



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

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CALENDAR OF EVENTS

1 Workshop on International Co-operation in Criminal Matters: Exchanges of Operational Information in the Fight against Organized Crime and Terrorism

Date: 6 – 7 June 2012
Organizer: OSCE/UNODC/CARICC
Location: Almaty, Kazakhstan
Contact information: Christian.Larson@osce.org

6 The workshop on exchange of experience in national ML/FT risk assessment

Date: November 2012 (TBC)
Organizer: EAG
Location: TBD
Contact information: info@eurasiangroup.org

2 The FATF Plenary and Working Groups Meetings

Date: 18 – 22 June 2012
Organizer: FATF
Location: Rome, Italy
Contact information: Secretariat@fatf-gafi.org

7 The 17th EAG Working Groups and Plenary Meeting

Date: November 2012
Organizer: EAG
Location: TBD
Contact information: info@eurasiangroup.org

3 The 39th MONEYVAL Plenary Meeting

Date: 2 – 6 July 2012
Organizer: Moneyval
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

8 The 40th MONEYVAL Plenary Meeting

Date: 3 – 7 December 2012
Organizers: Moneyval
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

4 The Egmont Group Plenary Meeting

Date: 8 – 13 July 2012
Organizer: The Egmont Group
Contact information: mail@egmontsecretariat.org

5 The EAG/MONEYVAL Workshop on implementation of new edition of FATF Recommendations

Date: 19 – 21 September 2012
Organizer: EAG/MONEYVAL
Location: Strasbourg, France
Contact information: info@eurasiangroup.org

AML/CFT Developments in Central Asia

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 an observer to the 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 fifth 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.

KAZAKHSTAN



The AML/CFT law was adopted in June 2009 and came into force on 9th March 2010. The Financial Monitoring Committee (FIU) was established within the Ministry of Finance on 24 April 2008. Kazakhstan is a member of EAG, and co-chairs the EAG Technical Assistance Working Group. In October 2010 Kazakhstan 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. In October 2011 Kyrgyzstan was included in the FATF public

document "Improving Global AML/CFT Compliance: On-going Process". FATF has determined certain strategic AML/CFT deficiencies and encouraged Kyrgyzstan to work on implementing its action plan to address these deficiencies. In May 2012 a sixth Mutual Evaluation Follow-up Report was adopted by the EAG Plenary. EAG recommended Kyrgyzstan to present the 7th Follow-up Report 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.

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 May 2012 Tajikistan presented its seventh follow-up report to the EAG Plenary 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. In January 2012 the Egmont Group decided to invite Tajik FIU to participate in the next Egmont Plenary meeting in July 2012 as a candidate for full membership.

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 May 2012 Turkmenistan presented its third follow-up report to the EAG and EAG recommended

Turkmenistan to provide its Follow-up Report during the next plenary meeting. Based on high-level written commitments of Turkmenistan to implement an action plan to address specific AML/CFT deficiencies and on progress made, the FATF during its June 2010 plenary meeting decided to move Turkmenistan from its February 2010 Public Statement to the public document "Improving Global AML/CFT Compliance: On-going Process". FATF also decided to keep Turkmenistan under monitoring process and encouraged Turkmenistan to address its remaining deficiencies and continue the process of implementing its action plan. In August 2011 Turkmenistan adopted amendments to its Criminal Code (Article 242 - ML offence and articles related to terrorist acts).

UZBEKISTAN



Uzbekistan is a member of EAG. The Mutual Evaluation Report of Uzbekistan was adopted during the EAG Plenary meeting in Almaty in June 2010. The first Mutual Evaluation Follow-up Report was adopted by EAG in December 2010. The amendments to the Uzbek AML/CFT Law came into force on April 22, 2009. Amendments to other 16 laws were adopted by the Parliament in September 2009. In its February 2010 statement the FATF welcomed Uzbekistan's significant progress in improving its AML/CFT regime and noted that Uzbekistan addressed the AML/CFT deficiencies that the FATF had identified in February 2008. Uzbekistan is no longer subject to the FATF's enhanced monitoring process. Uzbek FIU became an Egmont Group member during its 19th Plenary meeting in July 2011.

