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

Issue 19, April 2007

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### Calendar

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#### 1 Anti-Corruption Practitioners Network Sub-Regional Workshop

Date: 14-15 May 2007  
Organizer: UNODC and UNDP  
Location: Almaty, Kazakhstan  
Contact Information: Natalia Maximchuk, [natalia.maximchuk@undp.org](mailto:natalia.maximchuk@undp.org)

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#### 2 Workshop on Typologies of Money Laundering and Financing of Terrorism

Date: 14-18 May 2007  
Organizer: IMF  
Location: Siracusa, Italy  
Contact Information: Giuseppe Lombardo, [glombardo@imf.org](mailto:glombardo@imf.org)

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#### 3 On-Site Evaluation in the Context of the Istanbul Action Plan

Date: 21-25 May 2007  
Organizer: OECD and OSCE Centre in Almaty  
Location: Astana, Kazakhstan  
Contact Information: Madina Ibrasheva, [madina.ibrasheva@osce.org](mailto:madina.ibrasheva@osce.org)

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#### 4 Workshop on the Role and Function of the Financial Intelligence Unit

Date: 22-23 May 2007  
Organizer: World Bank, UNODC, UNDP and OSCE Centre in Dushanbe  
Location: Dushanbe, Tajikistan  
Contact Information: Cari Votava, [cvotava@worldbank.org](mailto:cvotava@worldbank.org)

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#### 5 Meeting of the Anti-Corruption Thematic Donor Working Group (Tajikistan), Focusing on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)

Date: 24 May  
Organizer: UNDP, UNODC and World Bank  
Location: Dushanbe, Tajikistan  
Contact Information: Nargis Nurullokhoja, [nargis.nurullokhoja@undp.org](mailto:nargis.nurullokhoja@undp.org)

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#### 6 Integrated Border Management Study Tour for Central Asian border guards

Date: 24 May - 2 June 2007  
Organizer: BOMCA (European Commission and UNDP)  
Location: Hungary  
Contact Information: Peter Isaacs, [peter.isaacs@eu-bomca.kg](mailto:peter.isaacs@eu-bomca.kg)

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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).

<b>7</b>	<b>Closing of Regional Three-Month Dog Handlers' Training</b> Date: 30 May 2007 Organizers: BOMCA (European Commission and UNDP) Location: Tashkent, Uzbekistan Contact Information: Peter Isaacs, <a href="mailto:peter.isaacs@eu-bomca.kg">peter.isaacs@eu-bomca.kg</a>
<b>8</b>	<b>World Bank Financial Sector Assessment Program (FSAP) On-Site Mission to Tajikistan</b> Date: 9-25 June 2007 Organizer: World Bank Location: Dushanbe, Tajikistan Contact Information: Ted Greenburg, <a href="mailto:tgreenburg@worldbank.org">tgreenburg@worldbank.org</a>
<b>9</b>	<b>6th EurAsian Group (EAG) Plenary and Working Group Meetings</b> Date: 13-15 June 2007 Organizer: EurAsian Group (EAG) Location: Sochi, Russian Federation Contact Information: Victor Kochenov, <a href="mailto:info@euroasiangroup.org">info@euroasiangroup.org</a>
<b>10</b>	<b>Combined AML/CFT and Counter-Narcotics Technical Assistance Coordination Meeting (Kazakhstan)</b> Date: 18 June 2007 Organizers: UNODC and World Bank Location: British Embassy, Astana, Kazakhstan Contact Information: Shane Michael Riedel, <a href="mailto:shanemichael.riedel@unodc.org">shanemichael.riedel@unodc.org</a>
<b>11</b>	<b>AML/CFT Awareness-Raising Seminar for Law Enforcement and Prosecutors in Kyrgyzstan</b> Dates: 27-28 June and 5-6 September 2007 Organizer: UNODC Location: Bishkek, Kyrgyzstan Cholpon Ata, Kyrgyzstan Contact Information: Simon Goddard, <a href="mailto:simon.goddard@unodc.org">simon.goddard@unodc.org</a>
<b>12</b>	<b>Workshop for Kyrgyz Financial Intelligence Service on Legislative Drafting</b> Date: 27-28 June 2007 Organizers: UNODC and IMF Location: Bishkek, Kyrgyzstan Contact Information: Simon Goddard, <a href="mailto:simon.goddard@unodc.org">simon.goddard@unodc.org</a> Giuseppe Lombardo, <a href="mailto:glombardo@imf.org">glombardo@imf.org</a>
<b>13</b>	<b>Awareness-Raising Seminar for Representatives of Non-Banking Financial Institutions and Service Providers and their Regulatory Bodies in Kyrgyzstan</b> Date: June 2007 Organizer: UNODC Location: Bishkek, Kyrgyzstan Contact Information: Simon Goddard, <a href="mailto:simon.goddard@unodc.org">simon.goddard@unodc.org</a>
<b>14</b>	<b>Workshop to Strengthen Kyrgyz Law Enforcement Capacities in Analysis and Investigation of Data and Typologies Related to the Financing of Terrorism</b> Date: 3 July 2007 Organizer: IMF Location: Osh, Kyrgyzstan Contact Information: Giuseppe Lombardo, <a href="mailto:glombardo@imf.org">glombardo@imf.org</a>

