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ЕВРАЗИЙСКАЯ ГРУППА
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EURASIAN GROUP
on combating money laundering and financing of terrorism



TYPOLOGIES REPORT
“Trans-border cash transactions involving individuals”

Moscow, 2008

EAG TYPOLOGIES WORKSHOP

REPORT

findings of the international research on:

«Trans-border cash transactions involving individuals»

I. Preface

The above research topic for EAG Typologies Workshop was put forward by the Federal Financial Monitoring Service and approved by the EAG Plenary Meeting in December 2007 (Sanya, Hainan, China) as a priority objective for 2008.

Key concerns, which gave rise to the research, were sound and supported conclusions of EAG Typologies Workshop members of the evident relationship between trans-border bank transfers of money with:

- a) legalization (money laundering) of incomes gained illegally and even criminally;
- b) financing of extremist and/or terrorist activity;
- c) export of corruption-related incomes outside the national territory to conceal income sources and owners;
- d) payments for smuggled goods and their trafficking across national borders, including “grey” import/export, infringing goods, drugs and precursors, toxic substances, weapon and ammunition and other items of the black market of goods and services;
- e) financing the programs of political and/or economic expansion.

The importance of the research is also highlighted by the overdue necessity to improve national financial monitoring systems, including operations of financial agents within the frames of good will and appropriate compliance with the requirements of the national laws governing ML/FT area, enhance analytical component of the Financial Intelligence Department (metrology, information and analytical technology and other analytical tools, education and advanced training of

the analytical researchers). At the same time, findings of research allowed unveiling hardware and software needs of Financial Intelligence Department of the EAG Member-States, required for efficient research activities related to the money laundering and terrorism financing.

This research aimed to develop unified approaches to define components and contents of effective counteractions preventing free trafficking of criminal funds across the national borders, using the opportunities offered by the national banking systems, cash transfer systems and other national and international institutes.

Research methodology is based on the assumption that any transactions with cash or other assets, gained illegally, may and shall be recognized within the frames of criminal proceedings as money laundering.

The research analyses financial flows, outgoing from and incoming to the territories of the neighboring states, resulting from financial transactions with the bank transfers of:

a) individuals – both residents and non-residents of the national jurisdictions, who transfer funds to individuals and/or legal entities located in the territories of the states, neighboring the national jurisdiction;

б) legal entities both residents and non-residents of the national jurisdictions, which transfer funds to individuals located in the territories of the states, neighboring the national jurisdiction;

в) individuals – both residents and non-residents of the national jurisdictions, receiving money from individuals and/or legal entities located in the territories of the states, neighboring the national jurisdiction;

г) legal entities both residents and non-residents of the national jurisdictions, receiving money from individuals located in the territories of the states, neighboring the national jurisdiction.

The research was focused at identifying:

- vulnerabilities and risks of money laundering and financial terrorism in the channels of trans-border money transfer;

- indicators pointing to suspected illegal origin of money, transferred outside the national territory, or suspected relationship between trans-border transactions and financing of terrorism;
- trends in the use of traditional (formal) systems in the channels of trans-border transactions, genesis of illegal money trafficking methods;
- typologies as elements used to classify illegal financial schemes based on the system-wide attributes (indicators); prevalence of methods and reasons for trans-border transfers, specific features of participants, prioritized used of certain financial institutes and instruments;
- roles of traditional and non-traditional, formal and informal money transfer systems in the channels of trans-border bank transfers for the purposes of money laundering or financing of terrorism.

The research was based on the summarized information, obtained from the national Financial Intelligence Departments as answers to the questions of the questionnaire developed and distributed to all EAG members and observers. (The questionnaire is attached to the given Report).

