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POLICY BRIEF

Strengthening Ukraine's Fight Against Financial Crime by Building Resilience

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The Center for Financial Integrity

The Center for Financial Integrity (CFI), based in Chernihiv, is a non-governmental organisation committed to strengthening the resilience and integrity of Ukraine's financial system. Drawing on its expertise and convening power, CFI promotes the integration of Ukraine's financial framework with European and international standards for combating financial crime. To achieve its mission, CFI works to enhance Ukraine's financial resilience and integrity, strengthen public–private partnerships in the fight against financial crime, align Ukraine's financial crime prevention standards with those of the EU, and deepen understanding among Ukrainian stakeholders of the intersection between finance and security.

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Strengthening Ukraine's Fight Against Financial Crime by Building Resilience

Introduction

Before February 2022, Ukraine faced challenges in its efforts to align with Financial Action Task Force (FATF) standards and tackle financial crime. Many states have faced similar challenges. Russia's full-scale invasion dramatically altered this landscape. It precipitated an influx of international funds that aimed to support Ukraine and, as a result, increased the pressure for greater transparency of financial flows. Once military aggression ends, Ukraine's reconstruction will involve multibillion-dollar transactions. Proactive measures are needed now; otherwise, the need for robust oversight and prevention mechanisms will become even more urgent.

Civil society has increased its oversight to ensure that resources are properly allocated. However, wartime measures, such as restricted access to public registers and information, have complicated monitoring efforts.

Ukraine is battling on the frontlines while addressing entrenched issues, such as corruption. This combination makes the reform process both demanding and complex. The country is gradually implementing measures on its path to EU accession. This process requires the implementation of 69 reforms under the [Ukraine Facility Plan](#)¹ — the EU's assistance programme — along with more than 150 quarterly implementation indicators. Tackling financial crime is a key component of this plan.

Ukraine is obliged to implement UN Security Council Resolution 1617 (2005) and is a member of MONEYVAL. Both require it to adhere to FATF standards. In 2017, the Fifth Round Mutual Evaluation revealed several deficiencies in the effectiveness of Ukraine's compliance. While follow-up reports have acknowledged progress, unresolved issues — notably in virtual assets regulation and public-private partnerships (PPP) — persist.

Ukraine must address these gaps as it begins to prepare for the Sixth Round Mutual Evaluation. This round will scrutinise technical compliance, effectiveness and might influence international trust and support for the country's financial system. Although Ukraine is focused on its survival and safeguarding critical infrastructure, the country must prioritise building an effective and sustainable system. Reforms to this system must go beyond technical compliance. Real, transformative change is essential for building an effective and sustainable system. Relying solely on meeting technical requirements would be a setback especially as global standards now emphasise effectiveness over formal adherence. At this moment of international support, there is a once-in-a-generation opportunity for substantial progress.

This policy brief aims to identify key challenges in Ukraine's financial system. It outlines ways to enhance its response as the country embarks on planned reforms needed for EU accession and aligns with FATF Recommendations.

¹ Ukraine Facility, <<https://www.ukrainefacility.me.gov.ua/>>, accessed 27 February 2025.

Methodology

This policy brief provides policymakers with recommendations on how they can prioritise and navigate complex reforms. It also informs the international community. The brief is based on an extensive review of the existing policy literature (published between 2017 and 2024), including the Ukraine Facility Plan

and MONEYVAL reports. The research also drew on insights from expert semi-structured interviews that were conducted in late 2024. A review of grey literature, published between 2017 and January 2025, supplemented the research.

Challenges in Combating Financial Crime

It is worth noting that Ukraine has a good understanding of money laundering and terrorist financing risks. MONEYVAL evaluators have highlighted² the country's grasp of such risks. However, given its geopolitical location, political situation and the ongoing full-scale invasion, Ukraine remains vulnerable to these threats. Despite efforts to improve legislation and the effectiveness of the system, some issues remain unresolved. Some of the reasons for this include the lack of human resources, coordinated approaches and funding to support IT solutions in the anti-money laundering (AML) sphere.

During the literature review, the authors discovered that reforms primarily emphasise anti-corruption efforts. However, the review also found that issues related to money laundering often receive inadequate attention. The implementation of comprehensive preventive measures is therefore seen as essential for strengthening the system's resilience against a variety of financial crimes, not just corruption.

