



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

Issue 33 - December 2008
Available online at <http://www.imolin.org>

CALENDAR

1 FIU Workshop for the Committee for Financial Monitoring – CFM [national]

Date: January 20-22, 2009
Organizer: WB/UNODC/OSCE/Kazakh FIU
Location: Astana, Kazakhstan
Contact information: Klaudijo Stroligo, kstroligo@worldbank.org and Aigerim Yesetova, aigerim.yesetova@unodc.org

2 Visit of International IT expert to Kazakh FIU under WB's JERP program [national]

Date: January 12-16, 2009
Organizer: WB/UNODC
Location: Astana, Kazakhstan
Contact information: Klaudijo Stroligo, kstroligo@worldbank.org and Aigerim Yesetova, aigerim.yesetova@unodc.org

3 WB/UNODC-IMF Mission to Uzbekistan [national]

Date: January 12-16, 2008
Organizer: WB/UNODC
Location: Tashkent, Uzbekistan
Contact information: Klaudijo Stroligo, kstroligo@worldbank.org

4 Workshop for financial institutions on CDD and reporting obligations [national]

Date: January 28-29, 2009
Organizer: IMF/Basel Institute on Governance
Location: Bishkek, Kyrgyzstan
Contact information: Giuseppe Lombardo GLombardo@imf.org
Daniel Thelesklaf daniel.thelesklaf@baselgovernance.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 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 was adopted by the EAG during its Plenary Meeting in Moscow 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 was presented during the EAG Plenary Meeting in Moscow 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 January 2009. 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 3rd quarter of 2009. Kazakhstan is a member of EAG, and co-chairs the technical assistance working group.

KYRGYZSTAN



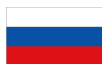
EAG 1st round Mutual Evaluation Report of Kyrgyzstan was adopted at the EAG Plenary in June 2007. It is available in the EAG website. Progress reports were presented during the 7th EAG Plenary meeting in 2007 and 8th EAG Plenary in July 2008. A follow up report was presented during the EAG Plenary Meeting in Moscow in December 2008. Eleven amendments to the ML/FT legislation were accepted

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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. The AML/CFT law is being drafted in the Office of the President in 2007, yet is has not been yet presented to the Parliament. The World Bank mutual evaluation report was adopted by the EAG during its Plenary Meeting in Moscow in December 2008. The EAG decided to place Tajikistan under enhanced follow up procedure. Tajikistan is a member of EAG.

TURKMENISTAN



member of EAG, and will undergo an AML/CFT Evaluation by EAG in 2009.

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. The EAG decided to organize a high level mission to Turkmenistan in spring 2009. 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

Euro-Asian Group (EAG) update

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

Country	Evaluators	On-Site Evaluation	Plenary Discussion	Mutual Evaluation Reports [MER]
CHINA	FATF, EAG	Completed 2006	Adopted: FATF (June 2007) EAG (Dec 2007)	FATF summary of first MER in English: http://www.fatf-gafi.org/dataoecd/24/45/39148209.pdf EAG First MER, Progress report in English: http://www.eurasiangroup.org/china.htm
BELARUS	EAG	July 27 – Aug 3, 2008	Adopted: EAG (December 2008)	2005 Evaluation Report IMF in English and Russian: http://www.eurasiangroup.org/index-7.htm EAG Executive summary on first MER in English: http://www.eurasiangroup.org/belarus.htm EAG Executive summary on first MER in Russian: http://www.eurasiangroup.org/rus/belarus.htm
KAZAKHSTAN	EAG	3-d Quarter 2009	November 2009	-
KYRGYZSTAN	EAG	Feb 2007	Adopted: EAG (June 2007)	EAG First MER, Appendix 1, 2 and Progress report in English: http://www.eurasiangroup.org/kyrgyz.htm EAG First MER, Appendix 1, 2 and Progress report in Russian: http://www.eurasiangroup.org/rus/kyrgyz.htm
RUSSIA	EAG, FATF, MONEYVAL	Sept 24 – Oct 2, Nov 12-23, 2007	Adopted: FATF (June 2008) Moneyval (July 2008) EAG (July 2008)	FATF Summary of MER in English: http://www.fatf-gafi.org/dataoecd/51/27/40945440.pdf
TAJIKISTAN	EAG, World Bank	June 2007	Adopted: EAG (December 2008)	-
UZBEKISTAN	EAG	2009	EAG (June 2009)	-