**15 | Workshop for Kyrgyz Financial Intelligence Service on Financial Intelligence Unit Functions**

Date: To Be Determined  
Organizer: UNODC  
Location: Bishkek, Kyrgyzstan  
Contact Information: Simon Goddard, [simon.goddard@unodc.org](mailto:simon.goddard@unodc.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 establishing 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 FSAP.

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 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



Pursuant to Presidential Decrees issued in January, February and April 2007, the legal authorization creating the FIU and the most substantive provisions of the AML/CFT law have been suspended until the year 2013.

Uzbekistan is a member of EAG.

### Technical Assistance Update

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:

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

- 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 12-13 April 2007 a **Regional Workshop for Central Asia and Afghanistan on the Suppression of Acts of Nuclear Terrorism** was organized by UNODC jointly with the OSCE, and hosted by the Government of Uzbekistan in Tashkent, Uzbekistan. The Regional Workshop, designed for the senior legal experts from Central Asian states and Afghanistan, aimed to familiarize participants with international legal instruments, with a particular focus on those related to the suppression of acts of nuclear terrorism, and to provide them with a forum for discussion of respective national legislation in this field. About 30 national representatives of security services, justice and parliaments of Kazakhstan, Kyrgyzstan, and Uzbekistan participated in this Regional workshop.

International and regional experts from Terrorism Prevention Branch of UNODC, OSCE, International Atomic Energy Agency, the UN Security Council Committee 1540, the Regional Antiterrorist Structure of the Shanghai Cooperation Organization and representative of the Russian Federal Atomic Energy Agency conducted the workshop and facilitated working sessions.



The Financial Intelligence Service (FIS) of Kyrgyzstan, UNODC and OSCE Centre in Bishkek jointly conducted a **National AML/CFT Strategy Workshop** in Bishkek on 28-29 March 2007.

The overall objective of the event was acceptance of the national

AML/CFT strategy. The FIS developed a draft AML/CFT strategy for discussion with members of Inter-Agency Committee (IAC). The draft was sent to participants prior the workshop and participants' feedback and comments on the draft strategy were collected and discussed during the workshop's small group discussions. The draft strategy is now being revised based upon the legal and financial comments from both law-enforcement and the financial sector.

