

CHAIRMAN'S COLUMN



Dear colleagues!

The year of 2012 opens a new chapter in the history of the international system of combating money laundering and financing of terrorism, and determines the main vector of its development. On the one hand, the updated FATF standards take into account the real threat to the integrity and security of the financial system, on the other, provide flexible measures on the basis of risk assessment.

In this regard, the main objective of the EAG information policy is a comprehensive explanatory work on the new requirements of the FATF and the need for their implementation in the Eurasian region countries. The new issue of the EAG Bulletin not only tells us about the main results of the FATF February Plenary meeting of the FATF, but also allows the reader to get insight in the key changes in the Recommendations.

These issues will be also the subject of discussion at the Consultative Forum with private sector, which will be held on May 22 within the framework of the EAG Plenary week. It is very important to join efforts of group member states and observers of the group to bring new requirements to all participants of the system.

The Eurasian group is interested to cope with this task in close cooperation not only with the FATF Secretariat, but also with the partner regional groups. I am sure that participation in joint projects with the APG, the MONEYVAL and other stakeholders will allow to start implementation of the standards in the shortest possible time.

Yury Chikhanchin
EAG Chairman

Results of FATF Plenary meeting

On February 13-17 the Financial Action Task Force (FATF) held the Plenary and Working groups meetings.

The main event of the Plenary week was the adoption of the updated FATF Recommendations - international standards on combating money laundering, financing of terrorism and financing of proliferation. (AML/CFT/FP)

Work on the revision of the Recommendations was carried out in collaboration with major international financial institutions, such as the International Monetary Fund and the World Bank. Discussion of amendments also took place within the framework of Private Sector Consultative Forum, which is held annually under the auspices of the FATF. The main topic of the latest consultations held on April 3-4 in Paris was the provision of updated Recommendations, discussion of actions focused on their implementation and the prospects of further cooperation of the private sector with the FATF.

Collective plans of the FATF and the FATF-style regional bodies (FSRBs) on performing extensive public awareness campaign related to the preparation of the

national anti money laundering systems to the adoption of new international standards can be mentioned as one of the results of the February Plenary meeting. It is also planned to raise these issues during the annual meeting of the FATF President with the heads of the regional groups, which is to be held during the Plenary week in Rome in June of this year.

The key aspect of the last Plenary week was the discussion of the FATF draft Mandate for the period until 2020. The main policy document determines the objectives of the activities and priority areas of the FATF global network development, with due account for the new challenges and threats to the integrity of the international financial system. In particular, the powers of the FATF on countering the financing of proliferation were broadened in it. On 20 April 2012 in Washington the ministers of the FATF member states approved the new Mandate of the Financial Action Task Force.

The milestone news of the Plenary week was the nomination of the representative of the Russian Federation for the presidency in the FATF for the period

of 2013-2014. Russia's initiative to lead the FATF was supported by all participants of the meeting, which laid emphasis on the prestige of the Russian Federation in the international anti money laundering system. As advised by the Russian side, the nomination to take the post of the FATF President was given to Vladimir Nechaev. Currently, he is heading the Committee of Experts on the Evaluation of anti money laundering Measures and the Financing of Terrorism - MONEYVAL. According to the FATF regulations, Vladimir Nechaev will take the post of the Vice-President of the FATF already in July 2012. In his appeal to the FATF delegations, the current President, Mr. Del Buffalo said, "The Russian proposal was favored at the FATF Plenary meeting in February 2012... I am happy to welcome Vladimir as an elected Vice President and future President of the FATF."

The FATF strengthens countermeasures to laundering illegal proceeds from crime, financing of terrorism and financing of proliferation

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the FATF - FSRB global network, which consists of 8 groups, including the EAG. The main areas of work of the Coordinating Group should be related, first of all, to the identification and elimination of the problems within the FATF family, and secondly - to ensure compliance of the regional groups with the tasks of the FATF, and thirdly - to exchange experience and best practices. It was decided that the new group would pres-



FATF presented its new logotype at the Plenary meeting in February 2012

Since the creation of the current FATF logo, over a decade ago, the FATF has evolved significantly. The FATF has chosen a new logo to reflect this evolution.

