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

Issue 20, May 2007

Available online at <http://www.imolin.org>

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### Calendar

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**1 World Bank Financial Sector Assessment Program (FSAP) On-Site Mission to Tajikistan**

Date: 9-25 June 2007  
Organizer: World Bank  
Location: Dushanbe, Tajikistan  
Contact Information: Ted Greenberg, [tgreenburg@worldbank.org](mailto:tgreenburg@worldbank.org)

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**2 6th EurAsian Group (EAG) Plenary and Working Group Meetings**

Date: 13-15 June 2007  
Organizer: EurAsian Group (EAG)  
Location: Sochi, Russian Federation  
Contact Information: Victor Kochenov, [info@euroasiangroup.org](mailto:info@euroasiangroup.org)

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**3 Combined AML/CFT and Counter-Narcotics Technical Assistance Coordination Meeting (Kazakhstan)**

Date: 18 June 2007  
Organizers: UNODC and 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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**4 AML/CFT Workshop for Astana-Based Kazakhstani Officials (second of six)**

Date: 21 June 2007  
Organizers: UNODC and World Bank  
Location: Astana, Kazakhstan  
Contact Information: Cari Votava, [cvotava@worldbank.org](mailto:cvotava@worldbank.org)

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**5 Workshop for Kyrgyz Financial Intelligence Service on Legislative Drafting**

Date: 27-28 June 2007  
Organizers: UNODC and IMF  
Location: Bishkek, Kyrgyzstan  
Contact Information: Simon Goddard, [simon.goddard@unodc.org](mailto:simon.goddard@unodc.org)  
Giuseppe Lombardo, [glombardo@imf.org](mailto:glombardo@imf.org)

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**6 Workshop to Strengthen Kyrgyz Law Enforcement Capacities in Analysis and Investigation of Data and Typologies Related to the Financing of Terrorism**

Date: 3 July 2007  
Organizer: IMF  
Location: Osh, Kyrgyzstan  
Contact Information: Giuseppe Lombardo, [glombardo@imf.org](mailto:glombardo@imf.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 | Workshop for Kyrgyz Financial Intelligence Service and Law Enforcement on Analysis of Suspicious Transaction Reports**

Date: 22-23 August 2007  
Organizer: IMF  
Location: Bishkek, Kyrgyzstan  
Contact Information: Giuseppe Lombardo, [glombardo@imf.org](mailto:glombardo@imf.org)

**8 | Workshop for the Roles and Responsibilities of Relevant Kyrgyz Authorities in AML/CFT**

Date: 28-29 August 2007  
Organizer: IMF  
Location: Bishkek, Kyrgyzstan  
Contact Information: Giuseppe Lombardo, [glombardo@imf.org](mailto:glombardo@imf.org)

## AML/CFT Developments in Central Asia

### **Afghanistan**



Afghanistan 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 and was admitted as member of the Egmont Group of financial intelligence units in its June Plenary.

### **China**



The AML/CFT law was adopted on 31 October 2006 and came into force 1 January 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**



The FIU has been established and staff training is currently underway. Kyrgyzstan's AML/CFT system was evaluated by the EAG. The report will be presented and discussed at the EAG Plenary in June.

Kyrgyzstan 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 currently intended to function as Tajikistan's FIU.

A draft AML/CFT law is being considered by the office of the President. Tajikistan is being evaluated in June by the World Bank in the context of a financial services assessment programme (FSAP).

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**

On 3-4 April in Bishkek, Kyrgyzstan, UNODC's Legal Advisory Programme and the Strategic Police Matters Unit of OSCE jointly organized a **Regional Workshop on Enhancement of Law Enforcement and Judicial Co-operation on the Central Asian Drug Routes**. The law-enforcement and judicial practitioners and/or legal experts from Kyrgyzstan, Kazakhstan, Uzbekistan, the Russian Federation, France, USA, Mongolia and China as well as experts from UNODC and Collective Security Treaty Organization (CSTO) participated in the seminar.