The following national Financial Intelligence Departments took part in the research:

Chinese Peoples Republic (EAG Member)

Lithuanian Republic (EAG Observer)

Republic of Armenia (EAG Observer)

Republic of Belarus (EAG Member)

Republic of Moldova (EAG Observer)

Russian Federation (EAG Member)

Ukraine ((EAG Observer)

II. Comparison characteristics of the institutes and legal regulation standards applicable towards trans-border bank transfers of individuals in the states participated in the research

1. Financial institutes providing the services, in compliance with the laws, of trans-border bank transfers to the individuals

Chinese Peoples Republic:

Credit organizations

International bank transfer systems, like Western Union, Money Gram...

Postal services.

Lithuanian Republic:

Credit organizations

International bank transfer systems, like Western Union, Money Gram...

Postal services of the republic.

Republic of Armenia:

Credit organizations.

Organizations licensed by the Central Bank of the Republic of Armenia for bank transfers, which receive money and transfer payments without opening bank accounts.

Republic of Belarus:

Credit organizations

International bank transfer systems, like Western Union, BLIZKO, MoneyGram, Migom...

Postal organizations.

Republic of Moldova:

Financial organizations (commercial banks).

International bank transfer systems, like Western Union, Money Gram, Web Money, etc.

Posta Moldovey, a state enterprise.

Russian Federation:

Credit organizations.

International bank transfer systems, like Western Union, BLIZKO, MoneyGram, Migom...

Postal Service of Russia.

Ukraine:

Credit organizations.

National licensed and international bank transfer systems like Western Union, BLIZKO, MoneyGram, Migom...

National postal service operator.

As we see, none of the countries, which participated in the research, listed any individuals or payment transfer systems like WebMoney as operators of trans-border

bank transfers. However absence of the legal regulations (including money laundering) of the international payment transfer systems of the above types does not mean the systems do not operate and do not influence the entire system of international payment transfer system of individuals.

In addition, we also see that the above countries use the same methods and systems of trans-border payment transfers of individuals. We will proceed from the fact that any other (alternative, first of all) systems does not have any definite legal status and operate outside the scope of the legal framework, which means that these operations are neither legally permitted nor legally prohibited. The latter (legal prohibition) plays a key role, since, in compliance with the legal concept of the above listed countries, anything that is not expressly prohibited, is permitted.

2. National legal regulations bases of trans-border individual payment transfers

Comparative analysis of the information about national legal regulation levers applied towards trans-border payment transfers of individuals shows that literary all countries use the same standards both in the banking and currency regulations and in AML/CFT field.

The legal and standardizing framework for the trans-border payment transfers of individuals is defined as a combination of legal standards governing banks and banking and legal standards regulating banking operations of a department, currency regulation laws and laws of anti-money laundering and counter-financial terrorism.

Through there are certain differences. Ukraine, for instance, regulates payment systems operations and payment transfer systems based on the Law of Ukraine, Payment Systems and Transfer of Payments in the Ukraine. To expand the law, National Bank of Ukraine in September 2007 issued Provisions for the registration of membership agreements or agreements for the participation in the international payment systems, developed by bank-residents, and on the concurrence of regulations for the payment transfer systems. However regulations governing this aspect of the national financial services market deserve the status of the Law only in Ukraine.

The national laws also demonstrate certain variations in the regulations governing the total amount of a single transaction, which may be transferred to a certain country.

The volumes of incoming financial transfers via payment transfer systems are not regulated in any way.

As far as it refers to any specific standards, defining parameters of the financial monitoring systems for the purposes of AML/CFT programs, they are in fact identical, since actually all of them are based on the system of international standards, developed by FATF as 40+9 Recommendations.

Perhaps, the only aspect, which can be considered as a weak point of this financial market segment regulation, is “negligence” of the law-makers towards financial monitoring concerns about alternative payment systems, like WebMoney, and ultimate neglect of various virtual games and payment systems like InternetCasino or InternetMoney.

Financial Intelligence Department of Ukraine became the spearhead, which attempted to draw attention to the WebMoney issues in 2005. However, according to currently available data, the systems like these at the moment (which we analyze, among others, as alternative payment transfer systems) still continue operating outside the legal framework of financial markets.

At this very point we consider it necessary to give a brief description of the best known and most widely spread system – WebMoney – to disclose the opportunities of the system, it offers to unfair participants of financial markets and criminals using it for money laundering.

