# CALENDAR OF EVENTS

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<td><a href="mailto:madina.ibrasheva@osce.org">madina.ibrasheva@osce.org</a></td>
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<td><a href="mailto:info@eurasiangroup.org">info@eurasiangroup.org</a></td>
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<td>Moneyval</td>
<td>Strasbourg, France</td>
<td><a href="mailto:dghl@moneval.coe.int">dghl@moneval.coe.int</a></td>
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AFGHANISTAN

Afghanistan enacted an AML/CFT law in 2004. The FIU was established in 2005. The on-site visit of Afghanistan’s mutual APG-IMF evaluation took place in January 2011. Afghanistan is a member of the Asia Pacific Group (APG) and observer to EAG. Afghan FIU became an Egmont Group member in June 2010.

BELARUS

The AML/CFT Law of Belarus was adopted in 2000. Belarus became a member of the Egmont Group in 2007. Belarus is a member of EAG. The Mutual Evaluation Report of Belarus was adopted by EAG in December 2008. Two Mutual Evaluation Follow-up Reports were adopted by EAG in December 2009 and December 2010.

CHINA

The AML/CFT law 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. The first Mutual Evaluation Follow-up Report was adopted by EAG in December 2010. China is a member of EAG and FATF, and also holds a position of a Vice-Chair of EAG and co-chairs the EAG Evaluation/Legal Working Group. In February 2012 the FATF adopted the follow-up report of China and decided to take off China from its regular follow-up process. China will report back to the FATF Plenary on any further improvements to its AML/CFT regime on a biennial basis.

TAJIKISTAN

On 25 March 2011 the AML/CFT Law was adopted by the Parliament and signed by the President. A decision to establish the Financial Monitoring Department (FIU) under the National Bank of Tajikistan was taken by the President on 20 October 2009. Tajikistan is a member of EAG. The World Bank mutual evaluation report was adopted by EAG in December 2008. In December 2008 the EAG placed Tajikistan under the enhanced follow-up procedure. In November 2011 Tajikistan presented its sixth follow-up report to the EAG and the EAG decided to keep Tajikistan on the enhanced follow-up procedure, thus requiring reporting to the EAG during the next plenary meeting. In June 2011 Tajikistan was included in the FATF public document “Improving Global AML/CFT Compliance: On-going Process”. The FATF encouraged Tajikistan to address its remaining deficiencies and continue the process of implementing its action plan.

TURKMENISTAN

The AML/CFT law was adopted by the Parliament and signed by the President in May 2009. A Financial Intelligence Unit (FIU) was established under the Ministry of Finance in 2009. Turkmenistan became a member of EAG in June 2010. The Mutual Evaluation Report and the first Follow-up Report of Turkmenistan were adopted by the EAG in June 2011. In November 2011 Turkmenistan presented its second follow-up report to the EAG and the EAG decided to keep Turkmenistan on the enhanced follow-up procedure, thus requiring reporting to the EAG during the next plenary meeting.

RUSSIAN FEDERATION

A Joint AML/CFT Mutual Evaluation of Russian Federation was conducted by FATF/Moneyval/EAG in 2007. The Mutual Evaluation Report was adopted by FATF/Moneyval/EAG in June and July 2008. In December 2010 the Russian Federation submitted its second follow-up report to the EAG Plenary. The second 3rd round progress report of the Russian Federation was adopted by Moneyval in September 2011. The Russian Federation is a member of FATF, Moneyval and EAG; it chairs the EAG and Moneyval and co-chairs the EAG Technical Assistance, Typologies, Evaluation / Legal, and Supervision Working Groups.

UKRAINE

The AML/CFT law was adopted in June 2009 and came into force on 9th March 2010. The Financial Monitoring Committee (FMI) was established within the Ministry of Finance on 24 April 2008. Ukraine is a member of EAG, and co-chairs the EAG Technical Assistance Working Group. In October 2010 Ukraine underwent an EAG AML/CFT Mutual Evaluation. The Mutual Evaluation Report was adopted during the EAG Plenary in June 2011. In July 2011 during the Egmont plenary meeting in Yerevan, Armenia the Kazakh FIU became a member of the Egmont Group.

