



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

Issue 11, July 2006
Available online at <http://www.imolin.org>

Calendar

1 Financial Investigation Techniques (Anti-Money Laundering Course) for Kazakhstani Financial Police

Dates: 24-28 July, 16-20 October and 4-8 December 2006
Organizer/s: US Embassy in Kazakhstan, International Narcotics and Law Enforcement (INL)
Location: Financial Police Academy, Astana, Kazakhstan
Contact Information: Olessya Yanchenko, yanchenkoo@state.gov

2 AML/CFT Training for Kazakhstani Supervisory Officials (session one of six)

Dates: 25 July 2006
Organizer/s: UNODC and World Bank
Location: World Bank Central Asia Regional Office, Almaty, Kazakhstan
Contact Information: Cari Votava, cvotava@worldbank.org

3 EurAsian Group (EAG) Working Group Meetings

Dates: 28-29 August 2006
Organizer/s: EurAsian Group (EAG)
Location: Issyk-Kul, Kyrgyzstan
Contact Information: Victor Kochenov, info@euroasiangroup.org

4 Training for Supervisory Officials of the National Bank of the Kyrgyz Republic

Dates: 29 August -1 September 2006
Organizer/s: National Bank of the Kyrgyz Republic (NBKR)
Location: Issyk-Kul, Kyrgyzstan
Contact Information: Elvira Toktomambetova, NBKR

5 AML/CFT Technical Assistance Coordination Meeting (Kazakhstan)

Dates: 7 September 2006 at 10:00
Organizer/s: UNODC and World Bank
Location: World Bank Central Asia Regional Office, Almaty, Kazakhstan
Contact Information: Shane Michael Riedel, shanemichael.riedel@unodc.org

6 Joint FATF-EAG Typologies Meeting on Drug Trafficking and Money Laundering

Dates: November 2006
Organizer/s: EurAsian Group (EAG) and Financial Action Task Force (FATF)
Location: Shanghai, China
Contact Information: Victor Kochenov, info@euroasiangroup.org

Contributions to this newsletter are welcome. To submit information for inclusion or to be added to or removed from the distribution list, please contact Shane Michael Riedel at shanemichael.riedel@unodc.org.

7 | EurAsian Group (EAG) Plenary and Donor Meetings

Dates: 5-8 December 2006
Organizer/s: EurAsian Group (EAG)
Location: Moscow, Russian Federation
Contact Information: Victor Kochenov, info@euroasiangroup.org

AML/CFT Developments in Central Asia

Kyrgyzstan: Adopts AML/CFT Law

The Parliament of the Republic of Kyrgyzstan adopted a Law “On Counteracting Financing of Terrorism and Legalization (Laundering) of Income Received from Criminal Means” on 16 June 2006. This law will become effective upon signature of the President.

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

Uzbekistan: FIU and System for Transaction Reporting

On 21 April 2006, President Islam Karimov signed a decree “On Actions to Strengthen Combating Financial, Economic and Tax Crimes and Legalization of Criminally Gained Income.” The decree expands the mandate of the General Prosecutor’s Office for Combating Tax and Hard Currency Crimes to include combating money laundering. The main goal of this office will be to organize and carry out operational, analytical and investigative work in the area of combating tax, hard currency crimes, money laundering and terrorist financing. This unit will serve as the financial intelligence unit, with allocated staff of approximately 22 people.

On 11 July 2006, the Uzbek Cabinet of Ministers adopted a resolution on submission of data related to money laundering and terrorist financing to the FIU. The State Statistics Committee, together with the Uzbek General Prosecutor’s Office, will control submission of data pursuant to the resolution. The Ministry of Justice and other ministries will ensure that other acts are harmonized with this resolution and relevant legislation. Supervision of the implementation of this resolution has been delegated to Deputy Prime Minister Rustam Azimov and Prosecutor General Rashid Qodirov.

