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The World Bank

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

Issue 57 – April 2011
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CALENDAR

<p>1 Egmont Group/World Bank Tactical Analysis Course (TAC)</p> <p>Date: 3-6 May 2011 Organizer: World Bank/Egmont Group Location: Moscow, Russia Contact information: kstephenson@worldbank.org</p>	<p>6 Workshop for financial institutions on beneficial ownership</p> <p>Date: 23 – 24 May 2011 Organizer: IMF in cooperation with the Basel Institute on Governance Location: Bishkek, Kyrgyzstan Contact information: daniel.thelesklaf@baselgovernance.org</p>
<p>2 FATF-ERRG Meeting</p> <p>Date: 12 -13 May 2011 Organizer: ICRG/EERG/FATF Location: Paris, France Contact information: Tatjana.Leonhardt@bafin.de</p>	<p>7 Donor's conference on AML/CFT</p> <p>Date: 31 May 2011 Organizer: IMF/ State Financial Intelligence Service of the Kyrgyz Republic Location: Bishkek, Kyrgyzstan Contact information: a.koibagarova@sfr.kg</p>
<p>3 ITMCFM AML/CFT Financial Investigation Training course for FIU analysts</p> <p>Date: 17 – 18 May 2011 Organizer: ITMCFM Location: Dushanbe, Tajikistan Contact information: ionkina@mumcfm.ru</p>	<p>8 EAG Plenary Meeting</p> <p>Date: 14 – 17 June 2011 Organizer: EAG Location: Moscow, Russia Contact information: info@eurasiangroup.org</p>
<p>4 World Bank/UNODC Workshop on AML/CFT supervision of the financial sector and international exchange of information between the AML/CFT supervisors</p> <p>Date: 17-18 May 2011 Organizer: WB/UNODC Location: Almaty, Kazakhstan Contact information: jyldyz.asanbaeva@unodc.org</p>	<p>9 FATF Plenary and Working Group Meetings</p> <p>Date: 20 - 24 June 2011 Organizer: FATF Location: Mexico city, Mexico Contact information: contact@fatf-qafi.org</p>
<p>5 World Bank/UNODC AML/CFT Workshop for FIU and LEA/Prosecutors</p> <p>Date: 23 – 25 May 2011 Organizer: WB/UNODC Location: Dushanbe, Tajikistan Contact information: jyldyz.asanbaeva@unodc.org</p>	<p>10 AML/Financial Investigations training for law enforcement agencies and the FIU</p> <p>Date: 4-11 July 2011 Organizer: IMF in cooperation with the Basel Institute on Governance Location: Bishkek, Kyrgyzstan Contact information: daniel.thelesklaf@baselgovernance.org</p>

AML/CFT Developments in Central Asia

We welcome contributed articles of up to one page in length!

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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 during the Egmont plenary meeting in Colombia (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 was adopted in 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. 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.

KAZAKHSTAN



The AML/CFT law was adopted in June 2009 and it came into force on 9th March 2010. The Financial Monitoring Committee (FIU) was established within the Ministry of Finance on 24 April 2008. In October 2010 Kazakhstan underwent an EAG AML/CFT Mutual Evaluation. It is expected that the report will be adopted during the next EAG plenary meeting in June 2011. Kazakhstan is a member of EAG, and co-chairs the EAG Technical Assistance Working Group. The FIU participated for the first time as an observer in the Egmont Group plenary meeting in June 2010, and it is expected that it will become an Egmont Group member in July 2011.

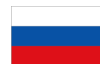
KYRGYZSTAN



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 fifth 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 by the Kyrgyz Parliament and signed by the President in 2009. In March 2010, the Kyrgyz Government approved two Regulations dealing with the CDD, identification of beneficial owners and internal control rules.

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. The first third round progress report of the Russian Federation was adopted by Moneyval in September 2009. In December 2010 the Russian Federation submitted its second follow-up report to the EAG Plenary. 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 and Evaluation/ Legal 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 decided to place Tajikistan under the enhanced follow up procedure. In June and December 2009 during the EAG plenary meetings in Russia and China Tajikistan presented its first and second Mutual Evaluation follow-up reports. In February 2010 Tajikistan adopted the Amnesty Law, which has been criticised by the EAG due to its non-compliance with the international AML/CFT standards. In December 2010 Tajikistan presented its fourth follow-up report to the EAG Plenary and the EAG decided to keep Tajikistan on the follow up procedure, thus requiring reporting to the EAG during the next plenary meeting.

TURKMENISTAN



The AML/CFT law was adopted by the Parliament and signed by the President in May 2009. Turkmenistan became a member of EAG in June 2010. In November 2010 Turkmenistan underwent the EAG mutual evaluation and it is expected that the report will be adopted in June 2011. A Financial Intelligence Unit (FIU) was established under the Ministry of Finance in 2009. 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". During its February 2011 plenary meeting FATF decided to keep Turkmenistan under enhanced follow-up and encouraged Turkmenistan to address its remaining deficiencies and continue the process of implementing its action plan.

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. It is expected that in July 2011 during the next Egmont Plenary Meeting Uzbekistan will become the Egmont member.