This policy brief highlights two types of challenges:

those associated with the EU accession process; and those that must be addressed to enhance Ukraine's response to financial crime and strengthen the resilience of its financial system. The brief then provides recommendations for improvement.

The research identified six key areas that require attention in Ukraine: the low level of PPP in combating financial crime; lack of regulation of virtual assets; insufficient supervision of designated non-financial businesses and professions (DNFBPs); limited financial investigations capacity; the growing prevalence of money mules; and weak targeted financial sanctions (TFS).

The leadership of Ukraine's key institution for AML policy implementation – the State Financial Monitoring Service of Ukraine (SFMS) – was abruptly replaced³ through an uncompetitive process. This raises another key concern: the broader issue of restoring competitive selection processes in the public sector for leaders of state institutions, particularly in the AML sector.

² MONEYVAL, 'Ukraine', Fifth Round Mutual Evaluation Report, Executive Summary, 2017, <<https://rm.coe.int/summary-fifth-round-mutual-evaluation-report-on-ukraine/1680782395>>, accessed 27 February 2025.

³ Oksana Ihnatenko and Kinga Redłowska, 'Ukraine Needs More Than a Leadership Shake-up to Fight Financial Crime', *Kyiv Independent*, 3 February 2025, <<https://kyivindependent.com/ukraine-needs-more-than-a-leadership-shake-up-to-fight-financial-crime/>>, accessed 27 February 2025.

Challenge 1: The Low Level of PPP in Fighting Financial Crime

Currently, Ukraine lacks⁴ a PPP as part of its efforts to combat financial crimes. It needs to establish a constructive dialogue between the public and private sectors that would enable an effective response to challenges of money laundering.

An AML system requires both robust legislation and public sector efforts, and the private sector's active engagement. In Ukraine, Public Councils have facilitated some collaboration between public institutions and private entities. However, these efforts are insufficient to comprehensively address AML threats. Other PPP initiatives, such as the Ukrainian Network of Integrity and Compliance (UNIC) and the Business Ombudsman Office, have made some progress. But they have primarily focused on addressing corruption threats. Given the significant international support Ukraine receives, fostering robust PPPs is essential for enhancing the transparency of the financial system.

Private sector entities have valuable insights, data and technologies that can aid in detecting and preventing suspicious activities. Effective information sharing with financial intelligence units can significantly enhance AML efforts. International examples, such as Australia's⁵ PPP initiative that disrupted a USD 5.4-million money laundering syndicate in six weeks, illustrate the potential of such collaborations.

The EU's new AML package⁶ places the advancement of public-private and private-private information

sharing as a cornerstone of its regulations. Ukraine's alignment with the developments is crucial as the country progresses towards EU membership. Building trust between public institutions and private entities must be prioritised.

Recommendations

To address low levels of PPP in fighting financial crime, this policy brief recommends that Ukraine:

- **Develop a unified vision of PPPs.** Create a shared understanding among stakeholders on the purpose and benefits of PPPs in combating financial crime. The recent First Taskforce Report: PPPs and Fighting Financial Crime in Ukraine⁷ highlighted that some public-private engagement exists. However, the report noted that stakeholders have various interpretations of what constitutes a PPP and how it should function in the country, given the existing legislative obstacles, such as the absence of legal provisions for voluntarily sharing information to support the law enforcement sector.
- **Focus on targeted initiatives.** Launch specific pilot projects – such as those for the regulation of virtual assets, human trafficking or others – to engage key stakeholders from both the public and private sectors early in the process. Such pilot projects could serve as a valuable opportunity to test collaboration and foster trust among the participants involved.

⁴ Oksana Ihnatenko and Arzu Abbasova, 'The Resilience and Integrity of the Financial System in Ukraine', RUSI Conference Report, March 2024, <<https://static.rusi.org/resilience-integrity-financial-system-ukraine-web-final.pdf>>, accessed 27 February 2025.

⁵ AUSTRAC, 'Fintel Alliance', <<https://www.austrac.gov.au/partners/fintel-alliance>>, accessed 27 February 2025.

⁶ European Commission, 'Latest Update on Anti-money Laundering and Countering the Financing of Terrorism Legislative Package', news article, 24 April 2024, <https://finance.ec.europa.eu/news/latest-update-anti-money-laundering-and-countering-financing-terrorism-legislative-package-2024-04-24_en>, accessed 27 February 2025.

