### Calendar

<table>
<thead>
<tr>
<th></th>
<th>Event</th>
<th>Date</th>
<th>Organizer</th>
<th>Location</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AML/CFT Workshop for Reporting Entities in Kyrgyzstan</td>
<td>3-4 April 2007</td>
<td>International Monetary Fund (IMF)</td>
<td>Bishkek, Kyrgyzstan</td>
<td>Giuseppe Lombardo, <a href="mailto:glombardo@imf.org">glombardo@imf.org</a></td>
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<td>2</td>
<td>AML/CFT Awareness-Raising Seminar for Law Enforcement and Prosecutors in Kyrgyzstan</td>
<td>25-26 April and 27-28 June 2007</td>
<td>UNODC</td>
<td>Osh, Kyrgyzstan, Bishkek, Kyrgyzstan</td>
<td>Simon Goddard, <a href="mailto:simon.goddard@unodc.org">simon.goddard@unodc.org</a></td>
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<td>3</td>
<td>Awareness-Raising Seminar for Representatives of Non-Banking Financial Institutions and Service Providers and their Regulatory Bodies in Kyrgyzstan</td>
<td>16-17 May 2007</td>
<td>UNODC</td>
<td>Bishkek, Kyrgyzstan</td>
<td>Simon Goddard, <a href="mailto:simon.goddard@unodc.org">simon.goddard@unodc.org</a></td>
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<tr>
<td>4</td>
<td>Workshop for Kyrgyz Financial Intelligence Service on Financial Intelligence Unit Functions</td>
<td>6 June 2007</td>
<td>UNODC</td>
<td>Bishkek, Kyrgyzstan</td>
<td>Simon Goddard, <a href="mailto:simon.goddard@unodc.org">simon.goddard@unodc.org</a></td>
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<td>5</td>
<td>6th EurAsian Group (EAG) Plenary and Working Group Meetings</td>
<td>11-15 June 2007</td>
<td>EurAsian Group (EAG)</td>
<td>Sochi, Russian Federation</td>
<td>Victor Kochenov, <a href="mailto:info@euroasiangroup.org">info@euroasiangroup.org</a></td>
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<tr>
<td>6</td>
<td>Technical Assistance Coordination Meeting (Kazakhstan)</td>
<td>26 June 2007</td>
<td>UNODC and World Bank</td>
<td>British Embassy, Astana, Kazakhstan</td>
<td>Shane Michael Riedel, <a href="mailto:shanemichael.riedel@unodc.org">shanemichael.riedel@unodc.org</a></td>
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</tbody>
</table>

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

Belarus has a functioning FIU, and is currently implementing changes necessary to achieve Egmont Group membership.

Belarus is a member of EAG.

China

The FIU of China has been created and is functioning, and the AML/CFT system will become fully operational in 2007. China underwent a joint FATF-EAG mutual evaluation in 2006, and the results of the evaluation will be discussed in a future FATF plenary meeting.

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 is to be established following the enactment of the AML/CFT law. It is expected that the AML/CFT law will be considered following the completion of the property legalization campaign, now scheduled for 1 August 2007 (see media review).

Kazakhstan is a member of EAG.

Kyrgyzstan

Kyrgyzstan has 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 will undergo an AML/CFT evaluation in September 2007 conducted jointly by the FATF, Moneyval/Council of Europe and EAG. The Evaluation report will be discussed in July 2008.

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 eventually intended to function as Tajikistan’s FIU.

A draft AML/CFT law is being considered by the President’s Office.

Tajikistan is a member of EAG.

Turkmenistan

The current government action plan calls for the drafting of an AML/CFT law in 2007.

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 relevant training is being undertaken.

Uzbekistan is a member of EAG.

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**Technical Assistance Update**

A Technical Assistance Coordination Meeting for Tajikistan took place 13 March in Dushanbe, Tajikistan. The meeting was held in the context of a monthly “Principals Group” meeting. Ambassadors, representatives from International Organizations, the Office of the President and the National Bank were in attendance. The meeting included a briefing on the status of AML/CFT implementation in Tajikistan, as well as discussion on delivering further forms of technical assistance.

