



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

Issue 40 – July-August 2009
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CALENDAR

1 FIU Workshop [national]

Date: September, 8-10, 2009
Organizers: WB/UNODC in cooperation with OSCE and ADB
Location: Tashkent, Uzbekistan
Contact information: Madina Sarieva
madina.sarieva@unodc.org

2 OSCE workshop on the role of charities in combating terrorist financing

Date: September 11, 2009
Organizer: OSCE
Location: Viena, Austria
Contact information: psu-occea-at@osce.org

3 National Workshop on implementation of the universal regime against terrorism [national]

Date: September 14-18, 2009
Organizer: UNODC
Location: Astana, Kazakhstan (TBC)
Contact information: Aydan Bashlinskaya
aydan.bashlinskaya@unodc.org

4 MONEYVAL Plenary Meeting [regional]

Date: September 21-24, 2009
Organizer: Moneyval
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

5 IMF AML/CFT workshop on Informational Technology for FIUs

Date: September 28 - October 2, 2009
Organizer: IMF
Location: Vienna, Austria
Contact information: Giuseppe Lombardo
glombardo@imf.org

6 Inter-sessional meeting of EAG Working Group on Mutual Evaluations and Legal Issues and Ad hoc Working Group, EAG Workshop on typologies

Date: October 5-7
Organizer: EAG
Location: Moscow, Russian Federation
Contact information: info@euroasiangroup.org

7 Regional seminar for tactical analysts [regional]

Date: October 13-15, 2009
Organizers: WB/UNODC/Egmont Group/FIU Kazakhstan
Location: Borovoe, Kazakhstan
Contact information: Madina Sarieva
madina.sarieva@unodc.org

8 EAG workshop on AML/CFT supervision

Date: November 2-3, 2009
Organizer: EAG
Location: Kishinev, Moldova
Contact information: info@eurasiangroup.org

9 Workshop on the implementation of the universal regime against terrorism [national]

Date: November 4-5, 2009
Organizer: UNODC
Location: Bishkek, Kyrgyzstan
Contact information: Aydan Bashlinskaya
aydan.bashlinskaya@unodc.org

10 MONEYVAL Annual Typologies meeting

Date: November 10-12, 2009
Organizer: MONEYVAL
Location: Cyprus
Contact information: dghl@moneyval.coe.int

AML/CFT Developments in Central Asia

AFGHANISTAN



Afghanistan enacted an AML/CFT law in 2004. The Financial Intelligence Unit was established in 2005. Afghanistan has commenced application process for Egmont Group Membership in 2007; sponsors are the USA and Malaysia. Afghanistan is scheduled to undergo an APG-IMF Mutual Evaluation in the 3rd quarter of 2009. Afghanistan is a member of the Asia Pacific Group (APG) and observer to the EAG.

BELARUS



Belarus became a member of the Egmont Group in 2007. The Mutual Evaluation Report of Belarus was adopted by the EAG in December 2008. Belarus is a member of EAG, and co-chairs the EAG Typologies Working Group. It also holds position of the Deputy Chair of EAG.

CHINA



The AML/CFT law was adopted on 31 October 2006 and came into force on 1 January 2007. The Mutual Evaluation Report of China was adopted by FATF in June 2007 and by EAG in December 2007. China Progress report was adopted by FATF and EAG in July 2008. A follow up report was presented during the EAG Plenary Meeting in Moscow in December 2008. China is a member of EAG and FATF, and serves as co-chair of the EAG Evaluation/Legal Working Group.

KAZAKHSTAN



The AML/CFT law was adopted by both Chambers of the Kazakh Parliament in June 2009 and signed by the President in August 2009. A decision to establish the Financial Monitoring Committee (FIU) within the Ministry of Finance was taken by the Government on 24 April 2008. The head of the Financial Monitoring Committee (Kazakh FIU) was appointed in September 2008. Kazakhstan is scheduled to undergo an EAG mutual

evaluation in 1st quarter of 2010. Kazakhstan is a member of EAG, and co-chairs the EAG Technical Assistance Working Group.

