Endorsed by the
9th EAG Plenary Meeting
December 19, 2008

RECOMMENDATIONS

to the EAG member states after private sector consultations in the framework of the 9th EAG Plenary Meeting concerning ML/FT risk assessment in the context of financial instability

Having considered the need to redefine approaches to assessing risks of financial institutions misuse in ML/FT schemes as well as their clients' activities in the context of instability in the international financial system, the representatives of EAG member states (including FIU and supervisory authorities) have developed the following recommendations:

1. The lack of liquidity in the banking sector poses increased risks when the amount of controllable cashless settlements decreases in favor of less controlled settlements with the use of cash.

Subject to national legislation in this context it is **recommended** to consider the issue of setting up mechanisms encouraging financial institutions to share the experience of working with their ML/FT high risk clients as well as clients avoiding CDD measures.

2. The strengthening of state control to prevent the negative effects in financial sectors implies supervisory attention to financial institutions, the activities of which deviate from common business practices.

For the purpose of preventing illegal financial schemes and following various states' best practices, it is **recommended** to consider the issue of setting up and improving procedures which would provide FIUs with information from supervisory authorities about the relevant facts revealed in the course of their inspections.

3. As the cost of financial services increases, an upward trend is observed in the price-rates for electronic wire transfers that are used by persons temporarily residing in the EAG member states. This fact makes alternative remittance systems more attractive for natural persons.

Hence, it is **recommended** for the EAG member states to consider the issue of developing mechanisms mitigating the spread of risks posed by alternative remittance systems expansion, as well as promoting financial institutions to provide cheaper and more convenient remittance services.

4. National financial systems face intense capital flight. Due to lack of liquidity, risks of criminal capital inflow increase.

In this context there is a need to strengthen the monitoring of fund transfers for the purpose of ensuring transparency and preventing illegal activities.