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

The seminar served as a forum for the establishment of personal links among relevant law enforcement and judicial authorities dealing with mutual legal assistance in States affected by Afghan heroin trafficking, the dissemination of information on specificity of the legal and procedural requirements of each country, and the identification of problems connected with internal and transnational cooperation.

At the conclusion of the workshop, the participants developed the recommendations that are aimed at the improvement of legislation and practice of participating states in the areas of judicial and law-enforcement cooperation.

The Banking and Finance Academy of Uzbekistan and the American Chamber of Commerce in Uzbekistan organized a **Seminar on Practical Applications of Good Governance Principals in the Activities of Banking and Financial Institutions** on 27 April in Tashkent, Uzbekistan.

The semi-annual **Mini-Dublin Group Meetings** in Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan were held on 3 May in Astana, Kazakhstan and 10 May in Tashkent, Uzbekistan. The meetings, which are chaired by the Italian diplomatic delegations, provide technical assistance and policy coordination in the field of counter-narcotics.

The UNDP Bratislava Regional Centre in cooperation with the UNODC and UNDP Kazakhstan organized a **Workshop for Anti-Corruption Practitioners in the Framework of the Anti-Corruption Practitioners Network (ACPN) Initiative** in Almaty, Kazakhstan on 14 – 15 May 2007.

International experts and practitioners working in anti-corruption institutions in the CIS and Eastern European countries attended the workshop. Presentations and debates among the participants were organized around the following subjects:

- The UN Convention against Corruption and the Convention's provisions on international cooperation;
- Experiences of European countries in the establishment of anti-corruption institutions in the sphere of prevention and repression of corruption;
- Special investigative means in the fight against corruption;
- How to use ICT for establishing cleaner governance; and
- Non-state actors in the fight against corruption.



The ACPN initiative was also presented to the practitioners. The Network was assessed as a useful tool for the sharing of technical information and for supporting the establishment of forms of cooperation between anti-corruption institutions operating in different countries. All the participants agreed on becoming members of the ACPN. The workshop reached its aim of kick-starting the discussion between anticorruption practitioners as a first form of cooperation that will be subsequently promoted and facilitated by UNDP and UNODC through various ACPN-related activities.

Information at on the ACPN at: <http://anticorruption.undp.sk>.

The IMF and the International Institute of Higher Studies in Criminal Sciences (ISISC), and in cooperation with the UNODC Terrorism Prevention Branch (TPB) and the Eurasian Group (EAG), organized a **Workshop on Typologies of Money Laundering and Financing of Terrorism** on 14-15 May in Siracusa, Italy.

The workshop allowed for participants from Eastern Europe the CIS countries to share experiences and case studies on money laundering and terrorist financing, and focused on the role of the financial intelligence unit (FIU), prosecutors and law enforcement officials in AML/CFT.

The World Bank and UNODC, together with the General Prosecutor's Office of Kazakhstan, organized a full-day **AML/CFT Workshop for Government and Law Enforcement Officials** in Astana, Kazakhstan on 16 May. This workshop is the first in a series of six workshops to be offered in Astana, and covered the role and functions of the Financial Intelligence Unit (FIU), the Egmont Group of FIUs and offered a summary of international AML/CFT standards and the FATF-Style Regional Bodies' (FSRBs') evaluation methodology.

The World Bank, UNODC and UNDP conducted a **Seminar on AML/CFT and Corruption** on 21 May in Dushanbe, Tajikistan for government officials. This seminar provided an overview of the global AML/CFT and anti-corruption practices, as well as national systems. Participants included representatives from the Presidential Strategic Research Center, the Economy Institute of Ministry of Trade and Development, the General Prosecutor's Office and other agencies. Complementary seminars highlighting the links between money laundering and terrorist financing, corruption and implementation of international standards are anticipated for the future.

