



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

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Calendar

1 Principals Group Meeting focusing on AML/CFT Technical Assistance in Tajikistan

Date: 15 March 2007
Organizer: UNDP
Location: Dushanbe, Tajikistan
Contact Information: Alex Klaits, alex@un.tj

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

Date: March 2007
Organizer: EurAsian Group (EAG)
Location: Dushanbe, Tajikistan
Contact Information: Victor Kochenov, info@euroasiangroup.org

3 EurAsian Group (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

4 AML/CFT Workshop for Reporting Entities

Date: 3-4 April 2007
Organizer: International Monetary Fund (IMF)
Location: Bishkek, Kyrgyzstan
Contact Information: Giuseppe Lombardo, glombardo@imf.org

5 EurAsian 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

6 6th EurAsian Group (EAG) Plenary and Working Group Meetings

Date: 11-15 June 2007
Organizer: EurAsian Group (EAG)
Location: Sochi, Russian Federation
Contact Information: Victor Kochenov, info@euroasiangroup.org

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.

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, taking into consideration the recommendations of the Egmont Group and the evaluation undertaken by the IMF/World Bank Financial Sector Assessment Program.

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

Kazakhstan



The AML/CFT law is currently in the Parliament, and the FIU will be established following the enactment of the AML/CFT law.

Kazakhstan is a member of EAG.

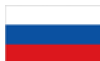
Kyrgyzstan



Kyrgyzstan has just undergone a mutual evaluation conducted by EAG. The FIU has been established and staff training is currently underway.

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

Russia



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 and trained.

Uzbekistan is a member of EAG.

Technical Assistance Update

A **Technical Assistance Coordination Meeting for Kazakhstan** took place on 6 February in Astana, Kazakhstan. Presentations were offered by Marat Seksembaev, Head of Legal Department in the General Prosecutor's Office of Kazakhstan on the recent drug trafficking typologies report and by Andrej Kravchenko, Co-Chair of the EAG Technical Assistance Working Group and Head of Department on Supervision for the Legality in Activity of State Authorities in the General Prosecutor's Office, who offered a review of EuroAsian Group (EAG) Plenary and EAG Technical Assistance Chart.

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

EurAsian Group (EAG)

The EurAsian Group (EAG) has conducted a mutual evaluation on Kyrgyzstan, together with the Kyrgyz authorities. EAG representatives also recently participated in a joint FATF-EAG mutual evaluation of China.



These mutual evaluations were conducted by EAG experts, and will be followed by evaluations of all member countries in the coming years, in accordance with the schedule determined at the previous EAG Plenary.

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

Schedule of EAG Country Evaluations:

Country	Evaluating Entity	Evaluation Date	Plenary Discussion
China	FATF, EAG	2006 (completed)	Mid-2007 (FATF)
Belarus	EAG	Fourth Quarter 2008	December 2008
Kazakhstan	EAG	Third Quarter 2007	May 2008
Kyrgyzstan	EAG	2007 (completed)	June 2007
Russia	EAG, FATF, MONEYVAL	Second Half 2007	December 2008
Tajikistan	World Bank	March 2007	December 2007
Uzbekistan	EAG	Fourth Quarter 2008	May 2009

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Update on Technical Assistance in Kyrgyzstan

Partnering with the Financial Intelligence Service (FIS) of the Kyrgyz Republic, the International Monetary Fund (IMF) and the UNODC Global Programme against Money Laundering (GPML) have recently launched the following coordinated initiatives:

IMF

This 12 month capacity building project proposes a comprehensive and integrated plan for developing and improving the AML/CFT regime of Kyrgyzstan in the formative period following the recent passage of its AML/CFT law. The unique feature of the project is its coordinated approach to strengthening both the recently established Financial Intelligence Unit (FIU) – the FIS, and the AML/CFT supervision carried out by the National Bank of the Kyrgyz Republic (NBKR) simultaneously. This should insure the maximum possible synergies between two key elements of the nascent Kyrgyz system. The project is funded by the Swiss Government.

The overall objective of the project is to strengthen the development of an integrated and effective AML/CFT system in the Kyrgyz Republic. Specific objectives are:

- Review of AML law and related legislation to ensure consistency with FATF 40+9
- Draft secondary legislation required for the implementation of the law
- Enhance domestic cooperation among authorities vested with AML/CFT responsibilities
- Assess FIS organization, drafting an action plan to build up an efficient structure
- Assist FIS in developing a database, by mean of purchase of necessary hardware or software.
- Training the staff of the FIS to enhance their operational skills for the analysis of STRs and large transaction reports
- Draft anomaly indicators for the detection of STRs for the financial and non financial sector
- Assisting the bank supervisors in drafting regulations for implementing Customer Due Diligence and STR obligations for banks.
- Devising instructions for bank examiners for conducting AML/CFT examinations
- Training the banking inspectors and the staff of the bank supervisory departments of the NBKR
- Assist supervisor to develop more detailed guidance notes for the banks.