INDIA



A Financial Intelligence Unit (FIU-IND) was set by the Government of India in November 2004 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 criminalize, 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.

EUROASIAN GROUP (EAG) update

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

Country	Evaluators	On-Site Evaluation Completed	Plenary Discussion	Mutual Evaluation Reports [MER]
CHINA	FATF, EAG	2006	Adopted: FATF (June 2007) EAG (Dec 2007)	MER and Summary in English: http://www.fatf-afi.org/dataoecd/24/45/39148209.pdf EAG First MER, Progress report in English: http://www.eurasiangroup.org/mers.php Five Follow up Reports are on EAG website
BELARUS	EAG	July 27 – Aug 3, 2008	Adopted: EAG (December 2008)	MER and Summary in English: http://www.eurasiangroup.org/mers.php MER and Summary in Russian: http://www.eurasiangroup.org/ru/mers.php Two Progress Reports are available on EAG website.
KAZAKHSTAN	EAG	October 2 -10, 2010	Adopted: EAG (June 2011)	MER in English and Russian: http://www.eurasiangroup.org/mers.php http://www.eurasiangroup.org/ru/mers.php
KYRGYZSTAN	EAG	Feb 2007	Adopted: EAG (June 2007)	MER with Summary and Progress report in English: http://www.eurasiangroup.org/mers.php MER with Summary and Progress report in Russian: http://www.eurasiangroup.org/ru/mers.php Six Follow up Reports are on EAG website
RUSSIAN FEDERATION	EAG, FATF, MONEYVAL	Sept 24 – Oct 2, Nov 12-23, 2007	Adopted: FATF (June 2008) Moneyval (July 2008) EAG (July 2008)	MER and Summary in English: http://www.fatf-gafi.org/dataoecd/51/27/40945440.pdf MER and Summary in Russian: http://www.eurasiangroup.org/files/MERs%20-%20RUS/russia.pdf Two Follow up Reports are on EAG website
TAJIKISTAN	EAG, World Bank	June 2007	Adopted: EAG (December 2008)	MER in English: http://www.eurasiangroup.org/mers.php MER in Russian: http://www.eurasiangroup.org/ru/mers.php Seven Follow up Reports are on EAG website
UZBEKISTAN	EAG	November 8-14, 2009	Adopted: EAG (June 2010)	MER and Summary in English: http://www.eurasiangroup.org/mers.php MER and Summary in Russian http://www.eurasiangroup.org/ru/mers.php First Follow up Report is on EAG website
TURKMENISTAN	EAG	November 7 - 14, 2010	Adopted: EAG (June 2011)	MER in English and Russian: http://www.eurasiangroup.org/mers.php http://www.eurasiangroup.org/ru/mers.php Three Follow up Reports are on EAG website
INDIA	FATF, APG	Nov 30 – Dec 12, 2009	Adopted: FATF (June 2010) APG (July 2010)	MER and Summary in English: http://www.fatf-gafi.org/document/17/0,3746,en_32250379_32236963_45582417_1_1_1,00.html

➤ **The 16th EAG Plenary meeting took place in Moscow, Russia from 22 to 25 May 2012. During the meeting the following topics were discussed/agreed:**

- The EAG granted observer status to France, Mongolia and the Egmont Group;
- Mr. Boris Toropov will continue working as the EAG Acting Executive Secretary until the next EAG Plenary;
- The EAG Chairman Action Plan for the period 2011-2012 was adopted by the Plenary;
- A new Working Group on Counteraction of Financing of Drug Business, Crime and Terrorism was established. Russia, the Kyrgyz Republic and Belarus provided their co-chairs to this working group;
- The FATF and MENAFATF representatives updated participants on their on-going work program and recent developments;
- The follow-up report of Kyrgyzstan was adopted. The EAG recommended Kyrgyzstan to present its next progress report during the 17th EAG Plenary and expressed hope that Kyrgyzstan will succeed in adopting its draft legislation;

