

## CHAIRMAN'S COLUMN



Dear colleagues!

With the summer now over, we can review the preliminary results of the events of great importance for the EAG and set specific goals for the remainder of the year.

The EAG Agreement was signed in Moscow within the 14th Plenary meeting on 16 June, granting the Group the status of an intergovernmental organization. This new status opens a whole new range of opportunities for member states to extensively participate in the Group's activities. The next stage is the resolution of organizational issues, as well as hiring qualified staff to work in the Secretariat.

Another landmark event of the summer was the completion of the first round of EAG mutual evaluations, which has lasted five years. The Group's future plans include drawing conclusions from this evaluation cycle.

Cooperation with other regional FATF groups still remains the main focus of the EAG. During the previous Plenary meeting the status of EAG-observer was granted to Middle East and North Africa Financial Action Task Force (MENAFATF). Readers of this newsletter will be also introduced to MONEYVAL – the European regional group, which has a status of EAG observer as well.

During the 15th Plenary Session, which will be held in the Chinese city of Xiamen in November this year, we will look at the Eurasian Group's activity in the long term. We look forward to the help and support of our member states and partners in preparing for meetings of working groups and the 15th EAG Plenary Session.

**Chairman of the EAG,  
Oleg Markov**

## Prospects of partnership development of EAG and MONEYVAL

**The legalisation of funds acquired through illegal means and the financing of terrorism are problems of a global scale, the resolution of which requires both international efforts and work on a national level. Europe is important for the global financial system and plays a key role in addressing problems and threats arising from ML/FT.**



COUNCIL OF EUROPE  
CONSEIL DE L'EUROPE

The Council of Europe, which was founded in the middle of last century, has become one of the first international organisations to prioritise anti money laundering measures in the interests of protecting democracy and law. In 1977, the Council of Europe appointed a committee of experts to examine "serious problems arising in many countries as a result of the illegal movement of money acquired through criminal activities, part of which is used to finance further crime". The committee adopted a number of fundamental acts, including the Council of Europe Convention on «Laundering, Search, Seizure and Confiscation of the Proceeds from Crime».

Further development of AML systems in Europe led to the formation of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (PC-R-EV) in 1997, which was later renamed to MONEYVAL. The main task of the new body was to conduct mutual evaluations of anti money laundering systems of countries to ensure compliance with international AML/CFT standards.

In 2006, MONEYVAL, one of the first among the other regional groups, became an associate member of the FATF, which is an acknowledgment of the work primarily in the area of mutual evaluations.

This makes it possible for MONEYVAL member States to participate in meetings of the FATF and expands the possibilities in undertaking joint activities. In 2004, together with the FATF, MONEYVAL held a seminar on typologies in Moscow, and in 2007 - held a joint plenary session in Strasbourg.

### Committee Structure

MONEYVAL currently conducts mutual evaluations of 28 member states of the Council of Europe, as well as Israel and the Vatican. In addition, two countries are designated by the FATF President to be members of MONEYVAL for a two-year period. Currently these members are Austria and the United Kingdom.

The supreme body is the Plenary Session of the Committee, which meets in Strasbourg (France) at least twice a year. To prepare work for the Committee, a bureau comprising

states and commenced the next round, which focuses on the evaluation of the effectiveness of national AML/CFT systems.

In 2010, the Committee of Ministers of the Council of Europe supported elevating the status of MONEYVAL, which was a permanent independent monitoring body of the Council of Europe, which is directly answerable to the Committee of Ministers. The new status further expanded MONEYVAL's influence as it allowed the Committee to discuss solutions on a high political level.

MONEYVAL carries out monitoring of member-states' progress by verifying the implementation of recommendations contained in mutual evaluation reports, and can, at anytime, take steps against states that do not meet the required AML/CFT standards, including assigning them to enhanced compliance procedures.

