

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

Issue 74 – November 2012
Available online at <http://www.imolin.org>

CALENDAR OF EVENTS

1 The 40th MONEYVAL Plenary Meeting

Date: 3 – 7 December 2012
Organizer: Moneyval
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

6 The 41st MONEYVAL Plenary Meeting

Date: 8 - 12 April 2013
Organizer: Moneyval
Location: Strasbourg, France
Contact information: dghl@moneyval.coe.int

2 Anti-Corruption Network High Level Meeting and Steering Group Meeting

Date: 10 – 11 December 2012
Organizer: OECD
Location: Paris, France
Contact information: olga.savran@oecd.org

7 World Bank/Kazakh FIU National workshop on revised FATF recommendations

Date: 4 - 5 April 2013
Organizer: WB/Committee on financial monitoring of the Republic of Kazakhstan
Location: Borovoe, Kazakhstan
Contact information: jasanbaeva@worldbank.org

3 Egmont Working Group and Committee Meeting

Date: 20 - 24 January 2013
Organizer: Egmont Group
Contact information: mail@egmontsecretariat.org

8 World Bank/Egmont Group/Kazakh FIU Regional workshop on FIU strategic analysis

Date: 1 – 3 April 2013
Organizer: WB/Egmont Group/Kazakh FIU
Location: Borovoe, Kazakhstan
Contact information: jasanbaeva@worldbank.org

4 The FATF Plenary and Working Groups Meetings

Date: 18 – 22 February 2013
Organizer: FATF
Location: Paris, France
Contact information: Secretariat@fatf-gafi.org

5 Regional Workshop on revised FATF Standards

Date: 13 - 15 March 2013
Organizer: IMF/WB/OSCE/EAG/ITMCFM
Location: Tashkent, Uzbekistan
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 an observer to the 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. In November 2012 Belarus submitted its third follow-up report to the EAG Plenary.

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 co-chairs the EAG Evaluation/Legal Working Group. In February 2012 the FATF adopted the follow up report of China and decided to take off China from its regular follow-up process. China will report back to the FATF Plenary on any further improvements to its AML/CFT regime on a biennial basis.

KAZAKHSTAN



The AML/CFT law was adopted in June 2009 and came into force on 9 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. 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. In its recent statement from October 2013 the FATF recommended Kyrgyzstan to enact the adequate amendments related to countering terrorist financing by February 2013. In November 2012 the 7th Mutual Evaluation Follow-up Report was adopted by the EAG Plenary. EAG decided to place Kyrgyzstan under the enhanced monitoring procedure, thus requiring reporting to the EAG during the next plenary meeting.

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, Evaluation / Legal, and Supervision 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 November 2012 Tajikistan presented its 8th follow-up report to the EAG Plenary 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. In July 2012 during the 20th Egmont Plenary meeting in Saint Petersburg the Tajik FIU became a member of the Egmont Group.

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. The FATF during its June 2012 plenary meeting decided to remove Turkmenistan from its monitoring process under its on-going global AML/CFT compliance process. The FATF welcomed Turkmenistan's significant progress in improving its AML/CFT regime and noted that Turkmenistan has largely met its commitments in its Action Plan regarding the strategic deficiencies identified by FATF. Turkmen FIU became an observer to Egmont Group during its 20th Plenary meeting in July 2012. In November 2012 Turkmenistan presented its 4th follow-up report to the EAG and EAG decided to remove Turkmenistan from its follow-up procedure.

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 2nd Mutual Evaluation Follow-up Report was adopted by EAG in November 2012. The amendments to the Uzbek AML/CFT Law came into force on 22 April 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 its 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 criminalize, 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. India holds a position of a Vice-Chair of EAG. The Mutual Evaluation Report of India was adopted by FATF in June 2010.

