



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

Issue 25, February-March, 2008  
Available online at <http://www.imolin.org>

### CALENDAR

#### 1 WB/UNODC AML/CFT Donor meeting [regional]

Date: April 25, 2008  
Organizer: World Bank/UNODC  
Location: WB-Astana, Kazakhstan  
Contact information: Cari Votava,  
[cvotava@worldbank.org](mailto:cvotava@worldbank.org),  
Aigerim Yesetova,  
[aigerim.yesetova@unodc.org](mailto:aigerim.yesetova@unodc.org)

#### 5 EAG Evaluator Training [regional]

Date: August/September, 2008  
Organizer: EAG  
Location: Moscow, Russia  
Contact information: Victor Kochenov,  
[info@euroasiangroup.org](mailto:info@euroasiangroup.org)

#### 2 Workshop on implementation of the universal instruments against terrorism for judges and prosecutors of Tajikistan [national]

Date: June 25-29, 2008  
Organizer: TBP/UNODC  
Location: Dushanbe, Tajikistan  
Contact information: Albina Yakubova  
[albina.yakubova@unodc.org](mailto:albina.yakubova@unodc.org)

#### 6 EAG Typologies Workshop [regional]

Date: September 23-27, 2008  
Organizer: EAG  
Location: TBD  
Contact information: Victor Kochenov,  
[info@euroasiangroup.org](mailto:info@euroasiangroup.org)

#### 3 MONEYVAL Plenary [regional: evaluations of Romania, Russia, Israel, Macedonia]

Date: July 7-11, 2008  
Organizer: MONEYVAL  
Location: Strasburg, France  
Contact information: Danielida Weber  
[dg1.moneyval@coe.int](mailto:dg1.moneyval@coe.int)

#### 7 MONEYVAL Evaluator Training

Date: October, 2008  
Organizer: MONEYVAL  
Location: TBD  
Contact information: Danielida Weber  
[dg1.moneyval@coe.int](mailto:dg1.moneyval@coe.int)

#### 4 8<sup>th</sup> EAG Plenary [regional: evaluations of Tajikistan and Russia]

Date: July 14-18, 2008  
Organizer: EAG  
Location: Kyrgyzstan  
Contact information: Victor Kochenov,  
[info@euroasiangroup.org](mailto:info@euroasiangroup.org)

#### 8 9<sup>th</sup> EAG plenary [regional: evaluation of Belarus]

Date: December 6-19, 2008  
Organizer: EAG  
Location: TBD  
Contact information: Victor Kochenov,  
[info@euroasiangroup.org](mailto:info@euroasiangroup.org)

### AML/CFT Developments in Central Asia

#### AFGHANISTAN



Afghanistan enacted an AML/CFT law in 2004. The Financial Intelligence Unit was established in 2005. Afghanistan has commenced application process for Egmont membership; its sponsors are the USA and Malaysia.

Afghanistan is scheduled to undergo an APG Mutual Evaluation in the 3rd quarter of 2008.

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

#### BELARUS



Belarus: In May 2007, Belarus became a full member of the Egmont Group. Belarus is scheduled to undergo a Mutual Evaluation by EAG in July of 2008.

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Belarus is a member of EAG, and co-chairs the EAG Typologies Working Group.



### CHINA

The AML/CFT law was adopted on 31 October 2006 and came into force 1 January 2007. The Mutual Evaluation Report of China was adopted by FATF in June 2007 and by EAG in December 2007.

China is a member of EAG and FATF, and serves as co-chair of the Evaluation/Legal Working Group.



### KAZAKHSTAN

The draft AML/CFT law is in the Parliament and its consideration for adoption is postponed to autumn 2008. The FIU will be established following the enactment of the AML/CFT law. Kazakhstan is scheduled to undergo an EAG Mutual Evaluation in 2<sup>nd</sup> quarter of 2009.

Kazakhstan is a member of EAG, and co-chairs the technical assistance working group.



### KYRGYZSTAN

The Kyrgyz FIU has commenced its application process for membership in Egmont, sponsored by the Russian

Federation and Ukraine. EAG's 1<sup>st</sup> round Evaluation Report of Kyrgyzstan was adopted at the EAG Plenary in June 2007 and can be found on EAG website.

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



### RUSSIA

Joint AML/CFT Evaluation of Russia was conducted by FATF, Moneyval and EAG in 2007. Evaluation report will be discussed for adoption by FATF Plenary (June 2008), Moneyval Plenary (July 2008), and EAG (Dec. 2008). In 2007, Oleg Markov replaced Victor Zubkov as Head of the Russian FIU (RosFinMonitoring) and Chairman of EAG.