### MONEYVAL member-states

Albania	Estonia	Poland
Andorra	Georgia	Romania
Armenia	Hungary	Russian Federation
Azerbaijan	Latvia	San Marino
Bosnia and Herzegovina	Liechtenstein	Serbia
Bulgaria	Lithuania	Slovak Republic
Croatia	Malta	Slovenia
Cyprus	Moldova	Macedonia
Czech Republic	Monaco	Ukraine
	Montenegro	

the President, Vice President and three members is elected for a period of two years. Since December 2009 the Committee is headed by Vladimir Nechaev, from the Russian Federation.

### Current MONEYVAL initiatives

Important initiatives aimed at strengthening the organizational foundations of the Committee and increasing its effectiveness were implemented in 2009-2011.

In December 2009, MONEYVAL completed the third round of mutual evaluations of its member

### MONEYVAL and EAG cooperation

Bilateral relations between the members of the two groups significantly contribute to the development of relations between the EAG and MONEYVAL. The Eurasian Group and MONEYVAL also exchanged observer status with each other. Russia is also a member of the Eurasian Group and MONEYVAL, and several Eastern European countries as members of MONEYVAL, participate in the work of the EAG as observers.

Mutual interest to work as part of the FATF global

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network has allowed the groups successfully carrying out a number of joint activities in 2006 in St. Petersburg - a training seminar for evaluators in 2007 - a joint evaluation of the Russian Federation including the FATF, MONEYVAL and EAG, and in 2010 - a seminar on typologies, which was held in Moscow.

The initiative to hold a joint seminar on typologies in 2010 was associated with the spread of unregulated introduction of Internet technologies into financial services in the European and Asian regions and the associated risks and threats thereof. The themes of the seminar were the problems of combating criminal cash flows on the Internet, minimizing the risks of money laundering and terrorist financing in with the proliferation of new methods of payments, as well as the regulation of electronic money.

The immediate prospects of cooperation of the groups are associated primarily with the joint discussion of the FSRBs' role in the FATF - family and in the development of common approaches to assessing the effectiveness of national AML/CFT systems and participation in typologies studies. A most important area of collaboration should be the harmonization of approaches and positions on the upcoming round of mutual evaluations.

## EAG member states strengthen partnership in Eurasia

In Moscow on 16 June 2011, the Group's member states, namely Belarus, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan signed the EAG Agreement, making this date one of the most important in the history of the Group. Kazakhstan joined the Agreement on 4 July in Moscow.

The process to transform the EAG into an international organization started in 2009 at the initiative of the EAG Chairman Mr. O. Markov in order to enhance the organizational foundations of the organization as well as to increase the role of member-states.

The signing was preceded by the development and formalization of the documents required to convert the EAG into an international organisation and forming a single budget based on equity participation by member states.

This event coincided with the completion of the EAG 1st round of mutual evaluations which gave the opportunity to carry out a comprehensive review of the national AML/CFT regimes of member-states and provide recommendations on their improvement. These accomplishments allow us to draw conclusions and set important priorities in the activities of the Group.

In this regard the participants of the EAG agreement signing ceremony gave their views on the perspectives of EAG work with its new status.



Participants of EAG Agreement signing. 16 June 2011 Moscow

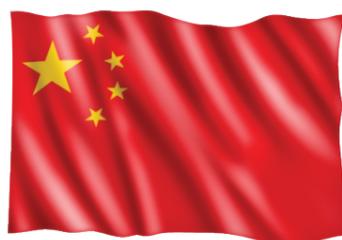


### BELARUS ALEXANDER MAXIMENKO

State control committee,  
Director of the Department  
of Financial Monitoring

**What do you see as the priorities of development of the EAG and what initiatives is the Republic of Belarus prepared to offer to the Group?**

*I have only recently become the Head of delegation of Belarus to the EAG, but I would like to note that enhancing cooperation, implementation of new projects and ideas are priorities for the group and must be supported by all member-states. It has revealed both positive and problematic areas in national AML/CFT regimes of member-states. By problematic I mean, first of all the areas of supervision and sanctions, as well as the whole set of issues of implementing AML/CFT preventive measures by financial institutions. In order to deal with these deficiencies it is essential to build mechanisms allowing for the exchange of experience and best practices. The Republic of Belarus is prepared to share its experience and we would support the creation of such a mechanism in the form of a special working group.*



