



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

Issue 5, December 2005 - January 2006
Available Online at <http://www.imolin.org>

I. Calendar

1 | AML/CFT Regional Donor Coordination Meeting

Date: 16 March 2005 at 11:00
Organizer/s: UNODC/World Bank
Location: World Bank Regional Office
41a Kazybek Bi, 3rd Floor, Almaty, Kazakhstan
(telephone links from Tashkent, Bishkek and Dushanbe provided)
Contact Information: Shane Michael Riedel, shanemichael.riedel@unodc.org

2 | Egmont Group Working Groups and Committee Meetings

Date: 13-16 March, 2006
Organizer/s: Egmont Group
Contact Information: Ludovic d'Hoore, ludovic_dhoore@ctif-cfi.be

3 | EuroAsian Group (EAG) Evaluator Training Seminars

Date: March 2006 and June 2006
Organizer/s: EuroAsian Group (EAG)
Location: Moscow, Russian Federation
Contact Information: Victor Kochenov, info@euroasiangroup.org

4 | EuroAsian Group (EAG) Plenary and Working Group Meetings

Date: May 2006
Organizer/s: EuroAsian Group (EAG)
Location: St. Petersburg, Russian Federation
Contact Information: Victor Kochenov, info@euroasiangroup.org

5 | 14th Annual Egmont Group Plenary

Date: 12-16 June 2006
Organizer/s: Egmont Group
Contact Information: Ludovic d'Hoore, ludovic_dhoore@ctif-cfi.be

6 | Workshop: "Establishing and Operationalizing the Financial Intelligence Unit"

Date: To be determined
Organizer/s: World Bank/UNODC
Location: Dushanbe, Tajikistan
Contact Information: Cari Votava, cvotava@worldbank.org

We welcome contributions to this newsletter. To receive this newsletter, to submit information for inclusion or to be removed from the distribution list, please contact Aigerim Yesetova at ayesetova@worldbank.org or Shane Michael Riedel at shanemichael.riedel@unodc.org.

II. AML/CFT Year in Review

Republic of Kazakhstan

Kazakhstan became a member of the EuroAsian Group in October 2004. In 2005, Kazakhstan developed its draft AML/CFT law, as well as the legislative framework for a Financial Intelligence Unit (FIU). The draft AML/CFT law was submitted to the Parliament in October. International experts assisted with various training programs and provided comments and advice throughout the drafting process.

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

A workshop to discuss the development and implementation of the FIU was jointly sponsored by the UNODC, World Bank and OSCE Centre in Almaty in April. Russian and US experts, as well as other donors also provided other valuable assistance.

EAG conducted a Technical Assistance Needs Assessment (TANA) mission to Kazakhstan in October 2005.

In November a roundtable discussion on the draft AML/CFT law was sponsored by the OSCE Centre in Almaty. Current plans are to establish the FIU under General Prosecutor's Office. Kazakhstani authorities have sufficient funding to establish the FIU, but training and capacity building in the FIU and relevant agencies will be necessary in the coming year.

Kyrgyz Republic

Despite political upheavals over the past year, substantial progress in AML/CFT efforts was made by Kyrgyz authorities. Kyrgyzstan became a member of EAG in October 2004, and also in 2004, with the assistance of international experts, a draft AML/CFT law was prepared and sent to Parliament. The law is expected to be enacted in early 2006.

In April, a workshop on the role and function of the FIU was held in Bishkek, jointly sponsored by the UNODC, World Bank and OSCE. Following this, Kyrgyz experts drafted a decree to establish the FIU, and on December 30 the President signed a Decree establishing the FIU (Service on Financial Investigation of the Kyrgyz Republic), which will report to the President and will be headed by Deputy Finance Minister Tajikan Kalimbetova.

The World Bank, UNODC, as well as Russian experts and other donors supported these efforts and provided advice. Additionally, experts met with several members of the Kyrgyz Parliament to discuss international standards, best practices concerning implementation and answer questions raised by Deputies.

A six session series of AML/CFT training programs for financial sector supervisors and supervisions of non-financial businesses and professions organized by the World Bank and UNODC began in October. Additionally, EAG conducted a Technical Assistance Needs Assessment (TANA) mission to Bishkek in October.

In the coming year Kyrgyzstan will require resources for establishment of the FIU, as well as training and capacity building for FIU staff and officials of related ministries and agencies.

Republic of Tajikistan

Tajikistan became a member of EAG in October 2004. Officials of the President's Administration together with the Ministry of Budget and Revenues lead efforts to draft an AML/CFT law which was submitted to the Parliament in late 2005. Enactment is expected in 2006 and the FIU will likely be connected with the Ministry of Budget and Revenues. International experts provided advice throughout the drafting process.

EAG conducted a TANA Mission to Tajikistan in October 2005. Tajik officials have agreed to actively participate in EAG Typologies efforts, particularly in the field of drug trafficking, as this remains a major challenge in Tajikistan.

In the coming year Tajikistan will require training and capacity building in implementing international AML/CFT standards and creating the FIU. Tajikistan is also in need of resources for creating the FIU. The World Bank and UNODC plan to jointly sponsor a workshop on the role and function of an FIU in Tajikistan in spring 2006.

Turkmenistan

Turkmenistan is not yet a member of EAG. In December 2005, Turkmen authorities, together with the OSCE and UNODC organized a forum on AML/CFT issues (see next section).

Republic of Uzbekistan

Uzbekistan enacted an AML/CFT law in late 2004 which became effective in January 1, 2006. In October, Uzbek authorities jointly organizing a workshop with the World Bank, UNODC and OSCE on the role and function of an FIU. This workshop spurred interest and action of Uzbek authorities in further AML/CFT efforts.

