

Евразийская группа
по противодействию
легализации преступных доходов
и финансированию терроризма
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Eurasian group on
combating money laundering
and financing of terrorism
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Annual Report
of the Eurasian Group on Combating Money Laundering and
Financing of Terrorism
for 2010

2010

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OPENING REMARKS BY THE EAG CHAIRMAN

Dear Colleagues,

The year 2010 was rich in important events for the Eurasian Group: the EAG has become an associate member of the FATF and an observer in the Asia Pacific Group on Money Laundering. EAG membership has also expanded, with India and Turkmenistan joining the Group as full members, Serbia, Montenegro and the UN CTC entered as observers.

The fact that the EAG has become an associate member of the FATF means that its achievements and results are recognized by the international community. This status provides new opportunities for the Group as a whole, and for member-states that take part in the work of the FATF.

India's entry into EAG, which is a member of FATF and APG, will add the considerable experience of this country in combating money laundering and financing of terrorism to the work of the Group.

In 2011, we expect to complete the transformation of EAG into an intergovernmental organization, which will strengthen the organizational foundations of the Group and increase its members' activities in achieving their goals.

The use of information, analytical and expert resources to reduce risks and threats of laundering "dirty" money and financing of terrorism in the Eurasian region will become a strategically important are of future work.

I want to thank the EAG Secretariat, delegations of member-states, observers, and the International Training and Methodology Center for Financial Monitoring, for their active participation and consolidation of the Eurasian Group.

Oleg MARKOV

1. About the EAG

1.1. History

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) is a FATF-style regional body; it was formed at the initiative of the Russian Federation on October 6, 2004 at the founding conference in Moscow with the participation of six founding states: Belarus, Kazakhstan, China, Kyrgyzstan, Russia and Tajikistan.

The creation of the EAG contributed to the consolidation of the states of the region in order to reduce the threat of terrorism and to ensure transparency, reliability and security of financial systems, as well as bringing these countries into the international AML/CFT system.

Since its inception, the Eurasian Group has established relations with the FATF, the World Bank and IMF, as well as with other international and regional organizations, interested in cooperation.

EAG is working in three basic directions: mutual evaluations of national AML/CFT systems of the member states of the Eurasian Group, typologies research of criminal money laundering schemes or terrorist financing, and technical assistance to member-states of EAG, including training.

Currently, with the EAG participation all member states have set up institutional and legislative components necessary for the functioning of an AML/CFT regime, based on international standards.

In 2010, EAG obtained the status of associate member of the FATF and observer in the Asia-Pacific Group.

1.2. Goals and Objectives

In accordance with the EAG strategic plan for 2009-2011, the main purpose of the Eurasian Group is to ensure effective collaboration and integration of EAG Member States into the international AML/CFT system.

The main tasks of the EAG in 2010 were:

- Assistance in the implementation of the FATF Recommendations by member states;
- Development and implementation of joint activities, aimed at combating money laundering and financing of terrorism;
- Implementation of the program of mutual evaluation of the member states on the basis of the FATF Recommendations, including the study of the effectiveness of legislative and other measures taken in the AML/CFT area;
- Coordination of programs of international cooperation and technical assistance with specialized international organizations, agencies and interested member states;
- Analysis of trends (typologies) in the field of money laundering and financing of terrorism, and exchange of experience in combating such crimes, taking into account specific characteristics of the region;

Implementation of these tasks aimed at increasing the effectiveness of AML/CFT regimes in each member state of the EAG in order to:

1. Reduce the threat of terrorism;
2. Ensure transparency, reliability and security of national financial systems;
3. Ensure the security of residents of the region by creating conditions for the struggle against serious economic crimes, including at the cross-border level;

4. Reduce the shadow economy and create an enabling environment for legitimate business;

1.3. The structure of the Eurasian Group

The structure of management and working bodies of the EAG:

- Plenary Meeting;
- Chairman;
- Deputy Chairman;
- Working Groups;
- Secretariat

The supreme decision making body is the Plenary meeting of the EAG Member States. All decisions of the plenary meeting are adopted by consensus of EAG Member States.