KYRGYZSTAN

Kyrgyz State Financial Intelligence Service - SFIS (FIU) became a member of the Egmont Group in May 2009. Kyrgyzstan is a member of EAG. The EAG 1st round Mutual Evaluation Report of Kyrgyzstan was adopted in June 2007. A first Mutual Evaluation Follow-up Report was adopted by the EAG in December 2010. After the adoption of the Mutual Evaluation Report all together 28 AML/CFT related laws were adopted in 2009. In March 2010, the Kyrgyz Government approved two Regulations dealing with the CDD, identification of beneficial owners and internal control rules. In October 2011 Kyrgyzstan was included in the FATF public document “Improving Global AML/CFT Compliance: On-going Process”. The FATF has determined certain specific AML/CFT deficiencies and encouraged Kyrgyzstan to work on implementing its action plan to address these deficiencies.

INDIA

A Financial Intelligence Unit (FIU-IND) was set up by the Government of India in November 2002 and is a member of Egmont Group. FIU-IND is an independent body reporting directly to the Economic Intelligence Council headed by the Finance Minister. India has criminalised money laundering under the Prevention of Money Laundering Act and the Narcotic Drugs and Psychotropic Substances Act. These laws came into force in 2005 and were amended in 2009. The Unlawful Activities (Prevention) Act was amended in 2004 to criminalise, inter alia, terrorist financing, and it was further amended in December 2008 to broaden its scope and to bring the legislation more in line with the requirements of the International Convention for the Suppression of the Financing of Terrorism. India is a member of FATF and APG and in December 2010 became also a member of EAG. The Mutual Evaluation Report of India was adopted by FATF in June 2010.
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 Mr. Klaudijo Stroligo at kstroligo@worldbank.org

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<td>MER and Summary in English: [link]</td>
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- The EAG expert mission to the Kyrgyz Republic was held from 6 to 13 April 2012.
  Representatives of the EAG Secretariat, delegations from the Russian Federation, Uzbekistan and Armenia took part in the mission. The experts held consultations with the representatives of the State Financial Intelligence Unit of Kyrgyzstan, the National Bank, the Ministry of Finance, the Ministry of Justice, the Ministry of Foreign Affairs, the General Prosecutor’s Office, the Ministry of Internal Affairs, the Agency for Drug Control, the National Security Committee, the Supreme Court, a number of other bodies of public authorities, as well as the representatives of the private sector.

  The documents, information and opinions of the EAG experts on the results of the mission will be used in the preparation of the progress report of the Kyrgyz Republic for consideration at the 16th EAG Plenary meeting of the EAG in May 2012.
From 10 to 13 April 2012 Mr. Klaudijo Stroligo, the WB/UNODC AML/CFT Mentor for Central Asia held a technical assistance mission to Astana, Kazakhstan. The objective of the mission was to discuss with the Kazakh FIU and other competent AML/CFT authorities the draft amendments to the Criminal Code and Law on Criminal Procedure of the Republic of Kazakhstan related to money laundering, terrorist financing and confiscation measures, as well as provisions related to sanctions under the UNSC Resolutions related to terrorism. This mission was held under the joint Kazakh Government and World Bank JERP 2012 Program.

Mr. André Corterier, World Bank Senior Financial Sector Specialist, held a technical assistance mission to Almaty, Kazakhstan from 9 to 13 April 2012. The objective of the mission was to assist the supervisory personnel of the National Bank of Kazakhstan (NBK) in drafting an on-site inspection manual.

Mr. Corterier reviewed with employees of the NBK’s Committee for Control and Supervision of Financial Markets and Financial Organizations the first draft of the manual and suggested several additions and improvements. This mission was organized by the World Bank and the US Embassy in Kazakhstan.

Prevention of money-laundering by applying international mechanisms, tools and best practices was the focus of an OSCE-supported workshop for experts and civil servants that was held in Ashgabat, Turkmenistan on 2 -6 April 2012.

Several international experts shared with participants their experiences in a wide range of areas, including European mechanisms of preventing money laundering, financial tools to detect terrorism and extremism financing, as well as investigating cases of financing proliferation activities. The workshop participants familiarized with case studies on money laundering in offshore zones, and money laundering-related IT crimes; they also discussed methods of combating corruption and bribery.

"Money-laundering and its consequences pose a serious threat to national and international security", said Ambassador Sergei Belyaev, the Head of the OSCE Centre in Ashgabat. "The importance of inter-agency and international information sharing in tackling the issue is difficult to overestimate here."

The five-day workshop was organized by the OSCE Centre in Ashgabat in o-operation with the OSCE Office of the Coordinator of OSCE Economic and Environmental Activities. Representatives from the Finance Ministry, Development Ministry, Ministry of Internal Affairs, General Prosecutor’s Office, National Security Ministry, Supreme and Arbitration Courts, Justice Ministry, State Border Service, State Customs Service, Central Bank, State Tax Service and Foreign Ministry attended the workshop.