Eighty-five representatives of regional and local law enforcement agencies and regional and local micro-financial units participated in a seminar organized by the Kyrgyz FIS and the UNODC on **Mechanisms of Interaction of the Financial Intelligence Service (FIS) of the Kyrgyz Republic and Law Enforcement Agencies on Issues of Combating the Financing of Terrorism, Extremism and Drug Trafficking**. The seminar sought to increase awareness of officials from Batken Jalal-abad, and Osh oblast law enforcement agencies and micro-credit units on AML/CFT issues; and to develop mechanisms for interaction between law enforcement bodies and FIS on CFT, extremism and drug trafficking.

### EurAsian Group (EAG)

The EurAsian Group (EAG) on-site mission for the mutual evaluation of Kyrgyzstan was conducted in January 2007. This Evaluation Report will be discussed at the upcoming EAG Plenary in Sochi, Russia, June 13-15, 2007.



An EAG Typologies Working Group meeting was held on 9-10 April to finalize the Typologies Paper on "Drug Trafficking and Money Laundering" for submission to FATF by the end of April. Participants amended the structure of the paper according to standard format of FATF Typologies Papers and added additional information and data.

<b><u>Schedule of EAG Country Evaluations:</u></b>			
<b>Country</b>	<b>Evaluators</b>	<b>On-Site Evaluation</b>	<b>Plenary Discussion</b>
China	FATF, EAG	2006 (completed)	Mid-2007 (FATF)
Belarus	EAG	2nd Quarter 2008	December 2008
Kazakhstan	EAG	September 2007	May 2008
Kyrgyzstan	EAG	2007 (on-site visit completed)	June 2007 (preliminary discussion)
Russia	EAG, FATF, MONEYVAL	September 2007	December 2008
Tajikistan	World Bank	June 2007	December 2007
Uzbekistan	EAG	Fourth Quarter 2008	May 2009

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

### Joint World Bank/UNODC Stolen Asset Recovery Initiative

A joint World Bank-UNODC Stolen Asset Recovery (StAR) Initiative was announced during the Annual Spring Meetings of the World Bank and IMF in a working session with country delegates and representatives of international agencies.

The purpose of the initiative is to help developing countries recover assets stolen by corrupt leaders, and in conjunction with existing governance and anti-corruption strategies.

"We at the World Bank, in partnership with the international community, want to help developing countries recover assets that have been stolen by former corrupt leaders," said World Bank President Paul Wolfowitz. "This is a moral obligation. Recovering even a portion of the stolen assets will help fund development and social programs, or badly-needed infrastructure."

“The recovery of stolen assets is a practical problem,” said Hilary Benn, Secretary of State for International Development of the UK. “This initiative is really timely. It’s about each of us playing our part.”

The cross-border flow of proceeds from criminal activity, corruption and tax evasion is estimated at between one and \$1.6 trillion per year --half of this from developing and transition economies. Corrupt money associated with bribes received by public officials from developing and transition countries is estimated at \$20-40 billion. While estimates of such monies are known to be imprecise, they give an idea of the large dimensions of the problem, warranting concerted action.

“The challenge is immense given the complexity and the international dimension of the problem,” said Ngozi Okonjo-Iweala, Distinguished Fellow at the Brookings Institution and former Finance Minister of Nigeria, who played an important role in her country’s recovery of \$500 million of Nigeria’s assets stolen by the dictator Sani Abacha. “We will be successful only if solid partnerships are formed with developing and developed countries, and other bilateral and multilateral agencies.”

The World Bank and UNODC plan to forge partnerships with other agencies, such as the regional development banks, the IMF, OECD, the Norwegian Agency for Development Cooperation (Norad), the G8, Switzerland, and developing countries, to ensure this is a truly global effort.

Proposals for further discussion include:

- Persuading all jurisdictions, especially those containing financial centers, to ratify and implement the United Nations Convention Against Corruption (UNCAC);
- Helping developing countries build capacity for requesting mutual legal assistance for asset recovery;
- Developing partnerships to share information and experience; and
- On a voluntary basis, offering expertise to monitor the use of recovered assets in order to ensure transparency and development impact.