⁷ Ian Mynot and Oksana Ihnatenko, 'First Taskforce Report: PPPs and Fighting Financial Crime in Ukraine', RUSI Conference Report, 10 January 2025, <<https://www.rusi.org/explore-our-research/publications/conference-reports/first-taskforce-report-ppps-and-fighting-financial-crime-ukraine>>, accessed 27 February 2025.

- **Leverage international expertise.** Provide guidance and training to enhance cooperation and foster trust.
- **Create communication platforms.** Establish platforms for dialogue and technological solutions, drawing inspiration from successful models such as Singapore's COSMIC platform.⁸

Challenge 2: Lack of Regulation of Virtual Assets

Each day, cryptocurrencies worth UAH 1 billion circulate in Ukraine, according to the 2022 National Risk Assessment (NRA) report.⁹ Ukraine's adoption of new technologies has accelerated since the start of the full-scale war. In the first 10 months of the invasion, virtual assets worth \$212.1 million were donated to the country. Together with other factors driving the use of virtual assets, this has pushed Ukraine to sixth place on the 2024 [Global Crypto Adoption Index](#).¹⁰

Despite its growing significance, the virtual assets market remains outside legislative regulation. An attempt to regulate virtual assets in Ukraine was made in 2022 with the adoption and signing of the [Law on Virtual Assets No. 2074-IX](#).¹¹ However, the law has yet to come into effect due to pending taxation amendments.

Two competing draft laws on virtual assets have been stalled in the Verkhovna Rada Taxation Committee since November 2023. [Draft Law No. 10225](#)¹² by the National Securities and Stock Market Commission of Ukraine (NSSMC) proposes an 18% tax rate and a 1.5% military tax, aligning with EU Markets in Crypto-Assets Regulation standards. [Draft Law No. 10225-1](#),¹³ produced by the Ministry of Digital Transformation of Ukraine, suggests a phased tax increase over eight years to promote the development of the virtual assets market and regulatory alignment with EU standards. The two draft laws have sparked significant [debate](#)¹⁴ and disagreement among stakeholders. Such debates show the need to balance the opportunities to develop the Ukrainian market and attract users and companies, on the one hand; and the need for taxation, on the other.

⁸ Monetary Authority of Singapore, 'COSMIC', <<https://www.mas.gov.sg/regulation/anti-money-laundering/cosmic>>, accessed 27 February 2025.

⁹ State Financial Monitoring Service of Ukraine, 'National Risk Assessment Report', 2022, p. 188.

¹⁰ Chainalysis, 'The 2024 Global Adoption Index: Central & Southern Asia and Oceania (CSAO) Region Leads the World in Terms of Global Cryptocurrency Adoption', 11 September 2024, <<https://www.chainalysis.com/blog/2024-global-crypto-adoption-index/>>, accessed 27 February 2025.

¹¹ « Закон України «Про віртуальні активи» » [‘Law on Virtual Assets No. 2074-IX’], 17 February 2022, <<https://zakon.rada.gov.ua/laws/show/2074-IX#Text>>, accessed 27 February 2025.

¹² « Проект Закону про внесення змін до Податкового кодексу України та інших законодавчих актів України щодо врегулювання обороту віртуальних активів в Україні No. 10225 » [‘Draft Law on Amendments to the Tax Code of Ukraine and Other Legislative Acts of Ukraine Regarding the Regulation of Virtual Asset Circulation in Ukraine No. 10225’], 07 November 2023, <<https://itd.rada.gov.ua/billInfo/Bills/Card/43123>>, accessed 27 February 2025.

¹³ « Проект Закону про внесення змін до Податкового кодексу України та інших законодавчих актів України щодо врегулювання обороту віртуальних активів в Україні No. 10225-1 » [‘Draft Law on Amendments to the Tax Code of Ukraine and Other Legislative Acts of Ukraine Regarding the Regulation of Virtual Asset Circulation in Ukraine No. 10225-1’], 17 November 2023, <<https://itd.rada.gov.ua/billInfo/Bills/Card/43232>>, accessed 27 February 2025.