- The follow up report of Tajikistan was adopted. The EAG decided to keep Tajikistan under the enhanced monitoring procedure and recommended to address the deficiencies according to the FATF Action Plan. Tajikistan should present its next follow-up report during the next EAG Plenary;
- The follow-up report of Turkmenistan was adopted. The EAG noted the progress made by Turkmenistan, yet due to the fact that Turkmenistan is still under the ICRG procedures, it will remain also under the EAG follow-up procedure, thus will have to present its next follow-up report during the next EAG Plenary. The removal of Turkmenistan out of EAG enhanced monitoring procedure will be discussed during the next EAG Plenary;
- The next EAG plenary meeting will be organized in November 2012 (dates and location TBD).

➤ **The EAG Consultative Forum “Public authorities and private sector cooperation improvement in relation to new FATF Standards” took place in Moscow, Russia on 22 May 2012**

The representatives of the EAG, the FATF, the World Bank, as well as the private sector and public authorities of the EAG members and observers participated in the work of the Forum.

The presentation of Ms. Valerie Schilling, the FATF Secretariat senior administrator was dedicated to main changes in the FATF Recommendations. She informed participants about the FATF activities in the framework of the preparation for the 4th round of mutual evaluations. The EAG Deputy Chairman Mr. Liu Zheng Ming noted that implementation of the risk-based approach became the ground novelty of the international standards on combating money laundering, financing of terrorism and financing of proliferation (AML/CFT/FP).

Approaches to country risk assessment were the topical issue of the speech of the World Bank representative.

The International Training and Methodology Centre for Financial Monitoring (Russia) presented an electronic training course "New version of the international standards in the field of AML/CFT/FT. This course will facilitate fast and effective clarification of the updated FATF Recommendations in EAG member states. Currently, the e-course is available openly on the EAG web-site.

For further information please visit EAG website: <http://www.eurasiangroup.org>

TECHNICAL ASSISTANCE update

- **The Final National Money Laundering Risk Assessment (NRA) Workshop was held in Astana, Kazakhstan, from 16 to 18 May 2012.** The workshop was organized by the World Bank in cooperation with the Committee on Financial Monitoring of the Ministry of Finance of Republic of Kazakhstan (Kazakh FIU) under a joint World Bank/Kazakh Government JERP 2012 Program. The Final workshop marked the third phase of the NRA process, which started in October 2011 with the Initial NRA workshop. Members of the NRA Working Groups and senior officials from the participant institutions took part in the workshop.

The main objectives of this workshop were: 1) Final review and discussion of the risk assessment results in order to further improve, refine and calibrate the findings; 2) Final review of the risk based draft action plans, discussion of implementation issues, challenges and generating realistic solutions; 3) Facilitating the exchange of views by senior officials and discussing the strategies for the effective implementation of action plans; and 4) Discussing the NRA strategy for the following years and ways to further improve the quality of the NRA process and underlying information, data, and statistics for the next rounds of the NRA.

During the 3-day workshop the heads of NRA working groups presented their findings and analysis related to the ML threats and vulnerabilities and their draft action plans. The WB team responded by providing general comments during the presentations' session and provided detailed comments/proposals during the discussions with each working group. The working groups revised their templates, reports and the draft action plans accordingly. The feedback received from senior officials of the participant government agencies was very positive and they all pointed out the importance of the work done so far as well as ensured their commitment in finalizing the risk assessment reports and action plans.

