



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

Issue 32 - November 2008
Available online at <http://www.imolin.org>

CALENDAR

<p>1 EAG Technical Assistance Needs Assessment (TANA) Mission to Kazakhstan [regional] Date: November 27-28, 2008 Organizer: EAG Location: Astana, Kazakhstan Contact information: info@euroasiangroup.org</p>	<p>7 Anti-Corruption Action Plan (Istanbul Action Plan) evaluators training [regional] Date: December 15-17, 2008 Organizer: The Basel Institute on Governance/OECD Location: Basel, Switzerland Contact information: Daniel Thelesklaf, daniel.thelesklaf@baselgovernance.org</p>
<p>2 Seminar and Consultations on "Know Your Customer" [national] Date: December 1-5, 2008 Organizer: Financial Services Volunteer Corps (FSVC) Location: Moscow, Russian Federation Contact information: Tim O'Brien, tobrien@fsvc.org</p>	<p>8 6th Policy Consultative Group Meeting [international] Date: December 15-16, 2008 Organizer: UNODC/GPML Location: Vienna, Austria Contact information: Antonino De Leo, antonino.deleo@unodc.org</p>
<p>3 Workshop for the Central Bank of Turkmenistan "The experience of FIUs established and operating in Central Banks"[national] Date: December 2, 2008 Organizer: IMF Location: Ashgabat, Turkmenistan Contact information: Giuseppe Lombardo glombardo@imf.org</p>	<p>9 Best practices in establishing an FIU and the Egmont Group accession process" [international] Date: December 15-19, 2008 Organizer: IMF/Egmont Group/Joint Vienna Institute Location: Viena, Austria Contact information: Giuseppe Lombardo glombardo@imf.org</p>
<p>4 Commercial Bank AML Compliance Study Tour [national] Date: December 3-12, 2008 Organizer: Financial Services Volunteer Corps (FSVC) Location: New York and Washington D.C., Cherlotte (TBD) Contact information: Tim O'Brien, tobrien@fsvc.org</p>	
<p>5 9th EAG plenary [regional: draft mutual evaluation reports on Belarus and Tajikistan] Date: December 15-19, 2008 Organizer: EAG Location: Moscow, Russian Federation Contact information: info@euroasiangroup.org</p>	
<p>6 28th Moneyval plenary [regional] Date: 8-12 December, 2008 Organizer: MONEYVAL Location: Strasbourg, France</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 2009. Afghanistan is a member of the Asia Pacific Group (APG) and observer to the EAG.

BELARUS



Belarus became a full member of the Egmont Group in 2007. The on-site visit of the Belarus mutual evaluation took place at the end of July 2008. The mutual evaluation report should be discussed by the EAG in December 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 Progress report was adopted by FATF and EAG in July 2008. A follow up report should be discussed by the EAG in December 2008. 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 adoption is expected by the end of December 2008. A decision to establish the Financial Monitoring Committee (FIU) within the Ministry of Finance was taken by the Government on 24 April 2008. The head of the Financial Monitoring Committee was appointed in September 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



EAG 1st round Mutual Evaluation Report of Kyrgyzstan was adopted at the EAG Plenary in June 2007. It is available in the EAG website. Progress reports were presented during the 7th EAG Plenary meeting in 2007 and 8th EAG Plenary in July 2008. A follow up report should be discussed by the EAG in December 2008. Eleven amendments to the ML/FT legislation were accepted by the Parliament in 2008 (this includes criminalization of terrorism financing). The Kyrgyz FIU has commenced its application process for membership in Egmont, sponsored by the Russian Federation and Ukraine. 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. Joint Evaluation Report was adopted by FATF/Moneyval/EAG in June and July 2008. Russian Federation is a member of FATF, Moneyval and EAG; chairs the 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. A discussion on the draft Mutual Evaluation Report of Tajikistan is scheduled to take place during the 9th EAG Plenary meeting in December 2008. Tajikistan is a member of EAG.