¹⁴ Maria Denysiuk, « Оподаткувати крипту. Мінцифри та Нацкомісія з цінних паперів сперечаються за право регулювати цифрові активи, закон можуть прийняти у січні 2025-го. Чого чекає бізнес » [‘Taxing Crypto: The Ministry of Digital Transformation and the National Securities Commission are Disputing the Right to Regulate Digital Assets, with the Law Potentially Being Adopted in January 2025. What is the Business Sector Waiting For?'], *Forbes Ukraine*, 5 November 2024, <<https://forbes.ua/money/rada-gotue-zakonoproekt-pro-vregulyuvannyu-virtualnikh-aktiv-shcho-pro-nogo-dumae-kriptoindustriya-ta-yaki-klyuchovi-parametri-dokumenta-04112024-24573>>, accessed 27 February 2025.

There are also concerns over the proposals to introduce legislative regulation of the virtual assets market only after conducting a capital amnesty and declaring existing virtual assets. These are currently being discussed in the Verkhovna Rada of Ukraine. If this approach is adopted, the process should be carefully aligned with FATF core principles, and so must be adhered to by voluntary tax compliance programmes (tax amnesty).

In the 2020 Second Enhanced Follow-up Report and Technical Compliance Re-Rating, Ukraine's rating on FATF Recommendation 15, which governs new technologies, was downgraded from 'largely compliant' to 'partially compliant'. Without progress in this area, Ukraine risks further downgrades in the next assessment and may fail to meet its obligations under the Ukraine [Facility Plan](#).¹⁵ This plan requires relevant laws to be adopted by 2025. Indeed, the IMF initially set a December 2024 deadline for regulatory improvements, but the authorities were not able to meet this requirement.

The regulatory vacuum exposes Ukraine to risks, such as illicit financial flows, use of virtual assets for concealing illicit funds, terrorist financing and cross-border transactions. Despite the efforts of the SFMS and law enforcement agencies to investigate crimes related to virtual assets, the lack of oversight leaves the sector vulnerable to criminal exploitation.

In addition to previous cases involving electricity theft for mining, kidnapping for cryptocurrency ransom, hacking attacks on crypto exchanges and other incidents, the full-scale invasion has introduced new cryptocurrency-related methods of crimes, as highlighted by the NRA.¹⁶ These include criminals impersonating

well-known volunteer or government organisations to solicit aid in virtual assets, as well as profiting from anti-Russian sanctions through virtual assets.

Recommendations

To strengthen regulation of virtual assets, this policy brief recommends that Ukraine:

- **Adopt comprehensive legislation.** Pass the draft law that designates a regulator to oversee virtual asset service providers (VASPs). Currently, a working group led by the National Bank of Ukraine (NBU), the NSSMC and other stakeholders is actively working to legalise virtual assets and place this issue high on the political agenda.¹⁷
- **Introduce a registry system.** Use incentives and compliance measures to encourage the registration of VASPs.
- **Conduct a risk assessment.** Undertake a detailed study of cross-border and domestic risks associated with virtual assets. Russia [continues](#)¹⁸ to use Transnistria, Donbas and Abkhazia to mine new bitcoins that might fund its war efforts. So, it is important that Ukraine is aware of all the threats associated with these activities in order to secure its market.
- **Leverage innovation.** Use tools, such as regulatory sandboxes, to foster stakeholder collaboration and innovation, establish cooperation and information sharing between authorities and VASPs. The Ministry of Digital Transformation can support the ongoing efforts of the working group, leveraging its focus on innovation and strong ties with the private sector. Notably, the Ministry has been developing a regulatory sandbox¹⁹ to enhance

¹⁵ Ukraine Facility, <<https://www.ukrainefacility.me.gov.ua/>>.

¹⁶ State Financial Monitoring Service of Ukraine, 'National Risk Assessment Report', 2022, pp. 420–21.

¹⁷ Authors' interview with anonymous expert, 13 September 2024.

¹⁸ Neil Barnett, 'The Other Bitcoin Boom: Crypto Mining in Russia's Shadow Territories', *RUSI Commentary*, 12 December 2024, <<https://rusi.org/explore-our-research/publications/commentary/other-bitcoin-boom-crypto-mining-russias-shadow-territories>>, accessed 27 February 2025.

¹⁹ A regulatory sandbox is a controlled environment where regulators allow businesses to test new products or models in real-world settings. To learn more, see European Parliament, 'Artificial Intelligence Act and Regulatory Sandboxes', briefing, <[https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733544/EPRS_BRI\(2022\)733544_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/733544/EPRS_BRI(2022)733544_EN.pdf)>, accessed 23 January 2025.

communication among stakeholders. This sandbox prototype could also be effectively used to engage with VASPs and other participants of the sector.