- **A Regional Workshop on International Cooperation in Criminal Matters was held between 16 and 18 May at the United Nations Office on Drugs and Crime Headquarters in Vienna, Austria,** under the strategic framework of the Regional Programme for Afghanistan and Neighbouring Countries. The workshop brought together senior experts from Afghanistan, Iran, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Pakistan and Uzbekistan with the aim to exchange information and discuss the harmonization of national criminal legislation under the various United Nations Drugs and Crime Conventions to enable and facilitate international/regional cooperation in criminal matters.

UNODC experts presented the latest update and global standard on extradition, mutual legal assistance, other forms of international cooperation - including law enforcement cooperation, transfer of proceedings and transfer of prisoners, anti-money laundering, countering the financing of terrorism, and asset recovery. Member states brought successful and unsuccessful cases on the above technical areas with the aim of sharing best practices and mutual learning. Participants and UNODC experts engaged in very active discussions, which lead to a number of new ideas and future follow-up actions.

The workshop enabled the delegations to bring areas of concern to the attention of UNODC and neighbouring countries. In several instances, it was agreed to work together in order to continue the cooperation on concrete cases. In the field of anti-money laundering it was decided to establish a Regional Network of Anti-Money Laundering Expert tasked to facilitate operational cooperation amongst Financial Intelligence Units and share relevant information regarding respective legislation.

OSCE update

- **The OSCE training course on anti-money laundering and countering the financing of terrorism (AML/CFT) for Kazakhstani non-financial businesses and professions took place in Astana and Almaty, Kazakhstan on 3 – 4 May 2012.**

The workshop was organized by the OSCE Centre in Astana in partnership with the Office of the Co-ordinator of OSCE Economic and Environmental Activities and Kazakhstan's Financial Monitoring Committee under the Ministry of Finance.

The course brought together 55 representatives of designated non-financial businesses and professions, including lawyers, notaries, accountants and other independent legal professionals, to study and discuss international AML/CFT instruments, standards and practices in the non-financial sector. Course participants discussed Kazakhstan's national AML/CFT legal framework and studied international supervisory structures for the non-financial sector, AML/CFT due diligence obligations and risk-based approaches presented by experts from the Isle of Man and Liechtenstein.

The event was organized in response to a request from the Financial Monitoring Committee and corresponds to the focus of Ireland's 2012 OSCE Chairmanship on good governance.

For further information and Press-release please visit: <http://www.osce.org/astana/90235>

Egmont Group update

"Egmont" Group Case study: Use of false identities, documents or straw-men

During a routine regulatory inspection the financial police of an Eastern European country discovered business irregularities at a commercial company. Inspectors identified a range of unusual fund transactions to foreign countries. The amounts involved were significant and the underlying business transactions seemed illogical and economically unjustifiable. The commercial company had recently bought real estate in America through a financial professional named 'Charles', who worked at a European intermediary's office. The finance police decided to request more information from the national FIU.

The FIU initiated its own financial investigation. Due to intensive national and international co-operation, the FIU was able to draw some rapid conclusions about the fund movements. The intermediary office used the same name as a sales company in America, although it did not in fact have any connection to the 'parent' company. The name and address of 'Charles' were false as well. 'Charles' was in fact Henry, who was already suspected of involvement in drug trafficking activities. The FIU reported its findings to the financial police and the Public Prosecutor.

In the meantime, the commercial company went bankrupt. The director denied any transactions involving real estate acquisition in foreign countries. But the FIU's analysis showed the contrary. The police charged the director with violating the money-laundering act for the offences of fraud, counterfeit documents and contracts, and abuse of office and authority.

Indicators:

- Use of company name designed to resemble an established companies
- A typical or uneconomical fund transfer to or from foreign jurisdiction

«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/>

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.worldbank.org/StAR	World Bank and UNODC's Stolen Assets Recovery Initiative (StAR) website
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.eurasiangroup.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.
http://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
http://www.coe.int/t/dghl/monitoring/moneyval/	MONEYVAL - Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
http://www.caricc.org	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).
http://www.oecd.org/corruption/acn	Anti-Corruption Network for Eastern Europe and Central Asia

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