### CHINA DU JINFU

Deputy Governor of  
the People's Bank of China

**The intergovernmental status of the EAG strengthens its image as the main regional body in the battle against money laundering and the financing of terrorism. How does your country intend to support this image, and in your opinion, what is the main role of the EAG member states in strengthening the position of the group on the international arena?**

*One of the main activities of the EAG is the implementation of Information and Communications policy. It significantly strengthens the public position of the Group on a regional and national level. EAG members must appreciate the importance of preserving the Group's image as the main regional body for tackling money laundering and the financing of terrorism, and they must support this image with their actions and ideas. It's of the utmost importance that member states ensure that their national policies conform to international FATF standards, which in turn, will improve the EAG's standing in the AML/CFT arena.*



### KAZAKHSTAN MUSIRALY UTEBAYEV

Chairman of the Committee  
for the Financial Monitoring  
of the Ministry of Finance

**What current initiatives of the group do you consider as having the biggest potential?**

*In 2011 the EAG started researching the application of the risk based approach to AML/CFT. The implementation of such an approach will become mandatory for states in the context of the 4th round of mutual evaluations. It is necessary that the states prepare to carry out national risk assessments beforehand. In the regard the Eurasian group will have to elaborate a methodology in this area based on regional peculiarities.*

*Kazakhstan already started carrying out national risk assessment. As a result we suggest achieving complex well-founded risk evaluation and national strategy. This, to our opinion, will contribute to improve the process of strategic decision-making, will help to find the optimal form of monitoring and to accomplish mutual evaluations showing adherence of the jurisdiction to effective realization of international standards.*



### KYRGYZSTAN GULMIRA SHAKIROVA

Chairwoman of the State Service  
of Financial Intelligence

**The FATF Recommendations are currently undergoing a transformation, what steps should be taken by EAG member-states in this regard?**

*Despite the fact that member-states have done a lot to bring their national systems in line with the international standards, still a lot remains to be done. This relates both to resolving remaining deficiencies, as well as to preparing for the implementation of the new standards. We see that EAG is devoting significant attention to monitoring the progress of member-states in the implementation of mutual evaluation recommendations. At the last EAG Plenary amendments were introduced which envisage more strict deadlines of dealing with the deficiencies. This not only gives us additional responsibility, but is also a stimulus to carrying out the necessary measures.*

*It is also important to carry out explanatory work on the changes to the FATF Recommendations. The Consultations with the private sector which took place in Moscow, demonstrate a high degree of interest of EAG member-states in the issue.*



### RUSSIAN FEDERATION YURI CHIKHANCHIN

Head of the Federal Service  
on Financial Monitoring

**The headquarters of the EAG intergovernmental organisation will be in Moscow. Does this symbolise Russia's special role in the EAG's work?**

Yes, the EAG Secretariat will be located in Moscow. Currently, the recruitment of the candidates from the member states is being held. Although Russia played a key role in the creation of the EAG initiating many projects and events, the EAG's status as an intergovernmental organisation will present new opportunities for all member-states to take an active position in the development of the Group's activities. In the coming year we are set to resolve a large number of organizational issues and the success of EAG work will depend on it. It is necessary to create the proper conditions of the Secretariat's work, and Russia is prepared to provide organizational support to the EAG.



### TAJIKISTAN YUSUFIYON JAMSHED

First Deputy Chairman of  
the National Bank of Tajikistan

**What role has the Eurasian group played in the establishment of the AML/CFT regime of Tajikistan?**

Tajikistan has only recently finished the creation of AML/CFT regime and this was done with technical assistance of the EAG. We consider that the issues of coordinating technical assistance should remain as top priorities in the work of the organization. Primarily this relates to gathering and disseminating best practices on legislative and institutional AML/CFT measures, on-site visits, seminars – these help build up progress in a relatively limited period of time.

Activities in this area provide fruitful ground for the integration of member-states into the global system for Anti-money laundering/combating financing of terrorism, which was confirmed by the joint FATF/EAG high-level mission to our country.