Russia is a member of FATF, Moneyval and EAG, Chairs EAG, Deputy Chair of Moneyval, and co-chairs EAG Technical Assistance, Typologies and Evaluation/Legal Working Groups.



### TAJIKISTAN

The Agency for State Financial Control and Combating Corruption was established in Tajikistan in early 2007. An AML/CFT law is being drafted in the Office of the President. The Mutual Evaluation Report of Tajikistan will be discussed at the

June 2008 EAG Plenary. Tajikistan is a member of EAG.



### TURKMENISTAN

Draft AML/CFT law is being considered by Parliament of Turkmenistan. Turkmenistan became an observer member of EAG in December 2007. Two-day joint-donor Workshop on Role and Function of an FIU was held in Ashgabad, March 4-5, 2008 (see page 3)



### UZBEKISTAN

Pursuant to Presidential Decrees issued in January, February and April 2007, implementation of certain provisions of the AML/CFT law were suspended until the year 2013. A Decree of Feb. 20, 2008 prohibits banks and officials from enquiring into legality of sources of funds of transactions executed by physical persons. This Decree is effective 1 April 2008 to 1 April 2009.

Uzbekistan is a member of EAG, and will undergo an AML/CFT Evaluation by EAG in the 4<sup>th</sup> quarter of 2008.

## EurAsian Group (EAG)

### Schedule of EAG member-states' mutual Evaluations:

Country	Evaluators	On-Site Evaluation	Plenary Discussion	Evaluation reports
CHINA	FATF, EAG	Completed 2006	Adopted: FATF (June 2007) EAG (Dec 2007)	English: <a href="http://www.fatf-gafi.org/dataoecd/24/45/39148209.pdf">http://www.fatf-gafi.org/dataoecd/24/45/39148209.pdf</a> Russian: <a href="http://www.eurasiangroup.org/rus/china.htm">http://www.eurasiangroup.org/rus/china.htm</a>
BELARUS	EAG	July, 2008	December 2008	English and Russian: 2005 Evaluation Report IMF: <a href="http://www.eurasiangroup.org/index-7.htm">http://www.eurasiangroup.org/index-7.htm</a>
KAZAKHSTAN	EAG	2 <sup>nd</sup> Quarter 2009	November 2009	-
KYRGYZSTAN	EAG	Completed 2007	Adopted June 2007	English and Russian: <a href="http://www.eurasiangroup.org/kyrgyz.htm">http://www.eurasiangroup.org/kyrgyz.htm</a>
RUSSIA	EAG, FATF, MONEYVAL	Completed Nov 2007	FATF (June 2008) EAG & Moneyval (July 2008) EAG (July 2008)	-
TAJIKISTAN	World Bank, EAG	Completed June 2007	July 2008	-
UZBEKISTAN	EAG	Fourth Quarter 2008	June 2009	-

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## Technical Assistance update in Central Asia

⇒ **Workshop for representatives of commercial banks of Kyrgyzstan.** On 11 February 2008, IMF organized a workshop for representatives of commercial banks on implementing an internal compliance function, and on managing and mitigating ML/TF risks. The event took place in the premises of the Financial Intelligence Unit (FIU). A good degree of understanding of AML threats and vulnerabilities as well as key AML systems and control functions, was demonstrated by the Compliance officers. The training included the key fundamentals of an internal transaction monitoring regime based on comparative account behavior.

The FIU explained its new regulation on implementation of the AML/CFT legislation and discussed the amendments to the AML/CFT law, currently being drafted. The FIU is committed to improve cooperation with the Banking sector by organizing monthly meetings.

⇒ **Workshop for non banking sector in Kyrgyzstan.** On 12 February, IMF organized a workshop with over 40 representatives of the non-banking sector (securities dealers, insurance companies, real estate agents, etc.) on implementation of AML/CFT requirements, conducting proper Customer due diligence (CDD)/Know Your Customer (KYC) in the non banking sector, and transaction monitoring and reporting to the FIU.

⇒ **Workshop for members of Kyrgyz AML working group.** On 14 February 2008 IMF organized a workshop with all members of the AML working group, moderated by the FIU chairman and the IMF experts. Proposed amendments to 23 Laws were discussed, with a focus on the amendments to the basic AML/CFT Law. These amendments aim at bringing the Kyrgyz legislation in compliance with the FATF 40+9 recommendations. The main issues discussed comprised the automatic and suspicious activity reporting, the role of supervisors and FIUs, customer due diligence and CFT measures.