The work of the FATF and FATF-style regional bodies (FSRBs) has driven a profound change in global efforts to combat money laundering and terrorist financing.

The shape of the new logo, the shield, represents the tools with which authorities can safeguard their financial system from abuse. The strength of the FATF's Recommendations and processes is further emphasized by the choice of colour. The circle within the shield is a reference to the global nature of the FATF's work. Over 180 countries are part of the FATF global network, including FATF members and the members of the FSRBs. All have committed to fight money laundering, the financing of terrorism and the proliferation of weapons of mass destruction.

Henceforth, this will be the new official FATF logo. The logo exists in an English, French and bilingual version.



Vladimir Nechaev

From 2009 to present day - Assistant to the First Deputy Head of the Government of the Russian Federation.

Until 2009 he worked in the Federal Tax Police Service and was head of the Department of International Connections of the Federal Financial Monitoring Service.

As an expert on law enforcement matters V. Nechaev participated in the FATF mutual evaluation of AML/CFT system in Turkey, headed the group of EAG experts assessing the AML/CFT system in Kyrgyzstan. He was a member of the delegation of the Federal Financial Monitoring Service in the «Egmont» Group and was elected as the Deputy Chairman of its Operation group.

For the first time the FATF Plenary was attended by the delegations of all member states of the Eurasian Group. This allowed those states which were not members of the FATF to join the discussion of new standards, typologies reports and other issues on the agenda.

The issue of cooperation of the FATF with the FATF-style regional bodies was further developed at the Plenary meeting. It was decided to set up a special Coordinating group to strengthen

ent its mandate and working plan for the next Plenary meeting.

The latest FATF Plenary meeting was an important step towards improving the international AML/CFT system. Here the areas of work of the Group in the coming years were determined. With the adoption of the updated FATF standards the states received a new impetus to the development of the national anti money laundering systems and increasing the transparency of financial flows.

FATF strengthens countermeasures to laundering illegal proceeds from crime, financing of terrorism and financing of proliferation

At the Plenary meeting in Paris Financial Action Task Force (FATF) adopted the new version of its Recommendations. The updated standards reflect the new challenges and threats to the integrity of the global financial system that emerged since the adoption of the previous edition of the Recommendations.

In his address to the participants of the FATF Plenary meeting the FATF President Giancarlo del Buffalo noted, that "the adoption of revised standards demonstrates the willingness of

FATF standards. This was due to the necessity, of the concentration of work in areas characterized by the highest level of threats and vulnerabilities in the financial system. That means this approach will allow a more reasonable distribution of available resources by increasing attention to situations of high risk and simultaneously applying the simplified measures against financial crimes, where it is proved that the risk is low. In the latter case, the load on the subjects of primary financial monitoring will be reduced due to the need to perform procedures of AML/CFT/FP.

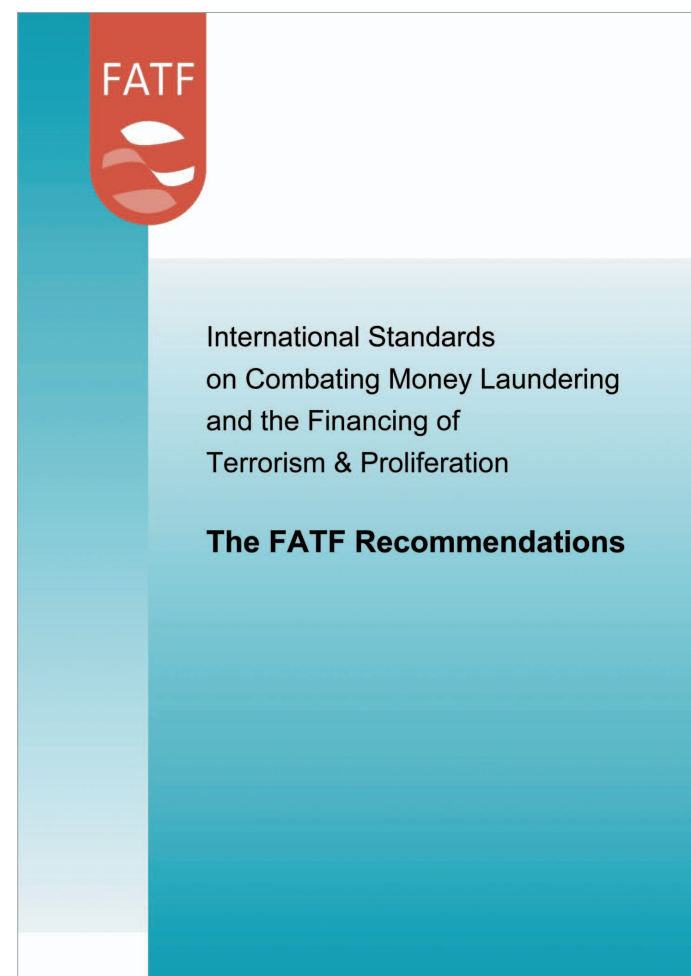
so-called legal formations (trusts), and on the other hand, on the distribution of pre-existing control standards of financial transactions conducted by foreign politically exposed persons to the national politically exposed persons and heads of international organizations. These measures will improve the transparency of the financial system and block the movement of money of corruptive origin.

