



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

Issue 42 – November 2009  
Available online at <http://www.imolin.org>

**CALENDAR**

**1 EAG workshop on AML/CFT supervision**

Date: November 2-3, 2009  
Organizer: EAG  
Location: Kishinev, Moldova  
Contact information: [info@eurasiangroup.org](mailto:info@eurasiangroup.org)

**6 Expert Group meeting on Proceeds of Crime in Cash Based Economies**

Date: November 18-20, 2009  
Organizer: UNODC  
Location: Vienna, Austria  
Contact information: [michiel.van.dyk@unodc.org](mailto:michiel.van.dyk@unodc.org)

**2 Paris Pact Technical Working Group meeting on the financial flows linked to Afghan opiates in/out Afghanistan**

Date: November 2-3, 2009  
Organizer: UNODC  
Location: Tashkent, Uzbekistan  
Contact information: [linda.thomas@unodc.org](mailto:linda.thomas@unodc.org)

**7 11<sup>th</sup> EAG Plenary Meeting**

Date: December 7-9, 2009  
Organizer: EAG  
Location: Guilin, China  
Contact information: [info@eurasiangroup.org](mailto:info@eurasiangroup.org)

**3 MONEYVAL Annual Typologies Meeting**

Date: November 10-12, 2009  
Organizer: MONEYVAL  
Location: Cyprus  
Contact information: [dghl.moneyval@coe.int](mailto:dghl.moneyval@coe.int)

**8 31<sup>st</sup> MONEYVAL Plenary Meeting**

Date: December 7-11, 2009  
Organizer: MONEYVAL  
Location: Strasbourg, France  
Contact information: [dghl.moneyval@coe.int](mailto:dghl.moneyval@coe.int)

**4 EAG AML/CFT evaluation/assessment mission to the Republic of Uzbekistan**

Date: November 8-14, 2009  
Organizer: EAG  
Location: Tashkent, Uzbekistan  
Contact information: [uinfo@eurasiangroup.org](mailto:uinfo@eurasiangroup.org)

**9 The Europe/Eurasia Review Group meeting**

Date: December 14-15, 2009  
Organizer: MONEYVAL  
Location: Strasbourg, France  
Contact information: [dghl.moneyval@coe.int](mailto:dghl.moneyval@coe.int)

**5 GPML Annual Mentors meeting**

Date: November 16-18, 2009  
Organizer: UNODC  
Location: Vienna, Austria  
Contact information: [madina.sarieva@unodc.org](mailto:madina.sarieva@unodc.org)

**10 Counter Terrorist Financing (CTF) seminar**

Date: December 15-17, 2009  
Organizer: Basel Institute on Governance  
Location: Lucerne, Switzerland  
Contact information: [daniel.thelesklaf@baselgovernance.org](mailto:daniel.thelesklaf@baselgovernance.org)

## AML/CFT Developments in Central Asia

### AFGHANISTAN



Afghanistan enacted an AML/CFT law in 2004. The Financial Intelligence Unit was established in 2005. Afghanistan has commenced application process for Egmont Group Membership in 2007; sponsors are the USA and Malaysia. Afghanistan was scheduled to undergo an APG-IMF Mutual Evaluation 15 November - 2<sup>nd</sup> December 2009. Afghanistan is a member of the Asia Pacific Group (APG) and observer to the EAG.

### BELARUS



Belarus became a member of the Egmont Group in 2007. The Mutual Evaluation Report of Belarus was adopted by the EAG in December 2008 and a Mutual Evaluation Follow-up Report will be discussed during the next EAG Plenary meeting in China in December 2009. Belarus is a member of EAG, and co-chairs the EAG Typologies Working Group. It also holds position of the Deputy Chair of EAG.

### CHINA



The AML/CFT law was adopted on 31 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. A first Mutual Evaluation Follow-up Report was presented during the EAG Plenary Meeting in Moscow in December 2008 and the next Mutual evaluation follow-up Report will be discussed during the EAG Plenary meeting in China in December 2009. China is a member of EAG and FATF, and serves as co-chair of the EAG Evaluation/Legal Working Group.

