



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

Issue 59 – June 2011

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CALENDAR

1 AML/Financial Investigations training for law enforcement agencies and the FIU

Date: 4-11 July 2011
Organizer: IMF in cooperation with the Basel Institute on Governance
Location: Bishkek, Kyrgyzstan
Contact information: daniel.thelesklaf@baselgovernance.org

6 International seminar on AML/CTF and Organised Crime

Date: 4 - 7 October 2011
Organizer: Basel Institute on Governance, International Centre for Asset Recovery Ittingen, Switzerland
Location: Ittingen, Switzerland
Contact information: daniel.thelesklaf@baselgovernance.org

2 FIU Development Workshop

Date: 14-15 July 2011
Organizer: OSCE/ Egmont Group
Location: Yerevan, Armenia
Contact information: Mark.Hammond@egmontsecretariat.org

7

Date:
Organizer:
Location:
Contact information:

3 MONEYVAL Training Seminar for Mutual Evaluation

Date: 25 - 29 July 2011
Organizer: Moneyval
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

8

Date:
Organizer:
Location:
Contact information:

4 Regional Seminar on Seizing and recovering the illegal proceeds of drugs and crime

Date: 6 - 8 September 2011
Organizer: OSCE SPMU/OCEEA
Location: Kyiv, Ukraine
Contact information: valery.korotenko@osce.org

9

Date:
Organizer:
Location:
Contact information:

5 36th MONEYVAL Plenary Meeting

Date: 26 - 30 September 2011
Organizer: Moneyval
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

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Date:
Organizer:
Location:
Contact information:

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 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 and co-chairs the EAG Evaluation/Legal Working Group.

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. 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 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 2009 and 2010 Tajikistan presented four follow-up reports to the EAG Plenary. In June 2011 Tajikistan presented its fifth follow-up report 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 into 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. In November 2010 Turkmenistan underwent the EAG mutual evaluation. The Mutual Evaluation Report and the first Follow-up Report of Turkmenistan were adopted

during the EAG Plenary in June 2011. EAG decided to place Turkmenistan on the enhanced follow up procedure, thus requiring reporting to the EAG 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". During its June 2011 plenary meeting FATF decided to keep Turkmenistan under monitoring process 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. The membership of Uzbek FIU to the Egmont Group will be examined during the next Plenary meeting in July.

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 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	Adopted: 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 Four 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 Five Follow up Reports are on EAG website
				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
UZBEKISTAN	EAG	November 8-14, 2009	Adopted: EAG (June 2010)	First Follow up Report is on EAG website
TURKMENISTAN	EAG	November 7 - 14, 2010	Adopted: 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

- **The 14th EAG plenary meeting took place in Moscow, Russia on 16 -17 June 2011. During the meeting the following topics were discussed/agreed:**
 - Russia, Belarus, China, Kyrgyzstan, Uzbekistan, Tajikistan, and Turkmenistan signed the EAG Agreement. The Agreement granted the EAG a status of an intergovernmental organization.
 - Observer status was granted to MENAFATF.
 - Plenary reported on the results of the recent EAG/FATF high-level mission to the Republic of Tajikistan. Russia, India, US and Switzerland took part in the mission.
 - The follow-up report of the Republic of Tajikistan was discussed. The EAG noted Tajikistan's efforts in improving the national AML/CFT regime and welcomed the adoption of the basic AML/CFT Law. However, the EAG noted that it is still difficult to assess the effectiveness of the undertaken actions. Tajikistan will remain under the enhanced monitoring of the EAG and was requested to present a follow-up report at the next EAG plenary meeting.

- The Plenary adopted the Mutual Evaluation Report of Kazakhstan and decided to place Kazakhstan on the regular follow-up procedure. Kazakhstan will provide a follow-up report in June 2013;
- The Mutual Evaluation Report of Turkmenistan was adopted. Turkmenistan has also presented its first follow-up report. The EAG noted the progress in addressing its strategic AML/CFT deficiencies and urged Turkmenistan to continue strengthening its AML/CFT framework. Turkmenistan should present its follow-up report at the next EAG plenary meeting.
- EAG adopted the typology report on "Research of ML/FT risks related to transactions with electronic money".
- EAG work plan for the period up to 2015 was discussed.

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

TECHNICAL ASSISTANCE update

- **Workshop on Alternative Remittance Systems (ARS) was organized jointly by the World Bank and Committee on Financial Monitoring (CFM) on 9 – 10 June 2011 in Astana, Kazakhstan.** The objective of the workshop was to share findings of the ARS study and discuss the policy recommendations with authorities in Kazakhstan, and to contribute to the improvement of the relevant legal and regulatory framework to facilitate formal flows, data collection for better understanding of remittance activities to and from Kazakhstan, and fighting financial crimes. All together 40 representatives of the following organizations/institutions attended the workshop: CFM, National Bank of Kazakhstan (NBK), National Security Agency, Ministry of Interior, Migration Police, Financial Police, Customs, Ministry of Labor, Statistics Agency, Ministry of International Affairs Consular Services, Ministry of Economy and Trade Development, and General Prosecutor's Office.