Particular attention in the new FATF standards is paid to combating money laundering related to tax crime. Now this group of crimes is included into the predicate offenses, in relation to money laundering, and has become mandatory for the national legislation of each country.

Requirements for measures to counter proliferation have been established. They are provided by UN Security Council resolution and suggest freezing assets and blocking settlements of accounts with individuals included in sanctions lists of the organization. The international community expects that the implementation of these measures will help to limit world the spread of weapons of mass destruction and ultimately, reduce the risk of global nuclear war.

The standards provide stricter requirements for increased transparency of international money transfers. A special place is given to strengthening of international cooperation of all structures of the national anti money laundering systems by improving information exchange.

Currently, the FATF is engaged in clarification of the new document and



Before assuming the post of Vice-President of the FATF in September 2010 and the president in July 2011, Giancarlo Del Buffalo served as the President of the Service of Internal Control in the Ministry of Economy and Finance of Italy. Previously, he served as Head of the Department of General Affairs, and also acted as Secretary General of the Euro Committee formed to coordinate the activities necessary for the introduction of the single currency in Italy.

During his work in the Italian Public Administration, Mr. Del Buffalo gained wide international experience as General Director for International Finance and Economic Affairs at the Italian Permanent Representation of the experts to the OECD countries in Paris.

countries to make joint efforts to protect the global financial system from new risks and threats."

The structure and content of the FATF standards has changed. Earlier in the process of revising standards, new recommendations as a rule supplemented the existing ones. As a result, their number gradually increased to 49 (40 recommendations relating to money laundering and 9 recommendations on financing of terrorism).

Now the FATF standards comprise 40 recommendations, in which these two directions merged into a single complex, which reflects the inextricable link between measures to combat money laundering and measures to combat financing of terrorism. The wording of the recommendations have become more deployed, the requirements more precise.

The ability to use so-called risk-based approach became the novelty of the new

Of course, the new approach is impossible without a systematic work on risk assessment, which has now must be mandatory. Each country should hold national assessment, and then review it regularly. Risk assessment will have to be done both for the country as a whole and for individual industries and sectors. Policy in the field of AML/CFT/FP from now will be built based on such assessments.

In November 2010 at the summit in Seoul the leaders of the G20 outlined a global plan to combat corruption. In particular, they pledged to promote global anti-corruption regime to combat international bribery, counter money laundering and not to allow corrupt officials to freely move their money around the world. The "G20" entrusted this to the FATF. As a result, the anti-corruption problematic occupied a special place in the updated standards of the Group. On the one hand, here we can talk about the new requirements for identification of beneficial owners of legal entities and

identification of priority areas of work associated with its implementation. The priority tasks of the organization include the development of guidance to countries on specific areas of work (primarily on risk assessment), development of mechanisms for the mutual evaluations of national systems on their compliance with new international standards, as well as methods for evaluating the effectiveness of measures in this field at the national level.