The Chairman, elected for two years, heads the group and directs the work of the plenary meetings.

From December 2007, the EAG Chairman was Mr. Oleg Markov (Russia).

In December 2010, Mr. Liu Zhen Ming (China) was elected as Deputy Chairman of the EAG; he succeeded Mr. Valery Yaroshevsky (Belarus).

During 2010, five groups worked within the EAG, according to their specialization:

- Working Group on Mutual Evaluations and Legal Issues (WGEL);
- Working Group on Technical Assistance (WGTA);
- Working Group on Typologies (WGTYP);
- Working Group on Risk Assessment and Prevention of money laundering and financing of terrorism in international financial relations (WGAR);

□ Ad Hoc Working Group on development and implementation of operational guideline for the implementation of FATF Recommendations (Ad Hoc WG), which by the decision of the EAG 13th Plenary Meeting (in December 2010), has completed its work.

In 2010, EAG working groups were headed by:

- WGEL - Representatives of China (Liu Zheng Ming and Russia (Pavel Livadny);
- WGTA - Representatives of Kazakhstan (Ardagh Igembaev) and Russia (Stanislav Smolyar);
- WGAR - Representatives of Russia (Igor Voluevich) and Ukraine (Alexey Feshchenko);
- Ad Hoc WG - Representatives of Armenia (Edgar Sargsyan) and Russia (Alexander Shavlovsky)

The EAG Executive Secretary in 2010 was Igor Nebyvayev (Russia).

1.4. Member States

By the beginning of 2010, the EAG included: Belarus, China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. In 2010, Turkmenistan (June 12th Plenary Meeting) and India (December 13th Plenary meeting) joined the EAG as full members.

Thus, 9 states are members of the EAG:



Belarus



India*



Kazakhstan



China*



Kyrgyzstan



Russia**



Tajikistan



Turkmenistan



Uzbekistan

Note: * - are also members of FATF and APG; ** - is also a member of FATF and MONEYVAL.

1.5. Observers

The composition of EAG observers has also expanded in 2010: at the 12th plenary meeting in June, Serbia and Montenegro were granted the status of observers, and at the 13th plenary meeting in December the Counter-Terrorism Committee of UN Security Council was granted the status of observer. Also at the 13th plenary meeting, India and Turkmenistan moved from observer status to full members of the EAG.

Currently, the status of observer in the EAG is held by 16 international and regional organizations and to 16 states.

| Observer Organizations | Observer States |
|---|--|
| <ul style="list-style-type: none"> ▪ Asian Development Bank (ADB) ▪ Asia-Pacific Group on Money Laundering (APG) ▪ World Bank ▪ Financial Action Task Force against Money Laundering (FATF) ▪ The Eurasian Development Bank (EDB) ▪ The Eurasian Economic Community (EEC) ▪ The European Bank for Reconstruction and | <ul style="list-style-type: none"> ▪ Armenia ▪ Afghanistan ▪ Great Britain ▪ Germany ▪ Georgia ▪ Italy ▪ Lithuania ▪ Moldova ▪ Poland |

| | |
|---|---|
| <ul style="list-style-type: none"> Development (EBRD) ▪ Interpol ▪ Commonwealth of Independent States (CIS) ▪ Counter-Terrorism Committee (CTC) ▪ International Monetary Fund (IMF) ▪ Collective Security Treaty Organization (CSTO) ▪ Organization for Security and Cooperation in Europe (OSCE) ▪ The Council of Europe (MONEYVAL) ▪ The UN Office on Drugs and Crime (UNODC) ▪ The Shanghai Cooperation Organization (SCO) | <ul style="list-style-type: none"> ▪ Serbia ▪ USA ▪ Turkey ▪ Ukraine ▪ France ▪ Montenegro ▪ Japan |
|---|---|

Dynamics of the number of observers in the EAG

| Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|----------------------|------|------|------|------|------|------|------|
| Organizations | 9 | 10 | 11 | 12 | 14 | 15 | 16 |
| States | 10 | 10 | 13 | 16 | 16 | 18 | 16* |

Note: * In 2010 India and Turkmenistan changed from the status of observers to the status of full EAG members.