⇒ **UNODC/ROCA and UNDP workshop in Belarus.** Legal Advisory Programme of the UNODC/ROCA organized in collaboration with the UNDP, within the framework of EC-funded Programme of assistance for the prevention of drug abuse and drug trafficking in Belarus, Ukraine, Moldova (BUMAD), a workshop entitled “Challenges in Investigation and Adjudication of Drug-related Offences” in Minsk on 19-21 February 2008 for about 30 Belarus practitioners representing national agencies of Belarus involved in drug-related casework (i.e. courts, prosecutors’ office, ministries of interior, justice, health, national security, customs, border guards). Other participants were the law enforcement and judicial practitioners from Austria, Croatia, Denmark, Germany, Italy, the Netherlands, Sweden, Turkey and the UK as well as the expert from International Centre for Asset Recovery (ICAR). The workshop contributed to strengthening of capacity of judges, prosecutors and law-enforcement officers in investigation and adjudication of drug-related offences, including financial investigations concerning detection and confiscation of proceeds derived from such offences, and promoted increased sentencing efficiency through review of the international standards, legislation and practice of the participating countries, discussions and exchange of experience.

⇒ **FIU workshop in Ashgabat, Turkmenistan.** The World Bank and UNODC joint AML/CFT Mentor Program organized an AML/CFT workshop in Ashgabat, Turkmenistan in March 4-5, 2008. The multi-donor event included support of the Eurasian Group, OSCE, and IMF.

The two-day workshop—The Role and Function of a Financial Intelligence Unit—was aimed at helping more than 66 Turkmen officials representing 33 ministries/agencies, including representatives of the Presidential Administration and the Turkmen Parliament, to understand best practices in fulfilling international obligations in building an effective system to fight money laundering and terrorist financing. Similar workshops were organized by the World Bank/UNODC Mentor Program in 4 other Central Asian countries in the past 3 years. Ten international experts representing UNODC, OSCE, IMF, WB, EAG, Belorussian FIU, RosFinMonitoring and Egmont group participated in the event.

In the past year, Turkmen officials indicated their interest in taking steps to meet international AML/CFT obligations in accordance with treaties and conventions which have been signed and ratified, as well as taking steps to fight prevailing drug-trafficking which is prevalent in the Central Asia region. The Central Bank of Turkmenistan has taken the lead in drafting a new law on anti-money laundering and countering the financing of terrorism (AML/CFT), which is now being considered by the Parliament. In December 2007, Turkmenistan took an important step in becoming an observer member in the Eurasian Group (EAG).

⇒ **EBRD two-day AML training seminar in Tbilisi, Georgia.** EBRD/TVT Compliance Ltd have organized a two-day AML training seminar in Tbilisi, Georgia, on March 10-11, The event gave the participating countries a unique chance to not only obtain knowledge on specific AML-related matters, but also, to identify their own place in the world where money-laundering and terrorist financing has become a growing concern for the financial institutions, their regulators and the law-enforcement agencies alike. Participants included representatives from Armenia, Azerbaijan, Georgia as well as Belarus, Moldova, and all five Central Asian countries: Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan and Turkmenistan.

⇒ **UNODC regional anti-corruption workshop.** UNODC conducted Regional Workshop to Promote the Ratification and Implementation of the United Nations Convention against Corruption, in Bishkek, Kyrgyzstan, from 26 to 28 March 2008. This event was supported by the Government of Canada and organized in collaboration with the Government of Kyrgyzstan. The workshop gathered senior law-enforcement officers and other officials of Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan and Turkmenistan working in the field of anti-corruption. Five international experts from UNODC participated in the seminar

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The Senior Legal Adviser of the UNODC Regional Office for Central Asia contributed to the Workshop by moderating the sessions and presenting relevant provisions of the UN Anti-Corruption Convention (UNCAC), on best practices in areas of mutual legal assistance, extradition, asset forfeiture and recovery. The workshop assessed the status of implementation of the UNCAC, identified implementation gaps and technical assistance needs, and allowed the participants to share good anti-corruption policies and practices.

⇒ **A study tour of Kazakhstani officials to US.** U.S. Embassy of Kazakhstan organized a visit of KZ delegation to the U.S. for familiarization with US AML system on March 10-31, 2008. Members of the delegation included three officials from the General Prosecutor's Office and AML Law Working Group/Majilis (Lower Chamber).

