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

Issue 16, December 2006/January 2007  
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### Calendar

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#### 1 AML/CFT Technical Assistance Coordination Meeting (Kazakhstan)

Date: 6 February 2007  
Organizers: UNODC, World Bank  
Location: British Embassy, Astana, Kazakhstan  
Contact Information: Shane Michael Riedel, [shanemichael.riedel@unodc.org](mailto:shanemichael.riedel@unodc.org)

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#### 2 Visit of the EurAsian Group (EAG) Chairman to Tajikistan

Date: February 2007  
Organizers: EurAsian Group (EAG)  
Location: Dushanbe, Tajikistan  
Contact Information: Victor Kochenov, [info@euroasiangroup.org](mailto:info@euroasiangroup.org)

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#### 3 Workshop on the Role and Function of a Financial Intelligence Unit (FIU)

Date: 13-14 March 2007  
Organizers: UNODC and World Bank  
Location: Dushanbe, Tajikistan  
Contact Information: Cari Votava, [cvotava@worldbank.org](mailto:cvotava@worldbank.org)

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#### 4 Principals Group/Donor Coordination Council Meeting focusing on AML/CFT Technical Assistance in Tajikistan

Date: 15 March 2007  
Organizer: UNDP  
Location: Dushanbe, Tajikistan  
Contact Information: Alex Klaitis, [alex@un.tj](mailto:alex@un.tj)  
Shane Michael Riedel, [shanemichael.riedel@unodc.org](mailto:shanemichael.riedel@unodc.org)

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#### 5 EAG Technical Assistance Needs Assessment Mission to Uzbekistan

Date: March 2007  
Organizer: EurAsian Group (EAG)  
Location: Tashkent, Uzbekistan  
Contact Information: Victor Kochenov, [info@euroasiangroup.org](mailto:info@euroasiangroup.org)

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#### 6 EuroAsian Group (EAG) Evaluator Training Seminar

Date: 20-24 April 2007  
Organizer: EurAsian Group (EAG)  
Location: Moscow, Russian Federation  
Contact Information: Victor Kochenov, [info@euroasiangroup.org](mailto:info@euroasiangroup.org)

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Contributions to this newsletter are welcome. To submit information for inclusion or to be added to or removed from the distribution list, please contact Shane Michael Riedel at [shanemichael.riedel@unodc.org](mailto:shanemichael.riedel@unodc.org).

## 7 | 6th EuroAsian Group (EAG) Plenary and Working Group Meetings

Date: July 2007  
Organizer: EurAsian Group (EAG)  
Location: Sochi, Russian Federation  
Contact Information: Victor Kochenov, [info@euroasiangroup.org](mailto:info@euroasiangroup.org)

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## 8 | International Seminar on Combating the Financing of Terrorism

Date: 15-17 October 2007  
Organizer/s: Financial Integrity Network  
Location: Lake Brienz, Switzerland  
Contact Information: Daniel Thelesklaf, [thelesklaf@financial-integrity-network.com](mailto:thelesklaf@financial-integrity-network.com)  
<http://www.amlcft-seminar.org>

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### AML/CFT Developments in Central Asia

#### **Afghanistan**



Afghanistan is developing an AML/CFT system. The country has enacted anti-money laundering and combating the financing of terrorism laws, and is working to establish a Financial Intelligence Unit (FIU).

Afghanistan is an observer member of the EurAsian Group (EAG), and a member of the Asia Pacific Group (APG).

#### **Belarus**



A new version of the AML/CFT law has been adopted, as well as a range of other normative acts, taking into consideration the recommendations of the Egmont Group and the evaluation undertaken by the IMF/World Bank Financial Sector Assessment Program.

Belarus will undergo an EAG Evaluation in the 2<sup>nd</sup> quarter of 2007, which is scheduled for discussion at the EAG Plenary in December 2008.

Belarus is a member of EAG.

#### **China**



The AML/CFT law was adopted on 31 October 2006 and came into force 1 January 2007. While the FIU of China has been functioning previously, the AML/CFT system will become fully operational in 2007. China recently participated in an AML/CFT evaluation conducted by the FATF and EAG. The evaluation report will be discussed in the FATF Plenary in December 2007. .

China is a member of EAG, and an observer member of the FATF.

#### **Kazakhstan**



Kazakhstan has recently adopted a law on the legalization (amnesty) of property, which is expected to facilitate the adoption of the AML/CFT law by the Parliament in 2007. The AML/CFT law is currently in the Parliament. The FIU will be established following the enactment of the AML/CFT law.