KYRGYZSTAN



Kyrgyz Financial Intelligence Service - FIS (Kyrgyz FIU) became a member of the Egmont Group during its plenary meeting in Doha in May 2009. The EAG 1st round Mutual Evaluation Report of Kyrgyzstan was adopted in June 2007. Progress reports were presented during the 7th and 8th EAG Plenary meetings in 2007 and 2008. A follow up report was presented during the EAG Plenary Meeting in December 2008. 24 AML/CFT related laws were adopted after the adoption of the MER and additional amendments to 13 other laws were adopted by the Kyrgyz Parliament and signed by the President in June 2009. Kyrgyzstan is a member of EAG.

RUSSIAN FEDERATION



Joint AML/CFT Mutual Evaluation of Russian Federation was conducted by FATF, Moneyval and EAG in 2007. Joint Evaluation Report was adopted by FATF/Moneyval/EAG in June and July 2008. A discussion on the first progress report of the Russian Federation is scheduled to take place during the next Moneyval meeting in September 2009. Russian Federation is a member of FATF, Moneyval and EAG; chairs the EAG and co-chairs the EAG Technical Assistance, Typologies and Evaluation/ Legal Working Groups.

TAJIKISTAN



The AML/CFT law was drafted in the Office of the President in 2007 and is currently discussed in the AML/CFT working group. Tajikistan is a member of EAG. The World Bank mutual evaluation report was adopted by the EAG during its Plenary Meeting in Moscow in December 2008. In December 2008 the EAG decided to place Tajikistan under the enhanced follow up procedure and on June 2, 2009 the EAG undertook a high-level mission to Tajikistan. In June 2009 during the EAG plenary meeting in St Petersburg

Tajikistan presented its first progress report. The EAG decided to keep Tajikistan under the enhanced follow up procedure.

TURKMENISTAN



Turkmenistan became an observer member of the EAG in December 2007. On April 28-29, 2009 the EAG undertook a high-level mission to Turkmenistan. The AML/CFT law was adopted by the Parliament of Turkmenistan and signed by the President in May 2009. Turkmenistan is in the process of establishing the FIU. On 26 June 2009, the FATF reaffirmed its statement of 28 February 2008 regarding the anti-money laundering and countering the financing of terrorism risks posed by Turkmenistan. The FATF also welcomed Turkmenistan's recent progress in adopting AML/CFT legislation and urged Turkmenistan to continue to take steps to implement an AML/CFT regime that meets international AML/CFT standards.

UZBEKISTAN



Uzbekistan is a member of EAG, and will undergo an AML/CFT Mutual Evaluation by the EAG in the last quarter of 2009. The AML/CFT Law was adopted by both chambers of the Parliament and signed by the President in April 2009. On April 22, 2009 the AML/CFT Law came into force. Amendments to other 16 laws were drafted and are currently discussed between the relevant ministries. In its recent statement dated 26 June 2009 the FATF reiterated its statement of 16 October 2008, calling on its members and urging all jurisdictions to strengthen preventive measures to protect their financial sectors from the ML/F risk emanating from Uzbekistan. The FATF also welcomed the significant recent steps taken by Uzbekistan in order to restore and strengthen its AML/CFT regime and took note on the action plan for the further steps that it has articulated. FATF urged Uzbekistan to continue its progress towards completing its legislative framework and implementing an AML/CFT regime that meets international standards and will pursue its close monitoring.