The project was intended for the AML Law enforcement officials of Kazakhstan, and had following goals: (a) Introduce U.S. policy and its priorities of global security in general and anti-money laundering efforts in particular; (b) Analyze money laundering legislation in the U.S., global threat of money laundering crimes, and functions of the central bank, financial and law enforcement agencies in preventing and containing money laundering; (c) Discuss cases of money laundering in the United States and mechanisms of combating these crimes; (d) Analyze the cooperation and interaction of the U.S. law enforcement agencies in combating transnational crime, and ways of improving their collaboration with Kazakhstan, discuss functions of Financial Investigative Units in the U.S.; (e) Analyze the financial activity of criminal terrorist organizations and develop appropriate mechanisms to combat them in cooperation with other Central Asian countries.

The delegation also attended 13th Annual International Money Laundering Conference, on March 17th of the Association of Certified Anti-Money Laundering Specialists (ACAMS)

⇒ **Study tour of Kyrgyz FIU to Lithuania, Latvia, Estonia.** United Nations Office of Drugs and Crime – Global Programme Against Money Laundering [UNODC/GPML] is organizing a study tour for 5 staff members of the Financial Intelligence Service [FIS] of Kyrgyz Republic to Lithuania, Latvia and Estonia, April 21-25, 2008.

The goal of the study tour is to help the Financial Intelligence Service of the Kyrgyz Republic to gain experience, best practices and lessons learnt in developing of an effective Financial Intelligence Unit to fight Money Laundering and Terrorism Financing.

## World Bank and UNODC Stolen Asset Recovery (StAR) Initiative

It is estimated that between US\$1 and 1.6 trillion is lost each year to illegal activities like corruption, illegal trading of drugs, counterfeit goods, money, arms trade, and tax evasion. Further estimates indicate that corrupt leaders of poor countries skim as much as US\$40 billion each year and hide these stolen funds overseas. Once gone, this money is extremely difficult to recover.

Therefore, the World Bank has joined with the UNODC in a new initiative to help developing nations recover billions of dollars of stolen funds. Last September, the Stolen Asset Recovery (“StAR”) Initiative was announced to initiate a truly international effort to ensure looted assets are returned to their rightful owners. This initiative intends to step up international efforts to recover stolen state assets, as well as stem the flow of looted funds. International practice has shown that although many countries can freeze assets which were stolen, it is much more difficult to return them to the country from whence they came. To remedy this situation, the StAR plan urges G8 and OECD countries to ratify the UN Convention against Corruption (UNCAC)<sup>1</sup> and actively aid the efforts of developing countries to recover assets within their borders.

In addition, the StAR plan will support provision of technical assistance to developing countries to enhance capacity of criminal justice systems, law enforcement, prosecutors, and judicial authorities — to more effectively prevent asset looting and to recover the proceeds of corruption in accordance with internationally accepted legal standards.

The Initiative will also help wealthy countries and emerging markets that serve as havens for stolen assets, to implement more effective laws and procedures to more efficiently enable the return of stolen assets. StAR will also work with financial regulators to enforce penalties against financial institutions doing business with corrupt individuals and politically exposed persons without due diligence. StAR will also work to help strengthen anti-money laundering regimes by enforcing Know Your Customer record-keeping, and reporting requirements especially in relation to politically exposed persons.

Under StAR, the World Bank and the UNODC will help countries prepare for the complicated and costly legal process involved in requesting recovery of stolen assets. The theft of public assets involves two key steps: stealing assets, and then laundering the proceeds—either at home or abroad—to avoid detection and make them appear legitimate. Due to the nature of the activity, accurate measurement of the money involved is difficult to estimate. Another source of ambiguity stems from different legal definitions for “corruption” and the scope of the activities involved, not all of which involve cross-border flows.

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<sup>1</sup> The convention, entered into force in December 2005, is the first legally binding global anticorruption agreement. It provides a framework for asset recovery, including mechanisms to prevent money laundering and to recover assets diverted through corrupt practices. Only half of the OECD and G8 countries had ratified the convention by June 2007.

Theft of public assets by corrupt leaders (usually referred to as *grand corruption*) may simply be the tip of the iceberg. For example, the billions invisibly looted by corrupt leader may be only one part of an extensive network of corruption that infects an entire economy, creating a pyramid of corruption. This network can include public sector companies, the financial system, and petty corruption associated with policemen and factory inspectors.

Corruption degrades public institutions, especially those involved in public financial management and financial sector governance. This weakens the private investment climate and degrades social service delivery mechanisms upon which basic health and education programs depend, and the negative impact is greatest on the poor.

StAR Initiative will create a StAR Focal Point List, so countries which suspect assets were stolen will know whom to contact for immediate assistance in countries to which the assets might be located. Another part of the Initiative will be to create a Friends of StAR Group (FSTAR), as an advisory group consisting of distinguished and influential individuals from countries with a special expertise or interest in stolen asset recovery.