The UNODC, OSCE, OECD and the Council of Europe jointly organized a Workshop on Criminalization of Corruption in Almaty, Kazakhstan from 26-28 March. The three-day event brought together participants from Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Russia and Ukraine, including parliamentarians, legal experts, law enforcement officers and civil society representatives. The workshop focused on the implementation of international legal standards, particularly in amending national laws and institutional systems to improve effectiveness in prevention, detection and prosecution of corruption. Sessions were devoted to discussing practical issues related to:

- Creating the concept of criminal liability of legal persons in civil law systems,
- Legal mechanisms to provide for confiscation of the proceeds of corruption, and
- Providing and seeking mutual legal assistance in cross-border investigations and prosecutions.

Experience, best practices and lessons learned were studies from legislation and cases from France, Poland, Romania, Slovenia, Switzerland, and the United Kingdom.

Participants at the seminar identified the needs of their respective countries and developed a set of recommendations to highlight the responsibility of legal entities and shape a legal framework for mutual legal assistance.

On 13-15 February 2007 a Regional Workshop for Central Asia and the Caucasus on International Cooperation against Terrorism and Transnational Organized Crime was jointly organized by the UNODC in cooperation with the OSCE, and was hosted by the Government of the Republic of Turkey in Antalya. Principal objectives of the expert workshop were to enhance regional cooperation through harmonized counter-terrorism legislation and information exchange, as well as to
reinforce political commitment of the participating states for ratification and implementation of the universal legal instruments against terrorism. Approximately 50 officials from Afghanistan, Armenia, Azerbaijan, China, Georgia, Kazakhstan, Kyrgyzstan, Turkey, Tajikistan and Turkmenistan were familiarized with the UNODC Terrorism Prevention Branch (TPB), the OSCE, the Council of Europe, the Antiterrorism Centre of the CIS, the Regional Antiterrorism Structure of the Shanghai Cooperation Organization, relevant Interpol mandates and best practices on regional/international cooperation. Participants also participated in a TPB/UNODC case studies exercise.

EurAsian Group (EAG)

The next EAG Plenary is scheduled for 11-15 June 2007.

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<thead>
<tr>
<th>Country</th>
<th>Evaluating Entity</th>
<th>Evaluation Date</th>
<th>Plenary Discussion</th>
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<tbody>
<tr>
<td>China</td>
<td>FATF, EAG</td>
<td>2006 (completed)</td>
<td>Mid-2007 (FATF)</td>
</tr>
<tr>
<td>Belarus</td>
<td>EAG</td>
<td>Fourth Quarter 2008</td>
<td>December 2008</td>
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<tr>
<td>Kazakhstan</td>
<td>EAG</td>
<td>Third Quarter 2007</td>
<td>May 2008</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>EAG</td>
<td>2007 (on-site visit completed)</td>
<td>June 2007 (preliminary discussion)</td>
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<tr>
<td>Russia</td>
<td>EAG, FATF, MONEYVAL</td>
<td>Second Half 2007</td>
<td>December 2008</td>
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<tr>
<td>Tajikistan</td>
<td>World Bank</td>
<td>March 2007</td>
<td>December 2007</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>EAG</td>
<td>Fourth Quarter 2008</td>
<td>May 2009</td>
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www.eurasiangroup.org

Communiqué from the 4th International Conference on Hawala

The following communiqué was issued by the 4th International Conference on Hawala. Hawala (also known as hundi) is an informal value transfer system based on performance and honor of a huge network of money brokers which are primarily located in the Middle East, Africa and Asia... The conference was hosted by the Central Bank of the United Arab Emirates, in collaboration with the IMF and the Middle East and North Africa Financial Action Task Force (MENAFATF). The event drew international attention to the relationship between AML/CFT and Hawala, and recommended measures for regulating Hawala and other informal transfer systems.

Abu Dhabi 18-20 March 2007

The Conference acknowledged and re-affirmed the important achievements of the First, Second and Third International Conferences on Hawala held in Abu Dhabi in 2002, 2004 and 2005. These previous conferences identified challenges in implementing regulatory regimes for informal funds transfer (IFT) systems and stressed the need to gather, analyse and share information and to conduct further outreach. This conference:

- Recognises the importance of the strategy advocated by FATF Special Recommendation VI (SR VI) that all those responsible for operating money or value transmission, including those operating in informal networks, should be registered or licensed and subject to the relevant FATF Recommendations.
- Agrees that there is a growing international understanding of the system of informal funds transfer particularly by supranational and regional bodies.
• Affirms that IFT systems, including Hawala, are an inexpensive and efficient means of transferring funds cross border and that they provide key social and economic benefits, both to migrant workers and to the economies to which funds are remitted.