Russia: Anti-Corruption Convention

On 9 May 2006 the Russian Federation ratified the 2003 UN Convention Against Corruption. The Central Asian countries which have previously ratified this convention include Kyrgyzstan and Turkmenistan.

Technical Assistance Update

The World Bank and UNODC have begun AML/CFT training for financial supervisory officials in Kazakhstan, and anticipate beginning this series in Uzbekistan in autumn. This is a series of six full-day sessions held on a monthly basis which focus on international AML/CFT standards and best practices for implementation in:

- Customer Due Diligence Policies and Procedures
- Identifying Suspicious Transactions
- Internal AML/CFT Compliance Policies and Procedures
- Conducting AML/CFT Compliance Inspections
- Sanctioning Non-Compliance
- Integrity Standards
- Inter-Agency Cooperation

This program is designed to assist financial supervisory officials in drafting amendments to relevant sectoral laws and regulations to comply with international AML/CFT standards, as well as to prepare financial supervisors to design AML/CFT training programs for the entities they supervise. Financial supervisory officials in Kyrgyzstan are in the process of completing this training series, and the same series will be offered in Tajikistan early next year.

Plenary News

Observer status was granted to Armenia and Afghanistan.

Plenary members discussed progress of member jurisdictions in developing national AML/CFT systems and creation of FIUs.

A special working group was created by the EurAsian Group (EAG) and the International Training and Methodological Center for Financial Monitoring. This working group will draft a common conceptual approach to creating FIU information systems for EAG-member jurisdictions.

The next EAG Plenary will be held in Moscow in December 2006.

Evaluator Training

The third session of Evaluator Training organized by EAG took place in Moscow from 26-30 June 2006. Thirty-one officials from EAG member jurisdictions, as well as the Ukraine, participated in the training which was delivered by experts from EAG, FATF, the IMF, Moneyval, Rosfin Monitoring, UNODC and the World Bank.

This training was the final session in an intensive three part series designed to train officials to serve as evaluators when EAG begins its mutual evaluations of member jurisdictions later this year. The training included case studies based on AML/CFT evaluations taken from other countries, and designed to simulate a real evaluation. Participants worked in teams to interview officials, draft evaluation reports, and assign ratings to the 220+ criteria of the AML/CFT evaluation methodology.

Similar training programs are being carried out in all FSRBs globally in an effort to ensure uniformity in evaluations and ratings of all countries in all regions.

Upcoming Evaluations

China:	3 rd quarter 2006 (FATF and EAG)
Kyrgyzstan:	4 th quarter 2006 (EAG)
Kazakhstan:	1 st half 2007 (EAG)
Russia:	3 rd - 4 th quarter 2007 (FATF, MONEYVAL and EAG)
Belarus:	4 th quarter 2008 (EAG)
Uzbekistan:	4 th quarter 2008 (EAG)

EAG Chairman visits Member Jurisdictions

In 2006 EAG Chairman Victor Zubkov has visited Kazakhstan, Uzbekistan and China to conduct high level discussions on building national AML/CFT systems, as well as to strengthen bilateral relations with Russia and encourage the sharing of experience and technical assistance. A similar visit to Tajikistan is planned for the near future.

FATF-Style Regional Bodies (FSRB) and Egmont Group News

Financial Action Task Force (FATF)

Earlier this year at its Plenary in Cape Town, South Africa, the Financial Action Task Force (FATF) adopted an Interpretive Note which clarifies the requirements of Special Recommendation VIII on non-profit organizations. The note further sets forth the objectives of the recommendation and suggests specific measures to ensure non-profit sectors are not misused for terrorist financing purposes. Corresponding amendments to the AML/CFT Methodology are expected to be published in the FATF website (<http://www.fatf-gafi.org>) in the near future.