TURKMENISTAN



Draft AML/CFT law is being considered by the Parliament of Turkmenistan. On 20 June 2008 and 16 October 2008 the FATF reaffirmed its statement of 28 February 2008 regarding the anti-money laundering and countering the financing of terrorism risks posed by 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. On 20 June and 16 October 2008, the FATF reaffirmed its statement of 28 February 2008 regarding the AML/CFT risks posed by Uzbekistan. A high-level mission was conducted by EAG in October 2008 and a joint EAG/FATF mission took place in Uzbekistan in November 2008. Uzbekistan is a member of EAG, and will undergo an AML/CFT Evaluation by EAG in 2009.

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
KAZAKHSTAN	EAG	2 nd Quarter 2009	November 2009	-
KYRGYZSTAN	EAG	Completed Feb 2007	Adopted June 2007	English and Russian: http://www.eurasiangroup.org/kyrgyz.htm
RUSSIA	EAG, FATF, MONEYVAL	Sept 24 – Oct 2, Nov 12-23, 2007	Adopted: FATF (June 2008) 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
TAJKISTAN	World Bank	Completed June 2007	EAG (December 2008)	-
UZBEKISTAN	EAG	2009	EAG (June 2009)	-

<http://www.eurasiangroup.org>

Technical Assistance Update & Regional news

- ⇒ On November 10-15, 2008 **EAG** has accomplished a **Technical Assistance Mission** on completion of Unified Information System for the Kyrgyz FIU. EAG IT experts helped in completion of analytical components, adjusting the tools for unregulated reports as well as tools for visual analysis of data.
- ⇒ On November 18, 2008 twenty representatives of the Border Service, Ministry of Interior, Customs Committee and dog handlers from the Military Institute discussed issues related to **counter narcotics** at airports during a **seminar** funded by the French Embassy in Kazakhstan and co-funded by the European Union's Border Management and Drug Action in Central Asia Programmes (BOMCA-CADAP).

The course was designed to improve operational and analytical activities on combating drug smuggling at airports. The agenda of the seminar included presentations on implementation of Drug Profiling Units at airports and railway stations in Central Asia, use of dogs in counter narcotics operations, and a visit to the Almaty Airport.

At the seminar, the counter narcotic situation in France was presented by the police officer of the Anti Narcotic Squad of Paris. Special attention was given to case studies on counter narcotics activities, results and seizures at airports and railway stations in Central Asia and Europe.
- ⇒ On November 17-21, 2008 **UNODC-GPML Mentor's meeting** took place in Vienna, Austria. During the meeting future plans/activities were discussed. UNODC/GPML members have also met with the Liechtenstein Ambassador. It is now confirmed that Liechtenstein will finance the next phase of the Kyrgyz FIU capacity building project for the next year.
- ⇒ **A new AML/CFT law was adopted** (replacing the older one) by the **Republic of Armenia** on May 26, 2008, which was enacted on August 31, 2008. The Law was drafted by the working group consisted of international experts and experts of various state agencies. The new law was elaborated in conformity with FATF 40+9 recommendations. The main characteristics of the new AML/CFT Law are the following:
 - The framework of reporting entities was enlarged, including independent legal professionals, accountants, company service providers and other types of DNFBP-s covered by the FATF recommendations;
 - Measures of customer identification and due diligence, including measures of enhanced due diligence, conditioned by a risk-based approach were developed;
 - The authorities and functions of the FIU and other stakeholder institutions, as well as cooperation mechanisms among them were clarified;

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

To submit information for inclusion to the newsletter or to be added to or removed from the distribution list, please, contact Ms. Aigerim Yesetova at aigerim.yesetova@unodc.org

- Sanctions for violations of the AML/CFT requirements were amended, as well as the liability of legal persons for ML/TF was established.

Currently, the Armenian authorities are making all the necessary commitments for the third round evaluation of Armenia's AML/CFT framework. The country will be evaluated by the experts of IMF and the evaluation report will be later considered at the MONEYVAL Plenary. The on-site visit of evaluators is scheduled in February, 2009.