New standards in AML/CFT/FP field will require an evaluation of the correction of national legislation of the FATF global network countries, including EAG member states. In late 2013 - early 2014 the fourth round of mutual evaluations of FATF member states using a new methodology will start. In the course of the evaluation each state will have to prove that its country complies with the new international standards.

The EAG Consultative Forum on the issues of public and private sector co-operation improvement in relation to new FATF standards will be held on May 22, 2012

The Consultative Forum will be held within the framework of the 16th Plenary week of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG).

The consultations will be attended by representatives of the FATF Secretariat, regulatory and supervisory bodies, associations and major financial institutions of EAG member-states, as well as experts from countries and international organizations having observer status in the EAG.

On the agenda for consultation there is the discussion of recent changes in the international anti-laundering standards adopted by the FATF in February 2012, as well as the prospects for their implementation in national legal systems of EAG member states. Valerie Shilling, the representative of the FATF Secretariat will present the review of the main changes in the FATF Recommendations and the activities in the framework of preparation to the 4th round of mutual evaluations.

The key topics issues on the agenda for the Forum will be issues of assessing country risks in the area of AML/CFT/FP, new problems of internal control services of financial institutions with a view to AML/CFT, the use of financial monitoring mechanisms to detect signs of laundering of proceeds of tax crimes.

Consultations will become a platform for exchanging views and experience between member states and observers of the EAG

on national risk assessment, identification and analysis of suspicious transactions related to tax offenses, etc.

Within the framework of the Forum, participants will be presented an electronic training course "The 40 FATF Recommendations", developed by the International Training and Methodology Center for Financial Monitoring (Russia), which will allow for individual studying of the new FATF standards using new interactive technologies.

EAG member states share opinions on new FATF Standards

Representatives of the Eurasian group, which are also FATF members, answered to the questions for the EAG Bulletin:

«How important is the adoption of the new FATF Recommendations and what effect do they expect from the implementation of the new FATF requirements in the national AML/CFT systems?»



Mr. Viktor Zubkov – First Deputy Prime Minister of the Russian Federation, founder of the Eurasian group

The updated FATF Standards are the result of comprehension of the challenges and threats to the global financial system that have arisen in recent years. The last version of the Recommendations was adopted in 2003. This was the period of formation of the Russian anti money laundering system. However, the experience of the application of the international standards led to identifying the bottlenecks that require additional measures.

It is no secret that one of the problems facing the world financial system is non-transparency of ownership of legal persons. This is due to a number of reasons, in particular, registration of companies, financial transactions and firm-shells, which are created for carrying out illegal financial

schemes, in offshore zones. It is therefore very important that the FATF focuses on measures to increase transparency of business and its real owners.

Other innovation, which can make the Russian anti money laundering system more efficient, is listing of tax crime as predicate offence to money laundering.

Attention both to foreign politically exposed persons and Russian officials, carrying out suspicious financial activities, will also strengthen measures to combat corruption.

This year I was empowered to chair an Inter-agency Working Group on combating illegal financial transactions and fight against corruption. The Group prepared a package of legislative initiatives. They are aimed at designation of beneficiaries of legal persons, prevention of activities of fly-by-night firms, identification of proceeds from tax crimes, and also at strengthening control over financial transactions conducted by politically exposed persons.

One of the key FATF standards is a risk-based approach. The requirements for its implementation are binding both on the national and sectoral levels as well as at each financial institution. It will allow to concentrate efforts in the most vulnerable areas and to efficiently allocate the available resources.

The Russian Federation should actively be included in this process, involving all the participants of the anti money laundering system, both state and private sector, in order to conduct a national assessment of the risks. I think that Rosfinmonitoring should act as a coordinating centre in this work.

I hope that the experience of the renewal of the anti money laundering laws in the light of the updated requirements of the FATF will allow not only to raise efficiency of the Russian AML/CFT system, but also to share experience with the states of the Eurasian group in order to ensure transparency and integrity of the financial system of the region.