EUROASIAN GROUP (EAG) update

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

Country	Evaluators	On-Site Evaluation	Plenary Discussion	Mutual Evaluation Reports [MER]
CHINA	FATF, EAG	Completed 2006	Adopted: FATF (June 2007) EAG (Dec 2007)	MER and Summary in English: http://www.fatf-gafi.org/dataoecd/24/45/39148209.pdf EAG First MER, Progress report in English: http://www.eurasiangroup.org/china.htm
BELARUS	EAG	July 27 – Aug 3, 2008	Adopted: EAG (December 2008)	MER and Summary in English and Russian: http://www.eurasiangroup.org/index-7.htm EAG Executive summary on first MER in English: http://www.eurasiangroup.org/belarus.htm EAG Executive summary on first MER in Russian: http://www.eurasiangroup.org/rus/belarus.htm
KAZAKHSTAN	EAG	1st quarter 2010	EAG (June 2010)	-
KYRGYZSTAN	EAG	Feb 2007	Adopted: EAG (June 2007)	MER with Summary and Progress report in English: http://www.eurasiangroup.org/kyrgyz.htm MER with Summary and Progress report in Russian: http://www.eurasiangroup.org/rus/kyrgyz.htm
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
TAJIKISTAN	EAG, World Bank	June 2007	Adopted: EAG (December 2008)	MER and Summary in English: http://www.eurasiangroup.org/tajikistan.pdf
UZBEKISTAN	EAG	November 8-14, 2009	EAG (June 2010)	-

Technical Assistance Update & Regional news

- **The joint OSCE/WB/UNODC regional workshop on Asset Seizure and Asset Recovery for countries of CIS** was organized on July 14-15, 2009 in Almaty, Kazakhstan. The two-day workshop was attended by 25 participants from Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Russian Federation as well as experts from the World Bank, OSCE, UNODC, Basel Institute on Governance and Criminal assets Bureau of Ireland. Speakers delivered presentations during the first day of the workshop, and presented case studies during the second day, which resulted in a lively discussion with the participants. Almost all of them took the floor to explain their own country legislation and possible solutions regarding the items raised by trainers. The discussions showed that the participants were not familiar with the non-conviction based asset forfeiture, yet they had some experience in applying their own countries' legislation on provisional and confiscation measures.

MONEYVAL update

- **MONEYVAL Public Statement in respect of Azerbaijan**

On 20 March 2009, MONEYVAL released the following public statement under Step VI of its Compliance Enhancing Procedures:

The Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) has been concerned since 2006¹ with deficiencies in the anti-money laundering / combating the financing of terrorism (AML/CFT) regime in Azerbaijan. On 12 December 2008, at its 28th plenary meeting, a Public Statement was issued by MONEYVAL under Step VI, which remains in effect.

¹ A graduated series of steps have been applied since 2006 to reinforce MONEYVAL's concerns about Azerbaijan's non-compliance with its reference documents.

At its 29th plenary meeting in Strasbourg (16-20 March 2009), MONEYVAL welcomed the progress that had been made with the adoption of an AML/CFT Law on 18 February 2009 and the steps that are now being taken to complete the legal framework for an AML/CFT regime. Progress has been made in addressing many of MONEYVAL's concerns. Azerbaijan is requested to finalise the legal structure quickly and address other identified deficiencies. Azerbaijan is encouraged to work closely with MONEYVAL to achieve this.

The first public statement issued on 12 December 2008 remains in effect and can be consulted at: http://www.coe.int/t/dghl/monitoring/moneyval/About/MONEYVALstatement-AZ_en.pdf

- **MONEYVAL on-site evaluation visits**

The 3rd Round on-site evaluation visits to Armenia (joint with IMF), Serbia and Bosnia and Herzegovina have been undertaken in February/March and May 2009.

- **MONEYVAL typology work**

MONEYVAL is currently leading a typology project on money service businesses. At the 29th Plenary it was agreed that MONEYVAL would commission two new typology projects on "internet casinos" and "money laundering in the insurance industry".

For further information please see the MONEYVAL website <http://www.coe.int/moneyval>

Egmont update

"Egmont" Group Case study: EXPLOITATION OF INTERNATIONAL JURISDICTIONAL ISSUES

A foreign FIU sent an intelligence request to an European FIU via the Egmont group. The individuals and companies included in the request - one of which was an individual named Harvey - were suspected of being engaged in money laundering. Upon checking available intelligence data bases the European FIU noted that it had recently received a disclosure from a financial institution about Harvey.

