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

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CALENDAR OF EVENTS

1 AML/CFT Workshop on Domestic Inter-agency Cooperation

Date: 6 – 7 October 2011
Organizer: World Bank/UNODC
Location: Bishkek, Kyrgyzstan
Contact information: Jyldyz.asanbaeva@unodc.org

6 National Risk Assessment Workshop

Date: 30 November – 2 December 2012
Organizer: World Bank/UNODC
Location: Bishkek, Kyrgyzstan
Contact information: Jyldyz.asanbaeva@unodc.org

2 National Risk Assessment Workshop

Date: 11 – 13 October 2011
Organizer: World Bank/UNODC
Location: Astana, Kazakhstan
Contact information: Jyldyz.asanbaeva@unodc.org

7 UNODC AML/CFT Mentor's Meeting

Date: 5 – 9 December 2011
Organizer: UNODC
Location: Vienna, Austria
Contact information:

3 FATF Plenary and Working Group Meetings

Date: 24 - 28 October 2011
Organizer: FATF
Location: Paris, France
Contact information: contact@fatf-gafi.org

8 37th MONEYVAL Plenary Meeting

Date: 13 -16 December 2011
Organizer: Moneyval
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

4 Moneyval Experts Meeting on ML/FT Typologies

Date: 31 October – 2 November 2011
Organizer: Moneyval
Location: Tel Aviv, Israel
Contact information: dghl@moneyval.coe.int

5 EAG Working Groups and Plenary Meetings

Date: 23 – 25 November 2011
Organizer: EAG
Location: Xiamen, People's Republic of China
Contact information: info@eurasiangroup.org

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 in 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 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. 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. In July 2011 during the Egmont plenary meeting in Yerevan, Armenia the Kazakh FIU became a member of the Egmont Group.

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. In October 2011 Kyrgyzstan was included in the FATF public document "Improving Global AML/CFT Compliance: On-going Process". FATF has determined certain strategic AML/CFT deficiencies and encouraged Kyrgyzstan to work on implementing its action plan to address these deficiencies.

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. In December 2010 the Russian Federation submitted its second follow-up report to the EAG Plenary. The second 3rd round progress report of the Russian Federation was adopted by Moneyval in September 2011. 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 placed 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 June 2011 Tajikistan presented its fifth follow-up report to the EAG 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 in 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. The Mutual Evaluation Report and the first Follow-up Report of Turkmenistan were adopted by the EAG 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". FATF also decided to keep Turkmenistan under monitoring process and encouraged Turkmenistan to address its remaining deficiencies and continue the process of implementing its action plan. In March and August 2011 Turkmenistan introduced amendments into the Criminal Code and the Antiterrorism Law. On June 6, 2011 Turkmenistan adopted the Regulation on Arrangement of Internal Control in AML/CFT and the Regulation on preparation and improvement of qualification of reporting entities taking AML/CFT measures.

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. Uzbek FIU became an Egmont Group member during the 19th Plenary meeting in July 2011.

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 Completed	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/mers.php Five Follow up Reports are on EAG website
BELARUS	EAG	July 27 – Aug 3, 2008	Adopted: EAG (December 2008)	MER and Summary in English: http://www.eurasiangroup.org/mers.php MER and Summary in Russian: http://www.eurasiangroup.org/ru/mers.php Two Progress Reports are available on EAG website.
KAZAKHSTAN	EAG	October 2 -10, 2010	Adopted: EAG (June 2011)	MER in English and Russian: http://www.eurasiangroup.org/mers.php http://www.eurasiangroup.org/ru/mers.php
KYRGYZSTAN	EAG	Feb 2007	Adopted: EAG (June 2007)	MER with Summary and Progress report in English: http://www.eurasiangroup.org/mers.php MER with Summary and Progress report in Russian: http://www.eurasiangroup.org/ru/mers.php 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-qafi.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 in English: http://www.eurasiangroup.org/mers.php MER in Russian: http://www.eurasiangroup.org/ru/mers.php Five Follow up Reports are on EAG website
UZBEKISTAN	EAG	November 8-14, 2009	Adopted: EAG (June 2010)	MER and Summary in English: http://www.eurasiangroup.org/mers.php MER and Summary in Russian http://www.eurasiangroup.org/ru/mers.php First Follow up Report is on EAG website
TURKMENISTAN	EAG	November 7 - 14, 2010	Adopted: EAG (June 2011)	MER in English and Russian: http://www.eurasiangroup.org/mers.php http://www.eurasiangroup.org/ru/mers.php
INDIA	FATF, APG	Nov 30 – Dec 12, 2009	Adopted: FATF (June 2010) APG (July 2010)	MER and Summary in English: http://www.fatf-qafi.org/document/17/0,3746,en_32250379_32236963_45582417_1_1_1_00.html

TECHNICAL ASSISTANCE update

➤ **The AML/CFT Workshop on Domestic Inter-Agency Cooperation was held in Bishkek, Kyrgyzstan from 6 to 7 October 2011.** The Workshop was organized by the **World Bank/UNODC** in cooperation with the **State Financial Intelligence Service (SFIS)** and the **National Bank of the Kyrgyz Republic (NBKR)**. All together 21 representatives of the following state bodies/agencies attended the workshop: SFIS, NBKR, State National Security Service, General Prosecutor's Office, Supreme Court, Ministry of Interior, State Service on Drug Control, and State Service for Financial Police.

