**Calendar**

1. **EurAsian Group (EAG) Working Group Meetings**
   - Dates: 28-29 August 2006
   - Organizer/s: EurAsian Group (EAG)
   - Location: Issyk-Kul, Kyrgyzstan
   - Contact Information: Victor Kochenov, info@euroasiangroup.org

2. **Training for Supervisory Officials of the National Bank of the Kyrgyz Republic**
   - Dates: 29 August -1 September 2006
   - Organizer/s: National Bank of the Kyrgyz Republic (NBKR)
   - Location: Issyk-Kul, Kyrgyzstan
   - Contact Information: Elvira Toktomambetova, NBKR

3. **AML/CFT Technical Assistance Coordination Meeting (Kazakhstan)**
   - Dates: 7 September 2006 at 10:00
   - Organizer/s: UNODC and World Bank
   - Location: World Bank Central Asia Regional Office, Almaty, Kazakhstan
   - Contact Information: Shane Michael Riedel, shanemichael.riedel@unodc.org

4. **AML/CFT Training for Kazakhstani Supervisory Officials (session two of six)**
   - Dates: 19 September 2006
   - Organizer/s: UNODC and World Bank
   - Location: Almaty, Kazakhstan
   - Contact Information: Cari Votava, cvotava@worldbank.org

5. **AML/CFT Training for Uzbek Supervisory Officials (session one of six)**
   - Dates: 26 September 2006
   - Organizer/s: UNODC and World Bank
   - Location: Tashkent, Uzbekistan
   - Contact Information: Cari Votava, cvotava@worldbank.org

6. **Financial Investigation Techniques (Anti-Money Laundering Course) for Kazakhstani Financial Police**
   - Dates: 16-20 October and 4-8 December 2006
   - Organizer/s: US Embassy in Kazakhstan, International Narcotics and Law Enforcement (INL)
   - Location: Financial Police Academy, Astana, Kazakhstan
   - Contact Information: Olessya Yanchenko, yanchenkoo@state.gov

Contributions to this newsletter are welcome. To submit information for inclusion or to be added to or removed from the distribution list, please contact Shane Michael Riedel at shanemichael.riedel@unodc.org.
Regional Anti-Money Laundering Seminar

Dates: 24-25 October 2006
Organizer/s: European Bank for Reconstruction and Development (EBRD)
Location: Bishkek, Kyrgyzstan
Contact Information: Daniel Thelesklaf, thelesklaf@financial-integrity-network.com

Joint FATF-EAG Typologies Meeting on Drug Trafficking and Money Laundering

Dates: 28-30 November 2006
Organizer/s: EurAsian Group (EAG) and Financial Action Task Force (FATF)
Location: Shanghai, China
Contact Information: Victor Kochenov, info@euroasiangroup.org

Round Table on “Improving Measures to Combat Corruption in the Private Sector”

Dates: November 2006 (to be confirmed)
Organizer/s: Organization for Security and Cooperation (OSCE), Centre in Almaty, Kazakhstan
Location: Almaty, Kazakhstan
Contact Information: Lea Bure, lea.bure@osce.org

EurAsian Group (EAG) Plenary and Donor Meetings

Dates: 5-8 December 2006
Organizer/s: EurAsian Group (EAG)
Location: Moscow, Russian Federation
Contact Information: Victor Kochenov, info@euroasiangroup.org

AML/CFT Developments in Central Asia

Kazakhstan

The Kazakhstani AML/CFT draft law remains under consideration in the Parliament.

Kyrgyzstan

On 31 July 2006, Kyrgyz president Kurmanbek Bakiyev signed the AML/CFT law which was passed by the Parliament on 16 June 2006.

Tajikistan

The Tajik AML/CFT draft law remains under consideration in the Parliament.

Turkmenistan

Activities aimed at raising awareness amongst Turkmen officials have taken place, but no AML/CFT law has been drafted at this time.

Uzbekistan

The Uzbek FIU has been created under the General Prosecutor’s office, and is currently in the process of becoming operational.
On July 24-28, 2006 the U.S. Embassy, jointly with the Financial Police Academy of the Republic of Kazakhstan, held a continuing professional education course on the Financial Investigative Techniques for financial police officers.

