



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

Issue 28 - June 2008
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CALENDAR

<p>1 Regional Workshop on Money Laundering and Financing of Terrorism for Judges in Central and Eastern Europe</p> <p>Date: July 3-4, 2008 Organizer: OSCE jointly UNODC/GPML Location: Vienna, Austria Contact information: Julia Pilgrim, Julia.PILGRIM@unodc.org and Elke Lidarik, elke.lidarik@osce.org</p>	<p>6 AML/CFT training for 20 Kazakhstani officials with TADOC in Ankara, Turkey [national]</p> <p>Date: July, 2008 Organizer: US Embassy in conjunction with TADOC Location: Ankara, Turkey Contact information: Anthony Beaver, BeaverAT@state.gov Dinara Berdigulova, BerdigulovaD@state.gov</p>
<p>2 MONEYVAL Plenary [regional: draft evaluation reports of Romania, Russia, Israel, Macedonia]</p> <p>Date: July 7-11, 2008 Organizer: MONEYVAL Location: Strasbourg, France Contact information: Danielida Weber dq1.moneyval@coe.int</p>	<p>7 EAG Mutual Evaluators Training [regional]</p> <p>Date: September, 2008 Organizer: EAG Location: Moscow, Russia Contact information: info@euroasiangroup.org</p>
<p>3 Seizing, confiscating and sharing/returning of proceeds / instrumentalities of crime transferred to foreign jurisdictions [regional]</p> <p>Date: July 9-11, 2008 Organizer: UNODC jointly with OSCE Location: Almaty, Kazakhstan Contact information: Nodirjon Ibragimov nodirjon.ibragimov@unodc.org Madina Ibrasheva madina.ibrasheva@osce.org</p>	<p>8 EAG Typologies Workshop [regional]</p> <p>Date: September 23-27, 2008 Organizer: EAG Location: TBD Contact information: info@euroasiangroup.org</p>
<p>4 8th EAG Plenary [regional: draft evaluation reports of Tajikistan and Russian Federation]</p> <p>Date: July 15-18, 2008 Organizer: EAG Location: Issyk-kul, Kyrgyzstan Contact information: info@euroasiangroup.org</p>	<p>9 9th EAG plenary [regional: draft evaluation report of Belarus]</p> <p>Date: December 6-19, 2008 Organizer: EAG Location: TBD Contact information: info@euroasiangroup.org</p>
<p>5 Workshop on Cooperation between Financial Intelligence Units (FIUs) [regional]</p> <p>Date: July 30-31, 2008 Organizer: The OSCE Centre in Bishkek, IMF and FIS Location: Issyk-Kul, Kyrgyzstan Contact information: Kuban Ashyrkulov, kuban.ashyrkulov@osce.org</p>	<p>10 International seminar on Combating the Financing of Terrorism [regional]</p> <p>Date: October 1-3, 2008 Organizer: Basel Institute on Governance Location: Davos, Switzerland Contact information: Daniel Thelesklaf, thelesklaf@financial-integrity-network.com</p>

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 Group Membership in 2007; sponsors are the USA and Malaysia.

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

Afghanistan is a member of the Asia Pacific Group (APG).

BELARUS



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

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 on 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 EAG Evaluation/Legal Working Group.

KAZAKHSTAN



The draft AML/CFT law is in the

Parliament and its consideration for adoption is postponed to autumn 2008. A decision to establish an FIU within the Ministry of Finance has been taken by the Government on 24 April 2008. Kazakhstan is scheduled to undergo an EAG Mutual Evaluation in 2nd 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 1st round Mutual Evaluation Report of Kyrgyzstan was adopted at the EAG Plenary in June 2007. It is available in EAG website. Progress report was presented during the 7th EAG Plenary meeting in China, 11-14 December 2007.

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

RUSSIAN FEDERATION



Joint AML/CFT Mutual Evaluation of Russian Federation was conducted by FATF, Moneyval and EAG in 2007. Draft Mutual Evaluation Report was adopted by FATF Plenary in June 2008, and will be discussed during the Moneyval and EAG Plenary in July 2008.

Russian Federation is a member of FATF, Moneyval and EAG, Chairs EAG, has a 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 draft Mutual Evaluation Report of Tajikistan shall be discussed at the EAG Plenary in July 2008.

Tajikistan is a member of EAG.

TURKMENISTAN



Draft AML/CFT law is being considered by the Parliament of Turkmenistan.

Turkmenistan became an observer member of EAG in December 2007.

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 from 1 April 2008 to 1 April 2009.