• Acknowledges that IFT systems can be misused and exploited for criminal purposes, including terrorist financing and other related crimes, and such misuse is posing a serious challenge for law enforcement and regulatory agencies.

• Notes that balanced and effective regulation of IFT systems and co-operation between law enforcement agencies and regulators are playing an important role in curbing illegal remittance activities.

• Notes that banks and others responsible for operating money or value transmission services recognise the importance of registration and reporting of suspicious transactions in order to promote safety and integrity in the remittance systems.

Accordingly, this conference

• Urges national authorities, in line with FATF SR VI, to implement regulation of informal money transfers in a balanced manner that provides an effective monitor of the IFT business while not driving the business underground.

• Calls on the regulators, governments and their law enforcement agencies to work together to develop, in consultation with the private sector, and enforce the appropriate mechanisms needed to register or license, and monitor participants in these systems.

To support these goals, the conference highlighted the importance of addressing the need for:

• Further research into the operation of Hawala and other IFT systems, currency exchange and trade activities to facilitate proper risk and impact assessment and prioritisation.

• Increasing the understanding of these systems and ensuring that verifiable information is available on which to make a proper assessment of the risk from money laundering, terrorist financing and other related crimes.

• Intensifying the outreach to operators in the informal sector on the value of an integrated and sound money transfer system.

• Closer co-operation and enhanced information exchange between law enforcement agencies and regulators to ensure that the applicable measures are both effective and balanced.

• An innovative efficient and competitive formal financial sector that offers affordable and accessible services to those using the informal sector.

The Conference expressed its gratitude to the Government of the United Arab Emirates, the Central Bank and the National Anti-Money Laundering Committee of the UAE, the International Monetary Fund and the MENAFATF for organising the conference.

AML/CFT Case Study

Late in 1998, Tom, a citizen of an Eastern-European country, saw an opportunity to make a profit on a property investment. Mariah, one of the directors of Lotos Ltd, told him that her company was selling one of its buildings at a low price. The price - a mere US$275,000 - looked like an opportunity Tom could not resist, and so he followed up Mariah's offer and told her that he wanted to purchase the property as soon as possible.

Several days later, Tom went to his notary to sign the deed of purchase. Marian had already informed Tom that a co-directors name, Pete, would be on the contract as the seller of the building. Because of Pete's senior position at Lotos and the reputation of the company itself, Tom didn't suspect anything and signed the deed as required.

What Tom didn't know was that the day before the sale Mariah had already sold the building, this time to her boyfriend and co-director of Lotos - Pete. That sale was for US$42,500, which meant that on the resale to Tom the following day, over US$220,000 went directly to Pete and Mariah's personal accounts. Although Tom did not suspect that anything was wrong, his notary noticed that the land
records showed the recent sale. In his experience a company would never have sold such a building for the unrealistically low price of US$42,500, and to have that followed by a second sale the following day was unusual in the extreme. He decided to disclose to the national FIU.

The FIU decided to initiate an investigation. Mariah was summoned for questioning and asked to explain the circumstances surrounding both transactions. She stated that the shareholders of Lotos had instructed her to sell the building for US$42,500, and thus no crime had been committed. However, after questioning the shareholders, it became clear that they knew nothing about the first sale.

If it were not for the notary's disclosure and the FIU's investigation, the shareholders would probably never have known that Mariah had swindled the company out of some US$220,000. Apart from that, the state had not received the appropriate taxes, which the company would have paid as income from the full sale price. At time of writing, a criminal case had been opened and both suspects face prosecution and asset confiscation.

**Suspicious Indicators:**
1. Large and/or rapid movement of funds
2. Transfer of assets at well below (or above) market rates

*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

- [http://www.amlcft.org](http://www.amlcft.org): World Bank’s AML/CFT website. (In English)
- [http://www.imolin.org](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](http://www.euroasiangroup.org): The EurAsian Group is the FATF-Style Regional Body serving Central Asia. (In English and Russian)
- [http://www.egmontgroup.org](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/dataoecd/45/15/34864111.pdf](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)

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