WebMoney is an alternative “non-banking” payment system. Identifying feature of the system is the use of own specific virtual money units (virtual currencies), which can be converted into any existing currency both at the entrance and at the exit of the system. The system allows transfers to any country (where it exists), to any bank account and issue cash. It operates both as an exchange of cash and non-cash currency, which can be converted into virtual (electronic) money and vice versa. Exclusions include only non-cash money on the credit cards. Money can

no be transferred from a credit card to the system. It is a requirements of security system. However money transfer from WebMoney to a credit card is a regular operation, giving no rise to any suspicions. At the same time it is an accounting system, since it uses a virtual bill of exchange as the principal payment tender. Other payment tenders include equity contributions, securities and derivatives thereof. Money can be transferred to a virtual purse by various ways: a bank transfer, postal or wire transfer or using a payment transfer system (for instance, Western Union) for cash transfers.

Generally speaking, WebMoney can, evidently, be considered as an updated option of well-known “havala”, which intensity of use depends on the level of intellectual development of a potential participant.

Legitimate legal framework to govern operation of WebMoney, as we pointed out before, is not established in the countries participated in the analysis of trans-border individual payments transfer. In other words, de-facto international system operates outside of the legal framework.

The system like this (electronic money) in fact provides wide opportunities for the criminals, without any detriment to the system, to laundry the money through ultimately uncontrolled payments transfer into cash, or free conversion of virtual money into cash; the money can be transferred to any country of the world, without disclosing purposes the reasons for modification of the assets form or non-cash transfers. The criminals can freely transfer virtual currency over the globe, combine together legal and illegal money, etc. To make the long story short, the money can be transferred avoiding the risk of coming in view of financial intelligence or law enforcement agencies, pass over all traditional stages of “dirty” money laundering in a fast and efficient way, or use the money to pay for “black market” goods or transfer it for terrorism financing.

The state regulating methods existing today are too weak and unable to unveil money laundering or terrorism financing by the use of opportunities offered by the payment systems, based on electronic money.

It goes without saying that none of the countries-participants of the research provided any information about financial investigations related to the use of said payment systems by individuals or legal entities.

In our opinion, the opportunities of payment systems, we described before (which we assessed only hypothetically so far), gives sound reasons to qualify operators of the payment systems as financial institutions within the legal framework, which will enable financial intelligence to monitor financial flows of said systems. In other words, operators of payment systems, like WebMoney, should be included into the list of organization, responsible for initial monitoring of financial transactions of their clients and forwarding information about controllable transaction to the financial intelligence departments.

The above scenario fully complies with the message and contents of YI special recommendation of FATF about suppression of financing of terrorism. Thus, in particular, executive summary to the FATF Recommendation says, that the countries should enact compulsory licensing (or registration) of individuals providing such services, as payment transfers via unofficial payment systems, publish provisions of 40 Recommendations and 8 Special Recommendations for the services, provided by unofficial payment systems.

Possible methods of the state regulation (and, probably, self-regulation) of alternative payment systems, like “havala” remains still fully open (not only for member-states and observers of EAG).

A number of EAG Member-States and Observers highlight for particular importance the national legislation governing AML/CFT in the of legal regulations system, defining responsibilities of financial organizations to control the origin of money and transactions of public officials, including foreign public officials, as well as transaction of relatives of the public officials belonging to the national jurisdiction. The above legislation has already been enacted in the AML/CFT laws of Lithuania, Moldova, China and the Russian laws currently contain a provision about foreign public officials. Decisions regarding officials of the Russian Federation are postponed till anti-corruption package of laws is adopted. However Financial Intelligence

Departments of the above countries have no statistical data and explicit materials of investigations related to suspicious financial operations of public officials. As far as Russian is concerned, national financial intelligence initiates financial investigations related to public official, basically, when requested by the law enforcement agencies. Law enforcement agencies communicate information about money laundering accusations charged on public officials using feedback channels.