For further information and Press-release please visit: http://www.osce.org/ashgabat/89385

The FATF’s Private Sector Consultative Forum, representing the financial sector and other businesses and professions submitted to anti-money laundering and countering the financing of terrorism (AML/CFT) obligations, met with FATF in Paris on 3-4 April 2012.

This meeting was an opportunity to provide detailed feedback to private sector representatives on the revised FATF Recommendations which were adopted by the FATF on 16 February 2012; and to discuss next steps, including implementation of the revised FATF Recommendations and future cooperative work by the FATF and private sector on guidance and typologies.


For further information please see FATF website: http://www.fatf-gafi.org

“Egmont” Group Case study: Misuse of legitimate businesses

Mary worked at a European company where she held the post of a clerical officer within the company’s accounts department. In her position she was able to misappropriate suppliers’ cheques. She lodged a total of US $ 36,000 to an investment account controlled by her Uncle Jim at a finance company. The two fraudsters thought that the financial institution at which the account was held would not be suspicious of fund transfers into an account associated with a well established finance company. However, the finance company, itself discovered the unusual transfer during a routine audit inspection, and disclosed the transactions to the national FIU.
The FIU made an application to the courts for an order to make material relating to Jim’s account at the finance company available to the investigation team. The finance company had kept accurate records and the investigation team was therefore able to rapidly analyse the various transactions. Jim had tried to conceal the funds through his account by obtaining a number of loans, all for similar sums of approximately US$8,000. These loans were repaid quickly using the misappropriated cheques to offset the outstanding balances and produce a ‘clean’ source of the funds.

When Jim was arrested, he was questioned as to his part in handling the missing monies. He admitted to receiving the cheques from Mary and lodging them at the finance company. Employees from the finance company identified Jim as the account holder in a formal identification parade. Mary made a statement under caution admitting that she had stolen money from her employer. She further admitted misappropriating cheques from her employer and handing them over to her uncle. Jim was interviewed again and made a statement under caution outlining his participation in the fraud. He confessed that he has been fully aware that his niece had stolen from her employer.

Various charges of larceny were arranged against Mary. Charges of money laundering were made against Jim in respect of each occasion he lodged a stolen cheque into his account at the finance company.

Indicators:
- Change of account behaviour without explanation
- Multiple amounts paid into personal account without explanation

«Egmont» group 100 Sanitized cases are available at:
http://www.egmontgroup.org/files/library_sanitized_cases/100casesgb.pdf

For more information please visit the Egmont Group website: http://www.egmontgroup.org/

Media review

Regional news

Kazakhstan court jails 47 on terrorism charges after closed trial
Associated Press
4/19/2012

A court in Kazakhstan has sentenced 47 people to jail terms of up to 15 years on terrorism-related charges. Aigul Temirtasova, a spokeswoman for the Atyrau provincial prosecutor’s office, said Thursday the defendants were arrested last year after a spike of terrorist attacks in the Central Asian nation.

The trial, which ended Wednesday, was held behind closed doors in western Kazakhstan, and few details have been made public. One group of 42 defendants was jailed on charges including forming a terror group, financing extremist activity and organizing attacks. The remaining five defendants were linked to specific attacks in October.

Last summer, Kazakhstan saw the killing of several police officers in attacks and skirmishes with alleged militants and a scattered handful of explosions.

Finance and Investment
Majilis amends money laundering law
5 April 2012
Kazakhstan Newsline
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Kazakhstan’s Majilis has approved amendments to the law on laundering illicit proceeds and terrorist financing in the first reading.

The Finance Ministry notes the amendments will ‘above all balance the interests of businesspeople and customers’.

According to Bolat Zhamishev, if the law comes into effect, an organization could have serious trouble if it refuses to accept payment through bank cards. Store and petrol stations will be obliged to accept card payments in addition to cash.

Kazakh Minister of Finance Bolat Zhamishev, stated, ‘The Tax Committee monitors the availability of a cash registers with fiscal memory, but it doesn’t control the payment for retail services in electronic format. However, the bill establishes a responsibility for the Tax Committee to monitor the presence of POS-terminals among legal entities.