- **Support detection of financial crimes involving virtual assets.** Use specialised software to detect suspicious transactions and provide relevant training to regulatory authorities, the SFMS and the law enforcement sector to enhance their expertise.

Challenge 3: Insufficient Supervision of DNFBPs

MONEYVAL's 2017 evaluation rated Ukraine as 'partially compliant' with FATF Recommendation 28. This rating highlighted deficiencies in regulatory oversight and awareness among DNFBPs. Recommendation 28 mandates AML and CTF measures for DNFBPs, including customer due diligence and reporting suspicious transactions.

Recent amendments to Ukraine's [AML law](#)²⁰ have expanded its scope to include new categories, such as art dealers. However, due to weak regulatory and supervisory procedures for DNFBPs, communication gaps between regulators and the 'gatekeepers' persist.²¹ Without improvements in this area, Ukraine will struggle to achieve a higher level of effectiveness under Immediate Outcome 3 of the FATF. This outcome additionally requires a strong focus on applying a risk-based approach.

Recommendations

To improve the supervision of DNFBPs, this policy brief recommends that Ukraine:

- **Improve communication.** Regulators should provide clear methodological and procedural support to the supervised DNFBPs to support compli-

ance with the requirements. To do this, the authorities can use already-existing training sites, such as the Academy of the Financial Monitoring.

- **Improve risk-based supervision.** Regulators should enhance data collection and analysis to more effectively identify high-risk DNFBPs. It is crucial to implement a comprehensive risk assessment framework that takes into account the specific risk profiles of different sectors within the DNFBP group.
- **Coordinate efforts.** Develop a unified strategy among supervisory bodies to address fragmented oversight. Like many other countries, in Ukraine, various authorities carry out the supervision of the subjects of primary financial monitoring. Each authority has a different approach to regulation. Ukraine may also consider the idea of using existing self-regulatory organisations in this area (for example, the Notary Chamber of Ukraine and Audit Chamber of Ukraine) to take responsibility for the supervision of DNFBPs. This approach is actively used in several FATF member countries. It is therefore important to combine such efforts to create a comprehensive approach and strategy via working groups or other initiatives.

²⁰ « Закон України « Про запобігання та протидію легалізації (відмиванню) доходів, одержаних злочинним шляхом, фінансуванню тероризму та фінансуванню розповсюдження зброї масового знищення » » [‘The Law of Ukraine On Prevention and Counteraction to Legalisation (Laundering) of Proceeds of Crime, Financing of Terrorism, and Financing of the Proliferation of Weapons of Mass Destruction’], 06 December 2019, <<https://zakon.rada.gov.ua/laws/show/361-20#top>>, accessed 27 February 2025.

²¹ Author interview with anonymous expert, 1 October 2024.

Challenge 4: Limited Financial Investigations Capacity

Financial investigations that lead to meaningful outcomes remain one of the most problematic areas for Ukrainian law enforcement agencies.

Effective investigation, prosecution and adjudication of financial crime and the confiscation of criminal assets are critical components of the broader AML agenda. Therefore, the Ukraine [Facility Plan](#)²² requires strengthening institutional capacity to conduct financial investigations. These are not yet clearly defined under Ukrainian legislation.

The [Interdepartmental Joint Order](#)²³ – made by the Prosecutor General’s Office, the National Anti-Corruption Bureau of Ukraine, the Bureau of Economic Security of Ukraine and other agencies – was adopted in 2024, aligning with FATF Recommendation 30. However, financial investigations remain a weak link, with many agencies lacking clarity on their roles and methodologies. In its [2024 report](#)²⁴ and assessment of Chapter 24, the European Commission recommended both advancing the development of further legislation, as well as ensuring that it was adopted and that relevant training for the law enforcement sector was provided.

Given the current emphasis on effectiveness, this is-

sue is likely to come under close scrutiny during the upcoming evaluation process. It was previously [identified](#)²⁵ as one of the most significant weaknesses in Ukraine’s 2017 MONEYVAL assessment.

