



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

Issue 58 – May 2011
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CALENDAR

1 WB Alternative Remittance Systems Workshop

Date: 9-10 June 2011
Organizer: World Bank in cooperation with the Kazakh FIU
Location: Astana, Kazakhstan
Contact information: etodoroki@worldbank.org

6 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

2 EAG Working Groups and Plenary Meetings

Date: 14 – 17 June 2011
Organizer: EAG
Location: Moscow, Russia
Contact information: info@eurasiangroup.org

7 MONEYVAL Training Seminar for Mutual Evaluation

Date: 25 – 29 July 2011
Organizer: Moneyval
Location: Strasbourg, France
Contact information: dghi@moneyval.cpe.int

3 Consultations with the private sector in the framework of the EAG Plenary week

Date: 14 June 2011
Organizer: EAG
Location: Moscow, Russia
Contact information: info@eurasiangroup.org

8 36th MONEYVAL Plenary Meeting

Date: 26 – 30 September 2011
Organizer: Moneyval
Location: Strasbourg, France
Contact information: dghi@moneyval.cpe.int

4 FATF Plenary and Working Group Meetings

Date: 20 - 24 June 2011
Organizer: FATF
Location: Mexico city, Mexico
Contact information: contact@fatf-gafi.org

9

Date:
Organizer:
Location:
Contact information:

5 OECD expert seminar "Investigation and Prosecution of Corruption: Financial Investigation and Link with Money Laundering"

Date: 28-30 June 2011
Organizer: OECD
Location: Kyiv, Ukraine
Contact information: Inese.GAIKA@oecd.org

10

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.

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. In October 2010 Kazakhstan underwent an EAG AML/CFT Mutual Evaluation. The report will be discussed and 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 will become an Egmont Group member in July 2011.

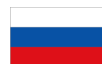
KYRGYZSTAN



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 the report will be discussed and adopted during the next EAG plenary meeting 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 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-gafi.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_fi_nal.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 3-6 May 2010 the World Bank/ Egmont Group Workshop for the analysts of the financial intelligence units of the Eurasian region was held in Moscow. The Workshop was attended by 30 representatives of FIUs from all EAG member states. The course was divided into 2 parts: a general part was held on May 3-5, 2011 and training of trainers - on May 6, 2011.
- On 11-12 May 2011 a training Workshop on "Analytical methods and special technologies of conducting investigations in the field of AML/CFT" for the officers of the analytical offices in the field of AML/CFT was organized by the ITMCFM. Experts from China, India, Russia, as well as well as members of the FIUs of Belarus and Kazakhstan attended the Workshop, which was held through the

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videoconferencing system. Leading specialists of Rosfinmonitoring, as well as experts in the field of the analysis of open sources of information participated in the Workshop as trainers.

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

TECHNICAL ASSISTANCE update

- **The World Bank/UNODC Workshop on AML/CFT supervision of financial sector and international -exchange of information between AML/CFT supervisors was held on 17 – 18 May 2011 in Almaty, Kazakhstan. The workshop was organized under a joint World Bank/Kazakh Government JERP 2011 Program on "Further Development of the Financial Monitoring System of the Ministry of Finance of the Republic of Kazakhstan".** In total 52 representatives of the Committee on supervision of financial sector of the National Bank of Kazakhstan, Kazakh FIU, Financial Control Committee and Ministry of Justice of Kazakhstan participated in the workshop. The overall objectives of the workshop were to build the institutional capacity of the National Bank of Kazakhstan (NBK) to conduct effective AML/CFT supervision of the financial industry, and to enhance the ability of the NBK to exchange the AML/CFT related information with its foreign counterparts.

During the two-day workshop WB experts Mr. Klaudio Stroligo and Mr. Andre Corterier covered topics of risk-based approach to supervision; procedures for conducting on-site inspections and on-site supervision; sanctions and national & international cooperation. Mr. Oleksii Berezhnyi, Director of AML/CFT Department of the National Bank of Ukraine delivered a presentation on AML/CFT supervisory practice in Ukraine and FATF Recommendations relevant for Supervisors.

- **The AML/CFT workshop for FIU, Law enforcement authorities and prosecutors of Tajikistan was held from 23 to 25 May 2011 in Dushanbe, Tajikistan. The workshop was organized by the World Bank/UNODC and in cooperation with the Financial Monitoring Department under the National Bank of Tajikistan.** 17 participants from Tajik FIU attended the 1st day of the workshop and 38 participants from the Ministry of Finance, Ministry of economic development and trade, General Prosecutor's Office, Ministry of Internal Affairs, Drug Control Agency, Customs Committee, Financial Control and Anti-corruption Agency, and National Bank of Tajikistan attended the 2nd and 3rd day of the seminar. The overall objective of this activity was to provide the Tajik FIU and competent law enforcement/prosecutorial authorities with legal and technical skills needed to detect and investigate successfully money laundering cases within the framework of international standards and the newly adopted Tajik AML/CFT Law.