The Finance Ministry also plans to raise the threshold for financial transactions that are subject to monitoring. The sum increases from 2 to 6 million tenge for payments and transfers. Purchases, sales, importing and exporting cultural values from the country will be monitored where the threshold rose from 7 to 30 million tenge. The threshold will increase from 45 million tenge to 150 million tenge for property including real estate, Caspionet states.

Russia plans stricter punishment for money laundering.

2 April 2012
ITAR-TASS World Service
TASS
English
(c) 2012 ITAR-TASS

By Itar-Tass World Service writer Lyudmila Alexandrova

MOSCOW, April 2 (Itar-Tass) — Russia plans to radically mount the fight against financial criminals who boost capital exodus from the country. Experts however fear the new rules may also affect law-abiding businessmen and whole industries.

Russian authorities decided to mount the fight against unlawful financial transactions in early 2012 and President Dmitry Medvedev appointed First Deputy Prime Minister Viktor Zubkov in charge of the effort.

Zubkov soon reported that money laundering abroad and cash-out inside Russia withdrew close to four percent of the GDP from the country. He described it as a national security threat.

The Bank of Russia estimated that close to one trillion rubles (US$ 33 billion) out of 2.5 trillion of net capital outflow in 2011 had "signs of laundering" through fly-by-night firms. Another one trillion rubles were cashed with "signs of domestic law violations."

The fly-by-night firms mostly operate in tax, customs, and banking spheres and on the financial market, according to Zubkov.

This week the Federal Service for Financial Monitoring (Rosfinmonitoring)
will submit to the government the first package of legislative amendments which reduce ten times the minimal money laundering threshold which envisages criminal punishment. So far major money laundering deals punished by a fine of 300 thousand rubles (US$ 10,000) and a four-year prison term begin from six million rubles (US$ 200 thousand). The amendments reduce the amount to 600,000 rubles and envisage a fine of 200,000 rubles or a two-year prison term.

Rosfinmonitoring said mostly budget money and funds of state companies and corporations are laundered both in banks and on the stock market. It said state corporations are surrounded by a web of fly-by-night companies often affiliated with administrators of funds. They pump money into “shadow” turnover and legalize it as private enterprise funds. The violations are mostly reported in housing and communal industry, power engineering, construction, goal-oriented and investment programs, and military-defense complex.

The Russian stock market offers wide possibilities for operations with “dirty” money and its instruments are actively used for cash-out and money transfer to non-residents. Rosfinmonitoring said near 7.5 billion dollars were transferred to the accounts of offshore companies in foreign banks through stock market instruments in the past three years.

The financial watchdog proposes to monitor all deals worth 600 thousand rubles or equivalent in foreign currency (US$ 20,000). It estimated there are forty types of dubious transactions, in particular, depositing and withdrawing cash from an account of a legal entity, purchase and sale of foreign currency by a private individual, cash purchase of securities by a private individual, depositing gemstones and jewelry in pawnshops, providing and obtaining interest-free loans.

Experts see both pros and cons in the initiative.

“I believe it will decrease the number of financial crimes as people would hardly risk their freedom. Ten thousand dollars or 300 thousand rubles comprise a big amount abroad and their laundering is fraught with major punishment. It is good that Russia has finally comprehended it,” Director General of Blagodat Securities Investment Company Vsevolod Chashchin told Urainformbureau news agency.

However Alexander Yermolenko from FBK-Pravo consultancy fears the initiative may also complicate the life of honest businessmen and ordinary citizens in general. He told New Region agency Rosfinmonitoring does not distinguish between money laundering and tax dodging. “They call money laundering any unlawful activity,” he said.

“Rosfinmonitoring is witch hunting. As a result it affects ordinary businessmen rather than criminal elements. The fuss disorganizes the market and people escape offshore even more. Such changes trigger a reverse effect,” he said.

“Rosfinmonitoring was fast to draft a lawbill which actually eliminates bank secrecy and gives expanded powers to tax authorities and at the same time complicates the registration of a new business,” NEWsru.com economic writer Maxim Blant said. “All efforts of the past years to encourage small and medium businesses and facilitate private enterprise can be forgotten now.”

Blant said Zubkov had identified yet another “nest of vipers” for money laundering and corruption – the Russian stock market. “He did not dare eliminate it but his initiatives about stricter control and regulation and higher requirements to market participants will make their life less comfortable,” he said.

However Blant agreed the initiatives will make people “stop stealing for a week or two until a new scheme is invented on and outside the stock market. Is it for the sake of two weeks that the deputy prime minister plans to deal a blow to a whole sector of economy which will hardly recover from it?” he asked.