### KAZAKHSTAN



The AML/CFT law was adopted by the Kazakh Parliament in June 2009 and signed by the President in August 2009. The law will come into force in March 2010. A decision to establish the Financial Monitoring Committee (FIU) within the Ministry of Finance was taken by the Government on 24 April 2008. The head of the Financial Monitoring Committee (Kazakh FIU) was appointed in September 2008. Kazakhstan is

scheduled to undergo an EAG mutual evaluation in 1st quarter of 2010. Kazakhstan is a member of EAG, and co-chairs the EAG Technical Assistance Working Group.

### KYRGYZSTAN



Kyrgyz Financial Intelligence Service - FIS (Kyrgyz FIU) became a member of the Egmont Group during its plenary meeting in Doha in May 2009. The EAG 1<sup>st</sup> round Mutual Evaluation Report of Kyrgyzstan was adopted in June 2007. Progress reports were presented during the 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> EAG Plenary meetings in 2007, 2008 and 2009. The next follow up report will be discussed during the EAG Plenary meeting in China in December 2009. 24 AML/CFT related laws were adopted after the adoption of the MER and additional amendments to 13 other laws were adopted by the Kyrgyz Parliament and signed by the President in June 2009. Kyrgyzstan is a member of EAG.

### RUSSIAN FEDERATION



Joint AML/CFT Mutual Evaluation of Russian Federation was conducted by FATF, Moneyval and EAG in 2007. Joint Evaluation Report was adopted by FATF/Moneyval/EAG in June and July 2008. The first progress report of the Russian Federation was adopted during the 30<sup>th</sup> Moneyval Plenary Meeting in September 2009 and it will be discussed also during the next EAG Plenary meeting in China in December 2009. Russian Federation is a member of FATF, Moneyval and EAG; chairs the EAG and co-chairs the EAG Technical Assistance, Typologies and Evaluation/ Legal Working Groups.

### TAJIKISTAN



The AML/CFT law was drafted in the Office of the President in 2007 and is currently discussed in the AML/CFT working group. A decision to establish the Financial Monitoring Department under the National Bank of the Republic 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 the EAG during its plenary meeting in Moscow in December 2008. In December 2008 the EAG decided to place Tajikistan under the enhanced follow up procedure and on June 2, 2009 the EAG undertook a high-level mission to Tajikistan. In June 2009 during the EAG plenary meeting in St Petersburg Tajikistan presented its first progress report. The EAG decided to keep

Tajikistan under the enhanced follow up procedure. The second Mutual Evaluation Follow-up Report will be discussed during the next EAG Plenary meeting in China in December 2009.

### TURKMENISTAN



Turkmenistan became an observer member of the EAG in December 2007. On April 28-29, 2009 the EAG undertook a high-level mission to Turkmenistan. The AML/CFT law was adopted by the Parliament of Turkmenistan and signed by the President in May 2009. Turkmenistan is in the process of establishing the FIU. The FATF in its October 2009 public statement welcomed Turkmenistan's progress in adopting AML/CFT legislation and secondary legislation that aims to implement the AML/CFT law. However, deficiencies remain in Turkmenistan's AML/CFT regime, including the absence of a FIU. Consequently, the FATF reiterated its 25 February 2009 statement informing financial institutions that these deficiencies constitute ML/FT vulnerability in the international financial system and that they should take appropriate measures to address this risk. Turkmenistan was urged to continue taking steps to implement an AML/CFT regime that meets international AML/CFT standards.

### UZBEKISTAN



Uzbekistan is a member of EAG, and recently underwent an AML/CFT Mutual Evaluation by the EAG. The amendments to the AML/CFT Law were adopted by the Parliament and signed by the President in April 2009. On April 22, 2009 the amendments to the AML/CFT Law came into force. Amendments to other 16 laws were adopted by the Parliament in September 2009. In its October 2009 statement the FATF welcomed the significant steps that Uzbekistan has taken to establish the necessary AML/CFT framework and urged Uzbekistan to continue its progress towards implementing effective AML/CFT measures. The FATF welcomed Uzbekistan's upcoming mutual evaluation by the EAG that will be finalized in spring 2010. The FATF will continue to monitor the progress being made in Uzbekistan and will reconsider in February 2010 the measures that are currently in place to protect jurisdictions' financial sectors from ML/FT risks emanating from Uzbekistan.