### TURKMENISTAN SHATLYK KHUMMEDOV

Head of the FIU of Turkmenistan

**Combating money laundering and financing of terrorism is more effective with consolidation of the international efforts. Cooperation with which FSRBs do you consider the most perspective?**

In this country the great attention is paid to the international cooperation with the purpose to exchange experience and develop national AML/CFT system, in accordance to the FATF standards.

We consider the strengthening of the connections between other FATF-style regional bodies one of the most priority directions of the EAG activities. We welcome MENAFATF as the new EAG observer. We hope for the further development of the interaction between the EAG and other FSRBs, including in the field of the joint projects on revealing common ML/FT risks and threats. Information exchange and elaboration of typologies are also the key directions of the international cooperation.



### UZBEKISTAN BAKHODYR ZILYAEV

Acting head  
of the Department for  
combating tax, currency and  
money laundering crimes at  
the General Prosecutor's Office

**What issues in Anti-money laundering/combating financing of terrorism sphere present a special interest for Uzbekistan as a member of the Group?**

At the moment amendments are being prepared for the 40 + 9 FATF Recommendations, which envisage the inclusion of tax crimes as predicate offences to money laundering. The Republic of Uzbekistan already has a system of financial monitoring in relation to schemes linked with tax evasion. Our country has some experience in this area, which we are ready to share with other EAG member-states. The Eurasian group could take a look at the issue of carrying out a comprehensive study on this issue in the future.

## The EAG in AML/CFT international events

**Development of cooperation with the FATF and other FATF-style regional bodies is the most important priority of the EAG.**



A joint FATF and The Financial Action Task Force on Money Laundering in South America (GAFISUD) was held in Mexico on 20-24 June 2011 which discussed key issues on the international AML/CFT agenda.

A key theme is the completion of the amendments in international standards on AML/CFT. At present, discussions are held on the structure of the updated standard, including the Recommendations on Money Laundering and the Special Recommendations on Terrorist Financing, the allocation of a single block of recommendations to countering the financing of proliferation of weapons of mass destruction. Another ongoing debate relates to approaches to evaluating the effectiveness of national AML/CFT regimes.

Preliminary results were drawn on the issue of applying AML/CFT measures in order to combat cor-

ruption, including the approval of a typologies report on the issue and an action plan for the period up to 2013.

Russia, India and China - states which are also members of FATF and EAG, presented their progress reports. The report on India took into account the results of an FATF visit to the country in May 2011. Progress of three EAG member-states - Kyrgyzstan, Tajikistan and Turkmenistan – was also discussed at the International cooperation review group.

Other pressing matters were also discussed at the meeting including the development of the information and communications aspect of the FATF's activities. The group has started implementing modern technology to increase the awareness of the general public and stakeholders of the group's activity. The FSRBs will play an important role in the implementation of a single communications policy. As a result, the EAG must look into bringing its communications policy inline with that of the FATF.

The FATF continues to work with regional groups to increase their responsibility and role in global AML/CFT systems. In this regard,

the FATF announced plans to develop additional regulations for FSRBs as part of an additional working group that includes the EAG.



On 12-15 July 2011, a delegation from EAG member-states participated in the meetings of working groups and the Plenary Session of the "Egmont" group in Yerevan (Armenia). Kazakhstan and Uzbekistan, both members of the EAG, became part of "Egmont" as a result of the meeting. Russia was one of the sponsors of the accession of these states to "Egmont". The issue of another two EAG member states, Tajikistan and Turkmenistan, joining "Egmont" is now currently under discussion.

Like the FATF, Egmont works on the most pressing ML/FT threats including corruption, and the fight against money laundering using new payment methods, which is also a priority for the EAG, using the Groups most recent research developments on this subject. Russia's presentation on holding the 20th "Egmont" group meeting in Saint Petersburg also drew the at-

tention of participants in the Plenary Session. This event should be the impetus for mutually beneficial partnership between the EAG and "Egmont" group, considering the shared areas of activity and future opportunities for cooperation.