“First and foremost, they have to make the climate in the country more comfortable for business. In that case the instruments which companies use to increase their comfort will be no longer necessary.” Anton Danilov-Danilyan from Business Russia Association told Vedomosti Daily. Stricter administrative regulation is a secondary measure while excessive powers of officials can be detrimental to law-abiding companies, he said.

The Telegraph

Chris Samuelson, the frontman for Anton Zingarevich’s bid for Reading, denies allegations of money-laundering; The man fronting the Russian takeover at Reading has been accused in US court papers of being the subject of “multiple high-profile money-laundering investigations”, The Daily Telegraph can reveal.

By Matt Scott
21 April 2012
The Telegraph Online
The Telegraph Online © 2012. Telegraph Media Group Ltd.

Chris Samuelson, who has been the spokesman for Anton Zingarevich’s bid for the newly-promoted club, denies the allegations. Samuelson, an offshore financier based in Switzerland, has been named in courts on both sides of the Atlantic as a key former associate of Arkady Patarkatsishvili and his business partner Boris Berezovsky.

According to one deposition uncovered by Daily Telegraph investigations, Patarkatsishvili accused Samuelson of being “a crook” and “a thief and a liar”. Samuelson counters that the sworn statement itself is wrong.

The claims come in the shape of a signed affidavit from the Russo-American lawyer Oxana Adler, who describes herself as having been Patarkatsishvili’s counsel for more than a decade. Adler’s written statement before the Miami division of the US Bankruptcy Court says: “Oxana Adler declares under the penalty of perjury as follows [the existence of] documents showing that Samuelson, for years, has been the subject of multiple high-profile money-laundering investigations in the US and Europe.

"Most prominent were the probes by the French Central Office for Combating Grand Financial Offences (OCRGDf) a principal French governmental agency investigating major financial frauds, and the Economic Investigation Service (FIOD/ECD), the Netherlands money laundering watchdog."

“"In the early 2000s Samuelson was also investigated by the FBI in connection with the Bank of New York money laundering scandal.”

Samuelson responded to The Daily Telegraph: “I have no knowledge of being investigated as Adler claims” and described her statement as "farcical".

The French judicial police, which houses the OCRGDf, said it could neither confirm nor deny Adler’s statement about whether it has investigated Samuelson, since it never passes comment on operational matters. The FIOD/ECD has not responded to The Daily Telegraph’s emails or calls about the allegations since Thursday.

He adds that Adler and her fellow New York lawyer Emanuel Zeltser are giving evidence against him due to the highly acrimonious nature of the dispute over the affairs and assets of the late billionaire Patarkatsishvili.

Denying the allegations, Samuelson says “I am involved in these cases as the trustee of assets that I am trying to recover.”

Three months have passed since the takeover deal was announced as having been agreed in principle with the club’s current owner, John Madejski, yet the buyout has still not been approved by the football authorities.

As revealed in The Daily Telegraph on Thursday, Zingarevich’s Thames Sports

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 Mr. Klaudijo Stošić at kstroligo@worldbank.org
Investment vehicle is now the subject of investigations by the Premier League. The Football League’s own inquiries into the new ownership have so far proved inconclusive, and the Premier League took an interest in the matter prior to the club’s promotion from the Championship.

But it is clear Samuelson has long been a close associate of some of the most controversial figures in the Russian super-rich. Samuelson provided corporate services for Berezovsky between 2000 and the time of Patarkatsishvili’s death in 2008.

Berezovsky admitted before the High Court to having been the subject of investigations by the Premier League’s own inquiries into the new ownership. He added: “All the investigations are closed because no one reason was found [sic] that it was money-laundering.”

He claimed there had also been an investigation in France of allegations of money-laundering at a company unconnected to Berezovsky. That company’s affairs were, according to a statement Samuelson made to the New York Times in 1999, managed by Samuelson.

Offshore structures have played a major part in TSI’s attempted takeover at Reading, though, Samuelson states, Berezovsky is not involved.

Samuelson explained: “Thames Sports Investments Ltd is a Gibraltar company established to invest in the sports sector and its first investment is Reading Football Club.

“The beneficial shareholder is only Anton Zingarevich. The company is administered by Finsbury Trust, Gibraltar’s largest trust company. The ownership has been disclosed to RFC and to the Football League.