For more information on the StAR Initiative: <http://siteresources.worldbank.org/NEWS/Resources/Star-rep-full.pdf>

## Ukraine's Roadmap: Building an effective FIU in Kiev, Ukraine – PART I

*Part I of a two-part article contributed by the Ukrainian FIU*

Before 2000, Ukraine didn't have an effective AML/CTF system. It partially complied with certain FATF Recommendations. As Ukraine was starting to play a greater role in the international financial system, in September 2001, FATF added Ukraine to the public list of Non-Cooperative Countries and Territories (NCCT List), otherwise known as the "black list."

The main reasons for blacklisting Ukraine were: (1) absence of appropriate legal framework to effectively fight money laundering and terrorist financing, and (2) absence of an FIU responsible for receiving, analysis and submission of suspicious transaction reports (STRs) and other information on plausible money laundering and terrorist financing to the competent law-enforcement agencies.

Blacklisting tarnished Ukraine's international image. Economic sanctions in the banking and financial services spheres were invoked by several countries. In particular, accounts of Ukrainian businesses in foreign banks were closed or classified as high risk for money laundering or terrorist financing, which made it difficult to carry out international transactions.

Thus, Ukraine embarked upon undertaking appropriate steps to establish a legal framework to implement the international AML/CFT standards and to adjust the financial system to meet international requirements. Ukraine began by actively participating in organizations which support coordination of the world AML/CTF system. The system grew under close scrutiny of the world community and FATF. In January 2002, the Government of Ukraine established the financial intelligence unit as the coordinating body of AML/CFT efforts. At first it was established as the State Department of the Ministry of Finance, and later became the State Committee for Financial Monitoring.

In 2002, Ukraine adopted the Law "On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime" which became effective in June 2003, and served as the legal basis for a new and developing national AML/CTF system.

Many amendments to other laws were necessary to achieve compliance with international AML/CFT standards, including amendments to the laws that regulate banking activity, capital markets, financial services, and other areas. This legislation complied with many best practices of European countries at that time.

The SCFM, created by the AML/CFT legislation, proved that it was not a financial control authority, but served as a filter between financial market and law enforcement authorities to ensure upholding of principles of banking and commercial secrecy where necessary, but providing qualitative analysis of financial transactions which potentially could be related to money laundering or terrorist financing.

The Ukrainian national financial monitoring system was built to enable business entities (banks, insurance companies, commodity exchanges, stock exchange and other exchanges, professional participants of securities market, gambling institutions, pawn-shops, communication companies and associations conducting money transfer and others) as well as financial intermediaries, state authorities, and state regulators to participate in the system.

As in most countries, financial intermediaries carry out financial transactions, analyze them for the possibility of money laundering or terrorist financing, and if there are suspicions they submit information on such transactions to the SCFM of Ukraine.

One of the main activities of SCFM is collection, processing and analysis of information on financial transactions from the entities of initial financial monitoring – financial intermediaries. This is done on the basis of creating parameters which correspond to indicators which might identify potential legalization of the proceeds from crime defined by the AML/CFT law.

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SCFM receives information on financial transactions subject to financial monitoring on specified forms. Guidance published in the form of Handbooks helps professionals complete forms correctly and minimize errors with the goal of facilitating information processing.

To submit information to the SCFM, a registration card must be submitted which is used for identity purposes. The report must contain:

1. Data on the entity and employee which submitted the transaction, a transaction number, the date and time of submission.
2. Date/time of execution (or refusal to execute the transaction), transaction amount and currency, and grounds for executing the transaction.
3. Information concerning assets, which are transferred during transaction.
4. Special characteristics about the transaction and explanation of its details.
5. Information concerning client executing the transaction, and where relevant, the person or beneficiary on whose behalf the transaction was executed, as well as information concerning other relevant persons/participants of the transaction.
6. In case of necessity are provided also information on financial transactions, related to registered transaction. Upon necessity is provided additional information on reasonable suspect as regards to the facts of legalization (laundering) of proceeds.

The analytical process includes the following tasks:

- evaluation of received information concerning financial transactions;
- disclosure of transactions, which are subject to financial monitoring;
- studying of schemes of money laundering;
- preparation of case referrals concerning transactions, related to money laundering / terrorist financing.

The automated analysis process reduces subjectivity. The type of analysis conducted is determined by information entered by the submitting entity, as well as information from law enforcement and other state agencies, from financial intelligence units of other countries, as well as from other public sources. The SCFM software conducts analysis of information received from financial intermediaries, and further procedures are specifically elaborated.