The UNODC, World Bank, OSCE Centre in Dushanbe, UNDP, Council of Europe and the EurAsian Group co-organized, together with the Office of the President of Tajikistan, a **Workshop on the Role and Function of the Financial Intelligence Unit** on 22-23 May in Dushanbe, Tajikistan. Over 50 participants from relevant ministries and agencies shared ideas and interacted with experts from Bulgaria, Russia, Ukraine and the United States. The workshop established the following conclusions:

- An AML/CFT system is currently needed in Tajikistan.



- Tajikistan is making positive progress towards the implementation of an AML/CFT system.
- International Assistance is welcomed and needed by Tajik authorities in the creation of an AML/CFT system.
- Inter-agency cooperation is an important component of creating a strong AML/CFT system in Tajikistan.
- Passage of an AML/CFT law and creation of a Financial Intelligence Unit (FIU) should be achieved by the end of 2007.

A meeting of the **Anti-Corruption Donor Working Group** took place in Dushanbe,

Tajikistan on 24 May. The meeting featured a presentation on anti-money laundering and countering the financing of terrorism (AML/CFT) efforts in Tajikistan.

Following the submission of a monitoring questionnaire to the OECD in March 2007, a group of anti-corruption experts led an **On-Site Mission to Evaluate Kazakhstan's Progress on Implementing the Istanbul Action Plan** in Astana and Almaty, Kazakhstan on 21-25 May 2007. The group included experts from Azerbaijan, Lithuanian, Switzerland the US and the Ukraine. During the on-site visit the experts met with all government agencies responsible for fighting corruption, as well as civil society groups and foreign missions working in the country.

Based on the information provided in the questionnaire and received during the on-site visit, the experts will develop a monitoring report rating the implementation of previous recommendations. The report will be sent for comments to the Kazakhstani government, NGOs and international partners. The final draft will be presented for the adoption at the plenary session of the Istanbul Action Plan on 26-28 September 2007 at the OECD Headquarters in Paris.

## EurAsian Group (EAG)

The EurAsian Group will hold a Plenary Meeting in Sochi, Russia from 13-15 June 2007.



### Schedule of EAG Country Evaluations:

Country	Evaluators	On-Site Evaluation	Plenary Discussion
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)

## Money Laundering and Drug Trafficking

By Marat Seksembaev  
General Prosecutor's Office of Kazakhstan

The study on "Laundering the Proceeds Generated through Illegal Sale of Drugs and Psychotropic Substances" has been carried out in accordance with the Resolution passed at the Third Plenary Session of the Eurasian Group for Combating Money Laundering and Terrorist Financing.

The available materials on drug production and trafficking assert that, despite all the efforts being undertaken both by individual states and the international community, an efficient mechanism to suppress the drug business and money laundering has not yet been identified.

This is true not only for the Eurasian Region, but also globally.

Anti-money laundering laws have not been enacted, nor have FIUs been established in either Kazakhstan or Tajikistan. In Uzbekistan and Kyrgyzstan, financial monitoring has been just launched, but is not functioning to the extent desired. In these states identification of any offences linked with laundering proceeds from illegal drug sales is an extremely difficult task.

The problem is that under the effective national legislation, before the official commencement of prosecution, authorized enforcement bodies are denied access to any information qualified as a bank secret (this is one of the major constraints). At the same time, subject to the criminal procedural law, to initiate any official prosecution it is necessary to find a relevant reason and grounds. The reason and grounds can be provided only on condition that law enforcement has access to information on banking operations. The above circumstances are described in the UNODC reports as an "exclusive circle" that hampers timely receipt and confirmation of evidence and seizure of allegedly illegal proceeds.

There are a number of factors affecting the money laundering schemes in the region:

- the significant scale of the "shadow economy" with a great number of shell entities servicing illegal transactions;
- the substantial share of cash transactions; and
- the considerable length of state borders between the EAG countries and resulting difficulties with provision of efficient border control.

As long as the "exclusive circle" remains in place, criminals can easily deposit their illegal proceeds with banks and receive their money back with interest already accrued and the entire sum documented as funds received from the bank. Illegal proceeds may be also invested in objects of real estate, cultural items (paintings, antiquities, etc.), jewelry or securities. These assets can then be sold to provide an explanation for the origin of the funds.