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On 16-19th December 2008 the 9th EAG Plenary was held in Moscow, Russia. The 9th EAG Plenary assessed the main results of the Eurasian Group's activities aimed at combating money laundering and financing of terrorism in the 2nd half of 2008 and formulated the key priorities for 2009.

The EAG Chairman – Mr. Oleg Markov presided over the 9th EAG Plenary. The Financial Action Task Force (FATF) President and head of the Brazilian Financial Intelligence Unit (FIU) Antonio Gustavo Rodriguez visited Russia for the first time to participate in the Plenary.

THE MAIN RESULTS

⇒ The key item of the Plenary Meeting was the discussion and approval of the EAG mutual evaluation reports on the compliance of national anti-money laundering and combating the financing of terrorism (AML/CFT) systems of Belarus and Tajikistan with international standards and the FATF 40+9 Recommendations.

The EAG evaluation of **Belarus** was the second for this country following the IMF assessment in 2004. Since then many significant amendments were introduced to the Belarus legislation aiming to improve the national AML/CFT system.

The **Republic of Tajikistan** was evaluated for the first time and the evaluation was conducted by the World Bank experts. Due to considerable deficiencies revealed in the course of the assessment, Tajikistan became subject to enhanced follow up procedure of the EAG. During the meeting the Tajik delegation explained that the authorities are undertaking necessary organizational and legislative steps in order to eliminate these deficiencies.

In order to speed up the creation of the national AML/CFT system in Tajikistan the EAG decided to send a high-level mission to Tajikistan in spring 2009. The EAG Plenary strongly recommended Tajikistan to enact comprehensive AML/CFT legislation which meets FATF requirements and to carry out all of the necessary activities to set up the work of the FIU no later than the 3rd quarter of 2009.

⇒ The participants of the 9th EAG Plenary approved the follow-up reports of **Kyrgyzstan** and **China** on progress in developing their national AML/CFT systems. As a result these countries were taken off from the enhanced follow-up procedure.

⇒ The EAG Plenary recognized a setting up of the FIU in the **Republic of Kazakhstan** as an important achievement. The Financial Monitoring Committee under the Ministry of Finance of Kazakhstan was set up in April 2008. EAG donors have expressed their readiness to render consultative and technical assistance to the Kazakh FIU taking into account the results of the EAG Technical assistance needs assessment (TANA) mission which was carried out jointly with the WB/UNODC AML/CFT Mentor in November 2008. Kazakhstan was recommended to enact the necessary AML/CFT legislation as soon as possible.

⇒ Considering the concern of the international community on the current AML/CFT situation in the **Republic of Uzbekistan** and noting the specific positive undertakings of this state the EAG Plenary strongly recommended Uzbekistan to restore the national AML/CFT system within six months.

⇒ At the same time the Plenary Meeting recommended the **Republic of Turkmenistan**, which has declared its intent to obtain EAG membership, to speed up the adoption of the AML/CFT legislation (the anticipated timeline is six months) and to set up the FIU.

⇒ **India** provided information on their current AML/CFT situation. At present the Indian Government is considering the issue of India's full membership in the EAG.

COOPERATION WITH THE PRIVATE SECTOR

An important item of the 9th EAG Plenary agenda was the consultations with the private sector on assessing ML/TF risks under the current conditions of financial instability and elaboration of the relevant recommendations for EAG member-states. Particular attention was paid to the risks of increasing cross-border money flows as well as penetration of criminal proceeds into the financial system and spread of alternative money transfers remittance.