2. STRATEGIC ACTIONS AND INITIATIVES

2.1. Development of national AML/CFT systems

In 2010, EAG supported the integration of member states into the international system for combating money laundering and financing of terrorism and offered assistance in building their national AML/CFT systems, in accordance with international standards.

The progress of Uzbekistan, made on the basis of the EAG mutual evaluation in 2010, led the FATF to suspend its enhanced monitoring of the country.

Particular attention was paid to promoting the establishment of national AML/CFT systems in Turkmenistan, Tajikistan and Kazakhstan.

Turkmenistan

In February 2010, Turkmenistan (an observer in EAG) was included in the FATF list of states with high risks of money laundering and financing of terrorism.

In April 2010, a joint high level mission of the EAG and the FATF was carried out in order to examine the national AML/CFT system and to provide recommendations for its development.

The mission included representatives from Russia, USA, China and Switzerland. Meetings were held with the leadership of the Cabinet of Ministers, Parliament, Central Bank, the Prosecutor General's Office and the Ministry of Finance of Turkmenistan.

In connection with the progress made in the improvement of the national AML/CFT system, as well as due to joining of the EAG as a full member in June 2010, Turkmenistan has been taken off the list of high-risk jurisdictions and moved up to countries being monitored by the FATF, until the results of the EAG mutual evaluations are considered.

Tajikistan

Special attention was paid to the situation in Tajikistan, the only EAG member-state that by early 2010 did not have a basic AML/CFT law. Technical assistance in drafting legislation in the field of AML/CFT from EAG and from some observers, in particular from the World Bank, allowed for the completion of work on building the legal and institutional AML/CFT framework in Tajikistan.

Kazakhstan

In 2010, the national AML/CFT system in the Republic of Kazakhstan improved to a great extent. The basic law on AML/CFT entered into force in March 2010. The necessary legal framework and mechanisms for interaction with reporting sectors have been developed.

The Consultative Forum of EAG representatives, with the participation of the private sector of Kazakhstan and Russia was held on May 31, 2010 in Almaty (Kazakhstan), its goal was to exchange experiences and best practices of implementing international AML/CFT standards. During the forum, representatives of two countries discussed the role of the private sector in the AML/CFT and the threat to economic and financial security in the region in a post-recession economy.

The Forum was also an important element in the preparation of Kazakhstan for the mutual evaluation of the national AML/CFT system.

2.2. Information and communications strategy

Coverage of the activity of the EAG member states in the field of AML/CFT and the level of their perception by experts and by the public are directly related to the organization of informational work.

One of the strategic initiatives of the EAG Chairman, Oleg Markov, was the awareness-raising campaign, which has strengthened the authority of the EAG: new members and observers have been accepted, the status of an associate member of the FATF and observer in the APG have been received, significant progress in developing national AML/CFT systems of the Eurasian region has been made. The International Training and Methodology Center for Financial Monitoring acted as the organizer and coordinator of information and communications activities of the EAG.

The integrated information and communications strategy of EAG was approved at the 13th Plenary Meeting of the EAG in December 2010. It included the main areas and themes of Group interaction with partners, experts and the media.

The strategy is designed to enhance the informational influence of the EAG as an organization that helps to improve the transparency of the economies of the region and their integration into the global financial system, and aims to:

- strengthen the authority of the EAG and FATF in the Eurasian region, as well as of international and regional partner organizations, involved in assisting the formation and development of AML/CFT regimes;
- improve the efficient interaction between the public and the private sector in AML/CFT;
- form widespread public support for the activities of the EAG and national systems of EAG member states.

Informational events

One of the key directions of informational and communications work is the optimization of the technological platform and the EAG website (www.eurasiangroup.org) as one of the important informational outlets for the rapid exchange of information among group members and observers, as well as among other interested participants of the global network of AML/CFT.

