

## CHAIRMAN'S COLUMN



Dear Colleagues,

In 2011, the Eurasian Group celebrated its 7th anniversary. Towards its 15th Plenary meeting, the EAG had achieved significant results, thanks to the merits and hard work of its previous Chairmen.

Viktor Zubkov was one of the founders of the Group. His authority has helped to rally the EAG governments during the initial formation stages of their respective national systems.

Oleg Markov's organizational talent allowed the Group not only to strengthen its position on the international level, but also to increase its potential through new member and observers. The unquestionable achievement of Oleg Markov was the transformation of the Group into an intergovernmental organization, and setting the priorities for its development.

This passing year became a transition year not only for the EAG, but also for the global system for combating money laundering and the financing of terrorism.

The main directions of development for the coming years are the implementation of new standards, increasing of the effectiveness of measures taken by each state in the Eurasian region.

The task of the EAG for the next few years is to bring its work in line with the coming changes, not to be just an active participant in the current changes, but also the initiator of events.

I sincerely hope that our further cooperation will be built on the principles of effective partnership and will assist in strengthening the entire AML/CFT system in the region.

**Yuri Chikhanchin**  
EAG Chairman

## 15th EAG Plenary meeting: results, events, decisions

**At the end of November, the 15th Plenary meeting of the Eurasian Group on combating money laundering and the financing of terrorism took place in the People's Republic of China (city of Xiamen).**

The term of Oleg Markov, the EAG Chairman, who led the Eurasian Group since 2007, was completed. The words of thanks from Oleg Markov addressed to the Plenary meeting participants stressed the importance of the atmosphere of mutual understanding that has enabled the Group to achieve recognition and credibility.

With the unanimous support of all EAG member states, Yuriy Chikhanchin, the Head of Russian delegation and the Head of the Russian FIU, was elected as the new Chairman of the Group.

Talking about the change of leadership, Mr. Liu Zheng Ming, the EAG Deputy Chairman, emphasized the importance of keeping the chairman's post in Russia, "At the time when FATF standards are changing, we need to develop an effective system for the implementation of all updated recommendations into the national AML/CFT systems of the Eurasian Group countries. A special role in this work will be played by those member states that are members of the FATF and have the opportunities to implement the FATF initiatives into the Eurasian region".

The 15th Plenary meeting summed up the transformation process of the Eurasian

Group into an intergovernmental organization, which started two years ago. This is connected, primarily, with the accession of India to the new EAG Agreement. The country took the shortest path to the signing of the Agreement, as it had recently joined the Eurasian Group.

Already this January, the new Agreement of the Eurasian Group will enter into force, which will allow the Group to operate in the new format.



India signs the EAG Agreement

**Dr. Thomas Mathew,**  
**Joint Secretary, Ministry of finance, India:**

*"India is delighted to sign the Eurasian Group Agreement. I would like to emphasize that our country intends to actively participate in strengthening the regional AML/CFT system".*

An important event of the 15th Plenary meeting was the creation of a new Working group on supervision, the formation of which is aimed at developing cooperation with the financial sector and non-financial institutions in updating international standards in the AML/CFT sphere.

The working group faces

challenges in implementation of the risk-based approach, as well as conducting outreach and explanatory work with the private sector.

The participants of the Plenary meeting paid special attention to scientific and methodological projects of the International Training and Methodology Centre for Financial Monitoring. New methods for conducting financial investigations of corruption cases, e-training for financial intelligence and law enforce-

ment agencies, instruments to implement anti-corruption reviews on legislation in the AML/CFT sphere, and other developments sparked intense interest.

The results of the executed work provide the Group with a real opportunity to bring its accumulated experience to other international and re-

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gional organizations in the AML/CFT sphere.

One of the key decisions of the EAG 15th Plenary meeting was the approval of the EAG Working plan for 2012, which outlines the priorities for the Group's activities in accordance with the trends in the global AML/CFT system. Among the key directions of activity is the realisation of the measures to facilitate the implementation of the new edition of FATF Recommendations and to assist EAG member states, which have strategic deficiencies in their national anti-money laundering systems.

A large number of tasks facing the EAG require not only the consolidation of efforts within the Group, but also the interaction with other participants in the international AML/CFT system.

## The address of Oleg Markov, the EAG Chairman, to participants and guests of the EAG 15th Plenary meeting

Currently, the EAG has the status of an intergovernmental organization. The authority and influence of the Group are recognized by the international community. Legal and institutional frameworks for AML/CFT have been established in all states of the Eurasian region. The first round of mutual evaluations has been completed, the priorities and comprehensive plans for the development of national anti-money laundering systems have been defined.

The main conclusion of our common work is that it is impossible to achieve results without joint efforts of all of the states of the Group, nor without the help of international partners.