In particular the following financial sector vulnerabilities of the Eurasian region were identified:

1. The lack of liquidity in the banking sector poses increased risks when the amount of monitored cashless transaction decreases in favor of less monitored settlements with the use of cash.
2. As the cost of financial services increases, an upward trend is observed in the price-rates for electronic wire transfers which are used by persons temporarily residing in the EAG member states. This fact makes alternative remittance systems more attractive for natural persons.
3. National financial systems face intense capital flight. In the circumstances of a liquidity lack, there are increasing risks of incoming criminal proceeds.

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NEW EAG INITIATIVES

- ⇒ The 9th EAG Plenary approved the new activities of the group related to building up its information capabilities. In particular this is related to the intention to implement the EAG Information openness policy which shall provide broad press coverage of EAG activities and encourage dynamic cooperation with the media.
- ⇒ The concept of the EAG Single information space (EAG SIS) was elaborated. It will ensure access of the member-states to the EAG databases. The EAG Internet site will be developed in order to provide the partners, reporting institutions and population with impartial and comprehensive information on EAG activities and AML/GFT progress of EAG member-states. The implementation of the EAG SIS will be carried out in the framework of the scientific and research projects which were approved by the 9th EAG Plenary.

OTHER ISSUES

- ⇒ The Eurasian Development Bank and the Asian Development Bank joined the EAG as observers enlarging the number up to 30 observer states and organizations.
- ⇒ Mr. Valeriy Yaroshevsky, Director of Financial Monitoring Department of the State Control Committee of the Republic of Belarus was elected as the new EAG Deputy Chairman.

Technical Assistance Update & Regional news

- ⇒ After the completion of the renovation at the Regional Headquarter of the Border Guards in Uralsk, a **Joint Skills Training for Border Guards in Uralsk, West Region of Kazakhstan** was organized on November 2 – 5, 2008. This event was funded by the US Embassy and implemented by International Organization of Migration (IOM). The training was conducted with Experts from Poland and national trainers from the Border Guards and the Military Institute in Almaty; the Chief Technical Advisor for BOMCA in Kazakhstan also took part in the training.
- ⇒ Under the Phase 4 in CADAP several activities were accomplished, including **Inter-Regional Conference on Drug Profiling Units in Ashgabat, Turkmenistan** on November 10-12, 2008. The Regional conference with participants from all five CA countries and from different agencies working in the Drug Profiling units was used as a platform to exchange the experience in the implementation of such units and the lessons learnt up till now.
- ⇒ On November 11, 2008 BOMCA program conducted another **Cross Border Workshop** with representatives from the Border Guards Services of Kazakhstan and Kyrgyzstan from the region Korday – Ak Jol in Bishkek. The topics were various; presentations were done from both services on modern Border Equipment for document verification and vehicle search. Participants exchanged their experience and expertise in the use of the equipment and discussed various topics on cross border cooperation.
- ⇒ The BOMCA program conducted **Regional Train the Trainers course (ToT) (PART II) on the Integrated Border Management (IBM) Training Handbook in Bishkek**, 12-14 November 2008. Participants from four countries in the region, except Turkmenistan, took part in this event. After completion of the training, the trainers were certified as national trainers and the program will follow this with a number of national training at land and air border in each country in 2009.
- ⇒ **Seminar on counter narcotic topics related to Airports organized jointly with French Embassy was conducted on November 17-18, 2008 in Almaty, Kazakhstan.** 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 Programs (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. The course was conducted by French and Kazakh experts supported by representatives from the Central Asia Regional Communication and Coordination Centre (CARICC) and BOMCA-CADAP.