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

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## 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:<br>FATF (June 2007)<br>EAG (Dec 2007)                          | MER and Summary in English: <a href="http://www.fatf-gafi.org/dataoecd/24/45/39148209.pdf">http://www.fatf-gafi.org/dataoecd/24/45/39148209.pdf</a><br>EAG First MER, Progress report in English: <a href="http://www.eurasiangroup.org/china.htm">http://www.eurasiangroup.org/china.htm</a>   |
| BELARUS            | EAG                 | July 27 – Aug 3, 2008            | Adopted:<br>EAG (December 2008 )  | MER and Summary in English and Russian: <a href="http://www.eurasiangroup.org/index-7.htm">http://www.eurasiangroup.org/index-7.htm</a><br>EAG Executive summary on first MER in English: <a href="http://www.eurasiangroup.org/belarus.htm">http://www.eurasiangroup.org/belarus.htm</a><br>EAG Executive summary on first MER in Russian: <a href="http://www.eurasiangroup.org/rus/belarus.htm">http://www.eurasiangroup.org/rus/belarus.htm</a> |
| KAZAKHSTAN         | EAG                 | 1st quarter 2010                 | EAG (June 2010)   | -   |
| KYRGYZSTAN         | EAG                 | Feb 2007                         | Adopted:<br>EAG (June 2007)   | MER with Summary and Progress report in English: <a href="http://www.eurasiangroup.org/kyrgyz.htm">http://www.eurasiangroup.org/kyrgyz.htm</a><br>MER with Summary and Progress report in Russian: <a href="http://www.eurasiangroup.org/rus/kyrgyz.htm">http://www.eurasiangroup.org/rus/kyrgyz.htm</a>  |
| RUSSIAN FEDERATION | EAG, FATF, MONEYVAL | Sept 24 – Oct 2, Nov 12-23, 2007 | Adopted:<br>FATF (June 2008)<br>Moneyval (July 2008)<br>EAG (July 2008) | MER and Summary in English: <a href="http://www.fatf-gafi.org/dataoecd/51/27/40945440.pdf">http://www.fatf-gafi.org/dataoecd/51/27/40945440.pdf</a>   |
| TAJIKISTAN         | EAG, World Bank     | June 2007                        | Adopted:<br>EAG (December 2008)   | MER and Summary in English: <a href="http://www.eurasiangroup.org/tajikistan.pdf">http://www.eurasiangroup.org/tajikistan.pdf</a>   |
| UZBEKISTAN         | EAG                 | November 8-14, 2009              | EAG (June 2010)   | -   |

## Technical Assistance Update & Regional news

- **The UNODC five - day FIU Analysts Workshop was conducted in early November 2009 in Tirana, Albania.** 18 analysts from eight Financial Intelligence Units (FIUs) in the South Eastern Europe – Albania, Bosnia and Herzegovina, Croatia, Greece, Kosovo, the FYR of Macedonia, Montenegro and Serbia attended workshop. The analysts had the opportunity to develop their knowledge and skills in the analysis process and the methods of taking financial and other information and developing financial intelligence. The training focused on analysis of suspicious transaction reports related to possible money laundering and the financing of terrorism.

Participants learned analytical techniques, gained a better understanding of sources of information used for analyses, the tools and techniques available to assist the process and learnt how to write effective and accurate intelligence reports. The course also addressed the relationship between the FIU and agencies responsible for investigation of money laundering and financing of terrorism and ensure that high quality information is provided to these agencies. Feedback from participants was extremely positive.

- **The Technical Working Group meeting on financial flows linked to the illicit production and trafficking of Afghan opiates was held on 2-3 November 2009 in Tashkent, Republic of Uzbekistan.** The technical Working Group discussed in particular the implementation of recommendations I [*Increase the knowledge*] and III [*Increase national and international cooperation*] of the Paris Pact Orange Paper action plan.

Regarding the implementation of Recommendation I, a draft questionnaire was developed with the purpose to assess lessons learned, methods used and possible challenges faced by Paris Pact partners and affected countries in dealing with financial flows linked to the illicit production and trafficking of Afghan opiates. The draft questionnaire will be circulated to all Paris Pact partners and concerned countries and organizations for comments prior to submission to relevant partners in January 2010.