Recommendations

To improve financial investigations capacity, this brief recommends that Ukraine:

- **Develop methodological guidelines.** Provide detailed instructions to ensure consistent implementation of financial investigations. Law enforcement agencies should also receive additional education and training in conducting financial investigations and develop best practice. Capacity building and cooperation with international law enforcement might offer valuable insights and technical expertise. The role of the Prosecutor General’s Office in this process should be decisive.
- **Clarify roles.** Differentiate between financial investigations and parallel financial investigations. This would improve sector-wide understanding of FATF standards on financial investigations. Currently, in the sector, the distinction between these

²² Ukraine Facility, <<https://www.ukrainefacility.me.gov.ua/>>.

²³ Office of the Prosecutor General, « Спільний наказ Офісу Генерального прокурора, Міністерства внутрішніх справ України, Служби безпеки України, Державного бюро розслідувань, Національного антикорупційного бюро України, Бюро економічної безпеки України від 28.10.2024 № 254/724/520/401/177/185 « Про затвердження Порядку організації та забезпечення досудового розслідування злочинів, у результаті вчинення яких одержано майно (доходи) » » [‘Joint Order of the Office of the Prosecutor General, the Ministry of Internal Affairs of Ukraine, the Security Service of Ukraine, the State Bureau of Investigations, the National Anti-Corruption Bureau of Ukraine, and the Bureau of Economic Security of Ukraine dated 28.10.2024 No. 254/724/520/401/177/185 “On Approval of the Procedure for Organising and Ensuring the Pre-Trial Investigation of Crimes Resulting in the Acquisition of Property (Income)”’], <<https://www.gp.gov.ua/ua/posts/inshi-organizacii-no-rozporjadchi-dokumenty-2024-roku>>, accessed 27 February 2025.

²⁴ European Commission, ‘Ukraine 2024 Report’, SWD(2024) 699 final, 30 October 2024, <https://neighbourhood-enlargement.ec.europa.eu/document/download/1924a044-b30f-48a2-99c1-50edeac14da1_en?filename=Ukraine%20Report%202024.pdf>, accessed 27 February 2025.

²⁵ MONEYVAL, ‘Ukraine: Anti-Money Laundering and Counter-Terrorist Financing Measures’, Fifth Round Mutual Evaluation Report, December 2017, <<https://rm.coe.int/fifth-round-mutual-evaluation-report-on-ukraine/1680782396>>, accessed 27 February 2025.

two types of investigations remains unclear. Parallel financial investigation *involves*²⁶ examining financial elements alongside a criminal investigation

under the Criminal Procedure Code of Ukraine, while financial investigation focuses solely on the financial aspects of criminal activity.

Challenge 5: Growing Prevalence of Money Mules

Over the past year, the number of money mules²⁷ in Ukraine has increased significantly, causing unprecedented losses to the state budget and undermining the stability of the financial system.

The rise of peer-to-peer (P2P) transactions for military donations has inadvertently created opportunities for money-mule schemes. These share similar characteristics – such as varying transfer amounts, irregular patterns and unpredictable timing – making it difficult to distinguish between them. The NBU *estimates*²⁸ that approximately UAH 200 billion (approximately \$4.78 billion) annually flows through money-mule schemes. In 2024, this led to the termination of business relations involving more than 80,000 clients. The actual figures of illicit flows may be even higher, posing risks to national security

and neighbouring countries. In Moldova, police *uncovered*²⁹ an organised group of criminals that has been defrauding Ukrainian soldiers through money-mule schemes. The group placed car-sales advertisements that were targeted at members of the Armed Forces of Ukraine. These cars were listed at attractive prices and the group received pre-payments.

On 1 October 2024, the NBU *introduced*³⁰ a monthly limit of UAH 150,000 (approximately \$3,600) on P2P transfers to combat money-mule schemes. While these restrictions may disrupt illicit activities and increase operational costs for criminals, they are unlikely to fully eliminate the problem: offenders can quickly adapt.

In parallel, Ukrainian banks – in collaboration with banking associations – have advanced efforts to

²⁶ State Financial Monitoring Service of Ukraine, « Посібник щодо деяких аспектів здійснення фінансових розслідувань (дослідження фінансових відносин) » [‘Guide on Certain Aspects of Conducting Financial Investigations (Study of Financial Relations)’], 08 October 2021, <[https://fiu.gov.ua/assets/userfiles/200/Typologies \(National Studies, Guidances etc\)/UKR_FINANCIAL INVESTIGATIONS MANUAL.pdf](https://fiu.gov.ua/assets/userfiles/200/Typologies%20(National%20Studies,%20Guidances%20etc)/UKR_FINANCIAL_INVESTIGATIONS_MANUAL.pdf)>, accessed 27 February 2025.

