



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

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CALENDAR

1 The Europe/Eurasia Regional Review Group meeting

Date: 13 – 14 January 2011
Organizer: FATF (ICRG)/Moneyval
Location: Strasbourg, France
Contact information: dghl.moneyval@coe.int

2 The core functions of the Financial Intelligence Unit and its role in cooperating with Law Enforcement Agencies

Date: 20 January 2011
Organizer: Swiss Cooperation Office in Kyrgyzstan/ IMF/ SFIS
Location: Bishkek, Kyrgyzstan
Contact information: a.koibagarova@sfr.kg

3 Regional workshop on cooperation between FIUs

Date: 25 – 26 January 2011
Organizer: World Bank/UNODC/US Embassy in Kazakhstan
Location: Astana, Kazakhstan
Contact information: jyldyz.asanbaeva@unodc.org

4 Regional conference on "Anti-Money Laundering and Combating Financing of Terrorism: Global Trends and Country cases"

Date: 17 – 18 February 2011
Organizer: Financial Monitoring Service under the Central Bank of the Republic of Azerbaijan, USAID, OSCE and Swiss Government
Location: Baku, Azerbaijan
Contact information: Rugiya.Hajiyeva@fiu.az

5 FATF Plenary and Working Group meetings

Date: 21 – 25 February 2011
Organizer: FATF
Location: Paris, France
Contact information: contact@fatf-gafi.org

6 Egmont Committee and Working Groups Meeting

Date: 14 – 18 March 2011
Organizer: Egmont Group
Location:
Contact information: mail@egmontsecretariat.org

7 35th MONEYVAL Plenary Meeting

Date: 10 – 15 April 2011
Organizer: Moneyval
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

AML/CFT Developments in Central Asia

AFGHANISTAN



Afghanistan enacted an AML/CFT law in 2004. The FIU was established in 2005. Afghanistan was scheduled to undergo an APG-IMF Mutual Evaluation in January 2010, but was postponed until first notice. Afghanistan is a member of the Asia Pacific Group (APG) and observer to EAG. Afghan FIU became an Egmont Group member during the last Egmont plenary meeting in Colombia (June 2010).

BELARUS



Belarus became a member of the Egmont Group in 2007. The Mutual Evaluation Report of Belarus was adopted by EAG in December 2008 and a Mutual Evaluation Follow-up Report was adopted by the EAG in December 2009. The second Mutual Evaluation Follow-up Report was adopted by EAG in December 2010. Belarus is a member of EAG, and co-chairs the EAG Typologies Working Group.

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 Deputy 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. 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 Colombia in June 2010 and it is expected that it will become an Egmont Group member in July 2011.

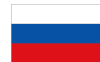
KYRGYZSTAN



Kyrgyz Financial Intelligence Service - FIS (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.

RUSSIAN FEDERATION



Joint AML/CFT Mutual Evaluation of Russian Federation was conducted by FATF/Moneyval/EAG in 2007. Joint 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



The first AML/CFT law was drafted in the Office of the President in 2007, but is has not been adopted. A new draft AML/CFT law was prepared by the National Bank of Tajikistan and Inter – ministerial working group in November 2010. 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 was 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. The plenary decided to keep Tajikistan on the follow up procedure, thus requiring reporting to the EAG during the next plenary meeting. It also decided to extend the deadline for the adoption of the Tajik AML/CFT Law until the end of February 2011 and to send a high level mission to Tajikistan in March 2011 if the authorities will fail to adopt the law within the set deadline.

TURKMENISTAN



Turkmenistan became a member of EAG in June 2010. In November 2010 Turkmenistan underwent the EAG mutual evaluation. The AML/CFT law was adopted by the Parliament and signed by the President in May 2009. A Financial

Intelligence Unit (FIU) was created 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 October 2010 plenary meeting FATF decided to keep Turkmenistan on this list 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.

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. This law came into force in 2005 and was 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 United Nations 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_amended.doc MER and Summary in Russian: http://eurasiangroup.org/ru/restricted/EAG_ME_2010_1_amended_final.doc |
| 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 |

TECHNICAL ASSISTANCE update

- **Regional Workshop on Cooperation between FIUs, organized jointly by World Bank, UNODC, and US Embassy in Kazakhstan was held in Astana, Kazakhstan, on 25 and–26 January 2011.** The workshop brought together representatives from FIUs of the following countries: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Azerbaijan, Iran, Afghanistan, and Pakistan. The overall objective of the workshop was to provide the participating FIUs with legal and technical skills needed to effectively exchange information with other FIUs within the framework of international standards and best practices, as well as to familiarize them with the Egmont Group documents and procedures to become an Egmont Group member.