Kazakhstan's EAG mutual evaluation is scheduled for September 2007; and the evaluation report will be discussed in EAG Plenary in May 2008.

Kazakhstan is a member of EAG.

### **Kyrgyzstan**



The AML/CFT law was adopted on 8 August 2006 and came into force on 8 November 2006. A number of AML/CFT regulations have also been adopted to regulate the FIU reporting procedures for reporting entities. The FIU of Kyrgyzstan has signed several interagency agreements.

The FIU is creating an IT system, which has received and processed reports from reporting since the enactment of the AML/CFT law.

By the Decree of the President of Kyrgyzstan on 29 December 2006, Sadyrov Maksatbek was named as new Head of the FIU.

Kyrgyzstan is also currently participating in the mutual evaluation conducted by EAG. The evaluation report will be discussed at the next EAG plenary meeting in July 2007.

Kyrgyzstan is a member of EAG, and is the Deputy Chair of EAG.

### **Russia**



The Federal law “On combating the legalization (laundering) of criminally gained income and financing of terrorism” has been amended to broaden terminology and include new (designated non-financial businesses and professions) reporting entities. Amendments have been introduced to the Criminal Code of the Russian Federation in order to define terrorism financing more specifically and to improve provisions on confiscation, seizing and freezing of assets.

Russia will undergo an AML/CFT evaluation in September 2007 conducted jointly by the FATF, Moneyval and EAG. The Evaluation report will be discussed in July 2007.

Russia is a member of FATF and Moneyval/Council of Europe, and currently chairs EAG.

### **Tajikistan**



On 10 January an Agency for State Financial Control and Combating Corruption was established in Tajikistan. This agency is intended to function as Tajikistan’s FIU

A draft AML/CFT law is being considered by the Government.

Tajikistan is a member of EAG.

### **Turkmenistan**



The current government action plans calls for the drafting of an AML/CFT law in the coming year.

### **Uzbekistan**



The AML/CFT legal framework is being further refined on the basis of the AML/CFT law, which entered into force on 1 January 2006. A FIU has been created in 2006 and is currently being staffed.

Uzbekistan is a member of EAG.

The US Embassy in Almaty organized a continuing professional education course on the Financial Investigative Techniques for financial police officers on 4-8 December in Astana, Kazakhstan. American experts led the workshop together with Kazakhstani specialists from the Prosecutor General's Office, Ministry of Internal Affairs, Supreme Court and Agency on Combating Economic Crimes and Corruption (Financial Police), as well as professors and teachers from the Financial Police Academy. The final workshop in this series is planned for 13-16 February.

FIU	Financial Intelligence Unit
FATF	Financial Action Task Force
FSRB	FATF-Style Regional Bodies
EAG	EurAsian Group
TANA	Technical Assistance Needs Assessment

The World Bank and UNODC continued to deliver a series of six **AML/CFT Workshops for Supervisory and Law Enforcement Officials** on 5 December in Tashkent, Uzbekistan. Similar workshops have been conducted in Almaty, Kazakhstan and Bishkek, Kyrgyzstan. These sessions focus on technical discussion and implementation of each of the FATF 40 + 9 Recommendations individually, as well as the corresponding Evaluation Criteria. Further sessions will continue as they are needed in each country and will focus on topics chosen by participant officials. Interested donors are welcome to participate in and/or provide experts for these sessions.

## EurAsian Group (EAG)

EAG held plenary and working group meetings, as well as a donor meeting and private-sector consultations in Moscow from 12-15 December 2006.

EAG consultations with the banking and insurance sectors were held on 12 December. Delegations from all of the EAG member states (Belarus, China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan) and from most observers (EurAsEC, CSTO, FATF, IMF, SCO, UNODC, World Bank, Armenia, France, Great Britain, Japan, Moldova, Ukraine and the USA) took part in the event. The delegations included both supervisory and law enforcement officials and representatives of financial and insurance sectors of the EAG member states and observers.

The main topics included:

- international AML/CFT standards;
- obligations of insurance organizations in the AML/CFT sphere, supervision on their activities;
- risk assessment in the customer due-diligence practice;
- AML/CFT practice by commercial banks;
- AML/CFT practice by insurance agencies;
- AML/CFT international practice in the banking and insurance sectors.

These consultations with representatives of the private sector consultations will be held on an annual basis. The next consultation is scheduled for the 3rd quarter of 2007.