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

Euro-Asian Group (EAG)

Schedule of EAG member-states' AML/CFT Mutual Evaluations:

Country	Evaluators	On-Site Evaluation	Plenary Discussion	Evaluation reports
CHINA	FATF, EAG	Completed 2006	Adopted: FATF (June 2007) EAG (Dec 2007)	English: http://www.fatf-gafi.org/dataoecd/24/45/39148209.pdf Russian: http://www.eurasiangroup.org/rus/china.htm
BELARUS	EAG	July 27 – Aug 3, 2008	December 2008	English and Russian: <i>2005 Evaluation Report IMF</i> : http://www.eurasiangroup.org/index-7.htm

We welcome contributed articles of up to one page in length!

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KAZAKHSTAN	EAG	2 nd Quarter 2009	November 2009	-
KYRGYZSTAN	EAG	Completed Feb 2007	Adopted June 2007	English and Russian: http://www.eurasiangroup.org/kvrgyz.htm
RUSSIA	EAG, FATF, MONEYVAL	Sept 24 – Oct 2, Nov 12-23, 2007	Adopted: FATF (June 2008) To be discussed: Moneyval (July 2008) EAG (July 2008)	Summary of Mutual evaluation report for Russian Federation in English: http://www.fatf-gafi.org/dataoecd/51/27/40945440.pdf
TAJIKISTAN	World Bank, EAG	Completed June 2007	EAG (July 2008)	-
UZBEKISTAN	EAG	Fourth Quarter 2008	EAG (June 2009)	-

Technical Assistance Update and Regional news

- ⇒ On 25-27 June 2008 upon request of the Training Centre under the Council of Justice of the Republic of Tajikistan a **National workshop on Legal Co-operation in Criminal Matters Related to Terrorism** was conducted in Dushanbe, Republic of Tajikistan. About 40 prosecutors, judges and defense attorneys participated in the workshop. The workshop was aimed to familiarize criminal law practitioners with different aspects of mutual legal assistance and extradition under the counter terrorism global instruments, European Union practice of legal co-operation in criminal matters related to terrorism and technical assistance tools developed by UNODC. In addition to the above, case studies session was also organized for participants to demonstrate practical application of that global instruments. The workshop was conducted by experts invited by the UNODC.
- ⇒ On 28 May 2008 the **OECD's 7th General Meeting of Anti-Corruption Network in Eastern Europe and Central Asia [ACN] took place in Tbilisi, Georgia**. The meeting was hosted by the Government of Georgia, and was organized by the ACN Secretariat with the support of the OECD and in co-operation with the OSCE, American Bar Association Rule of Law Initiative, and the USAID. The meeting reviewed the progress achieved by its members in fighting corruption and provided a forum for the ACN members to exchange experiences and good practices on the key priority areas of fighting corruption in the region. The agenda covered the following issues: (1) International anti-corruption conventions and monitoring mechanisms: priorities for the ACN region; (2) Role of business in preventing and fighting corruption; (3) Investigation and prosecution of complex and high level corruption cases; (4) Prevention of corruption: management of conflict of interest and asset declarations for public officials; (5) Ways to mobilize societal support to anti-corruption political agenda. Participants from the following 27 countries and international organizations took part in the event: Georgia, Ukraine, Russian Federation, Tajikistan, Kyrgyzstan, Kazakhstan, Uzbekistan, Moldavia, Albania, Azerbaijan, Armenia, Germany, France, USA, Slovenia, UK, Switzerland, Bulgaria, FYROM, Croatia, Serbia, Kosovo, Lithuania, Latvia, Estonia, Romania, Bosnia and Herzegovina, OECD, OSCE, UNODC, Council of Europe, European Commission, American Bar Association, USAID, Transparency International, International Chamber of Commerce and WB. During this meeting the UNODC/WB AML/CFT Mentor for Central Asia presented the results of the WB survey on the use of the AML tools for anti-corruption purposes.
- ⇒ **A workshop on typologies of ML and FT** was organized by IMF for countries of Central Asia, Eastern Europe and the Balkans on June 16-20, 2008 in Siracusa, Italy. The workshop was funded by the Japanese government and was undertaken in collaboration with the Egmont Group and the International Institute for Higher Studies in Criminal Sciences (ISISC). The workshop was attended by financial intelligence unit (FIU) officials, criminal justice officials (prosecution authorities), and other officials involved in implementing the AML/CFT legislation from Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Georgia, Kazakhstan, Kyrgyz Republic, Kosovo, Macedonia, Moldova, Montenegro, Romania, Tajikistan, Ukraine, and Uzbekistan. The workshop, which was deemed very successful by the participating countries, covered practical issues related to the detection and analysis of typologies of ML (in particular to the phenomenon of trade-based ML) and FT and investigation of ML and FT cases.