- ⇒ Financial Services Volunteer Corps (FSVC), with the support of USAID, the Citigroup Foundation, and the Central Bank of Russia (CBR), **hosted twelve CBR representatives from the cash management, payments, and accounting departments for a five-day study tour** November 17-21, 2008, in New York City and Washington, DC, on how cash moves through the Federal Reserve and commercial bank systems in the United States. The project also addressed

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considerations regarding anti-money laundering compliance and internal controls to ensure transparency and security in the cash management process, as well as oversight and procedures for budgeting in large government agencies.

The CBR delegation met with representatives of the Federal Reserve Board of Governors, the New York Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and private-sector experts with experience in cash management at the Federal Reserve and in commercial banks. The meetings with the Fed Board and the New York Fed focused on the structure of the U.S. cash management system, the design and issuance of currency, cash processing, and central bank budgeting. FDIC and OTS personnel addressed, respectively, the cash management aspects of overseeing the U.S. Deposit Insurance Fund and the autonomous way in which the OTS manages its agency budget even though it is located within the Department of the Treasury. The private-sector experts with whom the group met discussed the risk management of cash processing from both regulatory and commercial perspectives.

- ⇒ The Basel Institute on Governance presented a **session on “Combating Money Laundering and Proceeds of Drugs Trafficking”** at the OSCE Regional Workshop on “Cross-border Co-operation in Central Asia with Afghanistan to Combat Illicit Drugs Trafficking” held in Tashkent, Uzbekistan on 20-21 November 2008. The workshop brought together experts in drug fighting from Police, Intelligence, Prosecution primarily from the Central Asia region and other national and international agencies countering drugs trafficking.

The session by the Basel Institute on Governance discussed international/regional typologies on money laundering and covered international standards and recommendations on ways to combat money laundering and proceeds related to drugs trafficking.

- ⇒ **The National Legislative Drafting Workshop on biological, chemical and nuclear terrorism in the light of the relevant universal instruments** was held from 25 to 26 November 2008 in Ashgabat, Turkmenistan. The workshop was conducted by the Terrorism Prevention Branch of the United Nations Office on Drugs and Crime, in cooperation with representatives of the 1540 Committee of the United Nations Security Council and the Action against Terrorism Unit of the Organization for Security and Cooperation in Europe and with support of the Government of Turkmenistan.

The workshop was aimed to familiarize the legal experts of Turkmenistan with provisions of the international legal instruments related to the countering the nuclear, chemical and biological terrorism as well as to provide the practical legislative drafting assistance for improving the national criminal legislation in this field. 32 government officials representing the Parliament, Supreme Court, Ministry of Justice, Prosecutor’s General Office, Ministry of Defense, Ministry of National Security, State Customs Committee, Ministry of Interior, and the Ministry of Health of Turkmenistan participated in discussions and formulation the concrete proposals to the national legislation against the nuclear, chemical and biological terrorism. The Workshop was concluded by adopting a Plan of Action, which outlines conclusions and benchmarks for future cooperation between TPB/UNODC and Turkmenistan.

- ⇒ On November 27-28, 2008 **EAG Technical Assistance Needs Assessment [TANA]** mission took place in Astana, Kazakhstan. Mr. Stanislav Smolyar, a co-chairperson of EAG working group on TA and member of the Russian FIU led the EAG delegation, which included two IT experts, one IT security specialist and a legal expert. The World Bank/UNODC AML/CFT Mentor also participated in this mission. Representatives of following Kazakh state agencies attended the meetings: the Financial Police, FIU, Ministry of Finance, GPO, Central Bank, FSA, State owned company responsible for the IT issues, and National Security Committee. During the meetings it was agreed that EAG shall take an active part in WB/UNODC’s planned activities in Kazakhstan. Kazakh officials expressed interest in receiving detailed information regarding the two UNODC’s AML/CFT IT products - “GoAML” and “GoCASE”.
- ⇒ On December 2, 2008 the IMF and the Central Bank of Turkmenistan (CBT) have jointly organized a **workshop on the experience of financial intelligence units (FIUs) established and operating in central banks**. The workshop was undertaken in the context of a 1-year project funded by the Swiss Cooperation Office (SECO) and implemented by the IMF to assist the Turkmen authorities in bringing Turkmenistan's AML/CFT system in line with the international standards and in setting up the FIU. The workshop was attended by lecturers from the IMF and from the FIUs established in the Central Bank of Armenia and in the Bank of Italy; as well as from officials from the CBT and from other Turkmen authorities responsible for AML/CFT and representatives of the banking industry of Turkmenistan.
- ⇒ BOMCA has completed a **Study Tour to EU Frontex Agency and the external border of the European Union for 28 senior staff from Central Asia Border agencies**, from November 30 until December 5, 2008. The tour included the Regional Headquarters of the Podlaski BG Unit HQ, Border Control Point (BCP) in Kuźnica Białostocka , the Training Centre in Kętrzyn and the Bezledy BCP at the Polish-Russian border. The study tour will be followed up under the next Phase of BOMCA.