III. Experience of Financial Intelligence Departments in financial monitoring and investigation of financial operations of individuals in the trans-border payment transfer channels

First of all, it should be noted that Financial Intelligence Departments of the Member-States participating in the case study have by now accumulated certain experience in investigating financial operations of individuals in the trans-border payment channels. The outcome of their experience is a list of alerting attributes of the international transfer, as it is, and financial operations preceding the international transfers, giving grounds to suspect the trans-border transactions for laundering illegal money. The above list includes the following attributes (indicators).

1. Parceling of bank account transactions.

The fear of coming in view of the law enforcement agencies and financial intelligence makes participants of suspicious financial operations parcel the total amount of transactions transferred outside the territory of the national jurisdiction: by time, location of transactions and by parties of the transaction. Suspicions in the illegal origin of money transferred cross-border are based on the finding obtained through the analysis of entire sequence of transactions. For instance, a) money transfers from an individual to a few persons, who have no explicit family relations with the sender; b) money transfers from a few senders to one beneficiary, who have no explicit family relations with the senders; c) an individual transfers money through identical channels via various operators; d) transactions are performed regularly; e)

the lack of sudden increase of the amounts transferred within a series of transactions (in fact, the same amount is transferred), regardless of where from, by whom and to whom the money is transferred.

2. The money transferred belong to an ethnic diaspora.

Striving not to share the revenues with other ethnically-based criminal communities, concealing the sectors of their criminal operations, trying to show the sources of criminal gains as regular commercial operation, hiding from the law enforcement agencies and/or financial intelligence departments makes the owners of criminal incomes select professional money launders from within their communities. As far as it refers to trans-border payment transactions, said money laundering can be performed only by the individuals, having strong ties with the banking sector, with perfect knowledge of the laws and financial services methods, which do not cross with the criminal incomes, against which the law enforcement agencies may not lodge any claims because of regular and large international payment transfers. Suspicions on illegal origin of incomes transferred to other countries may only be based on the analysis of entire package of transactions, performed by said backstreet bankers not only through the trans-border channels, but also in the internal financial market. For instance, a) insignificant, as compared with the volumes of trans-border transactions, outgoing internal financial transfers show possible cross-charges between community members or partial money laundering within internal financial market; b) large amounts accumulated in the bank account of a backstreet banker, transferred by the same individuals; c) money credited to the bank account of a backstreet banker in cash or as a sales revenue or without identification; d) regular internal money transfers, in approximately equal amounts, to the bank account of a backstreet banker.

3. Trans-border payments transferred by individuals to the bank accounts of individuals or legal entities held in third country banks, known as "transit territories" and "transit banks".

4. Large amounts of regular trans-border money transfers for the purposes different from commercial operations (donation, financial assistance, grant-in-aid, etc.).

5. Using import commodities contracts by individuals as a basis for payments transferred for commercial purposes, without importing commodities to the customs territory of the national jurisdiction.

6. International transfers of individuals related to the transactions with securities (shares, bonds, bills of exchange....).

7. The use of sham personal identification documents by the parties of the trans-border transactions, as found by financial investigations (lost passports, stolen documents).

8. Trans-border transactions performed by a power of attorney.

The above attributes were found, among others, on the basis of international transfer purposes, most often used by individuals for trans-border bank transfers. The individuals, both residents and non-residents, use basically the same definitions to describe to a certain extent the purpose of financial flows outgoing from and incoming to the territory of the national jurisdiction, such as private transfers, donation, financial assistance, transfer of own funds (account replenishment, non-resident income...), salary, capital investments/dividends, loans provided/received, contract, payment for products/services, payment against an invoice.

Financial intelligence is primarily focused at the purposes of payments, which can not be traced through the documents checked against the attributes of payment transfers, referred to suspicious. When analyzing said payment transfers, financial intelligence of the member-states assumes that degree of transparency and potential possibility for verifying the declared purpose of the international payment transfer within the frames of Know Your Client Program, are basic criteria for financial intelligence to evoke suspicions.