INDIA



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

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-afi.org/dataoecd/24/45/39148209.pdf EAG First MER, Progress report in English: http://www.eurasiangroup.org/china.htm Five Follow up Reports are on EAG website
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 Two Progress Reports are on EAG website.
KAZAKHSTAN	EAG	October 2 -10, 2010	Expected: EAG (June 2011)	
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 Five 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 and Summary in English: http://www.eurasiangroup.org/tajikistan.pdf MER and Summary in Russian: http://www.eurasiangroup.org/files/MERs%20-%20RUS/Tajikistan/EAG_ME(2008)2(rus).doc Four Follow up Reports are on EAG website
UZBEKISTAN	EAG	November 8-14, 2009	Adopted: EAG (June 2010)	MER and Summary in English: http://eurasiangroup.org/ru/restricted/EAG_ME_2010_1_eng_amend.ed.doc MER and Summary in Russian: http://eurasiangroup.org/ru/restricted/EAG_ME_2010_1_amended_final.doc First Follow up Report is on EAG website
TURKMENISTAN	EAG	November 7 - 14, 2010	Expected: EAG (June 2011)	
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

- On April 8, 2011 a "face to face" meeting of assessors and representatives of the public sector of Kazakhstan was organized in the framework of EAG mutual evaluation of the Republic of Kazakhstan. The meeting was held with the use of videoconferencing which allowed all interested agencies to take part in the consultations on the preliminary results of the mutual evaluation. The EAG was represented by experts from Armenia, Belarus, Russia and Uzbekistan. 40 representatives of the Kazakh FIU, supervisory bodies, law enforcement and judicial authorities attended the meeting.
- In the framework of the EAG mutual evaluation of Turkmenistan a "face to face" meeting of assessors and representatives of Turkmenistan took place on April 15, 2011. The team of assessors included experts from Kazakhstan, Kyrgyz Republic, Russia and Ukraine.

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

TECHNICAL ASSISTANCE update

- A Regional Money Laundering Risk Assessment Workshop was held in Kiev, Ukraine on 21-22 April 2011. The event was jointly

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organized by the **World Bank and EAG** in cooperation with the Ukrainian FIU, and with a sponsorship support of the US Embassy in Kazakhstan and OSCE Project Coordinator in Uzbekistan. All together 55 participants representing FIUs, law enforcement bodies and prosecutorial bodies from India, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan took an active part in discussions and practical exercises during the workshop.

The overall objectives of the workshop were to present recent discussions and current initiatives on national ML risk assessment; to introduce the background and concepts of the risk and vulnerability assessment and describe how the assessment tool can be utilized to determine ML risk and vulnerabilities in a country's AML regime; to describe the methodology of the risk and vulnerability (self)-assessment process; to introduce the risk assessment module in the SIP framework; and to give an overview of the WB's second-generation risk assessment tool.

- **A financial investigations/AML training Workshop was held in Yerevan, Armenia from 17-24 March 2011.** The workshop was organized by the **IMF, in cooperation with the International Centre for Asset Recovery (ICAR)**. Over 20 investigators, prosecutors and FIU analysts attended the interactive workshop on the basis of a simulated financial investigation, which included elements of mutual legal assistance and asset recovery.
- **A financial investigations/AML training Workshop took place in Baku, Azerbaijan from 28 March to 4 April 2011.** The event was organized by the IMF, in cooperation with the International Centre for Asset Recovery (ICAR). Over 20 investigators, prosecutors and FIU analysts attended the interactive workshop on the basis of a simulated financial investigation, which included elements of mutual legal assistance and asset recovery.

Basel Institute on Governance update

- **International Centre for Assets Recovery**, part of the Basel Institute on Governance, has **published the brochure “Development Assistance, Asset Recovery and Money Laundering: Making the connection”**.

This brochure seeks to provide a basic understanding of money laundering and the asset recovery process and their link with development agencies. It covers the definition of money laundering, its predicate offences and some typologies, as well as a basic understanding of the phases and steps which comprise the asset recovery process. Furthermore, it demonstrates how these two fields link with the development agenda. The brochure, however, does not present an exhaustive list of activities that can be pursued by development agencies to reduce money laundering and corruption in their disbursements and in recipient countries, but rather seeks to inspire people to reflect on activities that may be pursued to reduce money laundering and corruption through asset recovery.

For further information please visit the Basel Institute on Governance website: [http://www.baselgovernance.org/big/news-single-view/article/new-publication-development-assistance-asset-recovery-and-money-laundering-making-the-connection/?tx_ttnews\[backPid\]=295&cHash=8a0388868b](http://www.baselgovernance.org/big/news-single-view/article/new-publication-development-assistance-asset-recovery-and-money-laundering-making-the-connection/?tx_ttnews[backPid]=295&cHash=8a0388868b)

MONEYVAL update

- **The 35th MONEYVAL Plenary meeting was held from 7 to 10 December 2010 in Strasbourg, France. During the meeting the following topics were discussed/agreed:**
 - the 4th round mutual evaluation reports of Albania (prepared by IMF) and Czech Republic were adopted;
 - the first progress report submitted by Bosnia and Herzegovina and the second progress report submitted by Moldova were adopted;
 - the second progress reports submitted by Bulgaria and Croatia were adopted;
 - the reports on action being taken by Albania and BIH were examined. Both countries are currently under step (I) of the Compliance Enhancing Procedures to address the issues of concerns raised by MONEYVAL and Plenary decided to maintain step (i) of the CEPS in both cases;
 - the report on action taken by Moldova under step (IV) of the Compliance Enhancing Procedures was examined to address the issues of concerns raised by MONEYVAL, and Plenary decided to continue monitoring the situation under step (I) of the CEPS.
- The publication of these reports will take place shortly. The next Moneyval plenary meeting is scheduled to take place in Strasbourg, from 26 to 30 September 2011

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

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

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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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