A team of four international experts including Mr. Klaudio Stroligo (WB/UNODC AML/CFT Mentor), Mr. Horst Intscher (WB Consultant), Mr. Anders Pedersen (Deputy Chief Prosecutor, State prosecutor for Serious Economic Crime, Denmark), and Mr. Raul Vahtra (Head of Estonian FIU) delivered presentations on FIU functions and models, FIU governance, FIU security, International cooperation, and FIU and LEA powers related to ML/TF. In addition to training modules, speakers presented several ML/TF real case studies.

- **A Donor's Conference on AML/CFT was held on May 31, 2011 in Bishkek, Kyrgyz Republic.** This event was jointly organized by the Kyrgyz State Financial Intelligence Service (SFIS), IMF, Basel Institute on Governance and Swiss Cooperation Office in Kyrgyzstan. The event was attended by representatives of the National Bank, Law Enforcement bodies and donor organizations.

The key objective of the meeting was to discuss technical assistance needs of KR authorities on AML/CFT and to coordinate possible future technical assistance between donors in order to avoid duplication. During the meeting the Kyrgyz authorities informed participants about steps taken towards improving its AML/CFT regime and presented their AML/CFT needs to donors.

UNDP update

- **The UNDP-Commissioned Report from Global Financial Integrity "Illicit Financial Flows from the Least Developed Countries: 1990-2008," Now Available**

48 Poorest Countries Lost US\$197 Billion From 1990-2008; Serious Impediment to Development Efforts

ISTANBUL, Turkey – A United Nations Development Program (UNDP) commissioned report from Global Financial Integrity (GFI) on illicit financial flows from the Least Developed Countries (LDCs) was presented for discussion at the United Nations IV Conference on Least Developed Countries hosted by the Republic of Turkey.

Written by GFI Lead Economist Dev Kar the report, *Illicit Financial Flows from the Least Developed Countries: 1990-2008*, examines how structural characteristics of Least Developed Countries could be facilitating the cross-border transfer of illicit funds, discusses methodological issues underlying estimates of illicit flows, presents an analysis of the magnitude of such flows, and makes policy recommendations for the curtailment of these illicit flows.

For further information please visit the <http://www.financialtaskforce.org/2011/05/12/undp-commissioned-report-from-global-financial-integrity-%E2%80%9Cillicit-financial-flows-from-the-least-developed-countries-1990-2008%E2%80%9D-now-available/>

Egmont Group update

"Egmont" Group Case study: *Exploitation of International Jurisdictional Issues*

Andreas had a bank account at a bank in Southern Europe. Twice in rapid succession he received a large amount of funds into the account by transfers from bank accounts in both a central European and an overseas jurisdiction. The large sums of money Andreas received were disproportionate to his general economic activities. Andreas had a small restaurant in a tourist centre at the coast, but no other known sources

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of income. Once the money had arrived, Andreas transferred the money immediately to another account at the same bank in the name of a hotel company called 'Sunny Shore'. Because the bank officials viewed this activity as unusual they decided to report the transactions to the national FIU.

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.

To discover the identity of the sender of the money, the FIU sent a request for information to the bank in central Europe. Unfortunately, because of legislative problems in that country, it was not possible for the national FIU to gain access to that information. In the overseas jurisdiction, investigators were more fortunate. They found out that the money transferred to the individuals in Southern Europe was first transferred from an account in the central European country to an account in the overseas country. It seemed increasingly likely to the investigators that someone was trying to hide the origin of the money destined for the 'Sunny Shore' account. In the course of the investigation the FIU also discovered that the major shareholder and manager of 'Sunny Shore', Terrence, was a citizen of an Eastern European country who had used at least four false names in his banking activities. Terrence appeared to be a prominent member of a large criminal organization. He was a professional killer, against whom criminal proceedings had already been initiated in his home country for homicides, thefts and weapons dealing.

As a result of the investigation of the FIU, the money found in the account of the reporting institution was connected with the criminal activity of Terrence. Consequently the bank accounts of Andreas and the six other individuals, as well as Terrence's account were frozen and property and assets were confiscated. In total hundreds of thousands of dollars worth of criminal funds were recovered.

Indicators:

- A typical or uneconomical fund transfer to or from foreign jurisdiction
- Account activity atypical for account holder
- A typical or uneconomical fund movements within accounts

«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

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	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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