



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

Issue 43 - December 2009
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CALENDAR

1 MONEYVAL Annual Typologies meeting

Date: November 10-12, 2009
Organizer: MONEYVAL
Location: Limassol, Cyprus
Contact information: dghl@moneyval.coe.int

6 Counter Terrorist Financing seminar

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

2 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

7 WB/UNODC/ITMCFM Technical Assistance Mission to Tajikistan

Date: January 12-14, 2010
Organizer: WB/UNODC/ITMCFM
Location: Dushanbe, Tajikistan
Contact information: madina.sarieva@unodc.org

3 11th EAG Plenary meeting

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

8 Seminar on Cooperation between the FIU and the law Enforcement Authorities

Date: January 18-19, 2010
Organizer: ITMCFM in cooperation with the WB/UNODC
Location: Astana, Kazakhstan
Contact information: batalov@mumcfm.ru

4 31st MONEYVAL Plenary meeting

Date: December 7-9, 2009
Organizer: MONEYVAL
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

9 WB/UNODC seminar on the implementation of Kazakh AML/CFT Law and on Cooperation between the FIU and Supervisory Bodies

Date: February 9-11, 2009
Organizer: WB/UNODC
Location: Astana, Kazakhstan
Contact information: madina.sarieva@unodc.org

5 The Europe/Eurasia Review Group meeting

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

10 32nd MONEYVAL Plenary Meeting

Date: March 15-19, 2010
Organizer: MONEYVAL
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

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 is scheduled to undergo an APG-IMF Mutual Evaluation 15 November - 2nd 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 adopted during the 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. The second Mutual Evaluation Follow-up Report was adopted by the EAG during its 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 July 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. Kyrgyzstan is a member of EAG. The EAG 1st round Mutual Evaluation Report of Kyrgyzstan was adopted in June 2007. A fourth Mutual Evaluation Follow-up Report was adopted during the EAG Plenary meeting in China in December 2009. 28 AML/CFT related laws were adopted after the adoption of the MER by the Kyrgyz Parliament and signed by the President in 2009.

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 30th Moneyval Plenary Meeting in September 2009 and during the EAG Plenary meeting in China in December 2009. The Russian Federation is a member of FATF, Moneyval and EAG; it 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 second Mutual Evaluation Follow-up Report was adopted during the EAG plenary meeting in China in December 2009. The EAG decided to keep Tajikistan under the enhanced follow up procedure and recommended Tajikistan

to adopt a comprehensive AML/CFT law governing all aspects of the national AML/CFT regime in accordance with FATF recommendations before September 2010.

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 under the Ministry of Finance. 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. Turkmenistan is encouraged to continue work closely with the EAG and the IMF to achieve this.

UZBEKISTAN



Uzbekistan is a member of EAG, and recently underwent an AML/CFT Mutual Evaluation by the EAG. The discussion of the Mutual Evaluation Report should take place in June 2010. The amendments to the 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 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 measures²

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: FATF (June 2007) EAG (Dec 2007)	MER and Summary in English: http://www.fatf-afi.org/dataoecd/24/45/39148209.pdf EAG First MER, Progress report in English: http://www.eurasiangroup.org/china.htm Four 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 First Progress Report is on EAG website.
KAZAKHSTAN	EAG	July 2010	EAG (December 2010)	-
KYRGYZSTAN	EAG	Feb 2007	Adopted: EAG (June 2007)	MER with Summary and Progress report in English: http://www.eurasiangroup.org/kyrgyz.htm MER with Summary and Progress report in Russian: http://www.eurasiangroup.org/rus/kyrgyz.htm Four Follow up Reports are on EAG website
RUSSIAN FEDERATION	EAG, FATF, MONEYVAL	Sept 24 – Oct 2, Nov 12-23, 2007	Adopted: FATF (June 2008) Moneyval (July 2008) EAG (July 2008)	MER and Summary in English: http://www.fatf-gafi.org/dataoecd/51/27/40945440.pdf MER and Summary in Russian: http://www.eurasiangroup.org/files/MERs%20-%20RUS/russia.pdf First Follow up Report is 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 Two Follow up Reports are on EAG website
UZBEKISTAN	EAG	November 8-14, 2009	EAG (June 2010)	-

- 11th EAG Plenary meeting and EAG Working Groups meetings took place on 7 - 9 December 2009 in Guilin, China. Among the participants of the Plenary were heads and representatives of the FIUs and other competent authorities of EAG member states including Belarus, China, Kazakhstan, the Kyrgyz Republic, Russia, Tajikistan and Uzbekistan, and experts from the EAG observers.