Dear Colleagues! These four years of cooperation have been filled with mutual respect, understanding, and warm human relations.

I would like to thank the heads of delegations from the member and observer states, all those who have taken an active part in our events.

I also thank the experts of international organizations – the FATF Secretariat, representatives of MONEYVAL the World Bank and the International Monetary Fund, that helped us to implement many difficult decisions.

I would like to express a special gratitude to Mr. Chikhanchin, the Head of the Russian delegation, for his assistance in establishing national anti-mon-

ey laundering systems in the region.

I thank the co-chairs of the working groups, the EAG Secretariat and the International Training and Methodology Centre for Financial Monitoring for organizing events and ensuring the fulfillment of our decisions.

And I would like to say a special word of thanks to Mr. Liu Zheng Ming, the EAG Deputy Chairman, for his support and promotion of the initiatives of our organization, as well as for representing the Group's interests in the FATF.

I would like to wish great achievements to the newly elected EAG Chairman in developing new directions of work, and success in meeting the assigned tasks.

**O. Markov**



# 10 years of the Federal Service for Financial Monitoring (Rosfinmonitoring):

## Trends and prospects of international cooperation were discussed at the international conference

In November 2011, the Federal Service for Financial Monitoring turned ten years old. In honor of this anniversary, the international scientific and practical conference entitled "The Russian financial monitoring system: trends and prospects of international cooperation" was held in Moscow on October 28, 2011 with the support of the Association of the Russian banks, the Eurasian group and the ITMCFM. The results achieved during the formation and development of the national AML/CFT system of the Russian Federation as well as the new issues that need to be addressed in order to improve anti-money laundering measures were discussed at the conference.

In his introductory address to the

conference, the EAG Chairman, Oleg Markov stressed the need for proper strategic planning to improve the effectiveness of national AML/CFT systems:

*"One of the most important tasks, which stand before the Russian Federation as well as the international community, is to develop strategies to combat ML and FT. Priorities in the anti-money laundering sphere should be based on a careful analysis of the theoretical developments and practices. We must be prepared to effectively confront threats, as well as assess and*



*respond to the new challenges in a timely manner. This approach lies at the heart of the new edition of the International standards that are to be adopted in the near future".*

At the conference the most pressing directions of the global AML/CFT system were identified, such as the

further implementation of the risk-based approach, the strengthening of international cooperation, attention to the new technologies - the development of which can be used to combat money laundering and the financing of terrorism, as well as joint coordinated work with the private sector.

## Faces of the conference

During the conference, special emphasis was placed on the interaction of the public and private sectors, in order to ensure the transparent functioning and development of financial markets.



**Dmitry Pankin, Head of the Federal Service for Financial Markets:**

*"Serious problems arise in connection with the adoption of the law on combating insider trading (dissemination of insider information) – requiring the restructuring of the entire work process as well as the psychology of decision making – the most serious field of interaction between the two services. On the one hand, our goal is to create the most favorable conditions for business development, on the other hand – we are placing new demands on market participants to provide monitoring information. It is very important for us to find a workable balance..."*

Rosfinmonitoring pointed out the importance of creating permanent mechanisms of cooperation with state bodies and the private sector.



**Dmitriy Skobelkin, Deputy head of the Russian Federal Service for Financial Monitoring:**

*"The creation of the national anti money laundering and financing of terrorism system of the Russian Federation became possible only due to active participation of the private sector. Currently, there is a permanent consultative council under Rosfinmonitoring uniting a wide range of financial and non-financial associations, which discusses legislative and other measures on development of the system of counteraction to legalization (laundering) of proceeds from crime and the financing of terrorism".*

The Central Bank of Russia noted that the AML/CFT measures are required not only by the government but also by the banking society.



**Viktor Melnikov, Deputy Chairman of the Central Bank of Russia:**

*"10 years have not been spent in vain, a lot has been done for this country and for the financial system. The role of the Federal Service for Financial Monitoring in these achievements cannot be overestimated. The majority achievement in the banking sphere over these years is that the majority of the banks considers the activities towards combating money laundering and financing of terrorism absolutely necessary for business stability, they also take initiative and act creatively..."*

Presentations made by representatives of the banking community stressed the importance of partnership with the FIUs, in development of the national anti-money laundering mechanisms.



**Garegin Tosunyan, President of the Association of Russian Banks:**

*"The work of the banking sector, the Association of Russian Banks and Rosfinmonitoring is a demonstrative and impressive example of constructive and well co-ordinated cooperation of the banking sector and state organizations. We have initiated (through joint efforts) in the State Duma draft legislation calling for a number of fundamental changes to be made. In many ways, thanks to our joint efforts, the mechanisms of combating "dirty" money have been put into place".*



The Financial Intelligence Unit (FIU) has traditionally been the institutional mainstay of national AML/CFT systems, performing tasks of data collection and analysis, interaction with law enforcement services, international cooperation, as well as the overall coordination of all the participants in the "anti-money laundering" systems.