Due to the irregularity of transactions of non-banking financial institutions, transaction reports are submitted in paper form, and a receipt of submission is received by submitting entity. Automated processing has been implemented for insurance companies.

Initial analytical processing of the information is carried out in SCFM's closed analytical unit. The analytical process includes such instruments as:

- OLAP instruments (*reporting in Micro Strategy, quick analysis and review*);
- Liaison visualization (*financial transactions schemes analysis in i2*);
- Forming of own "black lists";
- Forming of complex requests to the data base;
- Establishment of rules on the base of fuzzy logic (*complex requests on the base of several informal criteria*).

All transaction reports received by the SCFM are divided into 3 categories of risk level. Special files are created for high risk cases and a list for review is compiled for cases where lower risk factors are indicated. A third category is used for transactions where other risk issues are identified.

Transactions are analyzed and if further information is required, appropriate requests are made. Where there are grounds to suspect money laundering and terrorist financing, special case referrals are prepared for consideration by the Supervisor. If the suspicion is confirmed, the case is referred to the Expert Commission which decides whether to submit to law-enforcement agencies. Law enforcement agencies carry out procedures aimed at preparing a criminal case for submission to court. Procedures for referring cases to law enforcement agencies are clearly prescribed due to the confidential nature of the information.

Although SCFM is a relatively new organization, its 6 years experience affirms that the administrative FIU model chosen is most appropriate for Ukraine, rather than the police or law enforcement models of FIUs.

In September 2003, MONEYVAL conducted an AML/CFT Evaluation of Ukraine and ascertained significant progress of Ukraine in development of the national AML/CFT system. Similar conclusions were made by the FATF European Review Group in January 2004. On the basis of these results, in February 2004, Ukraine was deleted from FATF's NCCT List.

In 2004, SCFM became a member of the Egmont Group, and presently, FIU officials participate in all 5 Egmont Working Groups. In October 2007, Ukraine hosted a meeting of Egmont's Working Groups in which more than 50 countries participated. In June 2005, with the technical assistance of the MOLI-UA Project and Council of Europe, Ukraine became the first non-European Union member which was connected to the FIU.net secure network project. This is an automated data exchange system between EU FIUs.

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Ukraine has demonstrated that it is possible for a country to take significant steps to create the necessary legislative framework to build an effective AML/CFT system, and implement appropriate infrastructure in a relatively short time. And Ukraine's progress has been recognized by the international community. But the criminal world doesn't stand idle, and is continuously finding new ways to evade the law. Therefore, all countries, agencies and international organizations working in the AML/CFT sphere must continuously improve effectiveness of AML/CFT systems.

<http://www.sdfm.gov.ua>

## EU's Border Management Assistance programme in Central Asia (BOMCA)



The EC has launched the Border Management Assistance programme in Central Asia (BOMCA), which grew out of the Central Asia Border Service Initiative (CABSI) of the Austrian Government; supported by several of the EU Member States. The CABSI focus on training was broadened to include legal assistance and strengthening of border control. BOMCA is an integrated, multifaceted intervention with a developmental and institution



building approach. BOMCA aims at increasing the effectiveness of borders whilst fostering security, stability and development in Central Asian states, to reduce drug trafficking, the EC launched its Central Asia Drug Action Programme (CADAP) in 2001. This programme fosters a public health approach to drug demand and an interdiction approach to drug supply. It is implemented in conjunction with the BOMCA Programme and some activities (including provision of a drug detecting dog capacity) are interlinked.

The European Commission's (EC's) assistance policy in Central Asia is coherent with Article 177 of the Treaty establishing the European Community and the recognition that development cooperation shall foster:

- A. sustainable economic and social development of the developing countries and in particular the most disadvantaged amongst them;
- B. the smooth and gradual integration of the developing countries into the world economy
- C. the campaign against poverty in developing countries

The Treaty also indicates that the EC's development policy should contribute to the general objective of developing and consolidating democracy and the rule of law, and encouraging respect for human rights and fundamental freedoms.

The first phase of BOMCA (April-August 2003) undertook an initial assessment of border guard capacities in Central Asia. The second phase of BOMCA (July-December 2003) launched the first phase of training for border guard officers. The project developed training modules, identified border management contact points, implemented train-the-trainer sessions in Vienna and a regional training in modern border management in Central Asia. The third phase of BOMCA was implemented from December 2003 to July 2004. This phase permitted to assess the current situation in the envisaged sector of intervention and to establish the implementing capacity BOMCA Phases 4 and 5 represent the major roll-out of activities foreseen in the assessment phases (1-3): assistance to legal and institutional reform, strengthening of national training capacities and infrastructure, equipment and training provision at pilot sites – airports, seaports and land borders

On going BOMCA Phase 6 and future BOMCA Phase 7 – to be launched in 2008.