- ⇒ On November 17-19, 2008 the World Bank's Communication for Governance and Accountability Program (CommGAP) jointly with the United Nations Office on Drugs and Crime (UNODC) organized a **learning event** "Using Communication Approaches and Techniques to Support Anti-Corruption Efforts" in UN Headquarters, Vienna, Austria. The event brought together officers of anti-corruption commissions who have decision-making authority over their agencies' communication-related activities as well as applied scholars in communication, policy studies, and the allied social sciences to discuss and debate the role of communication approaches and techniques in bolstering anti-corruption efforts.

During the three-day learning event, participants engaged in nine in-depth discussions on topics that assist anti-corruption experts and senior decision-makers deepen their understanding of the contributions effective communication approaches and techniques make to anti-corruption initiatives.

UNODC update

- ⇒ With the UNODC acting as the guardian of the UN Convention against Corruption (UNCAC) and INTERPOL serving as the world's only global international police organization, it has been decided to establish the **INTERPOL-UNODC Anti-Corruption Academy**. The Academy, to be located in Laxenburg, near Vienna, will open in autumn 2009. The Austrian Government will provide state-of-the-art infrastructure for the Academy.

The Academy takes a holistic approach to fighting corruption by combining the following activities:

- Undertaking academic research/training: Internationally recognized scholars and experts will provide law enforcement officials, government representatives and other students with cutting-edge and innovative anti-corruption education, training, investigative assistance and research. The Academy's research programmes will cover the nature, causes and effects of corruption and their results will be used to develop prevention strategies and anti-corruption measures.
- Contributing to international initiatives: The Academy will help implement international agreements, such as the UN Convention against Corruption, which includes measures related to prevention, criminalization and law enforcement, international cooperation, and asset recovery. It will also facilitate international partnerships and information-sharing networks and provide investigative guidance specific to individual countries.

Initially training senior officers, whose knowledge will have a trickle-down effect in their countries, the Academy will increasingly target candidates from developing countries, eventually offering them scholarships in modern investigative techniques.

- ⇒ 24 November 2008 - UNODC has recently launched the **website to support the 2008 international campaign against corruption**. The international campaign sets out to increase awareness of corruption and its negative impact on individuals and society, as well as to promote the UN Convention against Corruption. Visitors to the website can learn more about the campaign and order promotional material. UNODC has produced web banners, brochures, logos and posters in different languages.

Those individuals and institutions interested in joining the campaign can do so by organizing activities to commemorate the International Anti-Corruption Day (9 December), publishing the campaign banner on personal or institutional websites, and by creating a link to www.unodc.org/yournocounts. UNODC invites partners to send information on local events and campaigns through the contact form on the '[Your No Counts](http://www.unodc.org/yournocounts)' website.

EU-Kazakhstan cooperation on the fight against Money Laundering

On 16 October 2008 the 7th Sub-Committee on Justice and Home Affairs between the European Union and the Republic of Kazakhstan took place in Astana. The EU and Kazakhstan hold every year this event that has become a cornerstone in their relations aimed at strengthening cooperation in the judiciary field. The meeting represents an opportunity for an in-depth coordination and exchange on a number of issues including border management, illegal trafficking, good governance, rule of law, and money laundering.

The meeting was co-chaired by Mr. Merzadinov, Deputy Prosecutor General of the Republic of Kazakhstan and Mr. Jousten, Head of Delegation of the European Commission to the Republic of Kazakhstan. Experts from various institutions and departments as well as from EU Member States took active part in the meeting.

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

To submit information for inclusion to the newsletter or to be added to or removed from the distribution list, please, contact Ms. Aigerim Yesetova at aigerim.yesetova@unodc.org

The fight against money laundering was high in the agenda of the meeting. The EU considers the struggle against money laundering a key issue to combat terrorism, as underlined in the UN Resolution 1373 of September 2001 on terrorism. Preventing money laundering and terrorists financing is therefore a central element of EU international cooperation.

