the legislation on preventing and combating money laundering and terrorism financing to hold legal entities and individuals liable for serious, repeated or systematic non-compliance with the requirements for precautionary measures relating to clients, keeping of evidence, reporting of suspicious transactions	(a) an establishment plan setting the number of permanent and temporary posts authorized within the limits of the budget appropriations, by grade and by category; Within the approved budget allocations	II semester 2017 II semester 2017

1	2	3	4	5	6	7	8
8.3.	Gaps in identification of the clients' beneficial owners	Undertaking measures to identify and check the client's beneficial owners, and clients and beneficial owners of other institutions	Reporting entities National Commission of Financial Market; National Bank of Moldova; Public Institution "Public Services Agency"; other authorities; reporting entities		Identifying and assessing the money laundering risks of the payment service providers, microfinance organizations, payment companies, e-money issuers and leasing companies, taking into account their clients and transactions Drafting of risk assessment reports and identified risks mitigation plans, and assessment thereof by the supervisory authority	Within the approved budget allocations Within the approved budget allocations	Constantly Constantly
8.4	Improper use of the "proper and appropriate" criterion when assessing the administrators and shareholders of MFI organizations and leasing companies			Office for Prevention and Fight against Money Laundering	Identifying the clients' beneficial owners, payment service providers, micro-finance organizations payment companies, e-money issuers and leasing companies, on which information is missing. Enforcing the requirements laid down in the normative acts in the event of non-compliance. Verifying the identity of clients' beneficial owners, payment service providers, micro-finance organizations, and leasing companies which raise doubts about the truthfulness of information they provide. Enforcing the requirements laid down in the normative acts in the event of non-compliance.	Within the approved budget allocations	Constantly
8.5.	Insufficient surveillance activity	Improving surveillance of other institutions in the field of preventing and combating money laundering and terrorism financing	National Commission of Financial Market; National Bank of Moldova	Office for Prevention and Fight against Money Laundering; reporting entities	Compiling the register of the identified clients' beneficial owners. Granting access to competent entities and authorities to this register. Assessment, as appropriate, of currency exchange units, payment service providers, micro-finance organizations, payment companies, e-money issuers, and leasing companies shareholders and identifying non-conformities. Enforcing the requirements laid down in the current normative acts Continuous implementation of the "proper and appropriate" criterion for assessment of currency exchange units, payment services providers, micro-finance organizations, credit and savings associations, payment companies, issuers of e-money and leasing companies potential shareholders and administrators Strengthening the competencies and responsibilities of the National Commission of Financial Market in supervision of micro-finance organizations aimed at preventing and combating money laundering and terrorism financing Effecting on site controls to check the compliance by the currency exchange units, payment services providers, micro-finance organizations, credit and savings associations, payment companies, e-money issuers and leasing companies with requirements of the normative acts on preventing and combating money laundering and terrorism financing	Within the approved budget allocations Within the approved budget allocations Within the approved budget allocations	II semester 2017-I semester 2018 II semester 2017-I semester 2018 Constantly Constantly

1	2	3	4	5	6	7	8
					Establishing an effective mechanism for remote surveillance of currency exchange units, credit and savings associations, micro-finance organizations, leasing companies aimed at preventing and combating money laundering and terrorism financing	Within the approved budget allocations	II semester 2017 – I semester 2018
					Identifying, updating and continuous verification of high-risk clients, including politically exposed individuals, non-commercial organizations, non-resident clients, virtual currency beneficiaries, other categories	Within the approved budget allocations	Constantly
					Increasing the allocated resources, including hiring of qualified staff to comply with relevant regulations on preventing and combating money laundering and terrorism financing	Within the approved budget allocations	Constantly
					Enforcing sanctions and remedial measures based on shortcomings and irregularities found, and taking into account the risk of involvement in money-laundering and terrorism financing operations	Within the approved budget allocations	Constantly
8.6.	Lack of cooperation	Improving cooperation between national and international agencies	National Commission of Financial Market; National Bank of Moldova	Office for Prevention and Fight against Money Laundering; reporting entities	Organization of trainings and workshops on preventing and combating money laundering and terrorism financing for both representatives of reporting entities, and for the staff of surveillance competent authorities, with the involvement of qualified international experts	TWINNING Project; within the approved budget allocations	Constantly
					Entering into cooperation agreements with the competent national and international authorities to facilitate the exchange of information related to the prevention and combating money laundering and terrorism financing	TWINNING Project; within the approved budget allocations	Constantly
8.7.	Total or partial lack of data and information	Improving the system of collecting and storing data and other relevant information	The National Commission of Financial Market; National Bank of Moldova	Office for Prevention and Fight against Money Laundering; reporting entities	Creating a data base of statistics and information needed to be stored. Continuous accumulation and storage of data and information related to the scope of activity.	TWINNING Project; within the approved budget allocations	II semester 2017 – I semester 2018