### The BOMCA Programme Strategy

"Integrated Border Management", in the context of BOMCA, is meant to include:

- Intra-agency, Inter-agency and international cooperation to provide effective Security and efficient processing of people and goods throughout Central Asia;
- Surveillance and Control of the "Green Border";
- A limited number of adequately equipped international Border Crossing Points at strategic locations, where the responsibilities of the staff of Border Guards, Customs and other agencies involved in border management, are clearly defined and understood, and executed professionally and efficiently;
- Cooperation with counterparts across the borders is encouraged at the highest levels of government and practiced at the lowest levels;

Where the above conditions apply:

- joint cross border control procedures will be speeded up and customs revenues increased;
- illicit trafficking will be reduced;
- staffing levels and associated costs will reduced;
- Opportunities for corruption will be reduced.

The Activities in the different phases included: Policy Advice, Legal & Institutional Reform: BOMCA has established inter-Ministerial Commissions and Inter-Agency Working Groups in each country to familiarize decision-makers with options for IBM

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implementation and to initiate the necessary legislative and regulatory reforms necessary to institutionalize the IBM framework; Strengthening National Training Capacities: BOMCA is renovating and equipping Training Centers for Border Agencies in all five countries of Central Asia, introducing IBM components to national training curricula, and establishing national training capacities through “training-of-trainers” approach that utilizes the best of European expertise; Pilot Site Trials in Integrated Border Management: BOMCA is providing infrastructure, equipment and “on-the-job” training in key skills to Border Agency staff at selected airports, seaports and stretches of green border in Central Asia, with a view to national governments running trials of IBM in these pilot sites under future phases of the Programme

In Kazakhstan, assistance has been concentrated on training with only limited provision of equipment and infrastructure. The concept of integrated border management (IBM) is being introduced as a component of this spectrum of assistance which has included:

- Renovation, provision of equipment and training of instructors at the Border Guard Training Centre in Almaty. This centre is now being used to train instructors from other Central Asian states in the concepts of integrated border management and skills training necessary for efficient operation of border crossing points (BCPs).
- A variety of equipment including drug detecting kits, IT and equipment for BCPs at Sary-Agash and Taraz has been provided together with a vehicle, air conditioners, and IT equipment for Chymkent airport
- Mains electricity was provided to the BCPs in Sary-Agash pilot region in order that an existing passport information exchange system could be used.
- The Kazakh National Dog Training Centre in Karaoy near Almaty has provided and trained drug and explosive detecting dogs and trained their handlers from all five Central Asian countries under the BOMCA/CADAP programmes. Breeding dogs, equipment and some renovation works have been provided to the centre. Transportation and site kennels have also been provided for use at the Taraz Border Detachment and for the Sary-Agash Dog centre located at the BCP

#### Case study:

The FIU of a European country (Country Z) were made aware of suspicious transactions on a bank account, over which Mr. A held power of attorney. The account was held for a non-profit organization established in country Z and was receiving large amounts of cash.

Mr. A was vague in his explanation as to the source of funds and intimated that it was from donations. As Mr. A did not go to the branch office where the account was held, the bank refused to accept the deposits and advised Mr. A to attend the branch office where the non-profit organization's account was held, however he failed to do so. The FIU analyzed the account and found that the debit transactions included a cheque that had been made out to a notary for the purchase of real estate.

This cheque was covered by the alleged donations and a transfer by order of Mr. A. The analysis of Mr. A's personal account revealed multiple cash deposits that corresponded to donations from private individuals. The debit transactions consisted of transfers to the non-profit organization and international transfers to Mr. B.

Mr. A was connected to individuals who were thought to be linked to terrorist activities, including Mr. B. It was revealed that Mr. A used the non-profit organization to raise funds and filtered these through his personal account, whilst siphoning some of them to Mr. B, where they were possibly intended for terrorism financing.

#### Indicators

- Frequent cash deposits.
- Abuse of non-profit organizations.
- Purchase of valuable assets.