The project will build on the progress already achieved by the authorities in this area and by previous technical assistance provided by the IMF and other donors. One key objective of the project is to stimulate proper suspicious transaction reporting from the financial institutions and to build FIS capacity to manage and analyze these reports. Specifically, the project will include the development of a workplan, database and analytical procedures for the FIS, as well as support the strengthening of the supervisory framework for implementing best practices of prevention and detection inn the financial sector.

For the FIS component, the activities in the first six to seven months will include a workshop for reporting entities (3-4 April 2007) in Bishkek, a review of the existing FIS and NBKR guidelines, an assessment of the current FIS workflows and organization, a workshop on Terrorist Financing early July 2007 in Osh, a full review of the legislation, a workshop for law enforcement and FIS staff on the analysis of STRs and on best practices for ML/FT investigations and a workshop on roles and responsibilities of the FIS and the supervisors to increase cooperation between these agencies, including a review of the cooperation agreements and an evaluation of the IT needs in the view of procuring hard- or software to complement the planned IT system of the FIS. Based on the experiences in the first phase, the second phase (October 2007 – February 2008) will be planned accordingly. This component will be implemented by Daniel Thelesklaf, Former Head of the Swiss FIU.

UNODC–GPML

The overall objective of this 18 month UNODC-GPML project in Kyrgyzstan is to support the adoption and implementation of new international standards on money laundering and the financing of terrorism and to assist in the development of the institutional and individual capacities of the FIS to enable them to accede to Egmont Group membership in 2008.

The project will facilitate the provision of expert advice to the Kyrgyz authorities responsible for the drafting and interpretation of relevant legislation on the legal and practical aspects of the 40 plus 9 Recommendations of the Financial Action Task Force (FATF). It also envisages the provision of

practical assistance and training to the FIS and other relevant bodies responsible for preventing and combating money laundering and terrorist financing. The project will complement and build on the achievements of the work already undertaken by other donors and constitute a logical progression of technical assistance delivery to the Kyrgyz authorities.

In the implementation of this project, the UNODC-GPML will work directly with the FIS of Kyrgyzstan, in close cooperation with the FIU of the Principality of Liechtenstein, The Organization for Security and Cooperation in Europe (OSCE) and the International Training and Methodological Centre for Financial Monitoring (ITMCFM). Other competent authorities of Kyrgyzstan which may also be included in project activities, subject to agreement with the primary beneficiary and project partners, include law enforcement agencies, the general prosecutor's office, supervisors and regulators.

The overall objective is to strengthen the capacity of the anti-money laundering system established in Kyrgyzstan, and build upon previous technical assistance programs offered by the joint UNODC/WB AML/CFT Mentor for Central Asia. The direct objective is to provide assistance and advice to the FIS so that it might develop into an organization which operates in accordance with international standards, and can therefore accede to Egmont Group membership in 2008.

The planned outputs to achieve this overall objective will include:

- Strengthening the FIS to enable it to exercise its functions in accordance with relevant legislation and regulations
- Enhancing the capacities of the criminal justice system to cooperate with the FIS within the anti-money laundering system
- Supporting the financial sectors and other bodies required to report to help them meet their obligations in the prevention of money laundering and their cooperation with the FIS

The following outputs will be achieved:

- Provide assistance with legal and policy development at a national level;
- Assist in the development of procedures for monitoring compliance and feedback by and to the FIS;
- Provide financial analysis training for the FIS and law enforcement partners;
- Assist in improving international co-operation by the FIS;
- Assist in improving inter-agency co-operation between the FIS and law enforcement.

To this end the project team will undertake to:

- Develop a set of recommendations, including legislative proposals, to ensure that the AML/CFT legislation and regulations associated with the activities of the relevant entities are in accordance with international standards and support effective operational activity
- Make the competent officials of the Kyrgyzstan aware of the roles, responsibilities and functions necessary to fulfill in building and implementing an AML/CFT system that meets international standards
- Assist in the institutional development of the FIS to enable it to comply with the requirements for membership of the Egmont Group

Because of the initiative, the AML/CFT legislation and regulations, and the working practices of the relevant authorities of the Kyrgyzstan will be improved. In particular, the following will be delivered:

- Production of a report containing legislative proposals, the adoption of which would enable compliance with relevant international standards;
- Provision of training to officials of the competent authorities of Kyrgyzstan which will ensure the efficient and effective implementation of the legislation and regulations;
- The provision of advice and assistance to the senior management of the FIS to enable them to achieve standards compatible with membership of the Egmont Group.

The objectives of the project will be met by the organization of a diverse range of activities including study visits, seminars, workshops, and the provision of consultancy services and expert advice.

Central Asian Regional Information and Coordination Centre Update

UNODC is party to a Memorandum of Understanding (MOU) on sub-regional drug control cooperation with the five Central Asian States (Kyrgyzstan, Kazakhstan, Turkmenistan, Tajikistan and Uzbekistan), the Russian Federation and Azerbaijan. These countries are all actively participating in a UNODC project, Central Asian Regional Information and Coordination Centre (CARICC), to establish a Regional Information Centre on the lines of Europol, the law enforcement intelligence agency for the E.U. Member States.