Dr. Thomas Mathew – Head of the delegation of the Republic of India in the FATF and the EAG, Deputy Minister of Finance the Republic of India

The adoption of the new Recommendations reflects that the FATF is a dynamic body. The new Recommendations have brought out the necessary AML/CFT systems that need to be put in place to make money laundering and financing of terrorism and proliferation extremely difficult. The new Recommendations mark a significant departure from the theoretical framework to the practical dimensions to combat ML/FT. Proliferation risks, especially

those emanating from the offshore sector. Further, the emphasis on Risk Assessment and commensurate and proportionate steps required to be taken by the countries to remedy these Risks, would lead to effective implementation of these Recommendations. This would create a positive atmosphere at the international level. While these aspects make the new 40 Recommendations highly significant but may lead to higher compliance cost especially for the Low Capacity Countries and countries have large cash based economy. We hope that addressing the international component of the Risks by the Effectiveness Sub- Group and in the methodology would make the global financial system a much safer place.

The integration of the new Recommendations in our national AML/CFT system would require review of the relevant laws and Regulations, capacity of LEAs, and coordination among all stakeholders including the private sector. All these steps would require continuous monitoring and up-gradation for effective integration in the national AML/CFT system. It is however felt that identification of the beneficial owners in overseas legal entities & legal arrangements remains a challenge. The Recommendations are bound to yield highly positive results for our national AML/CFT system as they would play a major role in effectively combating money laundering, financing of terrorism and financing of proliferation, and protect the financial integrity of our country.



Mr. Liu Zhengming – Head of the delegation of the People's Republic of China in the FATF and the EAG, Deputy Chairman of the Eurasian group

The adoption of the new Recommendations is very important to address the new threats and mitigate the new risks. The global response against money laundering and terrorist financing has strengthened over recent years, but the threats posed to the international financial system have also evolved significantly. The new Recommendations provide governments with stronger

and more focused tools to take action against money laundering and terrorist financing. At the same time, the new Recommendations will address new priority areas such as financing of proliferation, corruption and tax crime.

The FATF Recommendations have been revised in several key areas. For us, the main considerations are as following:

- How to implement the risk-based approach? China has initiated the transformation from rule-based mechanism to risk-based, both supervisors and financial institutions are on the way to learn and explore the effective implementation of risk-based approach.

- How to meet the requirements on several key areas, such as domestic PEPs, targeted financial sanctions related to the proliferation of WMDs, transparency of wire transfer, and so on. Some requirements will lead to the amendment of our laws and regulations.

The revised standards will definitely affect all countries; it is especially challenging for the developing and emerging economies to implement due to their relatively low capacity in financial systems. China will, join with EAG member states, put more efforts on combating money laundering, terrorist financing and financing of proliferation through the implementation of new standards.

Recent events

Renewed EAG Secretariat started its work in Moscow



On February 15 the Agreement on the Eurasian group on combating money laundering and financing of terrorism came into force, which marked the completion of the formation of the group as an intergovernmental organization.

On the eve of this event, on 14 February 2012 in Paris the Agreement between the Government of the Russian Federation and the Eurasian group on combating money laundering and financing of terrorism on the conditions of stay of its Secretariat in the territory of the Russian Federation was signed.

The Agreement regulates the relations between the host country and the EAG and also contains conditions of location of the employees of the organization on the territory of Russia.

On behalf of the EAG the Agreement was signed by the Deputy Chairman Mr. Liu Zhengming, on behalf of the Government of the Russian Federation - by the Head of the Federal Financial Monitoring Service Mr. Yuri Chikhanchin.

Council of Heads of Financial Intelligence Units Will Be Established in the CIS Framework



In the framework of the CIS the Council of Heads of Financial Intelligence Units of member states will be formed. As the Executive Committee reported a draft decision was approved by the Council of CIS Foreign Ministers at the last meeting held on April 6 in Astana.

As stated in the adopted document, the need for such a body "emerged on the basis of an international character, and the current levels of legalization (laundering) of criminal parties and financing of terrorism that threaten the security of the parties".

It is supposed that the Council will operate in cooperation with the Executive Committee of the CIS, the Interparliamentary Assembly of the CIS, and other agencies of the Commonwealth, and when necessary - the executive bodies of international organizations, including the Financial Action Task Force (FATF) and the FATF-style regional bodies, as well as the public authorities of the CIS member states.

Each member state will have to independently determine the competent authority responsible for implementing the agreement, which, after its entry into force, will be open for accession to, state any State of the Commonwealth.