MONEYVAL update

Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of terrorism – Moneyval held its 28th plenary meeting in Strasbourg, from 8 to 12 December 2008. During the meetings the following issues were *inter alia* discussed and agreed upon by its members:

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- Public statement under Step VI of MONEYVAL's Compliance Enhancing Procedures in respect of Azerbaijan

MONEYVAL decided to issue the following public statement regarding Azerbaijan:

Moneyval has been concerned since 2006 with deficiencies in the anti money laundering/combating the financing of terrorism (AML/CFT) regime in Azerbaijan. At its 28th plenary meeting in Strasbourg, 8-2 December 2008, MONEYVAL noted that a draft AML/CFT law had passed a second reading on 31 October 2008. The draft law does not comply in a comprehensive manner with key international standards. MONEYVAL calls upon Azerbaijan to further revise this draft law in accordance with those standards before completing the legislative process, and urgently to implement satisfactory and comprehensive AML/CFT legislation.

MONEYVAL also calls on its member States and other countries to advise their financial institutions to pay special attention by applying enhanced due diligence to transactions with persons and financial institutions from or in Azerbaijan in order to address the ML/FT risks.

- Mutual AML/CFT assessment reports of Estonia and Azerbaijan were adopted. Second progress reports of Malta, Andorra, Hungary, Slovenia as well as progress report of Moldova were adopted. The progress report of Czech Republic was postponed until the next plenary meeting.

- The EU Commission's and the EU Council's representatives reported that 7 EU members states are still not in compliance with the third EU AML/CFT Directive. In spring 2009 the EU Commission intends to publish a study regarding the problems identified in implementation of the above mentioned Directive. EU Commission decided to become a party to the CoE 2005 Warsaw Convention.

- The OSCE became a new observer at Moneyval.

- Moneyval will hold its next plenary meetings in Strasbourg on 16-20 March 2009, 21-26 September 2009 and 7-11 December 2009. During the next plenary meeting in March the Mutual Evaluation Reports of Montenegro and Ukraine shall be discussed and adopted.

FATF update

Guidance on implementing financial provisions of UNSCR 1803 re Iran's nuclear program. The FATF has issued new guidance to assist jurisdictions in exercising vigilance over the activities of their financial institutions with Iranian banks and their branches and subsidiaries abroad. The purpose of such vigilance is to avoid activities that contribute to Iran's WMD proliferation-sensitive nuclear activities or to its development of nuclear weapon delivery systems. This follows previous guidance issued by the FATF in June and October 2007 (concerning the implementation of financial provisions contained within UN Security Council Resolutions 1737 and 1747), which was welcomed by the United Nations Security Council.