Harvey had opened two accounts at the institution several months before. Immediately afterwards, one of the accounts was credited with funds sent from an offshore tax haven. Harvey, who also appeared to be the principal of this transfer, withdrew the money in cash immediately. Then the account remained inactive. This transaction hadn't seemed unusual to the bank at first, and so no disclosure had taken place at that time.

However, recently Harvey's account had been credited on multiple occasions with new and sizeable amounts of funds coming from the offshore tax haven. The principal of these transfers could not be identified. Harvey then divided the money and transferred a proportion to several companies located in his country of origin. Before executing this latter transfer, the bank disclosed to the national FIU to obtain clarification on whether the FIU might object to the movement of the funds.

Since both Harvey and a number of relevant companies were cited in the foreign FIUs intelligence request, the European FIU requested additional information in return. In the meantime, the European FIU also questioned the national police department. It turned out that Harvey, and the companies concerned, formed the object of several investigations for serious fiscal fraud employing dummy corporations.

By virtue of a memorandum of understanding, the foreign FIU authorized the European FIU to use its intelligence. It also asked the European FIU not to halt the transaction disclosed by the financial institution so as not to hinder the ongoing investigations. The accounts Harvey opened served solely as transit accounts. The performed transactions seemed to be connected with ongoing national and international investigations.

In order to formally link these transactions to the investigations, the European FIU passed the case file on to the judicial authorities. The FIU pointed out the serious indications of money laundering derived from serious and organized fiscal fraud, employing complex mechanisms and procedures on an international scale. At time of writing the case is still under investigation by judicial authorities.

Indicators:

- Re-activation of dormant accounts
- Concealment of beneficial owner of funds
- Over complex movement of funds between accounts / companies

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

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 Ms. Madina Sarijeva at madina.sarijeva@unodc.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.euroasiangroup.org	The EurAsian Group is the FATF-Style Regional Body serving Central Asia. (In English and Russian)
http://www.imolin.org/pdf/imolin/MLawRussian_IMoLIN.pdf	UNODC Model Law in Russian
http://www.fatf-gafi.org/dataoecd/43/46/38960576.pdf	The Guidance on the Risk-Based Approach to combating Money Laundering and Terrorist Financing adopted by the FATF. It outlines the high-level principles involved in applying the risk-based approach, and indicates good public and private sector practice in the design and implementation of an effective risk-based approach.
http://www.fatf-gafi.org/dataoecd/61/28/40248726.pdf	Guidance on Capacity Building for Mutual Evaluations and Implementation of the FATF Standards Within Low Capacity Countries - is primarily intended to support low capacity countries (LCCs) in implementing the FATF standards in a manner reflecting their national institutional systems, is consistent with the ML/FT risks they face, and takes account of their limited resources
http://www.fatf-gafi.org/dataoecd/28/43/40285899.pdf	The study identifies four strategies which could help in further strengthening counter-terrorist financing efforts: (a) Action to address jurisdictional issues, including safe havens and failed states; (b) Outreach to the private sector to ensure access to the information necessary to detect terrorist financing; (c) Building a better understanding of terrorist financing across the public and private sectors; and (d) Using financial investigation, enhanced by financial intelligence.
http://www.eurasiangroup.org/rus/index-5.htm	Russian version of 40 FATF Recommendations [AML] Russian version of 9 FATF Special Recommendations [CFT] with Interpretive Notes
http://www.fatf-gafi.org/dataoecd/45/31/40705101.pdf	FATF's first in-depth study, which examines its vulnerabilities to misuse for money laundering and terrorist financing in real estate sector.
http://www.unodc.org/documents/wdr/WDR_2008/WDR_2008_eng_web.pdf	<i>The World Drug Report 2008</i> provides in depth trend analysis of the four main drug markets in its first section. It also contains an in-depth look at the development of the international drug control system and a small statistical annex which provides a detailed look at production, prices and consumption.
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

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<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).

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