FATF update

FATF plenary meeting was held on June 18-20, 2008 in London, UK. During this meeting the FATF took the following decisions:

- **Reaffirmed public statement** of 28 February 2008 regarding the anti-money laundering and countering the financing of terrorism risks posed by **Uzbekistan, Iran, Pakistan, Turkmenistan and São Tomé and Príncipe, and the northern part of Cyprus**.
- Issued a set of **best practices to combat trade-based money laundering**. The objective of this best practices paper is to improve the ability of competent authorities to collect and effectively utilize trade data, both domestically and internationally, for the purpose of detecting in a risk-based manner, and investigating money laundering and terrorist

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financing through the trade system. The FATF will continue to explore vulnerabilities in the trade system, including those related to trade finance, with a view to identifying other measures that could be considered in combating illicit use of the trade system. *The paper will soon be published on the FATF website, www.fatf-gafi.org.*

- Published a new **comprehensive study on Proliferation Financing**. The Proliferation Financing report will identify and analyze the existing threat of proliferation financing and existing measures used to counter this threat along with potential vulnerabilities in counter proliferation regimes. It will also outline a series of options that could be considered by the FATF, and by countries, to strengthen safeguards against proliferation financing within the framework of existing United Nations Security Council Resolution 1540 of 2004. Consultation with the private sector has been highly valuable in preparing this report. The FATF will continue its productive dialogue with the private sector on the issue of proliferation finance and invites further private sector views for consideration in the context of the FATF's future work on this issue.
- Adopted a **report on Money Laundering and Terrorist Financing Vulnerabilities of Commercial Websites and Internet Payment Systems**. It will focus on the type of electronic commerce identified as the most vulnerable to money laundering and terrorist financing (ML/TF): mediated customer-to-customer. The report will also provide a number of case studies illustrating how mediated customer-to-customer systems can be exploited for ML/TF purposes. *Both reports (ML/TF Vulnerabilities of commercial Websites and Internet Payment Systems and the report on Proliferation Financing) will soon be published on the FATF website, www.fatf-gafi.org.*
- The FATF has also agreed to launch studies on ML and TF risks in the securities sector; and ML through sporting clubs.
- Adopted a report on **Money Laundering and Terrorist Financing Risk Assessment Strategies**. Drawing upon current examples of national threat assessments, the report sets out key factors to be considered, including sources of data and type of assessment (risk, threat or vulnerability), measurement of law enforcement or regulatory effectiveness, and examples of national assessments of money laundering and terrorist financing. The report aims to increase the number of countries undertaking national assessments to enhance knowledge at both international and national levels. This will contribute to a greater synergy between national approaches in order to facilitate the development of a global analysis of emerging threats.
- Adopted **new Guidance for businesses and professions on the risk-based approach to combating money laundering and terrorist financing**. The FATF and representatives of non-financial businesses and professions have been working closely together to develop guidance on implementing a risk-based approach to combating money laundering and terrorist financing. The FATF has finalized four guidance papers, for (i) accountants; (ii) dealers in precious metals and precious stones; (iii) real estate brokers; and (iv) trust and company service providers. These guidance papers:
 - a) Support the development of a common understanding of what the risk-based approach involves;
 - b) Outline the high-level principles involved in applying the risk-based approach; and
 - c) Indicate good practice in the design and implementation of an effective risk-based approach.The guidance will assist both public authorities and these four sectors to apply a risk-based approach to combating money laundering and terrorist financing. *These guidance papers will soon be published on the FATF website, www.fatf-gafi.org.*
- The FATF discussed and adopted **four AML/CFT mutual evaluation reports**. These reports relate to the mutual evaluations of two FATF members - Hong Kong - China¹ and the Russian Federation², and two members of the Gulf Co-operation Council³ – Qatar and the United Arab Emirates. *Summaries of these assessments will soon be on the FATF website and the full reports will be released in the coming weeks.*

EGMONT Group AML/CFT Case study:

An FIU received a request from the Ministry of Finance. It appeared that some public officials had been involved in fraudulent activities. The fraud involved approximately US\$2,000,000, which had originally been intended for state pension payments. The FIU, in co-ordination with the judicial police, immediately initiated a financial investigation, which eventually encompassed more than 40

¹ As Hong Kong, China is also a member of the APG, this is a joint FATF/APG evaluation. The report will also be discussed in the near future at the APG Annual Meeting.