For over 10 years, the Federal Service for Financial Monitoring has been performing the functions of financial intelligence in the Russian Federation.

*"The most difficult part was not actually the creation of a new body, but fitting it into the existing system of state institutions, and then forming it into a coherent national AML/CFT system that meets the requirements of international standards",* said Yuri Chikhanchin, the current Head of the Service. Rosfinmonitoring received its first report on monetary transactions from a bank on February 1, 2002. Currently, more than 7 million reports are received annually.

Membership in 2002, in the Egmont Group, an international professional

## Delegations of the EAG member-states congratulate Rosfinmonitoring with the anniversary



association of financial intelligence units, became a recognition of the successes achieved by the Russian FIU. In 2008, the results of a mutual

evaluation by the FATF - MONEYVAL - EAG rated the Federal Service for Financial Monitoring as fully compliant with the international standards.

Successes achieved by Rosfinmonitoring are a contribution to the development of international cooperation in the Eurasian region.

## comments by the participants

The Chairman of the Egmont group highlighted the necessity of the mechanisms of the international cooperation in the AML/CFT sphere, particularly between financial intelligence units.



**Boudewijn Verhelst, Chairman of the Egmont Group:**

*"Nowadays when the world has changed so much, that even a small island has become as important to the global financial system as a large country, the financial intelligence units of the world must cooperate even more. I know of cases when money is transferred across the world in two hours, but the investigation lasts for 2 years. The Federal Service for Financial Monitoring actively cooperates with the financial intelligence units of other countries, identifying cross-border flows, behind which stand billions of "dirty" transactions".*

The EAG Deputy Chairman summed up the first round of mutual evaluations carried out by the Group, noting both the successes and shortcomings of AML/CFT systems of the Eurasian region.



**LIU Zheng Ming – EAG Deputy Chairman:**

*"We can include the legal regulations, including measures to criminalize ML, international cooperation, as well as the work of the FIUs and law enforcement agencies among the strengths of the countries of this region. But there are areas of concern such as regulation of the financial sector on the issue of adequate verification of clients, internal control and money transfers. The region has an acute problem with the lack of transparency found in legal entities. The countries have already corrected many shortcomings, but there is still considerable work to be done in order to improve our systems".*

The necessity of methodical preparation of the private sector for the adoption of the new FATF standards was particularly noted by the representatives of the compliance industry.



**Denis Novikov – head of the Banking operations monitoring Department of the VTB Bank:**

*"Since next year the risk-based approach will become an essential part of the international standards and will be obligatory for Russian credit organizations. It will be necessary to examine existing experience in this sphere and build the optimal model of the risk-based approach. Proper FATF and Wolfsberg Group Recommendations should be taken as a basis of this model. In addition, it seems appropriate to focus on the best practices of the largest banks, whose experience can also be a foundation for building an optimal model of risk-based approach for credit institutions of the Russian Federation".*

Special attention of the participants of the conference was paid to the necessity of strict compliance with the international standards while reforming national AML/CFT systems.



**Pavel Livadnyy, Co-chair of the EAG Working Group on Mutual Evaluations and Legal Issues:**

*"The strategic objective of the enhancement of the anti money laundering and financing of terrorism system is not liberalization, or conversely, the passing of tougher laws, but rather developing an advanced, fully compliant with international standards, system of counteraction to legalization (laundering) of proceeds from crime and the financing of terrorism. In the next few years, our work will focus on implementing and improving the national AML/CFT systems' compliance with the new FATF Recommendations".*



## MENAFATF: new EAG partner in strengthening the global AML/CFT system



The MENAFATF was founded as an FSRB in 2004. 14 countries are members of the MENAFATF. Like the EAG, the Group has obtained associated member status in the FATF. The Secretariat's headquarter is in the Kingdom of Bahrain, which has supported the organization's activities until 2009. Since 2009, the MENAFATF operates on the basis of financing by all member states.

Two working groups on mutual evaluations, as well as on typologies and technical assistance, operate within the MENAFATF. The MENAFATF Plenary meeting is held twice a year. The President and the Vice President of the Group are elected for a term of one year. The Group is currently chaired by Saudi Arabia.

Close cooperation with the FATF is one of the main principles of work of the MENAFATF. So in February of 2010, a joint Plenary meeting of the two organizations was held in Abu Dhabi (UAE). On an ongoing basis, the MENAFATF takes part in the Plenary meetings of the Egmont Group.