Implementation of the informational and communications policy highlighted the participation of the Eurasian Group and EAG member states in the activities of the FATF and the Egmont Group, which has helped shape a positive image of the EAG and its members.

In 2010, the EAG implemented another project - a Bulletin that is distributed among the main partners of the Eurasian Group. The bulletin contains current information about the development of national AML/CFT systems in the EAG, as well as information about the key events in the international AML/CFT network.

Conducting case studies and expert interviews turned out to be new informational directions, which showed their effectiveness. One of these is the expert study on the problem of minimizing the risks of ML/FT by financial institutions. A sociological study "Fight against money laundering: economic reality or political necessity?" was carried out in 2010. Its results were presented at Consultations with the private sector in Kazakhstan.

Similar projects are effective, in terms of shaping public interest in problems of AML/CFT, or involving civil society and receiving feedback from the subjects of AML/CFT system, as well as in terms of explanatory work in anticipation of changes to the FATF standards.

2.3. Single information space

In 2010, the development of national AML/CFT systems in most of EAG member states reached a level that would greatly speed up work on their integration within the framework of a single informational space (SIS) of the EAG, its concept of development was adopted in 2009.

The concept defines the basic principles of construction and structure of SIS EAG, technical environment to ensure its work, as well as the stages of its development.

Informational resources

Within the development of SIS EAG, databases to be used in the work of FIU were formed in 2010. They include:

- the database of typologies studies of the FATF and MONEYVAL in the official languages of the EAG, which includes about 40 research projects and allows the FIU analysts to receive information about the most important trends and areas at risk of ML/FT, defined by the international community;
- the legislation base of the member states on the EAG website, which has more than 160 regulations.

Work on the development of information resources, aimed at improving and harmonizing the legislation in the field of AML/CFT of the EAG member states has begun.

Videoconferencing

At this stage, a key element of SIS, which increase the intensity and effectiveness of contacts among the states, is the organization of videoconferencing between the Member States of the EAG. In 2010, the FIU of Kazakhstan as connected to the existing videoconferencing, comprising the FIU of Russia, Belarus, the EAG Secretariat and the International Training Center of Financial Monitoring (ITCFM).

Videoconferencing system is used both for multilateral consultations, as well as for training activities. Thirty events of this kind were held in 2010.

The advantages of using modern communication channels are evident. This is increasing the efficiency of interaction among participants of the EAG, as well as distance learning of FIU staff, law enforcement and supervisory bodies, conducting of joint seminars and conferences, which allowed optimizing costs and attracting a large number of participants.

During the year, work on the connection of China to the system has begun, appropriate arrangements with Uzbekistan and Tajikistan have been made, as well as talks with India were started.

Works are planned to protect the videoconferencing communication channels in conducting international financial investigations.

Expert community

On the initiative of the EAG Chairman, Oleg Markov, an Expert Community of EAG was formed in 2010; its participants are the leading experts in the field of AML/CFT from international organizations, government agencies, private sector, scientific and educational spheres.

Work on creating an interactive forum on the EAG website has been done; it is intended to discuss topical issues in the AML/CFT.

2.4. Transformation of the EAG into an international organization

The EAG continued the process to transform into an international organization.

Basic documents, necessary for the functioning of the EAG and the formation of a single budget have been developed.

The negotiations on the Agreement of the member states of the EAG have been completed, which identifies goals, objectives, the structure of the Group, the functions of the EAG Secretariat, as well as the funding of the organization and rules for members and observers.

Also, there have been prepared draft Regulations on the Secretariat of the EAG and the draft the Agreement between the Russian Government and the EAG concerning conditions of presence of the Secretariat of the Eurasian Group on combating money laundering and financing of terrorism in the territory of the Russian Federation and other documents, which during 2010 passed through domestic approval procedures in the member states.

The Working Group on Mutual evaluations and Legal Issues, the Working Group on Technical Assistance and the Secretariat of the EAG played an active role in preparing the documents and their approval.

3. INTERNATIONAL COOPERATION

3.1. EAG in the international AML/CFT system

EAG actively cooperates with many international and regional organizations and entities involved in AML/CFT.