EUROASIAN GROUP (EAG) update

Schedule of EAG member-states' AML/CFT Mutual Evaluations				
Country	Evaluators	On-Site Evaluation	Plenary Discussion	Mutual Evaluation Reports [MER]
CHINA	FATF, EAG	Completed 2006	Adopted: FATF (June 2007) EAG (Dec 2007)	MER and Summary in English: http://www.fatf-gafi.org/media/fatf/documents/reports/mer/MER%20China%20full.pdf 8 th Follow-up report: http://www.fatf-gafi.org/media/fatf/documents/reports/mer/Follow%20Up%20MER%20China.pdf EAG First MER, Progress report in English: http://eurasiangroup.org/ru/restricted/chinareport.pdf 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://eurasiangroup.org/ru/restricted/bel_report.pdf MER and Summary in Russian: http://eurasiangroup.org/ru/restricted/bel_report.doc Two Progress Reports are available on EAG website
KAZAKHSTAN	EAG	October 2 -10, 2010	Adopted: EAG (June 2011)	MER in English: http://www.eurasiangroup.org/ru/restricted/MER_2011_1_KAZ_rev.1_eng.doc MER in Russian: http://www.eurasiangroup.org/ru/restricted/MER_2011_1_KAZ_rev.1_rus.doc
KYRGYZSTAN	EAG	Feb 2007	Adopted: EAG (June 2007)	MER with Summary in English: http://eurasiangroup.org/ru/news/eaqkyrgyz.pdf MER and Summary in Russian: http://eurasiangroup.org/ru/news/eaqkyrgyz.pdf Six Follow up Reports are on EAG website
RUSSIAN FEDERATION	EAG, FATF, MONEYVAL	Sept 24 – Oct 2, Nov 12-23, 2007	Adopted: FATF (June 2008) Moneyval (July 2008) EAG (July 2008)	MER and Summary in English: http://www.fatf-gafi.org/dataoecd/51/27/40945440.pdf MER and Summary in Russian: http://www.eurasiangroup.org/files/MERs%20-%20RUS/russia.pdf Two Follow up Reports are on EAG website
TAJIKISTAN	EAG, World Bank	June 2007	Adopted: EAG (December 2008)	MER in English: http://eurasiangroup.org/ru/news/tajikistan.pdf MER in Russian: http://eurasiangroup.org/ru/restricted/EAG_ME_2008_2_rus_.doc Seven Follow up Reports are on EAG website
UZBEKISTAN	EAG	November 8-14, 2009	Adopted: EAG (June 2010)	MER in English: http://eurasiangroup.org/ru/restricted/EAG_ME_2010_1_eng_amended.doc MER in Russian http://eurasiangroup.org/ru/restricted/EAG_ME_2010_1_amended_fin.doc First Follow up Report is on EAG website
TURKMENISTAN	EAG	November 7 - 14, 2010	Adopted: EAG (June 2011)	MER in English: http://eurasiangroup.org/ME_2011_2_eng_rev3.doc MER in Russian http://eurasiangroup.org/ME_2011_2_rus_rev3.doc Three Follow up Reports are on EAG website
INDIA	FATF, APG	Nov 30 – Dec 12, 2009	Adopted: FATF (June 2010)	MER and Summary in English: http://www.fatf-gafi.org/countries/d/

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

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➤ **The 17th EAG Plenary meeting took place in New Delhi, India from 6 to 9 November 2012. During the meeting the following topics were discussed/agreed:**

- The EAG Plenary approved Mr. Shaktikanta Das (Republic of India) as the Deputy Chairman of the EAG;
- Mr. Boris Toropov (Russia) was appointed as EAG Executive Secretary;
- The progress reports of Belarus, Turkmenistan and Uzbekistan were discussed and the plenary decided that due to the sufficient progress made they have to present their next follow-up reports in two years time;
- The progress report of Kyrgyzstan and Tajikistan were discussed and since both jurisdictions are under the FATF ICRG monitoring procedure they will have to present their next follow-up reports during the next EAG plenary;
- The EAG will start with their second round of evaluations in October 2014 with Kyrgyzstan utilizing the new FATF Methodology;
- The EAG approved mandates, candidates for the co-chairs positions and the reports of the Working Group on Mutual Evaluations and Legal Issues, the Working Group on Technical Assistance, and the Working Group on Typologies;

➤ **The workshop on “National risk assessment in the field of AML/CFT: approaches and experience” for EAG member states was held in New Delhi (India) on 5 November 2012. The workshop was organized by the Russian International Training and Methodology Centre for Financial Monitoring.**

The workshop enabled the participants to exchange experience and study practice of those countries that already conducted their national money laundering risk assessment (NRA). The presentations delivered by representatives of the FATF, World Bank, IMF, New Zealand and Ukraine were aimed to assist EAG member states in making their decisions regarding the assessment methodology and other NRA related issues.