EAG representatives took part in the Annual (plenary) meeting of the Asia/Pacific Group on Money Laundering (APG) and the pre-plenary meetings of the APG working groups. The events were held in Kochi (India) from 18 to 22 July.

The two groups are currently working on plans to hold a typologies seminar in 2013, which will be dedicated to examining money laundering/financing of terrorism threats and risks in both the Eurasian and Asia-Pacific regions, which is expected to be devoted to researching common ML/FT risks and threats in the Eurasian and Asia-Pacific regions, in particular money laundering in the context of illegal migration and human trafficking.

## Private sector advisory forum: Moscow was host to a discussion on the forthcoming changes in FATF standards

Representatives from government bodies and the private sector of EAG member - states discussed the forthcoming changes in international AML/CFT standards.

A Consultation with the EAG private sector was held in Moscow on 14 June 2011 on "Updating FATF standards: The path to global financial system transparency and the security of national economies".

The advisory forum was one of the first events of the EAG plenary week, which took place in Moscow from 14 to 17 June. The key issue under discussion was the forthcoming revision of the 40+9 FATF Recommendations, which are accepted as the global standard in AML/CFT. Participants of the forum discussed how prepared anti-laundering systems are for the changes in Recommendations, which are slated to be implemented in 2012.

"Consultations with representatives from the private sector are an important stage in revising the FATF recommendations," Chairman of the EAG, Oleg Markov, said in his address to participants of the Advisory Forum, adding that "they are intended not only to clarify the future changes, but also to hear the opinions of ex-

ternational organizations took part in the event, all of whom are actively involved in the international AML/CFT system. Banking sector and non-banking financial institute representatives, regulatory bodies and observers from the EAG gathered at the same table.

Head of the Federal Financial Monitoring Service, Yuri Chikhanchin in his opening remarks said that a priority task facing the financial institutions is the improvement of the effectiveness of internal control based on the implementation of the risk-based approach. «A key element will be a reallocation of resources at all levels, in the direction of the most serious risks and threats» - said Yuri Chikhanchin.

The presentation by the Principal Administrator of the FATF Secretariat Valerie Schilling attracted special attention. The representative of the FATF reported on the ongoing process of reviewing the 40+9 Recommendations and outlined the main changes concerning, primarily, the financial sector. These changes are

### Recommendations for EAG member-states following the results of the Advisory Forum

1. As an associated member of the FATF, EAG member states should take part in FATF events for updating the 40+9 Recommendations.
2. Start outreach activities with legislative and executive authorities, national banks, self-regulatory organizations, financial and non-financial institutes, that must take steps to combat money laundering and the financing of terrorism.
3. Organize events to refine financial monitoring mechanisms, taking advantage of interagency

cooperation on a national level, mass media and the internet.

4. Look into using the EAG's internet resources, including the Expert forum, to clarify changes in FATF standards in Eurasia.
5. Use trips to EAG member states to inform them of changes to the 40+9 FATF Recommendations.
6. Coordinate efforts to develop general principles for using the best practices in risk-orientated approaches and new payment methods in the public and private sectors.

perts from supervisory bodies and financial institutions, which will help perfect the anti-money laundering systems of EAG member states".

More than 60 representatives from over twenty countries and in-

associated primarily with the expansion of measures to identify beneficial owners, and monitoring the operations of national public officials, extending the mechanisms for monitoring of financial transactions to those with associated with tax offenses, etc.