Uzbek authorities are currently drafting the necessary legal basis for creation of the FIU, and considering amendments to the AML/CFT law. Uzbekistan became an observer member of EAG in October 2004, and in December 2005 became a full member of EAG.

In the coming year Uzbekistan will require training and capacity building for the FIU and officials in other relevant ministries and agencies.

III. Monthly Technical Assistance Update

On December 14–15, a **Forum on Combating Money Laundering and Terrorism Financing** was held in Ashgabat, Turkmenistan.

The event was organized by the Office of the Coordinator of OSCE Economic and Environmental Activities (OCEEA) and the UNODC, with the support of the Government of Turkmenistan and the OSCE Centre in Ashgabat.

Officials representing Turkmenistan's Central Bank, Supreme Court, Foreign and Justice Ministries and law enforcement bodies took part in the workshop. Additionally, representatives of the OSCE and UNODC made presentations on international standards and institutions dealing with the fight against money laundering and terrorism financing.



UNODC Expert Olga Zudova and a Forum participant offer a presentation to the AML/CFT Forum in Ashgabat, Turkmenistan.

Experts from the UNODC, Austria, Sweden and France also conducted discussions on international AML/CFT standards and best practices concerning implementation and international cooperation, as well as mechanisms for mutual legal assistance.

IV. EuroAsian Group (EAG) Report

The EuroAsian Group (EAG) held Plenary, Donor, Working Group Meetings on 14-16 December in Moscow.

Donor Coordination Meeting

EAG adopted the Technical Assistance Needs Assessments (TANA) Reports drafted following the TANA missions to Kyrgyzstan, Kazakhstan and Tajikistan. These reports served as a basis for prioritizing technical assistance needs and were presented to observer members. Observers and donors were asked to submit proposals for specific AML/CFT technical assistance programs to EAG.



Participants in the EAG Plenary and Working Group Meetings held in December 2005.

A presentation was made regarding plans for an International AML/CFT Training Center to be created in Russia to provide training in Russian. Funding of \$2.5 million has been appropriated by Russia for the Center.

Plenary and Working Group Meetings

EAG adopted a strategic plan for 2006-2008. Uzbekistan became a full member of EAG and Turkey became an observer member. Additionally, EAG applied for and received membership to the International Money Laundering Information Network (IMoLIN). Working groups identified the following activities for 2006:

Legal Working Group

- to develop proposals to improve legal basis for mutual cooperation, including development of a uniform software to enable efficient cooperation
- to develop proposals to establish a common CFT database for EAG member countries
- to coordinate sharing and reciprocity of Evaluation Reports of EAG members

Typologies Working Group

The following topics were selected as the EAG Typologies topics for 2006:

- Legalization of proceeds from illegal trafficking in drugs and psychotropic substances
- Use of offshore companies and offshore jurisdictions for money laundering
- Use of non-commercial entities for terrorist financing

Technical Assistance Working Group

- to coordinate donor technical assistance commitments and ensure the necessary technical assistance is delivered
- to coordinate evaluator training courses;
- to develop proposals to improve legal basis for cooperation among member states, which will include development of a uniform software to enable efficient cooperation

Plans are underway for the training of EAG evaluators from each member state. Officials from member states will receive training to conduct standard AML/CFT evaluations of member countries in accordance with the [AML/CFT Methodology for Assessing Compliance with the FATF 40 Recommendations and the FATF 9 Special Recommendations](#). Two training sessions are scheduled for March and June in Moscow.



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V. AML/CFT Case Study

Dennis, Muriel and Patrick worked for a drug trafficking organisation, although they had no criminal records and had not been identified by the police as being in any way involved in drugs trafficking activities. Other members of the trafficking organisation transferred large amounts of money into accounts that the three had opened in a bank in the Northern European country. Shortly after the transfers, the money was withdrawn in cash.

At this stage the bank became concerned and decided to disclose the information to the national FIU. Daniel, Muriel, and Patrick transported the withdrawn cash to various European jurisdictions where it was still possible to obtain anonymous numbered accounts. Once within the jurisdictions, they opened more than 40 different accounts to make the fund movements as complex as possible in order to deter investigation by the authorities. Cash smuggled into each country was split up into various accounts. The three individuals used the receipts from the banks where they had withdrawn the money to 'prove' the legal origin of the funds - and because they spread the anonymous accounts across a range of banks they were able to use the same documentation in support of multiple account openings. Once the accounts had been successfully opened, the three returned to their initial country with the account documentation.

Following an investigation by FIU and police, the three were arrested upon their return and convicted to a total of ten years imprisonment for drug trafficking offences and drug money laundering. Approximately US\$6,000,000 was confiscated in total.



Suspicious Indicators:

1. Multiple transfers into a personal account
2. Large-scale cash transactions
3. Unrealistic wealth compared to client profile

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.

V. Websites of Interest

<http://www.amlcft.org>

World Bank's AML/CFT website. (In English)

<http://www.unodc.org>

Official website of the UNODC. (In English, Russian, Spanish)

<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://euroasiangroup.org>

The EuroAsian Group is the FATF-Style Regional Body serving Central Asia. (In English and Russian)

http://www.fatf-gafi.org/document/22/0,2340,en_32250379_32236920_34030486_1_1_1_1,00.html

The FATF 40 Recommendations. (In English, Russian, French, Spanish, Dutch, Polish, Portuguese)

http://www.fatf-gafi.org/document/7/0,2340,en_32250379_32236947_34267143_1_1_1_1,00.html

The FATF 9 Special Recommendations on Terrorist Financing. (In English, Russian, French, Spanish, Portuguese)

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