During the Plenary the following decisions were made:

- Mr. Oleg Markov was re-elected as EAG Chairman for two more years;
- EAG granted the observer status to the Asia-Pacific Group on money-laundering (APG);
- EAG will re-send its application to obtain the FATF associate member status by June 2010;
- EAG adopted the draft Agreement on EAG, the Regulation on the procedure for establishing the EAG budget and the draft Regulation of the EAG Secretariat;
- Mutual Evaluation Follow-up Reports of Belarus, China, the Kyrgyz Republic, Russia and Tajikistan were discussed and adopted;
- With regard to **Tajikistan** the EAG acknowledged the progress made and recommended Tajikistan to adopt additional regulations required to launch and apply the AML/CFT measures to credit institutions before the end of February 2010. It is also recommended adopting a comprehensive AML/CFT Law before September 2010;
- The draft mutual evaluation report on **Uzbekistan** will be discussed during the next EAG Plenary meeting in June 2010;
- The EAG mutual evaluation of **Kazakhstan** will take place in July 2010; The EAG received information on progress reports regarding the strengthening the AML/CFT national systems by Uzbekistan, Kazakhstan and Turkmenistan.
- The Plenary also approved the Memorandum of Understanding between the EAG and CSTO, which is aimed at enhancing cooperation between the two organizations in combating illegal drug trafficking and laundering proceeds from drugs as well as

strengthening “financial security belts” around Afghanistan. The EAG Plenary meeting adopted the reports on the Working Group activities.

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

Technical Assistance update

- **EAG workshop on AML/CFT supervision was held on 2-3 November 2009 in Kishinev, Moldova.** Among the participants of the workshop were experts from the Central Bank of Russia, National Bank of Moldova, National Bank of Ukraine, the Council of Europe, banking community and international development banks including European Bank for Reconstruction and Development and Eurasian Development Bank, and EAG FIUs. The workshop focused on issues related to the principles, standards and recommendations for AML/CFT supervision in banking sector especially supervision in credit sector. During the workshop International Training and Methodology Center for Financial Monitoring (ITMCFM) and Office for Prevention and Combating of Money Laundering of the Center for Combating Economic Crimes and Corruption of Moldova signed an agreement of cooperation.
- **The 3rd International seminar on Countering the Financing of Terrorism was organized by the Basel Institute on Governance from 15 to 17 December 2009 in Lucerne, Switzerland.** The event was attended by over 120 participants comprised of financial institution representatives, financial sector supervisors, financial intelligence unit officers, criminal justice officials and officers engaged in AML/CFT legislation and policy making and 33 speakers from various regions of the world including Asia, Africa, the Middle East, Europe and America. The seminar included eight intensive and interactive workshops for participants to work through case studies. The plenary sessions of the seminar examined key developments and important issues such as latest typologies and terrorist financing, screening name lists and early detection signals, cyber-terrorism, role of financial institutions in countering terrorist financing, terrorism investigation and prosecution. The Basel Institute on Governance launched the Experts Network to Counter Terrorist Financing (EN Counter). It can be accessed free of charge at <https://encounterbaselgovernance.org>

MONEYVAL update

- **The 31st MONEYVAL Plenary Meeting** took place from 7 to 11 December 2009 in Strasbourg, France. During this meeting the following issues were discussed:
 - Mutual Evaluation Reports of Serbia and of Bosnia and Herzegovina were adopted; with the adoption of these two mutual evaluation reports, MONEYVAL concluded its third round of mutual evaluations.
 - First Progress Reports of Azerbaijan and Estonia were adopted;
 - Regarding Azerbaijan MONEYVAL decided to withdraw its previous public statements and the advice to financial institutions made in its statement of 12 December 2008. MONEYVAL will continue to monitor progress on other outstanding issues raised in its 3rd round Mutual Evaluation report of Azerbaijan through MONEYVAL mechanisms.
 - At this plenary, MONEYVAL elected Mr Vladimir Nechaev from the Russian Federation as a new chairman, and , Mr Anton Bartolo from Malta as a new vice-chairman;

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 drawn 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/100casesgb.pdf

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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.euroasiangroup.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

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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).

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