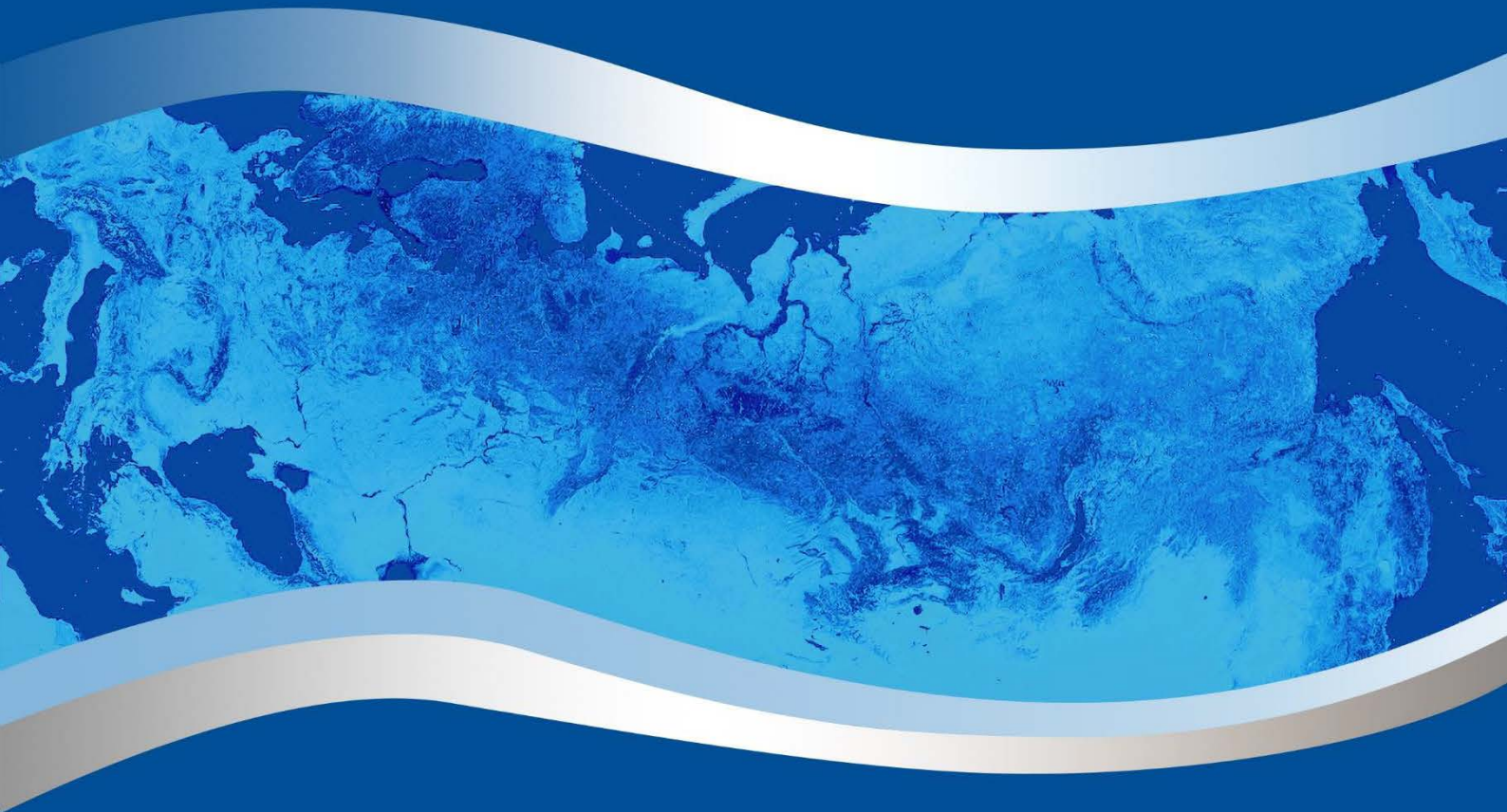




ЕВРАЗИЙСКАЯ ГРУППА  
по противодействию легализации преступных доходов  
и финансированию терроризма