“Anton is not a UK resident and TSI will be doing other activities in other countries. Some clients want privacy and in some cases it can be mandatory. If you travel to such countries as Brazil or Mexico, you will appreciate that kidnapping and ransom are major concerns for high net worth people.”

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**International news**

**Former deputy Greek premier arrested**

By Kerin Hope in Athens

11 April 2012

Financial Times (FT.Com) English

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Greece’s financial police on Wednesday arrested a former deputy premier in connection with a bribery investigation concerning the purchase of four new German submarines by the Greek navy.

The arrest followed a two-year probe into property transactions involving offshore companies controlled by Akis Tsochatzopoulos, a veteran socialist who held the post of defence minister when the €2.5bn submarine deal was agreed in 2000.

Television footage showed Mr Tsochatzopoulos, 72, being escorted from his home by plainclothes police. Two related arrests were made later in the day: a cousin of the former defence minister called Nikos Zigras, and George Sachpatzides, a businessman with links to the same offshore companies, according to police.

The former defence minister is the first high-profile Greek politician to be arrested under a crackdown on corruption and tax evasion that has previously targeted dozens of civil servants, businessmen and entertainers. However, almost all those arrested have been released on bail to await trial.

Mr Tsochatzopoulos is accused of receiving an €8m bribe from former employees of Ferrostaal, the German industrial group that arranged the submarine purchase. Funds were allegedly deposited in a Swiss bank account and were later transferred to Greece to buy two properties in Athens, according to documents prepared for the prosecution, people with knowledge of the case said.

Mr Tsochatzopoulos denies any wrongdoing. Ferrostaal was unavailable for comment on Wednesday night.

Last year Ferrostaal agreed to pay a €140m fine in a settlement with a Munich court in a case involving two former employees accused of paying bribes in Greece and Portugal connected with submarine purchases in both countries. The two were given a suspended sentence of two years and a fine.

Mr Tsochatzopoulos retired from politics in 2009. He was expelled from the PanHellenic Socialist Movement the following year over his purchase of a luxury apartment in “billionaire’s alley” - a street overlooking the ancient Parthenon temple in central Athens - through an offshore company.

He appeared last year before a parliamentary committee holding a separate inquiry into the submarine purchases, claiming he had become a scapegoat for popular resentment against politicians.

An overwhelming majority of lawmakers later voted to set up a committee of senior judges to decide whether Mr Tsochatzopoulos should appear before a special court on charges of corruption and money-laundering, but no decision has been taken.

**Ex-Niger delta governor jailed**

By Jane Croft

18 April 2012

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A former governor of Nigeria’s oil-rich Delta state who rose from humble beginnings to become one of the country’s richest men has been jailed for 13 years for fraud and money laundering by a London court.

Nigerian-born James Ibori was jailed after pleading guilty to 10 offences worth about £50m, although it is thought the actual sums involved could be in excess of £200m. The charges included conspiracy to launder public funds from Delta state and substantive counts of money laundering.

Mr Ibori is the most high profile Nigerian politician to have been successfully prosecuted for corruption. His jail term marks a precipitous fall for a man who worked his way up - he was once a cashier in a London hardware store - to become one of the key powerbrokers of Africa’s most populous nation.

Mr Ibori became governor of Delta when the military handed power back to civilians in 1999, cementing his position among the political barons of the Niger delta, home to sub-Saharan Africa’s biggest oil and gas industry. Indeed, the former England footballer John Fashanu flew from Nigeria to appear as a character witness for Mr Ibori and testify about his record of building sports facilities in Delta.

Sentencing Mr Ibori at Southwark Crown Court yesterday, Judge Anthony Pitts noted that the former governor had turned into a “man of corruption lining his own and families’ pockets with single minded devotion and determination”.

Earlier in the two-day hearing Sasha Wass, prosecuting, outlined Mr Ibori’s ascent to become a “property tycoon who led the lifestyle of royalty” from humble origins as a cashier at a hardware store, from where he was convicted of stealing goods in 1990.

The court had heard that Mr Ibori amassed a portfolio of six properties outside Nigeria worth £6.9m at a time when he was being paid £4,000 a year as state governor. He also bought a fleet
of luxury cars and in three years ran up £920,000 on his American Express Centurion card - a card only available to the super rich, Ms Wass said.

In 2005 Mr Ibori instructed a London solicitor to purchase a private jet costing $20m and called himself "His Excellency", the court heard.