The need to take concerted action to recover stolen assets was a strong message coming out of the multi-stakeholder consultations the Bank held recently on its Governance and Anti-Corruption Strategy, which was endorsed by the Board of Directors in March.

## **Global Financial Crime Congress**

Money laundering, terrorism financing and corruption were among the key issues discussed at the jointly organized by Interpol and the United Nations Office on Drugs and Crime, held on 17-20 April 2007 in Bangkok, Thailand.

The three-day Congress identified and assessed the latest developments, technologies and strategies which are working in combating financial crime, in addition to finding new solutions and opportunities to enhance co-operation between and among law enforcement and the private sector.

“Financial crime, though it receives far less attention from the media than violent crime, has a devastating impact on individuals, industries, governments and societies,” said Interpol Secretary General Ronald K. Noble.

‘It poses a serious national and international security threat, and provides the fuel for drug dealers, terrorists, illegal arms dealers, corrupt public officials, and others to operate and expand their criminal enterprises.’

The Congress underlined the growing international solidarity to tackle financial crime and aims at building synergies across agencies and sectors.

UNODC’s Executive Director Antonio Maria Costa welcomed increased co-operation with Interpol in helping countries combat financial crime.

“National economies everywhere, and certainly in the developing world, suffer damage caused by the infiltration of criminal proceeds, including the ill-gotten gains from corruption and those funds destined for use in terrorist activities. Tracing, seizing and confiscating these funds is of the highest priority – in order to cut off the lifeblood of the underlying crime, and to plough those assets back into much-needed development. The Congress will strengthen our joint efforts to better equip states for this battle.”

The international legal frameworks addressing transnational crime and their corresponding set of national laws and regulations are growing. The United Nations Conventions against Corruption and Transnational Organized Crime are the most recent legal tools developed. One of the UNODC's priorities is to help countries implement these instruments.

In 2006, Interpol announced the creation of its international Anti-Corruption Academy which will provide training, education and technical assistance to member countries, and will also conduct research on trends, best practice and new techniques in anti-corruption investigations.

More than 200 experts from law enforcement, multilateral organizations, customs, industry and academia participated in the meeting, which also identified methods of improving communication and coordination between the public and private sectors in combating financial crime.

## AML/CFT Case Study

Brandon, Leon and Ferdinand planned and carried out a successful bank robbery. The attack targeted a small financial institution in a town far from their usual area of operation. As a result of the raid, the three men stole approximately US \$ 270,000 in mixed denomination currency. They divided the proceeds in equal shares, and each of them went home with almost US \$90,000.

However, the problem remained of how to enjoy the monies without coming to the attention of the authorities. Brandon realised that this was a serious issue to overcome but fortunately his cousin Lawrence, who lived overseas in another country was willing to help him with the concealment of the money.



Brandon decided to transfer his share of the loot to Lawrence. In order to get the cash in a form that facilitated the transfer, he opened a bank account, deposited the cash, and requested a transfer to Lawrence's account overseas. The cousins agreed that Lawrence would send it back to Brandon's account two months later as a repayment for a 'loan', thereby creating a cover story that could be used in the future to explain the funds.

However, the bank involved was suspicious concerning these two transactions and reported the case to the national FIU.

Investigations by both the FIU and the police in Brandon's country identified that Brandon had a history of armed robbery, and they also identified the link between him, Leon, and Ferdinand. Furthermore, they discovered that the initial transaction undertaken by Brandon was done just a few days after the robbery - and the cash deposit used notes and currencies identical to those taken in the raid. The authorities concluded that the transferred money was Brandon's share of the loot and that he, by means of the double transfer, had tried to legitimise the source of the funds.

Unfortunately for Brandon, his plan did not work out very well. The authorities initiated judicial proceeding against the three robbers, and their bank accounts were frozen.

### Suspicious Indicators:

1. Large-scale cash transactions
2. Large and/or rapid movement of funds

*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.amlcft.org">http://www.amlcft.org</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. (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)

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