² As the Russian Federation is also a member of Moneyval and the EAG, this is a joint evaluation with both of those regional bodies. The report will also be discussed in the near future at Moneyval and EAG Plenary meetings.

³ The Gulf Co-operation Council (GCC) is in the unique position of being a member of the FATF but with non-FATF countries as its members. All of the members of the GCC have committed to implement the FATF standards and to undergo evaluations of their AML/CFT systems. As all of its members are also members of the regional style body in the Middle East and North Africa (MENAFATF), evaluations of GCC members are considered by both the MENAFATF and the FATF.

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individuals and companies. The FIU analyzed relevant financial records to identify the location and movements of the funds involved. Visits to a range of banks (who provided information in record time) revealed that the US\$2,000,000 had been siphoned off into a number of private accounts. The individuals had used fraudulent documentation to legalize the fund transfers, as well as using false identity documents to open a number of accounts to move the funds through.

The money was all laundered through large financial institutions and legitimized through the use of both real and shell companies. The swift exchange and co-ordination between the FIU and the police and the willingness of the banks to co-operate and submit information enabled a quick conclusion of the investigation.

The FIU's case report enabled the prosecutor's office to issue arrest warrants for the individuals involved - including several high level public officials. At time of writing, prosecutions against a number of individuals were being prepared.

www.egmontgroup.org

UN news

SECURITY COUNCIL EXTENDS MANDATE OF AL-QAIDA SANCTIONS MONITORING GROUP

30 June 2008 – The Security Council today **extended** by 18 months the mandate of the monitoring team set up in 2004 to help track the application of the world body's sanctions against the Taliban, Al-Qaida and their operatives.

The Analytical Support and Sanctions Implementation Monitoring Team, based in New York, reports periodically to the Council.

In a resolution, adopted unanimously, the 15-member body reaffirmed that "terrorism in all its forms and manifestations constitutes one of the most serious threats to peace and security and that any acts of terrorism are criminal and unjustifiable regardless of their motivations."

Tackling the scourge requires the cooperation of all States and international and regional organizations, the Council stressed.

It called on Member States to "continue their efforts to act vigorously and decisively to cut the flow of funds and other financial assets and economic resources to Al-Qaida, Usama bin Laden and the Taliban and other individuals, group, undertakings and entities associated with them."

The resolution also directed the Council committee concerning Al-Qaida and Taliban sanctions to review by 30 June 2010 the names of individuals and entities that it agrees are members of or associated with Al-Qaida, Usama Bin Laden and the Taliban on the so-called Consolidated List.

<http://www.un.org/apps/news/>

Publications and Websites of Interest

http://www.unodc.org	Official website of the UNODC. (In English, Russian, Spanish)
http://www.amlcft.org	World Bank's AML/CFT website. (In English)
http://www.imolin.org	International Money Laundering Information Network administered by UNODC Global Program against Money Laundering (GPML) on behalf of a partnership of eleven international organizations and offering model laws, legal library, calendar of key events and other AML/CFT related information. (In English, with some Russian)
http://www.euroasiangroup.org	The EurAsian Group is the FATF-Style Regional Body serving Central Asia. (In English and Russian)
http://www.imolin.org/pdf/imolin/MLawRussian_IMoLIN.pdf	UNODC Model Law in Russian
http://www.fatf-gafi.org/dataoecd/43/46/38960576.pdf	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.
http://www.fatf-	Guidance on Capacity Building for Mutual Evaluations and

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gafi.org/dataoecd/61/28/40248726.pdf	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
http://www.fatf-gafi.org/dataoecd/28/43/40285899.pdf	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.
http://www.eurasiangroup.org/rus/index-5.htm	Russian version of 40 FATF Recommendations [AML] Russian version of 9 FATF Special Recommendations [CFT] with Interpretive Notes
http://www.fatf-gafi.org/dataoecd/45/31/40705101.pdf	FATF's first in-depth study, which examines its vulnerabilities to misuse for money laundering and terrorist financing in real estate sector.
http://www.unodc.org/documents/wdr/WDR_2008/WDR_2008_eng_web.pdf	<i>The World Drug Report 2008</i> provides in depth trend analysis of the four main drug markets in its first section. It also contains an in-depth look at the development of the international drug control system and a small statistical annex which provides a detailed look at production, prices and consumption.
www.assetrecovery.org	Asset Recovery Knowledge Center of the International Centre for Asset Recovery (ICAR)

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