A team of five international experts, including Mr. Klaudijo Stroligo (WB/UNODC Mentor), Mr. Boudewijn Verhelst (Egmont Group Chairmen and Deputy Head of Belgian FIU), Mrs. Dolgor Solongo (Crime Prevention and Criminal Justice Officer, UNODC), Mrs. Kateryina Sakharenko (Head of international cooperation department in FIU Ukraine) and Mr. Volovik Yevgeniy Mikhaylovich (Deputy head of the International Department in Russian FIU) delivered presentations

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

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and moderated the discussions and practical exercises during the workshop. Whereas Mr. Stroligo presented International standards regarding the cooperation between FIUs, the experts from Ukraine and Russian Federation explained how these standards are implemented in their respective countries. The Chairman of the Egmont Group provided the participants with details regarding the Egmont Group documents and procedures, as well as the best practices and impediments regarding the cooperation between FIUs.

On the first day of the workshop the round table discussion on cooperation between FIUs was also organized, during which the participants presented their national provisions related to cooperation between FIUs, MOUs and related statistics. During the second day the participants were divided into working groups and each group was required to prepare a request to a foreign FIU based on a disseminated money laundering case and to present it to the class. During the Group work on drafting the MOU participants learned how to negotiate and prepare the MOU on a basis of their respective countries legislation. Each group presented their findings and eventual challenges in drafting the MOU.

- **Round table discussion on “The core functions of the Financial Intelligence Unit and its role in cooperating with Law Enforcement Agencies”** was organized by the **State Financial Intelligence Service of Kyrgyzstan (SFIS), IMF and SECO in Bishkek, Kyrgyzstan on 20 January 2011**. All together 26 participants representing Kyrgyz FIU, Supreme Court, Ministry of Internal Affairs, State Security Service, Financial Police, Prosecutor’s Office and State Drug Control Service attended the round table.

Topics discussed on the round table were the international standards and best practices in cooperation between FIUs and Law Enforcement agencies in investigation of money laundering and financing of terrorism. During the discussions the chairperson of SFIS Mrs. Gulmira Shakirova informed participants about the main activities of SFIS and perspectives of agreements signed between FIU, LEAs and judicial authorities. Mr. Giuseppe Lombardo, Senior Counsel of IMF presented the best practices in collaboration between FIU and LEA and main requirements of international standards in this area.

- **FSVC workshop enhances Russian bankers' awareness of AML risks relating to E-Money** - On November 15, 2010, the Financial Services Volunteer Corps presented a workshop in Moscow on anti-money laundering (AML) and compliance risks involved in e-payments. Two visiting experts, Ms Julia Mold and Mr. Ben Wright, led the seminar at the Association of Russian Banks and guided the 36 compliance and AML officers through various AML risk issues including system hacking, the use of money mules, identity theft and privacy protection, fraud, and other risks specific to electronic payments. New products in mobile payment systems were also covered.

The seminar was particularly topical given that legislation “On the national payments system” will shortly be considered by the Russian State Duma.

Alongside the potential risks, the positive implications of e-payments were also noted. As Ms Mold suggested, in a country the size of Russia, where many communities may not have access to banking infrastructure, e-payments represent a significant opportunity to extend banking services and integrate the population into the financial system.

This FSVC project was the latest in a series of training events addressing AML/CTF in Russia, funded jointly by the U.S. Agency for International Development, the Citi Foundation, and the U.S Russia Foundation. The goals of this program include combating financial corruption and criminal activity in the Russian banking sector, as well as strengthening supervision and compliance, internal controls, and overall risk management related to Russian commercial banks.

Egmont Group update

“Egmont” Group Case study: *Effective Use of Intelligence Exchanges*

Marco, a well-established businessman, learned that various individuals in his country needed loans for a wide range of business ventures and investments. Since these individuals were all likely to seek loans from the same foreign bank in a Western European country, he planned to pretend to be a representative of this financial institution.

Marco opened his own office and a number of clients came to arrange a loan, believing him to be the local representative of the foreign bank. As is usual business practice for some financial investment activities, Marco asked them to pay an advance reservation fee for the arranged loans and in all fees amounting to US\$820,000 were paid into his local bank accounts.

After receiving the fees, Marco closed his office and the clients, of course, did not receive any loans from the foreign bank. Some of the victims reported the theft to the police, who informed the national FIU. Investigations were carried out by the FIU in co-operation with police and authorities in the country where the legitimate financial institution was based.

The FIU uncovered information about Marco demonstrating his business history, receipt of the advance fees from defrauded clients, and documenting the abrupt closure of the office, and were therefore able to obtain a court order freezing some US\$41,000 in Marco’s account. Marco was arrested shortly thereafter and was charged with theft and laundering offences.

FIU Action:

- Document business history
- Document timeline showing opening and closing of ‘representative’ office
- Identity client funds in accounts and obtain restraint order

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

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 |
| 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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