Regarding the implementation of Recommendation III, the participants suggested that the relevant FIUs [Afghanistan, Pakistan, Iran and desirably UAE] should meet on a regular basis to exchange knowledge and share experience regarding the financial flows to/from Afghanistan derived from Afghan drug trade. More precisely, the concerned FIUs will be expected to present/share information on individuals, entities or groups linked to drug production and trafficking offences and their laundering, the sectors where drug money is being injected and reintegrated, how is the money circulated, etc. It has been agreed that the first FIUs meeting should take place around mid-May 2010.

- **The UNODC GPML Mentors Annual Meeting was organized from 16<sup>th</sup> to 18<sup>th</sup> November 2009 in Vienna, Austria.** During the meeting mentors reported on their work in different regions and discussed the significant achievements in each region during 2009. They also discussed the issues related to building the relationship with host governments, other donors and organizations as well as working relationship with other partners such as IFIs, OSCE, regional development banks, private sector, etc. Within the framework of the mentors meeting a video conference with the CTED and the 1267 Committee took place on 17 November 2009. The CTED and the 1267 Committee teams provided detailed information about their work. They mentioned that all together 192 countries were assessed under the

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UN resolutions and 50 CTED reports of on-site visits are available, subject to a prior approval of the country concerned. During the discussion the mentors shared their experience with regard to the implementation of the FATF SR III.

- **The Expert Group Meeting on Proceeds of Crime in Cash Based Economies took place from 18 to 20 November 2009 in Vienna, Austria.** GPML Mentors together with four regional experts from Serbia, Indonesia, Chile and Tanzania attended this meeting. Professor Dr. Humprey Moshi from University of Dar-es-Salaam initially presented a draft paper related to the Proceeds of Crime in Cash Based Economies and the GPML representatives explained the objectives of this project. During the Tour de Table all experts reported on money laundering cases in cash based economies in their regions. A discussion revealed that the project will face many challenges such as definitions of cash based economy and proceeds of crime, collection of data, Expert Group recommendations vis-à-vis the FATF standards related to cash, etc.
- **The Paris Pact 7<sup>th</sup> Policy Consultative Group Meeting took place on 27-28 November 2009 in Vienna, Austria.** The meeting focused on the future goals for a possible third phase of the Paris Pact Initiative within the context of the findings of the external evaluation that took place between May – August 2009. The current phase of the project is due to finish at the end of December 2009. UNODC presented its work throughout 2009 with regards to the Orange Paper on financial flows linked to the illicit production and trafficking of Afghan opiates and was encouraged to continue its work on this topic.

## MONEYVAL update

- **MONEYVAL's 8<sup>th</sup> experts meeting on typologies took place from 10 to 12 November 2009 in Limassol, Cyprus.** Over 80 experts from 24 countries and two international organizations attended the meeting, which was organized and co-financed by the Cypriot authorities and the Council of Europe. Private sector representatives were also invited to attend the meeting.

During the 3-day meeting, participants examined a number of emerging money laundering and terrorist financing methods and trends in the context of two typology research projects, focusing on the ways in which money launderers operate through the insurance and private pension funds sector, as well as through the internet gaming sector.

MONEYVAL undertakes regularly typologies researches to better understand the money laundering and terrorist financing environment in the European region and to assist through its findings decision makers and operational experts with up-to-date information in order that they may target policies and strategies to combat these threats. The final reports on these two topics are expected to be available in the second half of 2010.

## Egmont Group update

### “Egmont” Group Case study: CONCEALMENT WITHIN BUSINESS STRUCTURES

*Paul was a well-known customer of a European bank. On a number of occasions he purchased gold bullion from the bank in ingots of 1 kilo with the explanation that he was buying the gold to export directly to a foreign company. Paul transported the gold out of the bank by himself after each transaction. In a single year he purchased a total of more than 800 kilos of gold with a value of more than US\$7,000,000. The gold was paid for by funds draw from his company account. The bank was also able to see that at regular intervals funds were transferred into the account from another company in a neighboring country, as one would expect. However, Paul's actions in transporting the gold himself seemed unusual to the bank, and the bank officials decided to disclose their concerns to the national FIU. The FIU investigated Paul and his company within various law enforcement intelligence databases, but no obvious link to criminality could be found. However, the scale of the gold purchases justified a formal investigation by the FIU, and further enquiries were undertaken.*

