

**ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM
(AML/CFT) NEWSLETTER FOR CENTRAL ASIA**

Issue 73 – October 2012
Available online at <http://www.imolin.org>

CALENDAR OF EVENTS

1 EAG workshop on National ML/FT Risk Assessment: Approaches and Experience

Date: 5 November 2012
Organizer: EAG
Location: New Delhi, India
Contact information: info@eurasiangroup.org

6 Anti-Corruption Network High Level Meeting and Steering Group Meeting

Date: 10 – 11 December 2012
Organizer: OECD
Location: Paris, France
Contact information: olga.savran@oecd.org

2 The 17th EAG Working Groups and Plenary Meeting

Date: 6 – 9 November 2012
Organizer: EAG
Location: New Delhi, India
Contact information: info@eurasiangroup.org

7 Egmont Working Group and Committee Meeting

Date: January 2013
Organizer: Egmont Group
Contact information: mail@egmontsecretariat.org

3 ITMCFM/World Bank National ML Risk Assessment workshop

Date: 23 November 2012
Organizer: ITMCFM/WB
Location: Moscow, Russia
Contact information: info@mumcfm.ru

8 The FATF Plenary and Working Groups Meetings

Date: 18 – 22 February 2012
Organizer: FATF
Location: Paris, France
Contact information: Secretariat@fatf-gafi.org

4 World Bank AML/CFT Mission to Kazakhstan under JERP 2013

Date: 26 – 29 November 2012
Organizer: WB/Committee on Financial Monitoring, Kazakhstan
Location: Astana, Kazakhstan
Contact information: jasanbaeva@worldbank.org

5 The 40th MONEYVAL Plenary Meeting

Date: 3 – 7 December 2012
Organizer: Moneyval
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

AML/CFT Developments in Central Asia

AFGHANISTAN



Afghanistan enacted an AML/CFT law in 2004. The FIU was established in 2005. The on-site visit of Afghanistan's mutual APG-IMF evaluation took place in January 2011. Afghanistan is a member of the Asia Pacific Group (APG) and an observer to the EAG. Afghan FIU became an Egmont Group member in June 2010.

BELARUS



The AML/CFT Law of Belarus was adopted in 2000. Belarus became a member of the Egmont Group in 2007. Belarus is a member of EAG. The Mutual Evaluation Report of Belarus was adopted by EAG in December 2008. Two Mutual Evaluation Follow-up Reports were adopted by EAG in December 2009 and December 2010.

CHINA



The AML/CFT law came into force on 1 January 2007. The Mutual Evaluation Report of China was adopted by FATF in June 2007 and by EAG in December 2007. The fifth Mutual Evaluation Follow-up Report was adopted by EAG in December 2010. China is a member of EAG and FATF, and also holds a position of a Vice-Chair of EAG and co-chairs the EAG Evaluation/Legal Working Group. In February 2012 the FATF adopted the follow up report of China and decided to take off China from its regular follow-up process. China will report back to the FATF Plenary on any further improvements to its AML/CFT regime on a biennial basis.

KAZAKHSTAN



The AML/CFT law was adopted in June 2009 and came into force on 9th March 2010. The Financial Monitoring Committee (FIU) was established within the Ministry of Finance on 24 April 2008. Kazakhstan is a member of EAG, and co-chairs the EAG Technical Assistance Working Group. In October 2010 Kazakhstan underwent an EAG AML/CFT Mutual Evaluation. The Mutual Evaluation Report was adopted during the EAG Plenary in June 2011. In July 2011 during the Egmont plenary meeting in Yerevan, Armenia the Kazakh FIU became a member of the Egmont Group.

KYRGYZSTAN



Kyrgyz State Financial Intelligence Service - SFIS (FIU) became a member of the Egmont Group in May 2009. Kyrgyzstan is a member of EAG. The EAG 1st round Mutual Evaluation Report of Kyrgyzstan was adopted in June 2007. In October 2011 Kyrgyzstan was included in the FATF public document "Improving Global AML/CFT

Compliance: On-going Process". FATF has determined certain strategic AML/CFT deficiencies and encouraged Kyrgyzstan to work on implementing its action plan to address these deficiencies. In its recent statement from October 2013 the FATF recommended Kyrgyzstan to enact the adequate amendments related to countering terrorist financing by February 2013. In May 2012 the sixth Mutual Evaluation Follow-up Report was adopted by the EAG Plenary. EAG recommended Kyrgyzstan to present the 7th Follow-up Report during the next plenary meeting.