The Workshop was delivered through presentations and practical exercises. The representatives of the CFM and NBK shared their experience and recent developments on the regulation and supervision of the remittance market. WB team presented the main findings of the report and key recommendations. During the group exercises participants discussed specific chapters and issues addressed in the ARS report and made presentations on main points discussed in the groups.

- **The OECD Anti-Corruption Network for Eastern Europe and Central Asia held an expert seminar "Investigation and Prosecution of Corruption: financial investigations and links with money laundering" on 28 - 30 June 2011 in Kyiv, Ukraine.** The seminar aimed at fostering exchange of experience and good practice among investigators, prosecutors and other specialists in charge of fighting corruption and money laundering from Eastern Europe and Central Asia and other regions, including sharing experience with OECD countries.

The topics of the seminar included:

- How to conduct successful financial investigations, including using proactive techniques to detect corruption;
- How to investigate complex corruption cases involving money laundering;
- How to ensure effective cooperation and exchange of information between competent authorities.

For further information, please visit http://www.oecd.org/document/39/0,3746,en_36595778_36595861_47810791_1_1_1_1,00.html

FATF update

- **The Joint FATF and GAFISUD Plenary Meeting was held from 22 to 24 June 2011 in Mexico City, Mexico.**

During the meeting the following decisions were taken by FATF:

- In its public statement FATF identified the following jurisdictions that have strategic deficiencies that pose a risk to the international financial system:
 - Iran and Democratic People's Republic of Korea (DPRK) were included in the list of jurisdictions that are subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial ML/TF risks;
 - FATF has reported on countries that have not committed to an action plan developed with the FATF. FATF calls on its members to consider the risks arising from the deficiencies associated with the following jurisdictions: Bolivia, Cuba, Ethiopia, Kenya, Myanmar, Sri Lanka, Syria and Turkey.
- FATF and FSRBs continues to closely monitor the implementation of action plan by the jurisdictions identified in the public document "Improving Global AML/CFT Compliance" and to report on the progress made in addressing the identified deficiencies.
- FATF welcomed Greece's significant progress in improving its AML/CFT regime and noted that Greece has met its commitments in its Action Plan regarding the strategic AML/CFT deficiencies. Greece is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process;
- FATF issued a statement on the progress made by Argentina in addressing deficiencies identified in their mutual evaluation of October 2010.

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

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- The mutual evaluation reports of State of Kuwait and the Sultanate of Oman were adopted.
- The FATF will publish soon a detailed examination of Organised Maritime Piracy and Related Kidnapping for Ransom, Trafficking in Human Beings and Smuggling of Migrants and Money Laundering and Corruption.
- The FATF has completed work on Guidance on Financial Inclusion. The Guidance will be published shortly.
- The FATF continues its work on revision of the FATF Recommendations and preparation for the fourth round of mutual evaluations

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

Egmont Group update

“Egmont” Group Case study: *Use of Anonymous Asset Types*

While driving his truck across the border of an Eastern European country, Victor, who worked for an international transport company, was caught with a huge amount of cash in different currencies stashed in his truck. Under local legislation, Victor should have declared this money to customs before attempting to cross the border. Furthermore, the money was concealed in a package, which had names of a number of persons and companies on it.

Investigations by the FIU revealed that, in addition to Andreas, six other individuals had received large amounts of money at around the same time, which they had also transferred immediately to the ‘Sunny Shore’ account. Interestingly, sometimes they had done this via another transfer through third party accounts. All transfers initially came from accounts in the central European or overseas jurisdiction.

As the police were questioning him, they remembered an intelligence report that they had received from a neighboring country a few days before. Kevin, who also worked for an international transport company, was caught bringing money into the neighboring country without declaring it to customs. The police thought that there could be a connection between the two cases and decided to co-operate more closely with the neighboring country. A further possible link was that one of the names on Victor’s package was Rob. Rob was a citizen of the neighboring country and he owned an exchange office in that jurisdiction. According to police information, Rob was linked to a terrorist organisation and his exchange office was heavily involved in laundering the organisations’ dirty money.

The police notified the national FIU of the cash detection and the possible link to the neighboring country. The FIU decided to analyse the names and company details on Victor’s package to determine whether they had any known or suspected links to criminality. The FIU determined that Pete, one of the names on the package, was Rob’s brother and also had his own exchange office in the neighboring country. Apart from that, Pete had authorisation in two non-residential accounts in the main jurisdiction. Inquiries with the bank employees revealed that the identity of the actual account holders was unknown. Financial analysis identified that Pete was using the non-residential accounts to transfer money to several countries. According to the documentation supplied by Pete to the financial institution, the transferred money was income from an export business. That way Pete concealed the real origin of the monies.

At time of writing, the trials are still in progress.

Indicators:

- Large-scale cash transactions
- A typical or uneconomical fund transfer to or from foreign jurisdiction
- Multiple currency cash format
- Unrealistic business turnover

«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-	The Guidance on the Risk-Based Approach to combating Money

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http://gafi.org/dataoecd/43/46/38960576.pdf	Laundrying 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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