Moreover, information of the law enforcement agencies about offences preceding (predicate) the money laundering, committed by the individuals (or their

counter-agents or contacts), contained in the controlled transactions database of Financial Intelligence can also serve as attributes arousing suspicions of laundering the money transferred to and incoming from other countries. Efficiency of the given direction of the analytical program pursued by the Financial Intelligence depends primarily on the level of information exchange with the law enforcement system of the national jurisdiction. While maintaining said information exchange, national Financial Intelligence Departments reveal and apply in their every-day operation various types of commercial operations, most often performed by resident and non-resident individuals to conceal true sources of incomes transferred to other countries via a trans-border transfer channel.

According to Financial Intelligence Departments of the states-participants in the research, the above types of commercial operations, depending on the legal regulation system, traditions of the national jurisdiction, conditions of commercial operations of resident and non-resident individuals, include: various services, construction, wholesale and retail sales, commerce (including near-border), production of various farming products and other types of private business, which are not prohibited by laws for resident and non-resident individuals.

In addition, participants of the research point out, that so called “illegal migration” – non-resident individuals residing illegally in the territory of the national jurisdiction - poses a serious problem for Financial Intelligence Departments. Illegal residents use for outgoing trans-border money transfers, as a rule, services provided by backstreet banking operators. The latter usually mask their illegal banking transaction under wholesale or other legal commercial operations, which they in fact do not perform. These operations result in combining illegal and legal money. It is rather difficult to differentiate between legal and illegal incomes. A thorough financial investigation is required in each case, arousing suspicions of the law enforcement and/or financial intelligence agencies.

The research has found one more problem, methods to solve which are not identified yet. We mean here transit trans-border financial flows. The choice of methods to solve the problem depends largely, as research participants pointed out,

on the level of interaction between various departments of financial intelligence (continuous information exchange, international investigations...).

IY. Evaluation of the Financial Intelligence of potential risk of using trans-border transfer system by individuals

Consolidated (official) data on the volumes and directions of international money transfers outgoing from and incoming to individuals, which are recorded in the financial monitoring systems, as well as dynamics of the data, play important role in the evaluation of potential treats and risks of money laundering and financing of terrorism.

Due to various reasons, we failed obtaining said data from Financial Intelligence Departments of the countries-participants of the research. The reasons cited therefore are: a) unavailability of aggregated data in the official statistical records of the national jurisdiction; b) unavailability of the required and appropriate software in the national Financial Intelligence Departments (information and analytical resource), which can meet requirements of strategic analysis; c) underdevelopment of the strategic analysis direction across national Financial Intelligence Departments, as an important direction of information and analytical activity, aimed at identification of threats, risks, indicators, tendencies (trends) and typologies of illegal financial schemes and operations; d) “young age” of the Financial Intelligence Departments and resulting level of qualification of researchers and hands-on experience obtained. The above features totally depend on the years of experience and in our opinion this direction in due time will take up an appropriate position within the system of analytical activities of Financial Intelligence Departments.

However conclusions and recommendations issued by Financial Intelligence Departments of the countries-participants of the research demonstrate, that the treats and risks of money laundering and financing of terrorism and consequential threats and risks of national financial systems distortion, political risks and implications they entail if come into life are well understood by all parties and all Financial Intelligence Departments take appropriate steps to identify and prevent negative trends.

Collective efforts of the countries yielded definition of potential threats and risks for financial systems and countries and action plans to cut down the likelihood of said threats and risks.

First of all, participants of the research point out that trans-border transfers of individuals and financial flows they generate, containing identified and previously described suspicious attributes, form risk zones of the following types:

1. The risk of involving financial institutes of the country into the international illegal incomes turnover and, consequently, imposition of international sanctions towards the country and loss of international recognition by the latter.

2. The risk of erosion of public and business circles credibility to the financial system of the country.

3. The risk of organized crime reproduction and strengthening of political and economic weight.

4. The risk of downgrading management efficiency in the international economic operations and destabilization of foreign debt management system.