²⁷ According to the Financial Action Task Force (FATF), money mules are individuals who, knowingly or unknowingly, transfer illegally acquired money on behalf of others, often as part of fraud schemes such as phishing and identity theft. To learn more about money-mule networks, see FATF, ‘Professional Money Laundering’, July 2018, <<https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Professional-Money-Laundering.pdf>>, accessed 27 February 2025.

²⁸ National Bank of Ukraine (NBU), « Тимчасовий ліміт на суму переказів з “карти на карту” запобігатиме використанню платіжної інфраструктури в протиправних цілях та не вплине на діяльність волонтерів (уточнено) » [‘The Temporary Limit on Card-To-Card Transfer Amounts Will Prevent the Misuse of the Payment Infrastructure for Illegal Purposes and Will Not Affect the Activities of Volunteers (Updated)’], 27 August 2024, <<https://bank.gov.ua/ua/news/all/timchasoviy-limit-na-sumu-perekaziv-z-karti-na-kartu-zapobigatime-vikoristannnyu-platijnoyi-infrastrukturi-v-protipravnih-tsilyah-ta-ne-vplyne-na-diyalnist-volonteriv>>, accessed 27 February 2025.

²⁹ National Police of Ukraine, « Ошукали військових на 46 млн грн: Нацполіція спільно з молдавськими колегами викрила злочинне угруповання » [‘Defrauded the Military of 46 Million UAH: The National Police, Together with Moldovan Colleagues, Exposed a Criminal Group’], 14 August 2024, <<https://www.npu.gov.ua/news/oshukaly-viiskovykh-na-46-mln-hrn-natspolitsiia-spilno-z-moldavskymy-kolehamy-vykryla-zlochynne-uhrupovannia>>, accessed 27 February 2025.

³⁰ NBU, « Постанова правління Національного банку України “Про внесення змін до постанови Правління Національного банку України від 24 лютого 2022 року № 18” » [‘Resolution of the Board of the National Bank of Ukraine “On Amendments to the Resolution of the Board of the National Bank of Ukraine No. 18 dated 24 February 2022”’], 27 August 2024, <https://bank.gov.ua/ua/legislation/Resolution_27082024_102>, accessed 27 February 2025.

combat money-mule schemes by signing a Memorandum³¹ on ensuring transparency in the payment services market. The Memorandum enables banks to share information about suspicious clients and activities. This is an example of an effective PPP that addresses financial crime threats. The Memorandum also introduces new limits effective from February 2025. For clients classified as ‘high risk’, the limit is up to UAH 50,000 per month (approximately \$1,200).

Policymakers are also exploring measures, such as criminalising money mules, and creating a register of individuals and cards involved in such schemes. Creating the register might improve the situation. However, these steps might also add administrative burdens without enhancing efficiency, given that money laundering is already criminalised in Ukraine and existing legal provisions can address these activities.

Challenge 6: Weak TFS

Efforts to combat financing of weapons of mass destruction via TFS remain weak in Ukraine.

No investigations into proliferation financing have been recorded, despite the mandate of the Security Service of Ukraine. The State Service for Export Control has also not actively addressed this issue. While the SFMS has attempted to fill this gap by developing risk

Recommendations

To address the growing prevalence of money mules, this brief recommends that Ukraine:

- **Enhance KYC procedures.** Strengthen customer due diligence, particularly for vulnerable groups such as students.³² Very often, participants in schemes are not even aware of their role as money mules. So, it is important that banks also get involved in outreach to raise public awareness of such risks and threats.
- **Promote information sharing and PPP.** Expand collaboration between banks and associations to identify suspicious activities. The signing of the Memorandum by banks marks an important step. However, since the Memorandum does not carry the same legal weight as a law, it is crucial for its participants to adopt a proactive approach and foster effective collaboration among themselves.

indicators, these efforts are insufficient on their own.