For more information please visit EAG website: <http://www.eurasiangroup.org/> and ITMCFM website: <http://www.mumcfm.ru>

TECHNICAL ASSISTANCE update

➤ **International scientific and practical conference on “National Risk Assessment as the basis for an effective AML/CFT system: views and approaches” was held in Moscow, Russia on 23 and 26 November 2012.**

The event was organized by International Training and Methodology Centre for Financial Monitoring (ITMCFM), established by the Russian Federal Financial Monitoring service (Rosfinmonitoring).

Representatives of the Administration of the President of the Russian Federation, Ministry of Foreign Affairs, Ministry of Finance, law enforcement and supervisory bodies, whose activities are related to AML/CFT, as well as research and scientific experts took part in the event.

During the conference participants exchanged experience on the development and the use of the risk assessment models in different areas. Special attention was given to the presentation of the World Bank representatives, who presented the World Bank tools for risk assessment. According to experts, the experience gained by government agencies and scientific community will be useful for the development of Russian methodology.

For more information please visit ITMCFM website: <http://www.mumcfm.ru>

➤ **The World Bank experts visited Astana, Kazakhstan from 26 to 29 November 2012** to provide technical assistance to the Committee on Financial Monitoring of the Ministry of Finance of the Republic of Kazakhstan and other AML/CFT authorities under the joint World Bank/Kazakh Government JERP 2013 Program. The objective of this mission was to help Kazakh authorities in finalizing their money laundering national risk assessment documents and procedures, as well as to assist them in the implementation of the selected priority topics from their national risk assessment draft action plan. During the mission the World Bank team met with the Deputy Minister of Finance, and representatives of the Committee on Financial Monitoring, the Customs Control Committee of the Ministry of Finance, the Ministry of Interior, the General Prosecutor's Office, the National Security Committee and the Financial Police.

Egmont Group update

“Egmont” Group Case study: *Use of anonymous asset types*

In the early 1990's, John, a full time gambler, and Georgina, a part-time filing clerk, took up residence in a country in Western Europe. Some two years after their arrival, John's financial activities were the subject of a disclosure from a financial institution. The disclosure was made because a large number of cash transactions into the account concerned the financial institution, as well as significant payments being made to an account in another European country. In response to inquiries from the account manager, John told the financial institution that the funds were financing a joint business venture - although he did not specify the type of business.

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Shortly afterwards, a second disclosure from a separate financial institution was received reflecting concern about the level of financial activity taking place on Georgina's account. The volume of transactions did not seem to be in line with expected income for a part - time filing clerk.

Both disclosures to the national FIU were analysed and it was soon established that John and Georgina both had records for drug trafficking. Interest in the couple was further heightened when colleagues from another European country contacted the FIU via Egmont. In the second country the police were making enquiries into the murder of an individual, whose intelligence records suggested was John's former business partner.

Following close international co-operation between the FIUs of both countries, as well as law enforcement in a country in the Asia Pacific region, a covert operation was organized to monitor the couples' travel movements. This proved to be very successful and resulted in John and Georgina, who were travelling under false names, being arrested in possession of 1.5 kilos of high-grade heroin. Simultaneously, the police in the country where the couple lived executed search warrants. The police recovered extensive financial documents from the home address, and 8.5 kilos of cannabis resin concealed in a car located in a lock up garage which had been rented in Georgina's name. During the post arrest interviews conducted by law enforcement in the country through which they were travelling, admissions were made in relation to the aforementioned murder. John and Georgina's were extradited to the country where the investigation of the murder of the former business partner was being conducted. Charged on a number of related offences, they subsequently received substantial prison sentences.

An interesting observation in this case is that John and Georgina were less concerned at being deported to face the murder charge than about remaining in the country in the Asia Pacific region, and facing a second drug trafficking charge. They knew they were under risk of being deported to a country where the sentence for drug trafficking is very severe.

Indicators:

- Large-scale cash transactions
- Unrealistic wealth compared to client profile
- Defensive stance to questioning

«Egmont» group 100 Sanitized cases are available at: http://www.egmontgroup.org/files/library_sanitized_cases/100casesqb.pdf

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Publications and Websites of Interest

Deleted:

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, Proceeds of Crime and the Financing of Terrorism (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

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<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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