Mr Ibori used six accounts at Barclays Bank and Swiss bank accounts to transfer the money, the court heard. Ms Wass also said Mr Ibori had even unsuccessfully tried to offer a $15m cash bribe to an official at the economic and financial crimes commission in Nigeria to drop an inquiry into his activities.

Robert Palmer of Global Witness, a London-based campaign group, said the case raised serious questions about the due diligence Barclays and the other banks carried out on Ibori.

"By doing business with Ibori and his associates, these banks facilitated his corrupt behaviour and allowed him to spend diverted state assets on a luxury lifestyle . . . while many Nigerians continue to live in poverty," he said.

The incorporation business

They sell sea shells

The companies that form companies are a shadowy world and a thriving industry

Apr 7th 2012

http://www.economist.com/node/21552197

COMPANIES have a legal personality. But they are easier to make than people. Up to 2m are set up in America each year, according to Senate investigators. Britain creates some 300,000; around 250,000 are set up in offshore locations, reckons Jason Sharman of Griffith University in Australia, who has studied the business. The British Virgin Islands (BVI) alone registered 59,000 new firms in 2010. It had 457,000 active companies as of last September—more than 16 companies for every one of its 28,000 people.

Many such firms may be real, with their own offices and employees somewhere in the world. But many are paper firms, often with nominee directors and free of any obligation to publish their accounts. That helps stop outsiders from working out what they do or own, where they operate, who controls them and whom they really belong to.

Shell companies are perfectly legal and have many above-board uses. Firms may use them during mergers, to park assets during complicated transactions, or to fend off lawsuits in countries with predatory governments or corrupt courts. They can usefully protect trade secrets or safeguard directors from kidnappers or busybodies. They offer flexibility for entrepreneurs needing to move quickly.

"Every company starts out as a shell," says Richard Geisenberger, head of Delaware's Division of Corporations, which registered 133,297 new corporate vehicles last year.

But they can also be misused—for tax evasion, money laundering, sanctions-busting or terrorism. A World Bank report last year, "The Puppet Masters", investigated 817 big cases of corruption between 1980 and 2010. Almost all used shells. "It's a basic launderer's tool," says Robert Palmer of Global Witness, a campaigning group.

One reason for their ubiquity is an American-led push against money laundering. New rules make it all but impossible for someone to open a bank account anonymously. As a result, shell companies have become the easiest way for a malfeasant to hide his identity. The recent indictment of Wegelin, a Swiss private bank being sued for helping Americans to evade tax, is peppered with references to "sham" companies and foundations, set up in places like Panama and Liechtenstein to conceal the identities of the bank's clients. Several companies, including global giants such as BAE Systems, have been caught using shells to pay bribes to officials posing as consulting firms.

Much of the blame for this goes to small-island jurisdictions, often derided as "sunny places for shady people". Yet the biggest offenders are countries that pride themselves on their financial integrity. Britain (unlike most offshore locations) does not regulate company-formation agents. It even lets firms be founded with bearer shares, which, like cash, belong to whoever happens to have them with him at the time. Most countries have abolished these securities, under pressure from international financial regulators, but one British website offers same-day incorporation of a UK bearer-owned shell for a mere £142 ($227), within four to six hours.

America is even laxer, because company formation is a job for the states, not the federal government. Formation agents are neither covered under anti-money-laundering rules nor required to report suspicious activity by firms they have established or administer. Reuters, a news agency, has shown that agents with dire records can be barred from doing business—but even then can soon start up again.

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Tracing the real owners of private firms is harder in America than almost anywhere else. Some formation agents there do not ask for identity documents, let alone verify them, as Mr Sharman discovered when he posed as a would-be money launderer, as described in his book, "The Money Laundry". One-eighth of all the shells found by the World Bank were incorporated in America (see table). Attempts at reform have got nowhere.

Offshore formation agents seeeth at this: they have tightened their standards under pressure from big countries that do not practise what they preach and (worse still) are now stealing their business. Raúl Castro of Morgan & Morgan in Panama speaks of a "great sense of injustice". Big countries are increasingly demanding that offshore companies prove they have "substance", such as real offices and employees, in order to qualify for benefits under bilateral tax treaties.

Banking the profits

Miscreants will find little use for a company unless it has a bank account. That in theory should be a tightly guarded gateway to the world of respectable business. Mass incorporators typically offer bank accounts too, creating a symbiotic relationship between the smithies of corporate identity and the money men. "The two can't live without each other," says a financial-transparency expert at a multilateral institution.