The purpose of the Centre is to facilitate information exchange and analysis, and to assist in the coordination of operational activities of the various law enforcement agencies in the region and thereby improve effectiveness in countering drug trafficking.

The project commenced in January 2005 and has a budget of \$6.4 million. Donors to the project are Finland, USA, UK, Italy and Luxembourg. Due to the size of the budget the project is being implemented in three phases.

There is strong support for the project from Europol, Interpol, World Customs Organization (WCO) and the Southeast European Co-operative Initiative (SECI) Centre.

Phase 1 – Work of the Project Team: In March 2005 a Project Team comprising representatives of each of the Member States was established to carry out work to develop the essential ‘foundation’ documents. The Project Team met regularly in Tashkent in meetings facilitated by UNODC and the key documents were completed.

Venue: It was agreed at a meeting of the MOU States in February 2006 that the venue for the Centre would be Almaty, Kazakhstan. A suitable building has been identified by the authorities in Kazakhstan.

Phase 2 - The CARICC Agreement (foundation) document has now been signed by the Presidents of five countries:

- Azerbaijan
- Kazakhstan
- Kyrgyzstan
- Tajikistan
- Uzbekistan

Once at least four of the participating States have signed and ratified the CARICC Agreement the building can be handed over to UNODC for renovation and provision of equipment. Surveys of the building have already been carried out by UNODC in anticipation of the eventual handover. Renovation will commence immediately upon ratification by four countries.

Phase 3 – The start of implementation of this, the final phase, will be dependent on the progress achieved in the second phase and will also take into account recommendations made in a mid-term evaluation which is being planned. Phase 3 should result in the Centre becoming fully operational and performing effectively.

For additional information, please contact:

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AML/CFT Case Study

Max was involved in a number of money transfers to West Africa. Although he worked in a bank as a clerk, rather than using his own institution he used one of the major money transmitters to wire transfer the funds. Because Max always visited the same branch of the money transmission organization, the employees got to know him.

It was this familiarity that caused the employees to note when Max appeared at the counter with a couple of other men. Immediately after Max transmitted his latest transfer, one of the companions named Philippe, also remitted monies to the same beneficiary in West Africa.

The employees thought that the situation was a bit odd, and the next time Max visited the branch asked about the purpose of all these transactions. Max became very defensive and hostile towards the questioning, which raised suspicions even further. On top of that, Max's companions used their own names to transfer the money, whilst it was obvious that Max was the real owner as he gave them the funds to use. The money transmitter representative decided to file a transaction report to the national FIU.

While investigating this disclosure, the FIU could not find any incriminating evidence on Max. On the contrary, Max seemed to be the victim of the well known '419-fraud' '419' frauds generally work by promising a large benefit to the victim, whilst demanding an up-front payment - small in comparison to the promised reward-to facilitate the whole scheme. The up-front payments continue to increase as long as the victim remains convinced that the end reward would be coming their way. The end reward never appears. Groups operating out of West African nations (although such activities can be organized from anywhere in the world) frequently attempt such frauds.

The FIU did discover that Max's companions were more interesting. They appeared to have some connections to people trafficking. However, due to lack of evidence, the FIU decided to delay initiating an investigation.

A few months later, a foreign FIU sent a request for information concerning several persons sending money transfers, one of which was the aforementioned Philippe. It seemed that Philippe had been using a money-transmitter in the foreign country to send huge sums - via money transfers - to his home country.

In the meantime, the national FIU discovered that Philippe was being investigated by a local police-unit for participation in a '419' fraud. The FIU informed the foreign FIU accordingly, and requested permission to pass the intelligence on to the investigating unit.

The foreign unit decided to grant permission to pass Philippe's transaction report on to the police. The foreign report became police information, ready to be used in the '419'-fraud investigation.

At time of reporting, the investigation was nearing completion, with several key suspects likely to be arrested for fraud and other offences.

Suspicious Indicators:

1. Illogical activity: Why was a bank clerk not willing to use the simpler method of his own financial institution for financial affairs?
2. Defensive stance to questioning
3. Deliberate concealment of fund ownership



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.

Publications and Websites of Interest

http://www.unodc.org	Official website of the UNODC. (In English, Russian, Spanish)
http://www.amlcf.org	World Bank's AML/CFT website. (In English)
http://www.imolin.org	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)
http://www.euroasiangroup.org	The EurAsian Group is the FATF-Style Regional Body serving Central Asia. (In English and Russian)
http://www.egmontgroup.org	The Egmont Group is the international network of FIUs which work together to deter international money laundering efforts. (In English)
http://www.fatf-gafi.org	Financial Action Task Force Against Money Laundering (FATF). (In English and French)
http://www.fatf-gafi.org/dataoecd/45/15/34864111.pdf	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)
www.coe.int/moneyval	Moneyval FSRB's website, featuring completed evaluation reports from Moneyval member states. (In English and French)
http://www.adb.org/Documents/Others/OGC-Toolkits/Anti-Money-Laundering/default.asp	Asian Development Bank's AML Toolkit. (In English)
http://www.worldbank.org/eca/act3	World Bank report on corruption in Europe and Central Asia. (In English)

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