RUSSIAN FEDERATION



A Joint AML/CFT Mutual Evaluation of Russian Federation was conducted by FATF/Moneyval/EAG in 2007. The Mutual Evaluation Report was adopted by FATF/Moneyval/EAG in June and July 2008. In December 2010 the Russian Federation submitted its second follow-up report to the EAG Plenary. The second 3rd round progress report of the Russian Federation was adopted by Moneyval in September 2011. The Russian Federation is a member of FATF, Moneyval and EAG; it chairs the EAG and Moneyval and co-chairs the EAG Technical Assistance, Typologies, Evaluation / Legal, and Supervision Working Groups.

TAJIKISTAN



On 25 March 2011 the AML/CFT Law was adopted by the Parliament and signed by the President. A decision to establish the Financial Monitoring Department (FIU) under the National Bank of Tajikistan was taken by the President on 20 October 2009. Tajikistan is a member of EAG. The World Bank mutual evaluation report was adopted by EAG in December 2008. In December 2008 the EAG placed Tajikistan under the enhanced follow up procedure. In May 2012 Tajikistan presented its seventh follow-up report to the EAG Plenary and the EAG decided to keep Tajikistan on the enhanced follow up procedure, thus requiring reporting to the EAG during the next plenary meeting. In June 2011 Tajikistan was included in the FATF public document "Improving Global AML/CFT Compliance: On-going Process". The FATF encouraged Tajikistan to address its remaining deficiencies and continue the process of implementing its action plan. In July 2012 during the 20th Egmont Plenary meeting in Saint Petersburg the Tajik FIU became a member of the Egmont Group.

TURKMENISTAN



The AML/CFT law was adopted by the Parliament and signed by the President in May 2009. A Financial Intelligence Unit (FIU) was established under the Ministry of Finance in 2009. Turkmenistan became a member of EAG in June 2010. The Mutual Evaluation Report and the first Follow-up Report of Turkmenistan were adopted by the EAG in June 2011. In May 2012 Turkmenistan presented its third follow-up

report to the EAG and EAG recommended Turkmenistan to provide its Follow-up Report during the next plenary meeting. The FATF during its June 2012 plenary meeting decided to remove Turkmenistan from its monitoring process under its on-going global AML/CFT compliance process. The FATF welcomed Turkmenistan's significant progress in improving its AML/CFT regime and noted that Turkmenistan has largely met its commitments in its Action Plan regarding the strategic deficiencies identified by FATF. Turkmen FIU became an observer to Egmont Group during its 20th Plenary meeting in July 2012.

UZBEKISTAN



Uzbekistan is a member of EAG. The Mutual Evaluation Report of Uzbekistan was adopted during the EAG Plenary meeting in Almaty in June 2010. The first Mutual Evaluation Follow-up Report was adopted by EAG in December 2010. The amendments to the Uzbek AML/CFT Law came into force on April 22, 2009. Amendments to other 16 laws were adopted by the Parliament in September 2009. In its February 2010 statement the FATF welcomed Uzbekistan's significant progress in improving its AML/CFT regime and noted that Uzbekistan addressed the AML/CFT deficiencies that the FATF had identified in February 2008. Uzbekistan is no longer subject to the FATF's enhanced monitoring process. Uzbek FIU became an Egmont Group member during its 19th Plenary meeting in July 2011.

INDIA



A Financial Intelligence Unit (FIU-IND) was set by the Government of India in November 2004 and is a member of Egmont Group. FIU-IND is an independent body reporting directly to the Economic Intelligence Council headed by the Finance Minister. India has criminalised money laundering under the Prevention of Money Laundering Act and the Narcotic Drugs and Psychotropic Substances Act. These laws came into force in 2005 and were amended in 2009. The Unlawful Activities (Prevention) Act was amended in 2004 to criminalize, inter alia, terrorist financing, and it was further amended in December 2008 to broaden its scope and to bring the legislation more in line with the requirements of the International Convention for the Suppression of the Financing of Terrorism. India is a member of FATF and APG and in December 2010 became also a member of EAG. The Mutual Evaluation Report of India was adopted by FATF in June 2010.