The course was led by experts of the Office of Technical Assistance of the Department of the U.S. Treasury. It was organized by the International Narcotics and Law Enforcement Affairs Office (INL) of the U.S. Embassy. The Financial Police Academy has cooperated with the INL since 2001. The Academy and the INL have jointly organized a number of events that included international conferences, symposiums and seminars in Almaty and Astana in the sphere of anti-money laundering. The Financial Investigative Techniques course is a part of the ongoing mutual work aimed at the improvement of the methods of financial investigation in Kazakhstan. More sessions are planned for the end of this year to cover more investigators in all regions of the country.

American experts led the workshop together with Kazakhstani specialists from the Prosecutor General's Office, Ministry of Internal Affairs, Supreme Court and Agency on Combating Economic Crimes and Corruption (Financial Police), as well as professors and teachers from the Financial Police Academy. This approach is a new joint cooperation effort between the Academy and the U.S. Embassy. The course is also unique in that it is a part of an official curriculum of the Academy.

Topics covered in the workshop included: use of sources of information, international cooperation in the sphere of combating money laundering, Kazakhstani legislation on anti-money laundering and the structure of the future FIU, special investigative techniques and methods of proof. An essential part of the course was practical exercises on the aforementioned topics.

On 25 July, the first session of AML/CFT Training for Kazakhstani Supervisory Officials was held at the World Bank office in Almaty, Kazakhstan. Approximately 30 participants attended, including representatives from the National Bank of Kazakhstan, Department of Justice of Almaty, Customs Control, Financial Police, Prosecutor General's Office, Financial Supervisory Agency, Prisons of Almaty and Almaty Oblast.

This first session in the six-part series presented international AML/CFT standards, basic concepts in what these standards require, how AML/CFT Evaluations are conducted (and by whom), the role and function of the EurAsian Group and recent AML/CFT developments in Kazakhstan. The next full-day session will be held Tuesday, 5 September at the World Bank office in Almaty. This session will involve discussion of AML/CFT cases as well as an overview of the role and function of the financial intelligence unit (FIU).

A similar training program is being carried out in Kyrgyzstan and will commence in Uzbekistan in late September.

The EurAsian Group (EAG) hosted meetings of its three working groups, legal, typologies and technical assistance, on 28-29 August at Lake Issy-Kul in Kyrgyzstan.

www.eurasiangroup.org
Overview of AML/CFT Developments in the European Union

by Mieneke de Ruiter, General Secretariat of the Council of the European Union and Sebastiano Tine, European Commission

The Third Money Laundering Directive entered into force on 15 December 2005, which requires Member States to implement its provisions into national legislation by 15 December 2007. The new Directive implements the current FATF 40 + 9 Recommendations into Community legislation; extends previous provisions to cover terrorist financing requirements; extends requirements to a number of persons, institutions and activities not previously subject to AML/CFT requirements and requires special attention to the risk of cash payments as an instrument for money laundering and terrorist financing.

The first set of implementing measures on Publicly Exposed Persons (PEPs), simplified Customer Diligence (CDD) and “occasional” transactions (executed by non-regular customers) were agreed by the EU Member States and formal adoption by the European Commission is envisaged for mid-July 2006. The European Commission is in the process of establishing an informal FIU Platform where practitioners can exchange views and discuss problems encountered with the implementation of the Third Money Laundering Directive.

Based on FATF’s Interpretative Note to FATF Special Recommendation VII (wire transfers), the European Commission presented in July 2005 a proposal for a Regulation on information on the payer accompanying the transfer of funds. A general approach on new minimum requirements of identity information to accompany wire transfers was agreed upon in December 2006, which included the $/€ 1,000 threshold. Amendments proposed by the European Parliament were adopted in July 2006.

Based on FATF Special Recommendation IX (cash couriers) a new Regulation providing a common system for cash controls at external EU borders was adopted on 12 July 2005. This regulation supplements the new Third Directive, and requires anyone entering the EU with more than €10,000 to file a written declaration, and requires national authorities to maintain such data on file.