Kazakhstan is a fertile ground for money laundering activities for several reasons, including the good level of development of its banking sector and its geographic position as a transit country for various illegal trafficking, including drugs. In this context, the EU sees the lack of appropriate legislation to prevent and fight against money laundering as a key issue to handle. The EU expressed its readiness to provide its expertise to develop appropriate legislation and to further strengthen its cooperation with Kazakhstan in this field.

Consequently, the discussions on money laundering during the Sub-Committee focused on the development of a proper legislation. Kazakhstan gave relevant information on the current stage of its draft law on anti-money laundering and countering of terrorist financing stressing that the delay on the adoption of the Law is due to the ratification by the Parliament of two international treaties, namely the UN Convention against Corruption and the UN Convention on Transnational Organized Crime.

In the course of the meeting, the EU made several recommendations to Kazakhstan, notably to take into account the international standards, including the OSCE/ODIHR recommendations. The EU also underlined the importance of addressing the non-profit/charitable sector where the absence of transparency measures could make the sector vulnerable abuse, stressing however the need to avoid restricting freedom of association and undermine the NGO sector.

The EU welcomed the decision to put the Financial Intelligence Unit (FIU) under the responsibility of the Ministry of Finance instead of the General Prosecutor's Office and stressed its readiness to share with Kazakhstan its experience on further legislative development. Mutual understanding of the need to fight money laundering through a strong international cooperation was confirmed during the meeting. Cooperation between the EU and Kazakhstan in this field is thus destined to be further developed in the future.

*Provided by the Delegation of the European Commission in Kazakhstan
November 28, 2008*

Wolfsberg Group update

The Wolfsberg Group has recently issued an updated set of Frequently Asked Questions (FAQs) on Politically Exposed Persons ("PEPs").

Continued regulatory focus on the risks associated with PEPs contributed to the Wolfsberg Group's decision to update its original FAQs, issued in 2003. These revised FAQs reinforce the position that only individuals holding senior, prominent or important positions with substantial authority over policy, operations or the use or allocation of government-owned resources can be PEPs (and that "Close Associates" and "Close Family" of PEPs should be included in the control framework for PEPs). In addressing practical issues that commonly confront financial institutions the FAQs take account of the now widely accepted Risk Based Approach, including guidance on:

- Assessing whether an individual is a PEP
- Managing PEP relationships other than in a private banking context
- Dealing with PEP involvement in operating companies and state owned enterprises
- Managing individuals and related entities once the reason for their PEP designation is no longer applicable.

As with the Wolfsberg Group's more recent documents, the revised PEP FAQs were formulated giving due regard to standards issued by relevant bodies including the Financial Action Task Force.

The publication of these revised FAQs is part of an on-going commitment by the Wolfsberg Group to provide guidance that continues to be relevant, appropriate and designed to help financial institutions meet their on-going regulatory obligations. Members of the Wolfsberg Group are Banco Santander, Bank of Tokyo–Mitsubishi UFJ, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Société Générale and UBS.

www.wolfsberg-principles.com

Anti-Corruption Network (ACN)-OECD

Anti-Corruption Network (ACN) for Eastern Europe and Central Asia of the Organization for Economic Co-Operation and Development (OECD) has recently posted in their website the **following three documents**:

1. **Monitoring Report from the Istanbul Action Plan (IAP):** Following the ACN Steering Group decision to continue the monitoring process under the Istanbul Action Plan and with their guidance, the ACN Secretariat has developed a

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

To submit information for inclusion to the newsletter or to be added to or removed from the distribution list, please, contact Ms. Aigerim Yesetova at aigerim.yesetova@unodc.org

proposal to cover both the procedure and questionnaire for the second round of monitoring, as outlined in this report: "Procedure and Questionnaire for the Second Round of Monitoring":

English: <http://www.oecd.org/dataoecd/11/55/41603641.pdf>

Russian: <http://www.oecd.org/dataoecd/11/56/41603693.pdf>

2. **Summary Record of the Istanbul Action Plan (2003-2007):** This summary report is based on individual reviews and monitoring reports from the Istanbul Action Plan countries, which were prepared by a selection of national experts from the ACN countries and provides an assessment of progress in the period 2003-2007.