## FATF

**The Financial Action Task Force (FATF) is an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing.**

**The FATF has established the International Co-operation Review Group (ICRG). The ICRG's main objective is to review and consider issues related to international cooperation in the fight against money laundering and the financing of terrorism and to recommend to the Plenary any necessary action or measures in this respect.**

**During the last FATF Plenary in February 2008 in Paris, cooperation with some countries have been under discussion and led to the issuance of the following public statements concerning some of these countries:**

#### UZBEKISTAN

The FATF is particularly concerned that a series of presidential decrees in Uzbekistan has effectively repealed the anti-money laundering/combating the financing of terrorism (AML/CFT) regime in that country and generates money laundering/financing of terrorism (ML/FT) vulnerability in the international financial system. The FATF calls upon Uzbekistan to restore its AML/CFT regime and to work with the Eurasian Group to establish an AML/CFT regime that meets international standards. The FATF

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calls on its members and urges all jurisdictions to advise their financial institutions to take the risk arising from the deficiencies in Uzbekistan's AML/CFT regime into account for enhanced due diligence.

#### IRAN

Since its October 2007 Plenary meeting, the FATF has engaged with Iran and welcomes the commitment made by Iran to improve its AML/CFT regime. Consistent with its Statement on Iran, dated 11 October 2007, the FATF confirms its call to its members and urges all jurisdictions to advise their financial institutions to take the risk arising from the deficiencies in Iran's AML/CFT regime into account for enhanced due diligence. Iran is encouraged to continue its engagement with the FATF and the international community to address, on an urgent basis, its AML/CFT deficiencies.

#### PAKISTAN

The FATF notes Pakistan's recent progress in adopting AML legislation. However, financial institutions should be aware that the remaining deficiencies in Pakistan's AML/CFT system constitute ML/FT vulnerability in the international financial system. Pakistan is urged to continue its efforts to improve its AML/CFT laws to come into closer compliance with international AML/CFT standards and to work closely with the Asia Pacific Group to achieve this.

#### TURKMENISTAN

The FATF is concerned with deficiencies in the AML/CFT regime of Turkmenistan. The FATF welcomes the recent steps this jurisdiction has taken to address these concerns and calls upon Turkmenistan to continue to engage with the international community on these issues.

#### SÃO TOMÉ AND PRÍNCIPE

The FATF is concerned with deficiencies in the AML/CFT regime of São Tomé & Príncipe. The FATF welcomes the recent steps this jurisdiction has taken to address these concerns and calls upon São Tomé & Príncipe to continue to engage with the international community on these issues

#### TRANSACTIONS WITH FINANCIAL INSTITUTIONS OPERATING IN THE NORTHERN PART OF CYPRUS

The FATF welcomes the recent progress in policies and practices to combat money laundering and terrorist financing in the northern part of Cyprus. However, given the existing deficiencies, the FATF calls on its members and urges all jurisdictions to advise their financial institutions to pay special attention to the ML/FT risks in transactions with financial institutions operating in the northern part of Cyprus. The FATF encourages further progress to address the deficiencies.

For more info, please visit <http://www.fatf-gafi.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.imolin.org/pdf/imolin/MLawRussia_n_IMoLIN.pdf">http://www.imolin.org/pdf/imolin/MLawRussia_n_IMoLIN.pdf</a>	UNODC Model Law in Russian
<a href="http://www.fatf-gafi.org/dataoecd/43/46/38960576.pdf">http://www.fatf-gafi.org/dataoecd/43/46/38960576.pdf</a>	The Guidance on the Risk-Based Approach to combating Money Laundering and Terrorist Financing adopted by the FATF. It outlines the high-level principles involved in applying the risk-based approach, and indicates good public and private sector practice in the design and implementation of an effective risk-based approach.
<a href="http://www.fatf-gafi.org/dataoecd/61/28/40248726.pdf">http://www.fatf-gafi.org/dataoecd/61/28/40248726.pdf</a>	Guidance on Capacity Building for Mutual Evaluations and Implementation of the FATF Standards Within Low Capacity Countries - is primarily intended to support low capacity countries (LCCs) in implementing the FATF standards in a manner reflecting their national institutional systems, is consistent with the ML/FT risks they face, and takes account of their limited resources

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<a href="http://www.fatf-gafi.org/dataoecd/28/43/40285899.pdf">http://www.fatf-gafi.org/dataoecd/28/43/40285899.pdf</a>	<p>The study identifies four strategies which could help in further strengthening counter-terrorist financing efforts: (a) Action to address jurisdictional issues, including safe havens and failed states; (b) Outreach to the private sector to ensure access to the information necessary to detect terrorist financing; (c) Building a better understanding of terrorist financing across the public and private sectors; and (d) Using financial investigation, enhanced by financial intelligence.</p>
<a href="http://www.eurasiangroup.org/rus/index-5.htm">http://www.eurasiangroup.org/rus/index-5.htm</a>	<p>Russian version of 40 FATF Recommendations [AML]  Russian version of 9 FATF Special Recommendations [CFT] with Interpretive Notes</p>

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