EUROASIAN GROUP (EAG) update

Schedule of EAG member-states' AML/CFT Mutual Evaluations				
Country	Evaluators	On-Site Evaluation	Plenary Discussion	Mutual Evaluation Reports [MER]
CHINA	FATF, EAG	Completed 2006	Adopted: FATF (June 2007) EAG (Dec 2007)	MER and Summary in English: http://www.fatf-afi.org/dataoecd/24/45/39148209.pdf EAG First MER, Progress report in English: http://www.eurasiangroup.org/mers.php Five Follow up Reports are on EAG website
BELARUS	EAG	July 27 – Aug 3, 2008	Adopted: EAG (December 2008)	MER and Summary in English: http://www.eurasiangroup.org/mers.php MER and Summary in Russian: http://www.eurasiangroup.org/ru/mers.php Two Progress Reports are available on EAG website.
KAZAKHSTAN	EAG	October 2 -10, 2010	Adopted: EAG (June 2011)	MER in English and Russian: http://www.eurasiangroup.org/mers.php http://www.eurasiangroup.org/ru/mers.php
KYRGYZSTAN	EAG	Feb 2007	Adopted: EAG (June 2007)	MER with Summary and Progress report in English: http://www.eurasiangroup.org/mers.php MER with Summary and Progress report in Russian: http://www.eurasiangroup.org/ru/mers.php Six Follow up Reports are on EAG website
RUSSIAN FEDERATION	EAG, FATF, MONEYVAL	Sept 24 – Oct 2, Nov 12-23, 2007	Adopted: FATF (June 2008) Moneyval (July 2008) EAG (July 2008)	MER and Summary in English: http://www.fatf-gafi.org/dataoecd/51/27/40945440.pdf MER and Summary in Russian: http://www.eurasiangroup.org/files/MERs%20-%20RUS/russia.pdf Two Follow up Reports are on EAG website
TAJIKISTAN	EAG, World Bank	June 2007	Adopted: EAG (December 2008)	MER in English: http://www.eurasiangroup.org/mers.php MER in Russian: http://www.eurasiangroup.org/ru/mers.php Seven Follow up Reports are on EAG website
UZBEKISTAN	EAG	November 8-14, 2009	Adopted: EAG (June 2010)	MER and Summary in English: http://www.eurasiangroup.org/mers.php MER and Summary in Russian http://www.eurasiangroup.org/ru/mers.php First Follow up Report is on EAG website
TURKMENISTAN	EAG	November 7 - 14, 2010	Adopted: EAG (June 2011)	MER in English and Russian: http://www.eurasiangroup.org/mers.php http://www.eurasiangroup.org/ru/mers.php Three Follow up Reports are on EAG website
INDIA	FATF, APG	Nov 30 – Dec 12, 2009	Adopted: FATF (June 2010) APG (July 2010)	MER and Summary in English: http://www.fatf-gafi.org/document/17/0,3746,en_32250379_32236963_45582417_1_1_1,00.html

- A round table on "Exchange of experience between financial intelligence units (FIUs) on organization of work, information exchange, statistics analysis, peculiarities of the information exchange with jurisdictions that are not members of the Egmont group" was held on 25 October 2012 via videoconference system of the EAG.

The FIUs of Russia, Belarus and Tajikistan took part in the discussion moderated by the Committee on financial monitoring of the Ministry of Finance of the Republic of Kazakhstan. These FIUs were represented at the level of Deputy Heads and leading experts of the agencies.

The Department of financial monitoring of the National Bank (FIU) of Tajikistan took part in the videoconference for the first time. The videoconference system was launched in the Tajik FIU only in October 2012.

For more information please visit EAG website: <http://www.eurasiangroup.org/>

We welcome contributed articles of up to one page in length!

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TECHNICAL ASSISTANCE update

- The **IMF technical assistance (TA) to Kyrgyzstan** started in 2006 with a project that ended in 2011. In February 2012, a new TA project, financed by the AML/CFT Topical Trust Fund, was launched to assist the authorities in reviewing their AML/CFT legal framework in order to comply with the international standards. IMF staff provided comments and conducted two onsite missions (April and September 2012) to assist the authorities in revising the relevant legislation. As a result, in June 2012, the Kyrgyz Parliament adopted legislation to make insider trading and market manipulation criminal offenses and amended the confiscation regime. Further work is planned on the criminalization of ML, TF and terrorism; on preventive measures for financial institutions and DNFBNPs; on the freezing of terrorist assets in line with the relevant UNSCRs; on the powers of supervisory authorities; and on money and value transfers.