In February 2005, the EAG was granted the status of FATF observer and in June 2010, the Eurasian Group has become an associate member of the FATF. The new status will contribute to the integration of the two organizations: all EAG states, even without membership in the FATF, will now be able to participate in its work. In their turn, all interested member states of the FATF will be able to participate in the activities of the EAG.

The application of the EAG for associate membership was supported by the Member States of the FATF. Thus, the FATF recognized the positive results of work of the EAG on the formation of national AML/CFT systems in the Eurasian region.

Today, the EAG is actively involved in the work of the FATF International cooperation review group, within which countries of the Eurasian region are considered in order to identify and eliminate shortcomings in the national AML/CFT systems.

The partnership of EAG and MONEYVAL is developing: the Groups held a joint seminar on typologies in November 2010. Given the positive feedback from participants on both sides, EAG plans to continue its practice of holding joint seminars with other organizations.

In 2010, EAG was granted the status of observer in the Asia Pacific Group on Money Laundering and in June EAG, and for the first time, participated in the Annual (plenary) meeting of the APG.

Sharing experiences and promoting joint projects in priority areas of the AML/CFT will not only help to strengthen links between regional groups, but will make a significant contribution to the global AML/CFT system.

In 2010, EAG had also sent a request to be granted the status of observer in the Middle East & North Africa Financial Action Task Force (MENAFATF). Given the development of financial and economic ties between the two regions, closer relations between EAG and MENAFATF will help coordinate efforts in the fight against common threats and risks.

3.2. The role of EAG in the region

A priority for the EAG in the Eurasian region is the development of cooperation with institutions, whose competence includes issues of regional integration and security. Among them the CIS, CSTO, SCO, EEC being the most significant.

In 2010, EAG substantially increased regional cooperation and also held a number of joint activities with these organizations.

In January 2010, a Memorandum of Understanding was signed between the EAG and the Coordinating Council of authorities to combat drug trafficking in Member States of the Collective Security Treaty was signed (CSTO), which provides for a mechanism of interaction between FIU of EAG member states and the competent authorities of CSTO member states in combating illicit drug trafficking. This mechanism is aimed at enhancing the fight against laundering of proceeds from drug trafficking in the Eurasian region.

The experience of the EAG countries in the anti-drug operation “Channel”, under the auspices of the CSTO showed that the FIU are able to detect and block the channels of money, derived from illicit drug use and can significantly improve the effectiveness of anti-drug operations in the Eurasian region.

In December 2010, a cooperation agreement between the EAG and the Inter-Parliamentary Assembly of CIS member states was signed.

EAG and the CIS IPA will work on the harmonization of national legislation of the EAG Member States in AML/CFT. The agreement provides for cooperation in drafting model laws and informational exchange.

4. MUTUAL EVALUATIONS

4.1. Mutual evaluations of the EAG

EAG carries out mutual evaluations of national AML/CFT systems of its member states on their compliance with international standards. This is one of the main objectives of EAG and the most important mechanism of development of national AML/CFT systems.

The FATF methodology to assess the compliance of AML/CFT is used as a basis for mutual evaluations.

The Working Group on Mutual Evaluation and Legal Issues (WGEL) plays a major role in the organization of mutual evaluations within the EAG.

The next round of mutual evaluations of the EAG will begin when the FATF standards and methodology for assessing national AML/CFT systems are revised.