The objectives of the workshop were: 1) to enhance collaboration between the SFIS, competent law enforcement/prosecutorial authorities and AML/CFT supervisors and improve the role of the AML/CFT Inter-Agency Task Force; and 2) to

strengthen the skills of the representatives of NBKR and other AML/CFT supervisors to conduct the AML/CFT related supervision of the financial sector and DNFBPs.

A team of four international experts including Mr. Klaudijo Stroligo (WB/UNODC AML/CFT Mentor), Mr. Oleksii Berezhnyi (Head of AML/CFT Department in the National Bank of Ukraine), Mr. Aleksandar Vujicic (Director of Administration for Prevention of Money Laundering in the Ministry of Finance of Republic of Serbia), and Mr. Christian Larson (Programme Officer, Office of the Co-Ordinator of OSCE Economic and Environmental Activities) covered topics of international standards and best practices, areas and forms of cooperation between the FIU and Law Enforcement Authorities/Prosecutors, risk based approach to supervision; fit and proper requirements; on-site inspection and off-site supervision, sanctions, interaction between the AML/CFT Supervisor and FIU, and AML/CFT supervision of DNFBPs. Participants presented an overview of the AML/CFT Legislative Framework in Kyrgyzstan and discussed with experts the issues of domestic cooperation in their countries.

➤ **The National Money Laundering Risk Assessment (NRA) Workshop was held in Astana, Kazakhstan, from 10 to 12 October 2011.** The workshop was organized by the **World Bank/UNODC in cooperation with the Kazakh FIU (CFM) under a joint World Bank/Kazakh Government JERP 2012 Program.** This was the first NRA workshop and the final workshop will be organized in spring 2012. Representatives of the following state bodies/agencies participated in the workshop: CFM, National Bank (including the Control and Supervision of the Financial Market and Financial Organizations), the Ministry of Economic Development and Trade, the Customs Control Committee of the Ministry of Finance, the Tax Committee of the Ministry of Finance, the General Prosecutor's Office, the National Security Committee, and the Agency on Fighting Economic and Corruption Crimes.

The objectives of this event were: 1) to assist the Kazakh authorities in carrying out their national money laundering risk assessment; 2) to better understand and identify the sources and methods of ML in Kazakhstan; 3) to better understand the weaknesses of the AML system and factors that attract ML activities; 4) to identify vulnerabilities of financial sector and designated non-financial businesses and professions (DNFBPs) and weaknesses related to the operations of FIU, law enforcement authorities and AML/CFT supervisors; and 5) to understand the overall ML risk level of the country.

During the three-day workshop the WB experts Mr. Klaudijo Stroligo and Mr. Kuntay Celik moderated the sessions and delivered presentations on Overview of the Recent Discussions on NRA, Concept of NRA, and Overview of the World Bank's Combined NRA Model. The Kazakh authorities formed 6 Working Groups (WG) and the WB team assisted them in completing the NRA Model. The WG will continue to collect the necessary data and completing the NRA templates.

➤ **The OECD Anti-Corruption Network for Eastern Europe and Central Asia held an expert seminar on "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 (1); How to investigate complex corruption cases involving money laundering (2); and How to ensure effective cooperation and exchange of information between competent authorities (3).

Proceedings are available here:

http://www.oecd.org/document/39/0,3746,en_36595778_36595861_47810791_1_1_1_1,00.html

FATF update

- **The first FATF Plenary Meeting of FATF-XXIII under Italian Presidency was held on 27 - 28 June 2011 in Paris, France.**

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 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, Nigeria, Sao Tome and Principe, 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 published the follow-up report to the mutual evaluation report of Greece;
- FATF welcomed the significant progress made by Ukraine in improving its AML/CFT regime and noted that Ukraine has largely met its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in February 2010. Ukraine is therefore no longer subject to FATF's monitoring under its on-going global AML/CFT compliance process;
- FATF provided an update on progress in the review of the FATF Standards;

- FATF issued a statement on the progress made by Argentina in addressing the deficiencies identified in its mutual evaluation report of October 2010;
- FATF published a statement on the voluntary tax compliance programme in Bangladesh

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

OECD update

- **The second round monitoring reports on Armenia and Kazakhstan have been adopted under the Istanbul Anti-Corruption Action Plan**, an initiative of the OECD Anti-Corruption Network for Eastern Europe and Central Asia. These reports highlight achievements made in the areas of anti-corruption policy, criminalization of corruption and prevention of corruption since 2006. The report includes updated compliance ratings and provides new recommendations.

Reports are available at OECD website at:

http://www.oecd.org/document/19/0,3746,en_36595778_36595861_48908435_1_1_1_1,00.html (Armenia)

http://www.oecd.org/document/27/0,3746,en_36595778_36595861_48908507_1_1_1_1,00.html (Kazakhstan)

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
- Atypical 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/100casesqb.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

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

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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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