Pursuant to FATF’s recently adopted a Interpretive Note to Special Recommendation VIII (non-profit organisations), the Council of Justice and Home Affairs Ministers of the European Union adopted five principles to be taken into account when implementing measures aimed at preventing terrorist abuse of the non-profit sector, and the Commission adopted a Communication on the Prevention of and Fight against Terrorist Financing through enhanced national level coordination and greater transparency of the non-profit sector. Annexed to this Communication is a draft framework for a Code of Conduct for the NPO-sector. The Commission plans to set up an informal contact group on this issue and organise a conference by the end of 2006.

A Strategy on terrorism financing, which was drawn up jointly by the Secretariat-General/High Representative and the Commission, was adopted by the European Council in December 2004. The Strategy gives a critical overview of actions taken to date concerning the fight against terrorism financing and recommends a number of actions to further strengthen EU efforts. Reports on the implementation of the EU Strategy on terrorist financing were presented in June and December 2005, and in June 2006.

The Strategy is part of a larger EU approach in the fight against terrorism and the related EU Counter-Terrorism Strategy. One Recommendation of the EU Strategy on terrorist financing calls for an independent scrutiny of the EU's efforts in the fight against terrorist financing, with particular reference to national and EU compliance with the nine FATF Special Recommendations. That effort has been launched by the Commission and the results are expected in the second half of 2006.
by Tofik Murshudlu, Advisor of the Regional Representative of UNODC in Central Asia for Law Enforcement Issues
and Elbek Khojaev, UNODC National Advisory Project

In the last decade of the 20th century, Afghanistan turned into a huge producer and exporter of opium poppy and heroin in the world, producing approximately 85% of the total global production of heroin. By the year 2005, the harvest of opium was 4,100 tons, which resulted in the production of 500 tons of heroin. Approximately 25-30% of this amount annually is transported via the so-called northern routes – across Central Asia and Russia into Central and Western Europe, a large portion of which remains in the drug markets of the CIS countries.

The illegal turnover of narcotics and its connected criminality is considered an international phenomenon. Organized criminal groups of different countries cooperate closely and successfully to maximize profits. In this context, distinct national efforts to fight drug trafficking have little effect. Only concerted efforts of competent agencies on the regional and international level can help in counteracting illegal trade in narcotics.

In the year 1996, the governments of Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan) and the UNODC signed a Memorandum of Understanding (MOU) for regional cooperation in the sphere of controlling illegal production, turnover and use of narcotic and psychotropic substances and precursor drugs. Later Russia, the Aga Khan Foundation and Azerbaijan signed on to this MOU.

Serious steps to unite these efforts of governments and organizations interested in counteracting narcotics from Afghanistan came about in the Central Asian Regional Information and Cooperation Center (CARICC) for fighting illegal trade of narcotic and psychotropic substances and precursors. Tasks of this permanent Center will be assistance in organizing, carrying out and cooperating on common international actions for fighting illegal trade of narcotics including operations for transportation of controlled substances. The Center will also provide collection, analysis, maintenance and protection of information for trans-border criminal activity connected to illegal drug trade and will assist in the effective information exchange between participants of the MOU and also international organizations such as Interpol, Europol, World Customs Union and others.

The project of creating of the Center was undertaken by the UNODC in 2004. While studying the project, consideration was given to the importance of including the experience of other relevant organizations. Currently, government participants of the project are Azerbaijan, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan.

Current project plans for creating CARICC are split in three phases, which began in 2005. A permanent Steering Group of the project was created in which specialists were engaged representing Europol, Interpol and specialized political structures of governments of Europe, Central and Near East and the USA. The nature of the Center’s activities has attracted specialists from Ministries of Foreign Affairs, Ministries of Internal Affairs, Organs of National Security, Customs Agencies, Border Protection Agencies and specialized structures for fighting illegal drug trafficking. The UNODC Headquarters in Vienna is actively providing support.

In the first stage, the Project Group drafted 20 basic documents for the creation of CARICC which then were unified in three documents. These documents were approved in recommendations for signature at a Ministerial meeting of MOU-participant governments, which took place in February 2006 in Tashkent. At the same meeting the parties evaluated proposals for location of the Center and agreed to locate the CARICC Center in Almaty, Kazakhstan.