Mutual evaluation of EAG Member States: the schedule of the first round

| Evaluated State | Evaluating organization | Field visit | Discussion of the report at the EAG Plenary Meeting |
|-----------------|-------------------------|-------------------------|---|
| China | FATF/EAG | November 2006 | December 2007 |
| Kyrgyzstan | EAG | January - February 2007 | June 2007 |
| Tajikistan | World Bank/EAG | June 2007 | December 2008 |

| | | | |
|--------------|-------------------|--------------------------|---------------|
| Russia | FATF/MONEYVAL/EAC | September, November 2007 | July 2008 |
| Belarus | EAG | July – August 2008 | December 2008 |
| Uzbekistan | EAG | November 2008 | June 2010 |
| Kazakhstan | EAG | October 2010 | June 2011 |
| Turkmenistan | EAG | November 2010 | June 2011 |

4.2. The results of the mutual evaluation of Uzbekistan

The on-site visit to Uzbekistan took place in November 2009. The evaluators were experts from Belarus, Kazakhstan, Kyrgyzstan and Russia. The report on the Mutual Evaluation of Uzbekistan was approved at the 12th Plenary Meeting of the EAG in June 2010.

Following the evaluation, enhanced monitoring was applied to Uzbekistan and in December 2010 during the 13th Plenary Meeting of the EAG it was changed for the standard monitoring, taking into account the progress made to correct the shortcomings.

4.3. Mutual evaluations of Kazakhstan and Turkmenistan

In accordance with the schedule of mutual evaluations of the EAG there were on-site visits to Kazakhstan in October 2010 and to Turkmenistan in November 2010, which included:

- in Kazakhstan - specialists from Armenia, Belarus, Russia and Uzbekistan ;
- in Turkmenistan - experts from Kazakhstan, Kyrgyzstan, Russia and Ukraine.

Experts learned about the institutional structure of the national AML/CFT systems of Kazakhstan and Turkmenistan, met the representatives of the FIU, law enforcement, regulatory and other government agencies, became acquainted with

the work of organizations of the financial and non-financial sectors, as well as assessed the effectiveness of AML/CFT measures, being taken in these countries.

The reports on the mutual evaluations of Kazakhstan and Turkmenistan will be considered at the 14th Plenary Meeting of the EAG in June 2011.

4.4. Follow-up Reports

EAG regularly monitors the way States implement the recommendations of mutual evaluations and eliminate the identified shortcomings.

After the approval of the Mutual Evaluation Report, each member state of the Eurasian Group presents a follow-up report at the Plenary Meeting of the EAG, which describes the measures, taken by the country, starting with the date of approval of the Mutual Evaluation Report.

The frequency of reporting depends on the way the country implements the international AML/CFT standards.

Follow-up reports were considered at the 12th and 13th plenary meetings of the EAG in June and December 2010.

Progress Reports of the EAG Member States in 2010

| 12th Plenary Meeting of EAG (June) | 13th Plenary Meeting of EAG (December) |
|--|--|
| <ul style="list-style-type: none"> ▪ Tajikistan | <ul style="list-style-type: none"> ▪ Belarus ▪ China ▪ Kyrgyzstan ▪ Russia ▪ Tajikistan ▪ Uzbekistan |

All Member States of the EAG that submitted progress reports in 2010 showed steady progress in improving their national AML/CFT systems.

5. TECHNICAL ASSISTANCE

5.1. The system of technical assistance

One of the key activities of the Eurasian Group is providing technical assistance in the development of the FIU, as well as in improving national AML/CFT regimes in EAG Member States.

Technical assistance is a set of measures, aimed at sharing of expertise and best practices in the field of AML/CFT in order to create conditions for the integration of national AML/CFT systems of EAG member states into the global AML/CFT system.

EAG is coordinating international cooperation and technical assistance with specialized international organizations, agencies and interested Member States.

The aims of the technical assistance are to:

1. Gather and disseminate best practices in the Eurasian region;
2. Assist in establishing and developing national AML/CFT systems in the countries of Eurasia;
3. Assist Member States in the accumulation of resources and ensure their integration into the overall system of information exchange.

Starting with 2010, issues of technical assistance are discussed at bilateral meetings of EAG member states with the donors. The purpose of this format is to identify the needs of the EAG Member States and to coordinate plans for further cooperation. The World Bank, the International Training Center of Financial Monitoring, the IMF and other organizations and donor states took active participation in technical assistance.

5.2. Training personnel on AML/CFT

Implementation of projects on training of members of the Group, which is necessary for an effective development of national AML/CFT systems, is an important activity of the EAG.