"Fighting Corruption in Eastern Europe and Central Asia - The Istanbul Anti-corruption Action Plan: PROGRESS AND CHALLENGES":

English: <http://www.oecd.org/dataoecd/11/13/41603461.pdf>

Russian: <http://www.oecd.org/dataoecd/11/15/41603502.pdf>

3. **Meeting Report from the ACN General Meeting held in Tbilisi, Georgia.** The 7th ACN General Meeting took place in Tbilisi, Georgia in June 2008. The report from this meeting provides the summaries of meeting sessions, along with the key meeting documents, available presentations and the list of participants.

"Anti-Corruption Network for Eastern Europe and Central Asia - 7th General Meeting: MEETING REPORT"

English: <http://www.oecd.org/dataoecd/60/47/41709086.pdf>

Présentations:

Annex 1-3: <http://www.oecd.org/dataoecd/60/46/41709203.pdf>;

Annex 4: <http://www.oecd.org/dataoecd/60/44/41709227.pdf>;

Annex 5: <http://www.oecd.org/dataoecd/60/43/41709268.pdf>;

Annex 6-9: <http://www.oecd.org/dataoecd/60/42/41709390.pdf>

For more information, please visit: http://www.oecd.org/pages/0,3417,en_36595778_36595861_1_1_1_1_1,00.html

EGMONT GROUP AML/CFT Case study – Effective use of intelligence exchanges

Marco, a well-established businessman, learned that various individuals in his country needed loans for a wide range of business ventures and investments. Since these individuals were all likely to seek loans from the same foreign bank in a Western European country, he planned to pretend to be a representative of this financial institution. Marco opened his own office and a number of clients came to arrange a loan, believing him to be the local representative of the foreign bank. As is usual business practice for some financial investment activities, Marco asked them to pay an advance reservation fee for the arranged loans and in all fees amounting to US\$820,000 were paid into his local bank accounts.

After receiving the fees, Marco closed his office and the clients, of course, did not receive any loans from the foreign bank. Some of the victims reported the crime to the police, which informed the national FIU. Investigations were carried out by the FIU in co-operation with police and authorities in the country where the legitimate financial institution was based. The FIU uncovered information about Marco demonstrating his business history, receipt of the advance fees from defrauded clients, and documenting the abrupt closure of the office, and were therefore able to obtain a court order freezing some US\$41,000 in Marco's account. Marco was arrested shortly thereafter and was charged with theft and laundering offences.

FIU action:

- Document business history
- Document timeline showing opening and closing of 'representative' office
- Identify client funds in accounts and obtain restraint order

«Egmont» group 100 Sanitized cases are available at:

http://www.egmontgroup.org/files/library_sanitized_cases/100casesgb.pdf

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

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

To submit information for inclusion to the newsletter or to be added to or removed from the distribution list, please, contact Ms. Aigerim Yesetova at aigerim.yesetova@unodc.org

	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-gafi.org/dataoecd/61/28/40248726.pdf	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
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)
www.egmontgroup.org	The Egmont Group of Financial Intelligence Groups

This publication contains recent news stories collected from print and other media. These materials are gathered from external sources, and therefore the accuracy and completeness cannot be guaranteed. Moreover, the presentation of material and the designations do not imply the expression of any opinion by the World Bank or United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or the delimitation of any frontiers or boundaries. As the World Bank or the United Nations do not always own the copyright to these materials, permission from the copyright owner must be sought for further use.

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

To submit information for inclusion to the newsletter or to be added to or removed from the distribution list, please, contact Ms. Aigerim Yesetova at aigerim.yesetova@unodc.org