(www.e-cis.info)

Tashkent Hosted the Meeting of the RATS SCO



The 20th meeting of the Council of the Regional Anti-Terrorist Structure of the Shanghai Cooperation Organization (RATS SCO) was held on March 2012 in Tashkent (Uzbekistan). At the meeting the activities of the Executive Committee of the RATS SCO in 2011 were found to be positive.

A decision on coordination of cooperation between the competent bodies of the SCO member states with regard to possible new forms of terrorist, separatist and extremist nature in the SCO space was made in the course of the meeting which gathered the representatives of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

The participants of the meeting decided to establish a Group of experts of the border services of the competent bodies of the SCO member states in the field of combating terrorism, separatism and extremism and approved a plan of joint actions of the competent authorities of the SCO member states on revealing and suppression of channels of financing terrorist, separatist and extremist activities

against illegal turnover of drugs, psychotropic substances and its' precursors.

Issues of coordination of interaction in the field of information security and joint actions of the competent authorities of the SCO member states on the prevention and suppression of the use of computer networks in terrorist, separatist and extremist purposes were considered and approved at the meeting.

The candidature of the representative of China for the position of Director of the Executive Committee of the RATS SCO since January 2013 were also approved by the meeting.

The participants of the event made a number of decisions on issues of logistical, personnel and financial support of the activities of the Executive Committee of the RATS SCO and also agreed to hold the next meeting of the Council of RATS SCO in September 2012 in Kyrgyzstan.

(IA REGNUM)

Experts from Belarus, Kazakhstan and Russia Discussed Combating Money Laundering in the Field of Turnover of Precious Metals, Jewels and Cultural Values

A workshop for the representatives of Belarus, Kazakhstan and Russia "Prevention of Money Laundering in the Field of Purchase, Sale, Storage of Precious Metals, Jewels and Cultural Values" took place on the site of the International Training and Methodology Center for Financial Monitoring (ITMCFM) on April 17, 2012.

The event was attended by the experts of the Financial Intelligence Unit and the Ministry of Finance of the Republic of Belarus, the Financial Monitoring Committee of the Republic of Kazakhstan, the Federal Financial Monitoring Service, the ITMCFM, the Federal State Institution "Russian State Assay Chamber under the Ministry of Finance of the Russian Federation", as well as the representatives of the EAG. The workshop was held in the format of videoconference round table.

The participants discussed the peculiarities of the legislation, regulating transactions on purchase, sale and storage of precious metals, jewels and cultural values, as well as the experience of Belarus and Russia in interaction between financial intelligence units with supervisory authorities in this field.

Considerable attention was devoted to concrete examples of combating money laundering in the field of turnover of precious jewels

and metals. Representatives of the Federal Financial Monitoring Service spoke about the existing typologies and schemes of laundering proceeds of crime in this sector.

Tajikistan Will Join the EAG Videoconferencing System



The National Bank of Tajikistan signed the Agreement on creation of the subscriber node of the videoconferencing system (VCS) EAG.

The use of VCS expands cooperation and exchange of information between EAG member states. The VCS was used in a large number of events of the Group. For the time being, the VCS EAG is used by Belarus, Kazakhstan and Russia.

Workshop for Trainers in the Field of AML/CFT



On 29-30 March 2012 the representatives of EAG member states participated in a workshop "Training of Personnel in the Field of AML/CFT".

The workshop for trainers from Belarus, Kazakhstan and Russia was organized by the International Training and Methodology Center for Financial Monitoring. The trainers train organisations within AML/CFT network. The Belorussian and Kazakhstan representatives took part via EAG videoconference system.

The updated international standards in the field of combating money laundering and financing of terrorism (AML/CFT), approved in February 2012, the new version of the FATF Recommendations, prospects of development of anti money laundering systems of the EAG member states and conducting professional training for the private sector were the main issues for discussion at the workshop.

The participants noted that introduction into the interactive training courses, developed by the ITMCFM, was one of the positive moments of the workshop. The training courses "Typologies Research in the Field of AML/CFT", "Role of Organizations in the Field of AML/CFT" were handed over to participants, for use in training activities.

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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