*These enquiries revealed that Paul was not in fact selling the gold to a foreign company as claimed. Before buying the gold, Paul always met with a foreign citizen named Daniel. Although they drove to the bank together in Paul's car, Daniel never entered the bank. After Paul purchased the gold, they drove to Daniel's car and hid the gold in the boot. Then Daniel drove back to his own country, crossing the border without declaring the bullion at Customs and therefore avoiding paying import duties. Once in his own country, Daniel handed the gold over to Andrew, who delivered it to another company for sale on the open market. A proportion of the profits from the sale of the gold was transferred back to Daniel's company, from which he drew the next tranche of funds to purchase more gold. The amount of additional profit generated by this simple tax evasion scheme was substantial.*

*At the time of writing, criminal proceedings for money laundering in conjunction with tax evasion were being raised against Paul, Daniel and Andrew. The smuggling operation was estimated to have caused tax losses to the government of some US \$ 1, 500,000. Because the proceeds from selling the smuggled gold were obtained illegally, the judicial authorities in the FIU's country have also begun criminal proceedings against the individuals involved.*

Indicators:

- Unwarranted high security risk - personal transfer of valuable asset;

«Egmont» group 100 Sanitized cases are available at: [http://www.egmontgroup.org/files/library\\_sanitized\\_cases/100casesqb.pdf](http://www.egmontgroup.org/files/library_sanitized_cases/100casesqb.pdf)

## Publications and Websites of Interest

<http://www.unodc.org>

Official website of the UNODC. (In English, Russian, Spanish)

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|   |  |
|---|--|
| <a href="http://www.amlcft.org">http://www.amlcft.org</a>   | World Bank's AML/CFT website. (In English)   |
| <a href="http://www.worldbank.org/StAR">http://www.worldbank.org/StAR</a>   | World Bank and UNODC's Stolen Assets Recovery Initiative (StAR) website  |
| <a href="http://www.imolin.org">http://www.imolin.org</a>   | 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)   |
| <a href="http://www.euroasiangroup.org">http://www.euroasiangroup.org</a>   | The EurAsian Group is the FATF-Style Regional Body serving Central Asia. (In English and Russian)  |
| <a href="http://www.imolin.org/pdf/imolin/MLawRussian_IMoLIN.pdf">http://www.imolin.org/pdf/imolin/MLawRussian_IMoLIN.pdf</a>                   | UNODC Model Law in Russian   |
| <a href="http://www.fatf-gafi.org/dataoecd/43/46/38960576.pdf">http://www.fatf-gafi.org/dataoecd/43/46/38960576.pdf</a>                         | 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.   |
| <a href="http://www.fatf-gafi.org/dataoecd/61/28/40248726.pdf">http://www.fatf-gafi.org/dataoecd/61/28/40248726.pdf</a>                         | 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  |
| <a href="http://www.fatf-gafi.org/dataoecd/28/43/40285899.pdf">http://www.fatf-gafi.org/dataoecd/28/43/40285899.pdf</a>                         | 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.                                     |
| <a href="http://www.eurasiangroup.org/rus/index-5.htm">http://www.eurasiangroup.org/rus/index-5.htm</a>   | Russian version of 40 FATF Recommendations [AML]<br>Russian version of 9 FATF Special Recommendations [CFT] with Interpretive Notes  |
| <a href="http://www.fatf-gafi.org/dataoecd/45/31/40705101.pdf">http://www.fatf-gafi.org/dataoecd/45/31/40705101.pdf</a>                         | FATF's first in-depth study, which examines its vulnerabilities to misuse for money laundering and terrorist financing in real estate sector.  |
| <a href="http://www.unodc.org/documents/wdr/WDR_2008/WDR_2008_eng_web.pdf">http://www.unodc.org/documents/wdr/WDR_2008/WDR_2008_eng_web.pdf</a> | <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.   |
| <a href="http://www.assetrecovery.org">http://www.assetrecovery.org</a>   | Asset Recovery Knowledge Center of the International Centre for Asset Recovery (ICAR)  |
| <a href="http://www.egmontgroup.org">www.egmontgroup.org</a>  | The Egmont Group of Financial Intelligence Groups  |
| <a href="http://www.coe.int/t/dghl/monitoring/moneyval/">http://www.coe.int/t/dghl/monitoring/moneyval/</a>                                     | MONEYVAL - Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism   |
| <a href="http://www.caricc.org">http://www.caricc.org</a>   | 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). |

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