An IMF TA mission is planned for the week of October 29, 2012. The mission will follow up on earlier missions in assisting the authorities to enhance the AML/CFT legal framework and contribute to strengthening the supervision conducted by the National Bank through the provision of specialized training to staff.

FATF update

The first FATF Plenary meeting of FATF-XXIV was held in Paris, France from 17 to 19 October 2012.

During the meeting the following decisions were taken by FATF:

- In its **public statement** the FATF identified the following jurisdictions that have strategic deficiencies posing a risk to the international financial system:
 - Iran and Democratic People's Republic of Korea remain in the list of jurisdictions that are subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial ML/TF risks.;
 - The FATF has reported on countries that have not committed to an action plan developed with the FATF. FATF calls on its members to consider the risks arising from the deficiencies associated with the following jurisdictions: Bolivia, Cuba, Ecuador, Ethiopia, Indonesia, Kenya, Myanmar, Nigeria, Pakistan, Sao Tome and Principe, Sri Lanka, Syria, Tanzania, Thailand, Turkey, Vietnam, and Yemen.
- FATF and FSRBs continue to closely monitor the implementation of action plan by the jurisdictions identified in the public document "**Improving Global AML/CFT Compliance: on-going process**" and to report on the progress made in addressing the identified deficiencies;
- FATF welcomed **Trinidad and Tobago's** significant progress in improving its AML/CFT regime. Trinidad and Tobago is no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process;
- FATF issued a statement on **Turkey**, including a decision to suspend Turkish membership on 22 February 2013 unless adequate counter-terrorist financing legislation is enacted.
- FATF provided an update on progress made by **Argentina**;
- FATF heard report on the voluntary tax compliance programme in **Curaçao**;
- FATF has approved and published the follow-up report to the mutual evaluation report of **Hong Kong, China**;
- FATF has updated the **Best Practices Paper on Confiscation (Recommendations 4 and 38) and a Framework for Ongoing Work on Asset Recovery** to bring it in line with the revised FATF Recommendations;
- FATF has updated the **Best Practices Paper on Managing the Anti-Money Laundering and Counter-Terrorist Financing Policy Implications of Voluntary Tax Compliance Programmes**;
- FATF has revised the **Reference Guide and information note on the use of the FATF Recommendations to support the fight against corruption**;
- FATF Plenary discussed the progress in preparing for the implementation of the revised Recommendations; and
- FATF has published the report by the **APG on trade based money laundering (TBML)**.

OSCE update

- **Guidelines developed by the OSCE on improving data collection to help combat money laundering and terrorism financing were launched in Vienna on 16 October 2012.**

The OSCE Handbook on Data Collection in support of Money Laundering and Terrorism Financing National Risk Assessments is designed to assist officials in collecting comprehensive and quality statistics on their national systems to counter money laundering and the financing of terrorism. Data limitations have created difficulties for countries seeking to evaluate their efforts through risk assessments and the handbook provides suggested guidelines for countries developing or improving their data collection practices.

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The handbook was developed by the Office of the Co-ordinator of OSCE Economic and Environmental Activities with funding and support from the 2012 Irish Chairmanship of the OSCE and Irish Aid, and in co-ordination with the Financial Action Task Force, the International Monetary Fund and the World Bank.

The handbook is available on the OSCE website at <http://www.osce.org/eea/96398>

Egmont Group update

The Egmont Group has published a White Paper "The Role of Financial Intelligence Units in Fighting Corruption and Recovering Stolen Assets".

The publication is available at: <http://www.egmontgroup.org/news-and-events/news/2012/10/03/the-role-of-fius-in-fighting-corruption-and-recovering>

"Egmont" Group Case study: *Use of false identities, documents, or straw men*

During a routine regulatory inspection the financial police of an Eastern European country discovered business irregularities at a commercial company. Inspectors identified a range of unusual fund transactions to foreign countries. The amounts involved were significant and the underlying business transactions seemed illogical and economically unjustifiable. The commercial company had recently bought real estate in America through a financial professional named 'Charles', who worked at a European intermediary's office. The finance police decided to request more information from the national FIU.