The initiator of training programs is the International Training and Methodology Center for Financial Monitoring, as well as other donors of the EAG, primarily the World Bank, UNODC and the IMF.

The videoconferencing system, which enhanced the possibilities to train members of EAG member states, turned out to be highly efficient in the learning process, carried out by ITMCFM.

It is also planned to implement new forms of learning, such as online courses, distance testing, "business games", etc.

The preparation of students in the area of "Integrated information security of automated systems" based in the Russian National Nuclear Research University MEPHI is of strategic importance for the formation of human resources for the FIU and other government agencies, involved in AML/CFT. In 2010, an agreement was reached with all the Participating States in the project, on employment of MEPHI graduates in national AML/CFT systems for a period of not less than 3 years.

In 2010, the school accepted 12 students from EAG countries. By the end of 2010, the total number of students in the program increased to 20 people. The training program will be continued in 2011.

Also, in order to attract expert potential to the discussion of issues of AML/CFT the 1st International Scientific Conference on "The Role of Science and Training in the Making and Improving of National AML/CFT Systems" was held in September 2010 in Moscow (Russia), under the auspices of the EAG.

The conference was attended by delegates from the EAG member states (China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan), including the scientific community and higher educational establishments.

The Conference allowed to determine promising areas in training, methodological and informational support. As well as to form further plans in scientific research within the EAG.

In order to provide guidance in the selection and evaluation of FIU staff that perform analytical functions, a professional standard for the Analyst in Financial Intelligence has been developed, which is planned to be implemented in member states in 2011. This standard will enable the EAG States to develop requirements for higher professional education in the field of AML/CFT.

6. TYPOLOGIES

6.1. ML/FT typologies research

One of the main tasks of the EAG is an analysis of typologies in money laundering and financing of terrorism, taking into account the specific characteristics of the Eurasian region.

Knowledge of the sources and methods of legalization of proceeds from crime used to finance terrorism both in EAG countries and in the region is necessary in order to develop and implement effective internal control, law enforcement and supervisory activities.

Within the EAG, development of priorities and overall direction of research is carried out by the Working Group on Typologies (WGTYP).

To a great extent the quality of research depends on the active participation and interest of member states and observers in providing information and filling out questionnaires.

In 2010, the WGTYP completed work on the following typological research:

- "Risks of using electronic money for AML/CFT" (Head of Research - Russia);
- "Risks of money laundering in foreign trade operations"(Head of Research - Ukraine);
- "Risks of using non-traditional (non-bank) financial institutions in the ML/TF schemes" (Head of Research - Russia).

In 2011, the EAG will continue typological studies, begun in 2010, on the following topics:

- "Money laundering and financing of terrorism, using alternative remittance systems"(Head of Research - U.S.);
- "Organized crime groups, (including those formed on ethnic principles) in operations (transactions) with cash and written orders on account" (head of research - Kyrgyzstan and Russia).

At the same time, in 2011 the EAG will carry out typological studies on the following topics:

- "Money laundering through the securities market" (Head of Research - India);
- "Countering the violations in the sphere of public procurement" (Head of Research - Russia).

6.2. Sharing experience with FATF-STYLE REGIONAL BODIES

Given the international nature and scope of ML/FT, which present a global threat to international security, the interaction and exchange of experience on the study of typologies with the FATF and other FATF-style regional bodies has been organized, including through joint seminars.

A joint seminar of EAG/MONEYVAL on typologies was held in November 2010, in Moscow (Russia), it was supported by ITMCFM.

The seminar was dedicated to the issues of combating criminal money flows in the Internet, identifying and minimizing the risks of money laundering and financing of terrorism with the help of modern Internet technologies and new methods of payments, as well as on regulation of electronic money.

Results of studies have identified major risk factors for AML/CFT when using new technologies in financial services:

- high rates of trans-border transfer of cash in large amounts;
- anonymity of payments and non face-to-face transactions;
- lack of regulation in Internet payments.