5. The risk of turning a system of trans-border transfers into an efficient channel for terrorism financing in various countries and laundering illegal money, earned through extremely hazardous international crimes, such as drug business, international arms trade, etc.

Threats to the national financial system, initiated by illegal financial transactions in the trans-border channel, are defined by the participants of the research as follows:

1. The threat of washing out cash money out of legal turnover, the increase of a cash component in the payments.

2. The threat to the smooth operation of the national financial and credit system, jeopardy of the legal business interests.

In the first half of 2008 year the total volume of outgoing trans-border financial flows exceeded USD 18 bln., incoming – about USD 5.5 bln.

Below you can see a table of official data of the Bank of Russia describing the total trans-border transactions of individuals, broken down by the counteragent countries – EAG members and observers for 2007. Annual volumes of trans-border transfers are given in USD billions.

Counteragent countries with the annual volumes of money transferred from Russia exceed USD 1 bln are highlighted. Rating of the country based on the amount of money incoming into the country from Russia is given in brackets, near the counteragent country.

Counteragent country	Amounts transferred from Russia		Amounts incoming to Russia		Balance	
	Resident individuals	Non-resident individuals	For the benefit of resident individuals	For the benefit of non-resident individuals	Resident individuals	Non-resident individuals
Armenia (YII)	0.47	0.59	0.096	0.026	-0.38	-0.56
Afghanistan*	-	-	-	-	-	-
Belarus	0.047	0.044	0.037	0.009	-0.009	-0.036
Kazakstan	0.093	0.10	0.65	0.184	0.56	0.082
Italy	0.372	0.113	0.111	0.05	-0.26	-0.063
China (I)	0.741	2.68	0.051	0.034	-0.69	-2.64
Kyrgyzstan	0.334	0.436	0.11	0.025	-0.23	-0.41
Lithuania**	0.012		0.006		-0.006	
Moldova	0.372	0.46	0.054	0.011	-0.32	-0.45
USA (YI)	0.896	0.389	0.86	0.29	-0.38	-0.1
Tadjikistan (IY)	0.733	0.935	0.068	0.02	-0.66	-0.914
Turkmenistan	0.014	0.017	0.006	0.002	-0.008	-0.015
Turkey (Y)	0.87	0.51	0.051	0.11	-0.82	-0.4
Uzbekistan (III)	0.74	0.95	0.186	0.063	-0.56	-0.89
Ukraine (II)	0.9	0.96	0.16	0.036	-0.74	-0.92

To make statistical picture of individual trans-border transfers complete, all data should be broken down into bank transfers with and without bank account opening, on the one hand, and money transfers via money transfer systems and national postal operators, on the other hand. Using this approach we will identify the intensity level in using alternative transfer systems by individuals (Anelik, BLIZKO, Contact, InterExpress, Migom, PrivatMoney, Travelex Worldwide Money Ltd,

UNISStream, AsiaExpress, ALLUR, Express Post, GUTA) for trans-border money transfers via money transfer systems, including postal services.

*) The Bank of Russia has no official statistics for Afghanistan, due to extremely low volumes of trans-border transfers.

***) Lithuania data include only trans-border transfers of money, transmitted from or for the benefit of individuals via money transfer systems and national postal operators. Volumes of trans-border bank transfer with and without bank account opening are extremely low.

Counteragent country	Amounts transferred from Russia	Amounts transferred to Russia	Balance
Armenia (IY)	0.943	0.086	-0.857
Belarus	0.071	0.034	-0.037
Kazakstan	0.124	0.205	0.08
Italy	0.014	0.05	0.036
China (YII)	0.374	0.038	-0.366
Kyrgyzstan (YI)	0.715	0.075	-0.641
Lithuania**	0.012	0.006	-0.006
Moldova (Y)	0.81	0.029	-0.777
USA	0.19	0.054	0.137
Tadjikistan (II)	1.63	0.047	-1.585
Turkmenistan	0.029	0.005	-0.024
Turkey	0.059	0.033	-0.026
Uzbekistan (I)	1.67	0.2	-1.47
Ukraine (III)	1.38	0.12	-1.26

Within the period of 2005-2007, the outgoing financial flows grew annually for about 50%. In 2008 outgoing trans-border financial flows expressed in percentage towards respective periods of 2007 grew up to 60%.