The FIU initiated its own financial investigation. Due to intensive national and international co-operation, the FIU was able to draw some rapid conclusions about the fund movements. The intermediary office used the same name as a sales company in America, although it did not have any connection to the 'parent' company. The name and address of 'Charles' were also false. 'Charles' was actually Henry, who was already suspected of involvement in drug trafficking activities. The FIU reported its findings to the financial police and the Public Prosecutor.

In the meantime, the commercial company went bankrupt. The director denied any transactions involving real estate acquisition in foreign countries. But the FIU's analysis showed the contrary. The police charged the director with violating the money-laundering act for the offences of fraud, counterfeit documents and contracts, and abuse of office and authority.

Indicators:

- > Use of company name designed to resemble an established companies
- > Atypical or uneconomical fund transfer to or from foreign jurisdiction

«Egmont» group 100 Sanitized cases are available at: http://www.egmontgroup.org/files/library_sanitized_cases/100casesqb.pdf

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Publications and Websites of Interest

Deleted:

http://www.unodc.org	Official website of the UNODC. (In English, Russian, Spanish)
http://www.amlcft.org	World Bank's AML/CFT website. (In English)
http://www.worldbank.org/StAR	World Bank and UNODC's Stolen Assets Recovery Initiative (StAR) website
http://www.imolin.org	International Money Laundering Information Network administered by UNODC Global Program against Money Laundering (GPML) on behalf of a partnership of eleven international organizations and offering model laws, legal library, calendar of key events and other AML/CFT related information. (In English, with some Russian)
http://www.eurasiangroup.org	The EurAsian Group is the FATF-Style Regional Body serving Central Asia. (In English and Russian)
http://www.imolin.org/pdf/imolin/MLawRussian_IMoLIN.pdf	UNODC Model Law in Russian
http://www.fatf-gafi.org/dataoecd/43/46/38960576.pdf	The Guidance on the Risk-Based Approach to combating Money Laundering and Terrorist Financing adopted by the FATF. It outlines the high-level principles involved in applying the risk-based approach, and indicates good public and private sector practice in the design and implementation of an effective risk-based approach.
http://www.fatf-gafi.org/dataoecd/61/28/40248726.pdf	Guidance on Capacity Building for Mutual Evaluations and Implementation of the FATF Standards Within Low Capacity Countries - is primarily intended to support low capacity countries (LCCs) in implementing the FATF standards in a manner reflecting their national institutional systems, is consistent with the ML/FT risks they face, and takes account of their limited resources
http://www.fatf-gafi.org/dataoecd/28/43/40285899.pdf	The study identifies four strategies which could help in further strengthening counter-terrorist financing efforts: (a) Action to address jurisdictional issues, including safe havens and failed states; (b) Outreach to the private sector to ensure access to the information necessary to detect terrorist financing; (c) Building a better understanding of terrorist financing across the public and private sectors; and (d) Using financial investigation, enhanced by financial intelligence.
http://www.eurasiangroup.org/rus/index-5.htm	Russian version of 40 FATF Recommendations [AML] Russian version of 9 FATF Special Recommendations [CFT] with Interpretive Notes
http://www.fatf-gafi.org/dataoecd/45/31/40705101.pdf	FATF's first in-depth study, which examines its vulnerabilities to misuse for money laundering and terrorist financing in real estate sector.
http://www.unodc.org/documents/wdr/WDR_2008/WDR_2008_eng_web.pdf	<i>The World Drug Report 2008</i> provides in depth trend analysis of the four main drug markets in its first section. It also contains an in-depth look at the development of the international drug control system and a small statistical annex which provides a detailed look at production, prices and consumption.
http://www.assetrecovery.org	Asset Recovery Knowledge Center of the International Centre for Asset Recovery (ICAR)
www.egmontgroup.org	The Egmont Group of Financial Intelligence Groups
http://www.coe.int/t/dghi/monitoring/moneyval/	MONEYVAL - Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism

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<http://www.caricc.org>

CARICC - Central Asian Regional Information and Coordination Centre for combating the illicit trafficking of narcotic drugs, psychotropic substances and their precursors, established within the Memorandum of Understanding on sub-regional drug control cooperation dated May 4 1996 (Tashkent, Uzbekistan) between the Republic of Azerbaijan, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation, the Republic of Tajikistan, Turkmenistan, the Republic of Uzbekistan and UN Office on Drugs and Crime (UNODC).

<http://www.oecd.org/corruption/acn>

Anti-Corruption Network for Eastern Europe and Central Asia

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