The main conclusion that can be drawn from the study is that laundering proceeds from the drug business or other crimes is intended for common and generally well-known purposes.

It can therefore be concluded that the characteristics of the transactions associated with the laundering proceeds from the drug business are, on the whole, similar to those aimed at laundering of illegal funds obtained through other crimes.

The following issues, however, need to be resolved to improve efficiency of combating legalization of proceeds from the drug business:

**Corruption.** As long as state employees and financial institutions' staff assigned to combat laundering of criminal funds remain inclined to yield to corruption, it will be difficult to build any reliable barriers laundering ill-gotten money.

**Implementation of relevant international standards and establishment of FIUs.** To efficiently combat the laundering of criminal proceeds from the drug business, it is necessary to establish an adequate legal framework and FIUs, make the FIU fully operational and ensure adequate FIU cooperation and coordination between law enforcement bodies and supervisory agencies.

It is not sufficient to criminalize any dealings aimed at the laundering of criminal proceeds. It is necessary to integrate the FATF 40+9 Recommendations into national legislation, as well as relevant provisions of other international conventions and resolutions of the UN Security Council.

**International cooperation.** States must realize that to undertake efficient counter-measures against the laundering of drug proceeds being devised by organized criminal groups, FIUs and enforcement bodies of all states must coordinate their efforts. This is, however, impossible without development of mechanisms for international cooperation in this area.

**Confiscation of criminal proceeds.** Competent state bodies must identify and provide for seizure of all the drug proceeds, including property acquired at the expense of the drug business.

**Development of non-cash settlements.** In the EAG states it is necessary to create an environment that would provide incentives for people and businesses to utilize non-cash settlements for major transactions.

The non-cash settlements will become a useful barrier against the laundering of criminal funds.

**Creating a list of high-risk countries and territories.** The countries and territories characterized as global drug producers are known all over the world.

Based on that, it would be expedient to create an official list of such countries. The list could be helpful for FIUs and financial institutions required to submit information on suspicious transactions.

**Creating a list of suspicious transaction indicators.** Such a list would facilitate operations of national FIUs, particularly those that have been just established and lack experience in this area.

## AML/CFT Case Study

Zoe decided to sell her flat in a northern country in Europe and move into a new house in southern Europe. The sale went very smoothly and she received the profit from the sale in US dollars. As she could not use the dollars in her new home country, she wanted to exchange the money she had brought with her into the national currency. Hendrick, an acquaintance of Zoe's, offered to help with the exchange. Zoe trusted her friend and gave him almost US\$83,000 in cash.

Once the money was in his possession, Hendrick vanished. After waiting a short while Zoe made increasingly desperate attempts to contact him, through his home, his wife Britney, and his workplace, but no contact could be made. One week after his disappearance, Zoe went to the police to report her suspicions.

With the information the police received from Zoe, they informed the national FIU, which started an investigation. The FIU found out that Hendrick had made a deposit of nearly US\$ 44,000 to an account in the name of his wife, and that he had left the country two days after receiving the funds from Zoe. His financial records also indicated that he had been withdrawing funds from his accounts from locations in another European country. This information was enough for the FIU to obtain a court order to freeze the assets on Britney's account. The police requested assistance of the authorities in other European countries, alerting Interpol of the need for an arrest. Knowing Hendrick's travel route out of the country and possible location was a distinct aid in targeting law enforcement attention.

With the help of the other European law enforcement authorities, Hendrick was located and arrested in a nearby country. Hendrick returned home in detainment. In his home country he has been prosecuted for 'obtaining money under false pretences' (i.e. fraud) and for money laundering offences. Britney, who received the stolen money from her husband, has also been prosecuted for money laundering.

### FIU actions:

1. Examining financial records for evidence of fund movement
2. Examining financial records for signs of travel expenses
3. Examining financial records for clues to location of suspect



*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 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)

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