### EAG Expert Community

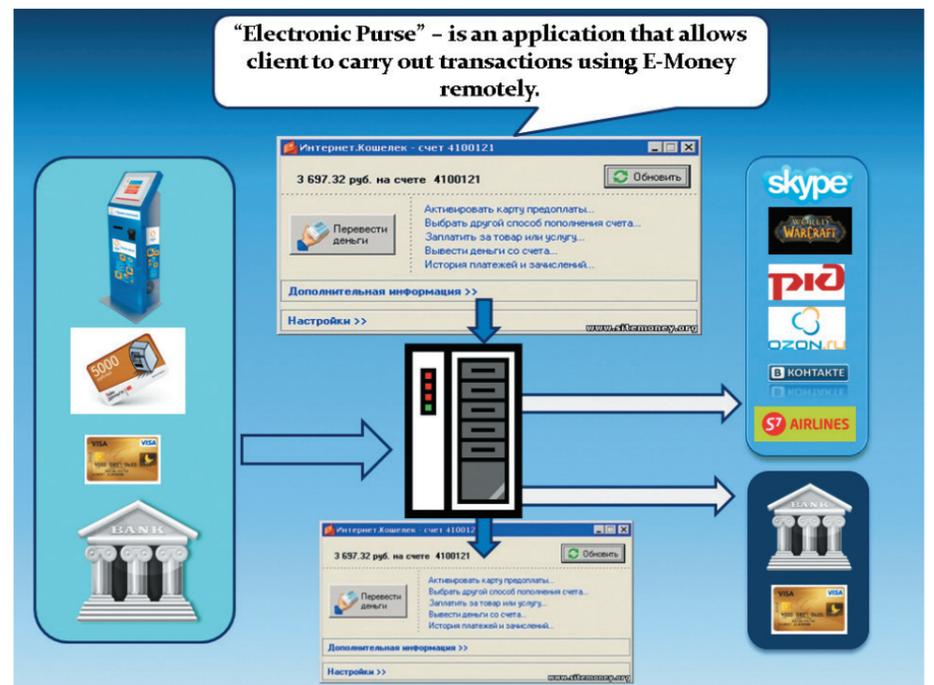
The EAG is creating an interactive expert community in order to discuss the current issues and share experience with the aim of bringing together specialists in the field of financial monitoring, financial security, law, banking technolo-

gies and others engaged in global AML/CFT processes.

The opportunities created by the EAG portal allow experts to hold interactive forums, carry out research and discuss the current AML/CFT initiatives.

We welcome all experts that wish to join us in this work to fill in a form at [www.eurasiangroup.org](http://www.eurasiangroup.org) (follow the "Expert Community" link). The interactive EAG Expert Forum is a new tool for cooperation with experts. The Eurasian

Group invites all interested experts to register at the Forum and take part in its discussions. The address of the forum – <http://experts.eurasiangroup.org/>



From the report on AML / CFT risk management of electronic money systems.

In addition, it is expected to adjust the procedures of mutual evaluations, in the context of examining the effectiveness of national AML/CFT systems. These processes are expected to be completed before the start of the 4th round of mutual evaluations of FATF in 2013.

The theme of enhancing the effectiveness of internal control was central in the presentation of the head of the compliance of one of the Russian banks. During the presentation, the participants were presented with practical techniques for risk assessment of clients taking into account the profile of the client, the frequency of operations and other factors.

Significant interest of participants of the consultations was also drawn to the report on AML/CFT risk management of electronic money systems. Made by the Chairman of the Association, «Electronic Money» Victor Dostov the presentation is very acute for the region especially in connection with the search for the optimal model of risk management in making payments on the Internet. The report demonstrated the operation of electronic money systems, the classification of ML/FT risk in such systems, and provided recommendations for minimizing risks and threats in the AML/CFT area. It was

noted that a key point of control risk is the stage of withdrawal of electronic money in cash.

Interesting experience shared representative of China's banking system - the service's compliance officer, Construction Bank of China, Liu Yuntong. He spoke about the level of risk classification system customers, used the PRC in 2009, which will provide the riskiness rating organizations on AML/CFT. «Customers are classified according to their business processes and are divided into categories of high, medium and low risk. Accordingly, the monitoring of these customers use the same approach and tools, depending on the category - said Yuntong».

A number of recommendations for the EAG member states that were considered at the Eurasian Group's Plenary meeting were developed following discussions and comments from the Advisory Forum participants.

EAG plans to continue to explain the renewal of international standards in AML/CFT, as well as discuss new risks and threats to the private sector. Much of the success of this work will depend on the initiative of EAG member-states conducting similar activities at the national level.