In many or most cases that may be perfectly legal. But the potential for abuse is huge. Banks with big offshore businesses have been known to offer their employees incentives to sell corporate vehicles. A former UBS employee who left in 2008 says that the member of his department who had sold the most shells the previous month received a gift and a bonus. All were expected to sell at least a dozen a year.

Bankers kept incorporation forms for various offshore structures in their drawers. Once a week some of them would go to Liechtenstein to get the paperwork for the latest batch of foundations stamped. UBS declined to comment. Such practices may no longer

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be widespread. But the Wegelin case shows how easily they attract American prosecutors’ attention.

Having got offshore jurisdictions, at least, to find out more about their customers and keep better records, and with banks quivering in fear of American ire, the next push is towards regulating the booming company-formation industry. Hong Kong and the Netherlands are mulling the idea of introducing regulation within the next three years. Even Britain and America may impose a duty to report suspicious activity. By the murky standards of the past, even that would be a welcome change.

Publications and Websites of Interest

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<tr>
<td><a href="http://www.unodc.org">http://www.unodc.org</a></td>
<td>Official website of the UNODC. (In English, Russian, Spanish)</td>
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<td><a href="http://www.amlcft.org">http://www.amlcft.org</a></td>
<td>World Bank’s AML/CFT website. (In English)</td>
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<td><a href="http://www.worldbank.org/STAR">http://www.worldbank.org/STAR</a></td>
<td>World Bank and UNODC’s Stolen Assets Recovery Initiative (StAR) website</td>
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<td><a href="http://www.imolin.org">http://www.imolin.org</a></td>
<td>International Money Laundering Information Network administered by UNODC Global Program against Money Laundering (GPM) 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)</td>
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<tr>
<td><a href="http://www.eurasiangroup.org">http://www.eurasiangroup.org</a></td>
<td>The EurAsian Group is the FATF-Style Regional Body serving Central Asia. (In English and Russian)</td>
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<td><a href="http://www.imolin.org/pdf/imolin/MLawsRussian_IMoLIN.pdf">http://www.imolin.org/pdf/imolin/MLawsRussian_IMoLIN.pdf</a></td>
<td>UNODC Model Law in Russian</td>
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<td><a href="http://www.fatf-gafi.org/dataoecd/43/46/38960576.pdf">http://www.fatf-gafi.org/dataoecd/43/46/38960576.pdf</a></td>
<td>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.</td>
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<td><a href="http://www.fatf-gafi.org/dataoecd/61/28/40248726.pdf">http://www.fatf-gafi.org/dataoecd/61/28/40248726.pdf</a></td>
<td>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</td>
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<td><a href="http://www.fatf-gafi.org/dataoecd/28/43/40285899.pdf">http://www.fatf-gafi.org/dataoecd/28/43/40285899.pdf</a></td>
<td>The study identifies four strategies which could help in further strengthening counter-terrorism 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.</td>
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<td><a href="http://www.eurasiangroup.org/rus/index-5.htm">http://www.eurasiangroup.org/rus/index-5.htm</a></td>
<td>Russian version of 40 FATF Recommendations [AML]</td>
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<td><a href="http://www.fatf-gafi.org/dataoecd/45/31/40705101.pdf">http://www.fatf-gafi.org/dataoecd/45/31/40705101.pdf</a></td>
<td>FATF’s first in-depth study, which examines its vulnerabilities to misuse for money laundering and terrorist financing in real estate sector.</td>
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<td><a href="http://www.assetrecovery.org">http://www.assetrecovery.org</a></td>
<td>Asset Recovery Knowledge Center of the International Centre for Asset Recovery (ICAR)</td>
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<td><a href="http://www.egmontgroup.org">www.egmontgroup.org</a></td>
<td>The Egmont Group of Financial Intelligence Groups</td>
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<tr>
<td><a href="http://www.caricc.org">http://www.caricc.org</a></td>
<td>CARICC - Central Asian Regional Information and Coordination Centre for combating the illicit trafficking of narcotic drugs, psychotropic substances and their precursors, established within the Memorandum of Understanding on sub-regional drug control cooperation dated May 4 1996 (Tashkent, Uzbekistan) between the Republic of Azerbaijan, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation, the Republic of Tajikistan, Turkmenistan, the Republic of Uzbekistan and UN Office on Drugs and Crime (UNODC).</td>
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<td><a href="http://www.oecd.org/corruption/acn">http://www.oecd.org/corruption/acn</a></td>
<td>Anti-Corruption Network for Eastern Europe and Central Asia</td>
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