Guidance for lawyers, notaries and casinos. The FATF has published two new guidance papers, one for lawyers and notaries and the other for casinos, on applying a risk-based approach to combating money laundering and terrorist financing. These have resulted from a joint FATF-private sector initiative to develop a series of sector-specific guidance papers. Earlier this year the FATF published guidance papers, for (i) accountants; (ii) dealers in precious metals and precious stones; (iii) real estate brokers; and (iv) trust and company service providers. In the coming months guidance will be released for the insurance and money remittance sectors. It is hoped that this guidance will assist both public authorities and these professions by:

- Supporting development of a common understanding of what the risk-based approach involves;
- Outlining the high-level principles involved in applying the risk-based approach; and
- Indicating good practice in the design and implementation of an effective risk-based approach.

Basel Institute of Governance Update

The Basel Institute on Governance, together with experts from the OECD (including the Anti-Corruption Division and SIGMA programme) conducted a training seminar for OECD/ACN Istanbul Action Plan evaluators on 15 -17 Dec 2008 in Basel, Switzerland. The seminar was aimed at training national experts from the Istanbul Action Plan countries to carry out mutual evaluation and to use the adopted methodology, including the process and the monitoring questionnaire. A total of 19 national experts from the Istanbul Action Plan countries took part in the seminar.

The Istanbul Anti-Corruption Action Plan is a cooperation project for Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan and Ukraine, implemented by the OECD Anti-Corruption Network for Eastern Europe and Central Asia (ACN) since 2003. The project is based on voluntary membership and the OECD methodology of mutual reviews. Its implementation involves reviews of national anti-corruption legislation and institutions adoption of recommendations (completed during 2004-2005), and monitoring of their implementation (the first round of monitoring was completed during 2006-2007). Methodology for the second round of monitoring was adopted in 2008, and its implementation is envisaged to take place in 2009-2010.

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Topics which were examined and debated in depth during the seminar included specialized anti-corruption bodies, responsibility of legal persons for corruption, access to information, public financial control, reducing corruption in public procurement, reducing discretion in public administration, anti-money laundering and corruption in judiciary and private sector.

EGMONT GROUP AML/CFT Case study – “Misuse of Legitimate Business”

Roland worked as an undercover agent in a police investigation targeting money laundering through casinos. In the jurisdiction in which the investigation took place there were no licensed casinos, but in a neighboring country there were a large number of such businesses. During the investigation, Roland was introduced to Theodore, a man who lived in the same jurisdiction as Roland. Theodore claimed to be employed by a casino in the neighboring country and offered to launder money for Roland. He explained to Roland that, because he was employed in the casino, it would be very easy to launder money. If Roland was to give him his cash proceeds, Theodore would give him a cheque drawn on the account of the casino. The cheque would be for the amount being laundered minus Theodore’s commission fee. Roland could then claim that he had won the money gambling, and the police would be unable to disprove this claim. Furthermore, the casino itself would be unaware of the laundering operation, as it would just appear to be Theodore gambling money normally and winning most of it back.

Roland was interested in gathering additional intelligence on this method of laundering criminal monies and agreed to use Theodore’s scheme. On Theodore’s instructions Roland deposited US\$25,000 in cash into the bank account of the casino for which Theodore was working. Theodore then gave the undercover agent a cheque from the casino for the same amount, minus a commission fee of nine percent. This nine-percent commission was to be divided between Theodore and Adrian, the individual who had introduced Roland to Theodore. The initial laundering transaction went very well. Theodore laundered the money for Roland as promised. Unfortunately he did not know that the US\$25,000 was not in fact criminal money but money provided by Roland’s law enforcement agency.

A short while later, Roland contacted Theodore again with another US\$500,000 for laundering. Theodore was glad to help him again, but during this money laundering operation, the police moved in and arrested him for money laundering. The police contacted the national FIU and their records revealed that they had received a series of disclosures concerning Theodore and his associates. The reports noted that Theodore and his associates were in the habit of making large cash deposits followed shortly by telegraphic transfer withdrawals. One of the reports had noted that a casino company in the neighboring country employed Theodore. The additional information provided by the FIU allowed the prosecution of Theodore to progress more efficiently, and enabled an accurate financial case to be constructed.

«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 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

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