Annual volumes of incoming trans-border financial flows in 2005-2006 grew much slower (approximately by 15% per year). In 2007 capital inflow to Russia reached 40%.

The first two quarters of 2008 demonstrated no increase in the capital inflow figures.

According to our assessment, efficiency of financial monitoring over the operations related to non-cash trans-border transfers transmitted by individuals is currently about 18-20%. In other words, the Russian financial intelligence “sees” only about 20% of all trans-border transactions of individuals. This figure makes

up about USD 8 bln. of (controllable) trans-border transactions (incoming and outgoing), visible by financial intelligence.

According to the Russian laws on AML/CFT (in the same way as, also, laws of other countries, participating in the research), initial monitoring of trans-border transaction of individuals covers, basically, verification for suspicion attributes, since the range of criteria, which can be used to select said transactions for compulsory monitoring, is rather limited. It means that the quality of operations of internal audit services controlling financial agents within the frames of basic internal audit programs play substantial role in the system of identifying the trans-border transactions, which can claim attention of the financial intelligence.

In other words, the problem of trans-border transactions performed by individuals (or involving individuals) turns into a multifaceted issue, affecting various aspects of the entire national AML/CFT system. Both special action plans regulating operations of all parties of the national AML/CFT system, and legal and regulatory framework governing financial services markets, call for improvements. At the same time, priority should be given to the special action plans implemented within the frames of AML/CFT laws. Other actions, such as, strengthening regulations governing operations of financial market players may entail a inverse effect, jeopardize financial and commercial operations of good will companies and, consequently impair their relations with the government and society in general.

Y. Assessment by the participating countries of efficiency of possible counteraction against free trafficking of illegal capital via national borders

Participants of the research are of the opinion, that counteraction against free trafficking of illegal capital via national borders need a special approach, since said transactions demonstrate certain unique features, such as:

- possibility to complete a large number of transactions quite fast, within a short period of time (or a transaction may involve a large amount of money);
- the use of surfing – parceling and structuring of transactions;
- high probability of “mixing” legal and illegal money.

Given the above, the following two fundamental approaches to counteractions can be identified:

1. Investigations. Investigation of existing schemes includes fast identification of the relevant materials by a financial intelligence department, followed by delivery of said materials to corresponding law enforcement agencies for further processing. Money laundering can only be found through operational search actions, which require high awareness of the banks and other financial agents, and/or binding obligation of financial institutions to advise financial intelligence department of the transactions of concerns.

2. International cooperation. International cooperation is exceptionally important for successful counteraction to the trafficking of illegal capitals via national borders.

Nowadays, in the epoch of globalization and developed communications, movement of money and assets from one country to another is simple and fast. It means, there are no state borders and definite jurisdiction – the crime has become trans-national.

Based on the above, efficiency of counteractions of various states and their financial systems against methods used by organized crime to legalize their incomes, calls for consolidations of efforts of financial monitoring and law enforcement agencies of all countries, which, in turn, can not be achieved if international cooperation is not sufficiently developed.

3. Development of strategic analysis programs at the international level, efficient international exchange of experience gained in the similar research. EAG countries should intensify their involvement in the international seminars and

discussion dedicated to the methodology of financial intelligence operations. Consider a possibility of EAG initiative to resume strategic analysis seminars within the frames of EGMONT.

4. Within EAG frames, consider possible extension of financial intelligence powers for the development of standard definitions and distribution among initial monitoring agents of the attributes (indicators) qualifying financial transactions and schemes as suspicious.

5. Implement an action plan as required to expedite development of EAG operational standards and adopt them by all EAG Members as the standards used in everyday analytical operations, as well as information exchange standards (information exchange between financial intelligence departments).