The second conference of EAG donor states and organizations took place on 13 December 13. The effectiveness of on-going technical assistance (TA) was discussed. These discussions highlighted future TA needs, as well as the role of the International Training and Methodology Centre for Financial Monitoring. The EAG Plenary decided that in future EAG meetings, member states will have the opportunity to meet with donors as a group to discuss immediate and specific TA needs to ensure they are addressed.

The EAG plenary and working group meetings were held on 14-15 December. The Head of the Russian Federal Financial Monitoring Service (Rosfinmonitoring), Viktor Zubkov, was reelected to the post of EAG Chairman, and Kyrgyz Deputy Finance Minister Tajikan Kalimbetova was elected as EAG Deputy Chairwoman.

The member-states have also informed the plenary meeting on progress in adopting AML/CFT legislation and the creation of FIUs. It was noted that in the period since the last plenary meeting AML/CFT laws have been adopted by China and Kyrgyzstan.

Discussions included activities of the FATF, international organizations and other donors on links between corruption and money-laundering.

Together with Lithuania, the Organization for Security and Co-operation in Europe (OSCE) was granted observer status in EAG. Over the last four years, the OSCE has implemented a series of activities in the AML/CFT field in all Central Asian countries and has organized regional AML/CFT activities in close cooperation with the UNODC.

The Plenary also agreed on the typologies research topics for 2007:

- Terrorism Financing Typologies – Team Leader: Eduard Ivanov, Russia
- Legalization of Proceeds from Drug Trafficking – Team Leader: Marat Seksembaev, Kazakhstan
- Money Laundering through Cash Transactions – Team Leader: Mr. Alex Feshenko, Ukraine

The next EAG Plenary is scheduled for 4-7 July 2007.

[www.eurasiangroup.org](http://www.eurasiangroup.org)

<b><u>Schedule of EAG Country Evaluations (and evaluating entity):</u></b>		
Kyrgyzstan	(EAG)	January 2007
Tajikistan:	(World Bank)	March 2007
Kazakhstan:	(EAG)	First Half 2007
Russia:	(EAG, FATF, MONEYVAL)	Second Half 2007
Belarus:	(EAG)	Fourth Quarter 2008
Uzbekistan:	(EAG)	Fourth Quarter 2008

## **AML/CFT Activities of the Organization for Security and Co-operation (OSCE)**

In the 56 OSCE participating States, measures to combat money laundering increasingly play a key role in the efforts to promote economic development, private businesses and the rule of law. At the same time, money laundering plays an important role in the financing of terrorism.



As a direct implementation of the Programme of Action endorsed at the Bishkek International Conference on "Enhancing Security and Stability in Central Asia: Strengthening Comprehensive Efforts to Counter Terrorism" in December 2001, the UNODC Global Programme against Money Laundering (GPML) and the Office of the Co-ordinator of OSCE Economic and Environmental Activities started to co-operate on activities aimed at combating money laundering and suppressing the financing of terrorism within the OSCE region.

The first joint activity between the two organisations was a working session on issues relating to the combating of money laundering in the framework of the 10th OSCE Economic Forum in Prague in 2002. In July 2002, as a follow-up to this event, the OSCE participating States decided by Decision No. 487 of the OSCE Permanent Council to complete the self-assessment questionnaire of the Financial Action Task Force.

Furthermore, at the initiative of the Russian Federation, in 2004, the OSCE Permanent Council adopted Decision No. 617 on Further Measures to Suppress Terrorist Financing. As a result, the Office of the Co-ordinator of OSCE Economic and Environmental Activities, together with other OSCE Units, UNODC and the US State Department, organised a high level conference on combating terrorist financing in November 2005, which included a session on the role played by non-profit organizations in the financing of terrorism.

Additionally, the OSCE and UNODC have jointly developed national workshops on combating money laundering and suppressing the financing of terrorism. The first phase of the workshops constitutes an exercise in awareness-raising and needs-assessment, with a view to enhancing capacities. The second phase consists of development of the legal framework, assistance in implementation, which includes a mentorship programme and capacity-building with specific training elements.

The workshops are organised at the request of the host government and are carried out jointly by the Office of the Co-ordinator of OSCE Economic and Environmental Activities, UNODC, OSCE field missions and the respective host country. They bring together international and local experts, as well as representatives from the respective ministerial, judicial and financial government bodies. So far,

nine first phase workshops have been implemented with the Governments of Albania, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Montenegro, Romania, Tajikistan, Turkmenistan and Uzbekistan. The workshops have resulted in a number of concrete recommendations which have led to the drafting of relevant legislation. Interest in the arrangement of a workshop has also been expressed by the Government of Belarus.

