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Ukraine: building an anti - money laundering system

The important role in fight against the trafficking in drugs, human beings, small arms and light weapons belongs to the cutting of traffickers' profits. As far as trafficking has international nature, generated profits are also laundered worldwide. The solution is in the functioning of the anti – money laundering systems in the involved countries.

Now Ukraine has such system, its development has required the steps described below.

Legislation improvement

In 2000 amendments were made to the Law “On banks and the banking” introducing client identification and suspicious activity reports procedures in banks.

In 2001 the Forty Recommendations of FATF were adopted by the Resolution #1124 of The Cabinet of Ministers and The National Bank.

President's Decrees #813 in 2000 and #532, #1199 in 2001 established the state system of anti – money laundering measures.

The anti – money laundering Interministerial workgroup was created in the 2001 by the Resolution #386 of The Cabinet of Ministers. Now it includes representatives of the Cabinet of Ministers, State Department for Financial Monitoring, General Prosecutor's office, Ministry of Internal Affairs, State Security Service, Tax Administration and Customs Service, other institutions involved in the process.

Money laundering was introduced in The Criminal Code as a severe crime.

In the December of 2002 the Law “On the measures of prevention of legalizing (laundering) proceeds of crime” was adopted. It is a basic law that regulates anti-money laundering system in Ukraine.

Also in 2003 amendments were made to the basic law and the laws regulating banking and other financial activities, and to the Criminal Code.

The basic law will come in force at the 12 of June of 2003.

Financial intelligence unit

In the 2002 Ukrainian financial intelligence unit was established by the Resolution #35 of the Cabinet of Ministers. It is The State Department for Financial Monitoring (SDFM) embedded in the structure of The Ministry of Finance. SDFM is politically independent and is reporting directly to First Vice Prime Minister of Ukraine - Minister of Finance of Ukraine.

From the 12 of June (date of coming in force of the basic law) SDFM will operate in traditional manner:

- gather the reports of financial and other institutions about the operations that are the object of financial monitoring and/or suspicious operations;
- analyze financial operations;
- compile reports on operations possibly related to money laundering and/or terrorism financing and transfer them to the appropriate law enforcement units;
- exchange information on money laundering operations with financial intelligence units of other countries.

As far as trafficking in drugs, human beings, small arms and light weapons is a severe crime according to The Criminal Code of Ukraine, profits generated by trafficking are the object of the financial monitoring in Ukraine and attempts of laundering of such profits will be treated by SDFM. Incorporation of The State Department for Financial Monitoring of Ukraine in the international system of anti – money laundering units is a necessary condition for combating illegal trafficking.