At its June Plenary in Paris, FATF granted Associate Member status to the Asia Pacific Group against Money Laundering (APG), Financial Action Task Force of South America against Money Laundering (GAFISUD) and the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL). This new status recognizes that these bodies have in place,

amongst other things, mechanisms to ensure actual and effective implementation of the FATF standards among the bodies' members. The Middle East and North Africa Financial Action Task Force (MENAFATF) and the EurAsian Group (EAG) have also requested Associate Member status, and its applications will be processed at the next FATF Plenary. FATF also recognized the Intergovernmental Anti-Money Laundering Group for West Africa (GIABA) as an official FSRB.

Mutual Evaluation reports for Denmark, Spain and USA were adopted.

Nigeria was removed from the Non-Cooperative Countries and Territories (NCCT) List.

FATF will conduct its 2006 joint typologies work with EAG. A joint typologies seminar on Drug-Trafficking and Money Laundering is planned for November in China.

The next FATF Plenary is to be held 9-13 October 2006 in Vancouver, Canada. A joint FATF-MONEYVAL Plenary will be held 18-23 February 2007 in Strasbourg, France.

MONEYVAL

MONEYVAL held its Plenary in Strasbourg 4-7 July 2006. The Mutual Evaluation Report for Albania was adopted, and the Mutual Evaluation Report for Moldova was postponed.

Upcoming Evaluations:

Croatia:	September 2006
Monaco:	November 2006
Macedonia:	December 2006
San Marino:	January 2007
Bulgaria:	Early 2007

The next MONEYVAL Plenary will be held on 11-14 September 2006 in Strasbourg, France.

Egmont Group

At the Egmont Group's recent plenary meeting in Cyprus, no new members were accepted (Belarus' application was not accepted). The Egmont Group decided to establish itself as a permanent international organization which will be based in Toronto, Canada. Additionally, requirements were adopted for new members which are clearer and stricter than previously existing ones.

AML/CFT Case Study

A national FIU detected an international fund transfer scheme involving countries in both Pacific and South American regions. The individuals involved used false names and addresses, which made it difficult to link them to law enforcement intelligence on known offenders. The persons traveled extensively but maintained bases in specific countries from which the funds originated. They made several international funds transfer instructions through a range of financial institutions, all of which were structured to avoid mandatory reporting requirements. However, the nature of this activity aroused the suspicion of the bank and, after the bank disclosed the transactions, the suspicion of the national FIU. Following further analysis, the case was passed to the police who initiated an investigation.

The financial activity continued throughout the following year. The police monitored the international movements of the individuals and the financial transactions. International exchanges of information revealed that Asian / Australian police also suspected that the individuals involved were probably involved in drug trafficking activities. During investigation, the Asian/Australian police searched a courier arriving from the country where the FIU was located. The suspect carried US\$90,000 in bank drafts.

Through criminal intelligence analysis, the suspected coordinator of the heroin importations was identified. The ongoing investigation led the police to search an airfreight package arriving in country. The package contained glass sculptures that held almost sixty kilograms of high-grade heroin. By using a controlled delivery, the police discovered the address where criminals removed



the heroin from the surrounding glass and prepared it for distribution. Six individuals were arrested for heroin importation offences. As the investigation continued, the police were able to monitor the actions of other people known to be involved in the drug syndicate. Other members of the syndicate, involved in sending a second shipment of heroin to an American country were also arrested whilst authorities intercepted the shipment.

Suspicious Indicators:

1. Use of false identification documents
2. International fund transfers at level just below threshold

This case has been adapted from the “FIU’s in Action,” a compilation of 100 sanitized cases from Egmont Group members. The full version is available at www.egmontgroup.org.

Publications and Websites of Interest

http://www.unodc.org	Official website of the UNODC. (In English, Russian, Spanish)
http://www.worldbank.org/amlcft	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 nine 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.egmontgroup.org	The Egmont Group is the international network of FIUs which work together to deter international money laundering efforts. (In English)
http://www.fatf-gafi.org	Financial Action Task Force Against Money Laundering (FATF). (In English)

This publication contains recent news stories collated 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.