MONEYVAL’s 2017 Mutual Evaluation Report identified deficiencies in Ukraine’s legal framework for TFS, which are aimed at individuals, entities and organisations linked to terrorism and proliferation activities. While a draft law³³ addressing FATF Recommendations 6 and 7 is under review, awareness

³¹ NBU, « Українські банки за координації банківських асоціацій підписали Меморандум про забезпечення прозорості функціонування ринку платіжних послуг » [‘Ukrainian Banks, in Coordination with Banking Associations, Have Signed a Memorandum on Ensuring Transparency in the Functioning of the Payment Services Market’], 10 December 2024, <<https://bank.gov.ua/ua/news/all/ukrayinski-banki-za-koordinatsiyi-bankivskih-asotsiatsiy-pidpisali-memorandum-pro-zabezpechennya-prozorosti-funktsionuvannya-rinku-platijnih-poslug>>, accessed 27 February 2025.

³² Author interview with anonymous experts, 1 October 2024 and 12 November 2024.

³³ « Проект Закону про внесення змін до деяких законодавчих актів України щодо адаптації законодавства України до окремих стандартів Групи з розробки фінансових заходів боротьби з відмиванням грошей (FATF) » [‘Draft Law on Amendments to Certain Legislative Acts of Ukraine Regarding the Adaptation of Ukrainian Legislation to Specific Standards of the Financial Action Task Force (FATF)’], 19 September 2023, <<https://itd.rada.gov.ua/billinfo/Bills/Card/42823>>, accessed 27 February 2025.

of the importance of TFS remains low and is overshadowed by sanctions against Russia.

This raises the risk that, even though Russia sanctions are implemented, there may be gaps in the enforcement of other proliferation activities. The 2017 Mutual Evaluation Report [assessed](#)³⁴ Ukraine's implementation of TFS against Iran. It highlighted deficiencies in freezing obligations, gaps in the scope of coverage and the absence of a clear procedure for delisting funds.

The NRA highlights that the active use of cash and the increasing popularity of virtual assets can facilitate financial transactions that may fund terrorism.³⁵ Additionally, Ukraine is a growing producer and exporter of weapons, industrial goods (including chemical products) and equipment that might be used by those proliferating weapons of mass destruction.

Recommendations

To address gaps in TFS, this brief recommends that Ukraine:

- **Coordinate efforts.** The SFMS should take the responsibility of a lead authority to coordinate efforts against proliferation financing across the system.

Conclusion

As Ukraine works to implement EU reforms and comply with FATF recommendations, its focus must extend beyond technical compliance so that it can achieve genuine effectiveness. This requires updating outdated approaches and addressing critical challenges such as money mules and the regulation of virtual assets. Taking proactive measures to strengthen the re-

- **Develop risk indicators.** Build on existing SFMS initiatives to enhance identification and reporting mechanisms.

- **Foster international cooperation.** Strengthen partnerships with other countries, especially with bordering states, to support national security and efforts to counter money laundering, as well as terrorist and proliferation financing.

- **Elevate TFS on the political agenda.** Raise awareness of the significance of TFS for combating terrorism and proliferation financing. The implementation of a law to align with FATF Recommendations 6 and 7 is essential both for technical compliance with international standards and to safeguard Ukraine from potential risks. The general principles of countering proliferation financing state that proliferation networks are multinational. As such, a focus solely on Russia leaves other proliferation networks unaddressed. This might pose significant risks to the global community.

- **Strengthen legal frameworks.** Ensure alignment with international standards to address gaps in freezing obligations and delisting procedures. Ukraine must demonstrate to international partners that it is a contributing partner, not merely a beneficiary, in global efforts to combat financial crime.

silience of the financial system is just as crucial as conducting thorough investigations, prosecutions and asset recovery. Ukraine is facing issues that require a multilateral response and the involvement of various actors from both the public and private sectors. This speaks to the need for a strong regulator of AML policies.

³⁴ MONEYVAL, 'Ukraine: Anti-Money Laundering and Counter-Terrorist Financing Measures', Fifth Round Mutual Evaluation Report.

³⁵ State Financial Monitoring Service of Ukraine, 'National Risk Assessment Report', 2022, pp. 430–33.

Enhanced cooperation with international partners can also enable Ukraine to better detect, prevent and respond to illicit financial flows. Initiatives such as knowledge sharing, technical assistance and capacity building programmes are critical for equipping Ukrainian authorities with the tools needed to counter sophisticated financial crimes.

By strengthening its AML system, Ukraine can enhance its international reputation, deepen trust with allies and safeguard national security. This, in turn, fosters a financial environment that is more secure, attracts foreign investment and supports Ukraine's broader integration into the European and global financial systems.

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