The permanent staff of the Center will be 36 persons, of which 22 are experts in countering illegal trade in narcotics (three persons from each of seven participating states) who will be supported by 14 technical specialists. The Center will be headed by a Director which will rotate between members every two years. For the first two years, the Center will be headed by a representative of the government on whose territory the Center is located, Kazakhstan.

Besides expert staff, each participant government will send two permanent officers to the Center who will be responsible as liaisons for direct connections and interactions between competent law enforcement organs of their governments. In addition, the Center will accredit observer members such as governments and competent international organizations (Interpol, Europol, etc.) which are parties to the agreements on creation of the CARICC Center and are interested in cooperation.
Control of the activities of the Center will be executed by a National Coordination Council, which will include managers from each state coordinating committee and the Director of the Center.

The second phase of the project began in March 2006 to early 2007. During this time renovations are to be made to the building of the Center and necessary equipment is to be provided, staff of the Center will be hired and professional staff training will be conducted. Once the Center begins functioning, the second phase will be completed.

Currently talks are being held with Interpol about providing CARICC independent access to protected communication systems of Interpol I-24/7 and their database. This will allow CARICC to use modern global systems for transmission of information with the database of Interpol.

It is planned that the Center will become fully operational in the third phase (2007-2008).

Great Britain, Italy, Luxembourg, USA and Finland are donors of the project, and the UNODC is providing administrative support. It is expected that in the future, participating governments will become contributors to the project and activities of the Center.

The initiative for creating CARICC triggered wide interest, not only among representatives of law enforcement structures, but also among politicians. In particular, official representatives of Afghanistan expressed their interest in participating in the Center. Interest was also expressed from a number of Afghanistan’s neighboring countries to apply for permanent observer status.

**AML/CFT Case Study**

During a routine regulatory inspection the financial police of an Eastern European country discovered business irregularities at a commercial company. Inspectors identified a range of unusual fund transactions to foreign countries. The amounts involved were significant and the underlying business transactions seemed illogical and economically unjustifiable.

The commercial company had recently bought real estate in America through a financial professional named Charles, who worked at a European intermediary’s office. The finance police decided to request more information from the national FIU.

The FIU initiated its own financial investigation. Due to intensive national and international cooperation, the FIU was able to draw some rapid conclusions about the fund movements. The intermediary office used the same name as a sales company in America, although it did not in fact have any connection to the ‘parent’ company. The name and address of Charles were false as well. ‘Charles’ was in fact Henry, who was already suspected of involvement in drug trafficking activities.

The FIU reported its findings to the financial police and the Public Prosecutor.

In the meantime, the commercial company went bankrupt. The director denied any transactions involving real estate acquisition in foreign countries. But the FIU’s analysis showed the contrary. The police charged the director with violating the money-laundering act for the offences of fraud, counterfeit documents and contracts, and abuse of office and authority.

**Suspicious Indicators:**
1. Use of company name designed to resemble an established company
2. Atypical or uneconomical fund transfer to or from foreign jurisdiction

*This case has been adapted from the “FIU's in Action,” a compilation of 100 sanitized cases from Egmont Group members. The full version is available at [www.egmontgroup.org](http://www.egmontgroup.org).*
Publications and Websites of Interest

http://www.unodc.org
Official website of the UNODC. (In English, Russian, Spanish)

http://www.worldbank.org/amlcft
World Bank’s AML/CFT website. (In English)

http://www.imolin.org
International Money Laundering Information Network administered by UNODC Global Program against Money Laundering (GPML) on behalf of a partnership of nine 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.egmontgroup.org
The Egmont Group is the international network of FIUs which work together to deter international money laundering efforts. (In English)

http://www.fatf-gafi.org

Updated evaluation methodology is used when conducting assessments of how countries have implemented international AML/CFT standards in accordance with the FATF 40+9 Recommendations and international best practices. (In English)

http://www.worldbank.org/eca/act3
World Bank report on corruption in Europe and Central Asia.

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