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The World Bank

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

Issue 61 – September 2011
Available online at <http://www.imolin.org>

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 37th MONEYVAL Plenary Meeting

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

2 National Risk Assessment Workshop

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

7

Date:
Organizer:
Location:
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

Date:
Organizer:
Location:
Contact information:

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

9

Date:
Organizer:
Location:
Contact information:

5 EAG Working Groups and Plenary Meetings

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

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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. 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.

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	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



➤ From 6 to 8 September 2011, a workshop “International Cooperation in Investigating, Prosecuting and Adjudicating Corruption Offences” was organized by UNODC ROCA in Tashkent, Uzbekistan. Representatives from the Ministry of Interior, Ministry of Justice, National Security Service, Prosecutor General’s Office, High Training Courses under GPO, Supreme Court and Research Center under the Supreme Court of Uzbekistan participated in this event.

The team of international experts, including the UNODC Senior Inter-regional Legal Adviser, Acting Assistant Director of Anti-Corruption Office (SCA - Specialized Crime & Analysis Directorate I.P.C.O.) of INTERPOL, Senior Prosecutor of International Legal Cooperation Department of General Prosecutor Office of the Russian Federation, Attorney of Criminal Affairs Bureau of the Ministry of Justice of Japan and Former Deputy Head of the Anti Corruption Expert Domain at the United Kingdom Serious Fraud Office shared good practices employed in

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their countries in investigating, prosecuting and adjudicating those who committed crimes related to corruption. The lively discussions during the workshop allowed the participants to learn existing international best practices in countering corruption and providing mutual legal assistance by competent national authorities as well as to analyze and identify the most common issues faced by practitioners in pursuing international cooperation and mutual legal assistance and ways to overcome those obstacles. It was noted that one of the most practical value of the event was the possibility to establish contacts with foreign experts, which would promote future cooperation. The compilation of relevant international instruments was prepared by ROCA and distributed amongst participants on CDs.

➤ **The Regional Seminar on Seizing and Recovering the Illegal Proceeds of Drugs and Crime was jointly organized by the Strategic Police Matters Unit, the Co-ordinator of OSCE Economic and Environmental Activities, the State Financial Monitoring Service of Ukraine and the UNODC from 6 to 8 September 2011 in Kyiv, Ukraine.** 80 practitioners from Belarus, Moldova, Ukraine, Lithuania, Latvia, Estonia, Russia, Kazakhstan, Tunis, US, Ireland, Poland, and Romania, representing various law/drug enforcement organizations, state security, prosecution, and state financial monitoring services participated in the seminar. The participants were experts who are directly involved in criminal justice co-operation, combating money laundering and who deal with the identification, freezing, seizure and return of proceeds of crime.

Objectives of the seminar were: 1) familiarization of practitioners with the Asset Recovery Handbook, 2) receiving information on similar activities in other countries, and 3) capacity building of law/drug enforcement agencies in investigations focused on criminal assets confiscation gained from illegal drug trade. Participants presented the legal framework of their countries on asset confiscations, shared experience of law enforcement agencies in this regard, and discussed questions on identification, tracing, freezing, recovery, confiscation and forfeiture of illegal proceeds of drugs and crime. They recognized that such tools are very effective measures to counter drug trafficking in the OSCE participating states, however not all countries (such as Russia, Ukraine, Belarus and Moldova) have developed proper legal provisions for effective implementation of these instruments.

➤ **On 22 and 23 September 2011 the OSCE Project Co-ordinator in Uzbekistan organized 2-day International Anti-Money Officer Certificate workshop in Tashkent** for compliance officers of the commercial banks accredited in the Republic of Uzbekistan. The workshop was conducted in co-operation with the Central Bank of the Republic of Uzbekistan and CCL Academy (Dubai, UAE) and provided by the tutor of the academy.

During the workshop attendees interacted with experienced tutor, at the moment working as compliance officer in Saxo Bank's office in Dubai, on their daily activities. The workshop covered different topics like: the Business Essentials; Governing Standards; Money Laundering; Terrorist Financing; Identifying & Reporting Suspicious Activity; Preventative Measures; The Money Laundering Reporting Officer; and Daily operations.

MONEYVAL update

- **The 36th MONEYVAL Plenary meeting was held from 26 to 30 September 2011 in Strasbourg, France. During the meeting the following topics were discussed/agreed:**
 - the 4th round mutual evaluation reports of Slovak Republic and Cyprus were adopted. Slovakia and Cyprus are due to present their progress report within the next two years;
 - the 4th round Mutual Evaluation Report on San Marino was adopted;
 - Reports from Bosnia and Herzegovina (BiH), Albania and Moldova under Step I of the Moneyval Compliance Enhancing Procedure (CEP) were adopted. Due to the progress made Moldova was removed from this procedure. With regard to BiH the Moneyval required that its action plan should be approved by the Government;
 - the Second 3rd round Progress reports of Macedonia and Russian Federation were adopted;
 - Moneyval provided comments/proposals to the FATF Secretariat regarding the FATF paper on Reinforcing the Global Network;
 - The EU Commission reported that they will start revising the Third EU Directive on AML/CFT and want to finish this work by September 2012.

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

Egmont Group update

"Egmont" Group Case study: *Misuse of Legitimate Businesses*

Late in 1998, Tom, a citizen of an Eastern-European country, saw an opportunity to make a profit on a property investment. Mariah, one of the directors of Lotos Ltd, told him that her company was selling one of its buildings at a low price. The price - a mere US \$ 275, 000- looked like an opportunity Tom couldn't resist, and so he followed up Mariah's offer and told her that he wanted to purchase the property as soon as possible.

Several days later, Tom went to his notary to sign the deed of purchase. Mariah had already informed Tom that a co-directors name, Pete, would be on the contract as the seller of the building. Because of Pete's senior position at Lotos and the reputation of the company itself, Tom didn't suspect anything and signed the deed as required.

What Tom didn't know was that the day before the sale Mariah had already sold the building, this time to her boyfriend and co-director of Lotos - Pete. That sale was for US\$42,500, which meant that on the resale to Tom the following day, over US\$220,000 went directly to Pete and Mariah's personal accounts. Although Tom didn't suspect that anything was amiss, his notary noticed that the land records showed the recent sale. In his experience a company would never have sold such a building for the unrealistically low price of US \$ 42, 500, and to have that followed by a second sale the following day was unusual in the extreme. He decided to disclose to the national FIU.

The FIU decided to initiate an investigation. Mariah was summoned for questioning and asked to explain the circumstances surrounding both transactions. She stated that the shareholders of Lotos had instructed her to sell the building for US\$42,500, and thus no crime had been committed. However, after questioning the shareholders, it became clear that they knew nothing about the first sale.

If it weren't for the notary's disclosure and the FIU's investigation, the shareholders would probably never have known that Mariah had swindled the company out of some US \$220,000. Apart from that, the state had not received the appropriate taxes, which the company would have paid as income from the full sale price. At time of writing, a criminal case had been opened and both suspects face prosecution and asset confiscation.

Indicators:

- > Large and/or rapid movement of funds
- > Transfer of assets at well below (or above) market rates

«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 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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