Among the priorities of combating electronic crimes, the participants singled out:

- the need to improve legal regulation of Internet payments;
- the development of cooperation between law enforcement and supervisory agencies with providers of Internet services;
- improving ways to identify customers and suspicious transactions.

To minimize the risks of using electronic payments for criminal purposes, experts also recommend the introduction of threshold amounts of electronic transfers, to refuse to carry out electronic payments without specifying their purpose, to establish requirements in order to provide information on completed transactions to the FIU, to license electronic money, etc.

7. KEY OBJECTIVES FOR 2011

In 2011, the Eurasian Group plans to continue to ensure effective collaboration and integration of EAG member states in the international AML/CFT system. In this regard, the main objectives of the Group for 2011 are:

1. To assist member states of the EAG that have strategic weaknesses in national AML/CFT systems, through dissemination of best practices, implementation of educational and research projects;
2. To develop and integrate the information, analytical and expert potential of the member states, in order to reduce the risks and threats of ML/FT in the Eurasian region;
3. To finalize the results of mutual evaluations of Kazakhstan and Turkmenistan. To monitor the progress of national systems in the EAG countries;
4. To conduct preparatory work, related to updating international standards (organizing consultations with the private sector of the EAG, carrying out thematic expert research work, issuing informational publications, using interactive Expert forums, etc.);
5. To complete the transformation of the EAG into an intergovernmental organization, this will increase the level of activity of the member states in addressing the challenges of the Group and will facilitate their further integration into the international AML/CFT system;

8. SCHEDULE OF MAJOR ACTIVITIES OF THE EAG IN 2011

| Date | Activity | Venue |
|----------------------|---|-----------------------------|
| March 30-31 | Intercessional meeting of WGTYP and WGEL | Moscow, Russia |
| April 5-8 | "Face to Face" meeting in the mutual evaluation of Kazakhstan | Moscow, Russia |
| April 11-15 | "Face to Face" meeting in the mutual evaluation of Turkmenistan | Moscow, Russia |
| April 21-22 | Joint Seminar of the EAG/World Bank on National Risk Assessment | Kiev, Ukraine |
| May 3-4 | Joint Seminar of the EAG/World Bank on tactical analysis | Moscow, Russia |
| June 2 | High Level Mission FATF/EAG | Dushanbe, Tajikistan |
| June 14 | Consultations with the private sector of the EAG | Moscow, Russia |
| June 14-17 | 14th Plenary Meeting | Moscow, Russia |
| October 28 | 2nd International Scientific and Practical Conference of EAG | Moscow, Russia |
| October | Participation in the Working Group on Typologies of APG | Singapore |
| Late November | 15th Plenary Meeting | China |

LIST OF ABBREVIATIONS

AHWG – EAG Ad Hoc Working Group for Development and Implementation of Operational Guidance.

- APG - Asia Pacific Group on Money Laundering
- WB - World Bank
- Egmont Group - international association of financial intelligence units
- EAG - Eurasian Group on combating money laundering and financing of terrorism;
- EEC - Eurasian Economic Community
- MONEYVAL - Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism of the Council of Europe
- IMF - International Monetary Fund
- MENAFATF - Financial Action Task Force against money-laundering in the Middle East and North Africa
- ITMCFM - International Training and Methodology Center for Financial Monitoring
- ML - Money Laundering
- CSTO - Collective Security Treaty Organization
- AML/CFT - anti-money laundering and combating the financing of terrorism
- FIU - Financial Intelligence Unit
- WGEL - Working Group of EAG on mutual evaluation and legal issues

- WGAR - Working Group of EAG on evaluation and prevention of risks of money laundering and financing of terrorism in international financial relations
- WGTYP - Working Group of EAG on Typologies
- WGTA - Working Group of the EAG on Technical Assistance
- FATF Recommendations - 40 recommendations to combat money laundering and nine special recommendations on combating terrorist financing, developed by FATF
- FSRB- FATF-style regional body
- CIS - Commonwealth of Independent States
- FATF - Financial Action Task Force on Money Laundering
- FT - Financing of Terrorism
- SCO - Shanghai Cooperation Organization