Round table meetings as follow-up to the workshops, designed to provide assistance in creating mechanisms to combat money laundering, are currently being organised in a number of countries. Meetings aimed, inter alia, at streamlining the working of the national financial intelligence units (FIUs) were held in Armenia, Georgia, Kazakhstan, Kyrgyzstan and Uzbekistan in 2005. A workshop held in Kazakhstan in May 2006 was aimed at judges from the Central-Asian region. The OSCE has also organised, in co-operation with UNODC, regional workshops on the fight against money laundering for financial sector supervisors and prosecutors aimed at countries with advanced institutional frameworks.

For more information on the OSCE's activities in the area of combating money laundering and the financing of terrorism, please consult the OSCE website at [www.osce.org/eea](http://www.osce.org/eea) or contact the Office of the Co-ordinator of OSCE Economic and Environmental Activities at [pm-ceea@osce.org](mailto:pm-ceea@osce.org).

## AML/CFT Case Study

A newly appointed credit manager at a car loan company was concerned about one of his customers, Ray. Ray had recently bought a luxury sports car worth about US \$55,000. He obtained a five-year loan for US \$40,000 through the credit company, and had paid the balance in cash .

The credit manager undertook some checks against historical records and discovered that Ray had had several loans over the previous six years; all for the same amount of money and all with a large proportion of cash as a deposit. More significantly, in a number of the cases the loans had been repaid early in cash. The credit manager decided to report his concern to the senior management of the loan company. After assessing the facts, the management decided to disclose the case to the national FIU.

The FIU searched the disclosure against their databases, and very quickly linked Ray to a long established criminal organisation. The FIU forwarded the disclosure to an operational team in the police force, which was already targeting the organisation. The team obtained a court order to examine all relevant records at the loan company. It became clear that Ray was selling the newly bought cars on to private buyers and small garages, and obtaining cheques from these new owners. Further investigation revealed a single bank account into which all cheques gained from the sale of the car were paid.

It appeared that Ray was working at the criminal organisation's laundering division. Ray was entering cash from the sale of drugs into the banking system by means of the initial cash deposit to the car loan firm, as well as clearing the loan with a second cash sum. The cheques from customers and small businesses, to who Ray sold the cars, would appear to any bank employee examining the account to be legitimate sources of income. The loss made on both the loan and the drop in resale value the criminal organisation simply saw as a cost to be borne in exchange for cleaned funds that would attract no law enforcement attention.

Because of the identification of the bank account, an accurate assessment of the criminally laundered funds could be made. The financial information collected allowed the financial investigators on the operational team to produce a more accurate benefit of crime statement . An additional US \$300,000 was confiscated as a result of the information generated by the initial disclosure.



### **Suspicious Indicators:**

1. Early repayment of loans
2. Unusual client activity (multiple loans in short period)
3. Large-scale cash transactions

*This case has been adapted from the "FIU's in Action," a compilation of 100 sanitized cases from Egmont Group members. The full version is available at [www.egmontgroup.org](http://www.egmontgroup.org).*

## Publications and Websites of Interest

<a href="http://www.unodc.org">http://www.unodc.org</a>	Official website of the UNODC. (In English, Russian, Spanish)
<a href="http://www.worldbank.org/amlcft">http://www.worldbank.org/amlcft</a>	World Bank's AML/CFT website. (In English)
<a href="http://www.imolin.org">http://www.imolin.org</a>	International Money Laundering Information Network administered by UNODC Global Program against Money Laundering (GPML) on behalf of a partnership of nine international organizations and offering model laws, legal library, calendar of key events and other AML/CFT related information. (In English, with some Russian)
<a href="http://www.euroasiangroup.org">http://www.euroasiangroup.org</a>	The EurAsian Group is the FATF-Style Regional Body serving Central Asia. (In English and Russian)
<a href="http://www.egmontgroup.org">http://www.egmontgroup.org</a>	The Egmont Group is the international network of FIUs which work together to deter international money laundering efforts. (In English)
<a href="http://www.fatf-gafi.org">http://www.fatf-gafi.org</a>	Financial Action Task Force Against Money Laundering (FATF). (In English and French)
<a href="http://www.fatf-gafi.org/dataoecd/45/15/34864111.pdf">http://www.fatf-gafi.org/dataoecd/45/15/34864111.pdf</a>	Updated evaluation methodology is used when conducting assessments of how countries have implemented international AML/CFT standards in accordance with the FATF 40+9 Recommendations and international best practices. (in English)
<a href="http://www.worldbank.org/eca/act3">http://www.worldbank.org/eca/act3</a>	World Bank report on corruption in Europe and Central Asia.

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