A key activity of the MENAFATF is carrying out mutual evaluations. The Group organizes not just regular train-

ing workshops for evaluators, but also training seminars for member states to prepare them to undergo mutual evaluations. The MENAFATF, just as the EAG, has completed its first round of mutual evaluations and has started preparations for events designed to explain the revised FATF Recommendations.

Identification of ML/FT threats and risks in the region and search for the solutions to minimize them is also an important focus of the Group. In ad-

dition to case studies, in 2010, the MENAFATF completed a typologies research to identify trends and indicators of ML and FT in the Middle East and North Africa. Taking into account the results of the research, the MENAFATF has identified issues of verification of clients, identification of beneficial owners, cross-border movement

of monetary funds as areas of further work. The report also points to such common methods of financing of terrorism, as informal collection of funds, cash couriers, informal money transfers.

In 2011, the MENAFATF started research on the topic of illicit trafficking in narcotics and psychotropic substances. This problem is common for the EAG and for the MENAFATF, because both – the Middle East and Eurasian regions are concerned

private sector.

In 2010, for the first time the MENAFATF organized the Forum for heads of financial intelligence units of the region. The task of the Forum was the development of cooperation between the FIUs and the member states of the Group. The Forum considered such issues as preparation of the MENAFATF member states to join the Egmont Group, measures of physical and electronic security of information.

On November 26-30, 2011, the MENAFATF 14th Plenary meeting was held in Algiers (Algeria), where for the first time the Eurasian Group took part as an observer.

In order to share experiences and best practices, the presentation on the structure and main activities of the EAG, research developments, mutual evaluations and communications policy was presented to the attention of the MENAFATF Plenary meeting.

The groups discussed issues of the mutual participation of member states in seminars for evaluators, as well as the prospects for joint typologies research on the problems associated with using cash couriers for ML/FT.

Launching of joint projects by the two organizations will promote the exchange of experiences and best practices, helping to strengthen the global AML/CFT system.

### MENAFATF member states

Algeria	Qatar	UAE
Bahrain	Kuwait	Oman
Egypt	Lebanon	Saudi Arabia
Jordan	Libya	Syria
Iraq	Mauritania	Sudan
Yemen	Morocco	Tunisia

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by the dangers of the illegal flow of drugs from Afghanistan.

The MENAFATF has created guidelines for the various institutions involved in the AML/CFT sphere, according to which the Group holds a series of training workshops. Also great importance is attached to the dialogue with the university circles and the

## Training in the AML/CFT sphere: student conference at the ITMCFM for future employees of financial intelligence units

**Preparation of young professionals at specialized institutions of higher education is of strategic importance in the formation of human resources potential for the national AML/CFT systems, including the financial intelligence unit.**

One of the first such establishments in EAG countries is Russia's Institute of Financial and Economic Security (IFES), based in one of Russia's leading universities, opened in 2006. The Institute focuses on training specialists in the field of "integrated information security of automated systems", as well as other areas of interest of the Russian AML/CFT system.

In 2009, with the technical support in the framework of the EAG the IFES started preparing students for national AML/CFT systems of the Eurasian region. Currently, 30 students from Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Armenia and Ukraine are enrolled in this higher education program, which includes mathematical disciplines, together with linguistic and legal training, economics and analytics. Staff with practical

experience in the field of AML/CFT are training students at the Financial Monitoring Faculty. The first students will graduate in the spring of 2012. The curator of the program is the In-

ternational Training and Methodology Centre for Financial Monitoring (ITMCFM). One of the main objectives



of the work of the Centre is the creation of multi-level training in the AML/CFT sphere. The preparation of students in base subjects is followed by educational programs designed for profes-

sional financial intelligence units, law enforcement and supervisory authorities of EAG member states.

On November 9, 2011, the ITMCFM organized a conference, which allowed the students to meet with the leading experts of the Eurasian group. Future financial intelligence employees were presented with information about the Centre's activities and also participated in roundtable discussions on the results of scientific research conducted by the ITMCFM. The representatives of the banking sector as well as financial intelligence officials from Russia, Belarus and Kazakhstan also participated in the discussions through the use of videoconferencing.

The Chairman of the Committee for Financial Monitoring of the Ministry of Finance of Kazakhstan, M. Utebayev greeted the students with a welcoming speech in which he stressed the importance of the Russian Federation in the process of training personnel for the national AML/CFT systems.

In 2012 it is planned to continue attracting students from countries of the Eurasian Group undergoing such training to activities in the AML/CFT sphere, which will help to develop their organizational and professional skills.

### Editorial board

We welcome you to take part in the development of the EAG Bulletin. If you would like to place news, articles and other publications in the following issues of the Bulletin, please feel free to send an e-mail entitled "EAG Bulletin"

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