EURASIAN GROUP  
on combating money laundering and financing of terrorism



## *INFORMATION NOTE*

*Concerning the COVID-19 impact on the EAG countries' AML/CFT efforts and measures taken to mitigate the ML/TF risks stemming from the COVID-19 pandemic*

## TABLE OF CONTENTS

<u>1.</u>	Overview of the COVID-19 impact on the EAG countries. ....	3
<u>2.</u>	Latest developments in the EAG countries' fight against money laundering. ....	4
<u>2.1.</u>	<i>Latest trends in predicate and ML offences, and changes in the nature of existing and emergence of new threats.</i> .....	4
<u>2.2.</u>	<i>Changes in the nature of the EAG countries' vulnerabilities, and the COVID-19 impact on financial institutions and DNFBPs.</i> .....	11
<u>3.</u>	Latest developments in the fight against TF. ....	12
<u>4.</u>	Measures taken by the EAG countries to mitigate the impact of the COVID-19 pandemic on AML/CFT efforts.....	13
<u>4.1.</u>	<i>Regulatory measures.</i> .....	13
<u>4.2.</u>	<i>Measures taken by FIUs.</i>	16
<u>4.3.</u>	<i>Law enforcement measures.</i> .....	18
<u>4.4.</u>	<i>Supervisory measures.</i> ....	19
<u>4.5.</u>	<i>Measures taken by financial institutions.</i> ....	22
<u>5.</u>	Changes in the competent authorities' international AML/CFT cooperation and measures taken. ....	24

## **1. Overview of the COVID-19 impact on the EAG countries.**

1. The COVID-19 pandemic has become a major challenge for the international community, sidelining other threats. In the Eurasian region, states were not exposed at the same time, which led to their different preparedness for the impact of the pandemic on the economy and public relations. And if, by March 2020, Russia had only just begun to introduce restrictive measures, China had already passed the peak of morbidity and was preparing to reduce quarantine measures.

2. However, the detrimental impact of the COVID-19 pandemic on the economy, society and, consequently, crime, including its patterns, nature and dynamics, continues to this day.

3. Most of the EAG countries, except China, felt the impact of the pandemic on the economy somewhat later than other countries, including European states. As a result, the EAG countries had some time to take stock of the situation, assess its anticipated adverse effects and develop initial countermeasures, including in the AML/CFT compliance field.

4. The EAG countries did not adopt any common policy to mitigate the impact of COVID-19, including on AML/CFT, opting instead to rely on their own, individual assessment of the situation.

5. Among the EAG Member States, there are countries that have applied restrictions (Russia, Kazakhstan, Uzbekistan and Kyrgyzstan, China, India and Tajikistan) as well as non-restrictive ones (Belarus and Turkmenistan). The main objectives of these restrictions were to promptly identify new threats, protect the private sector from the negative impact, identify and suppress emerging ML/TF schemes, and take steps to prevent the emergence of organized criminal groups involved in ML and TF.

6. Notably, the introduction of restrictive measures was typically accompanied by the adoption of appropriate regulations designed, among other things, to affect the work of public authorities (FIU, law enforcement and supervisors), financial institutions and private sector entities.

7. For example, President of the Republic of Kazakhstan Decree No. 285 dated 15 March 2020 "On the introduction of a state of emergency in the Republic of Kazakhstan" called for restrictions on the entry and exit of individuals from the country and suspension of activity of objects with a mass gathering of people.

8. The declaration of the state emergency in Kyrgyz Republic, on 22 March 2020, suspended the operations of private and state notaries (until 1 May 2020), microfinance institutions, exchange offices, pawnshops and retailers (until 21 May 2020).

9. In Russia, the activities of some entities, regardless of their form of incorporation or ownership, as well as individual entrepreneurs, were suspended by Presidential Decree "On measures to ensure the sanitary and epidemiological well-being of the population in the Russian Federation due to the spread of the novel coronavirus infection (COVID-19)."

10. In Uzbekistan, the adopted quarantine measures suspended the operations of cash desks, currency exchange offices and remittance service providers located outside banks, with customers being encouraged to access banking services remotely via mobile apps.

## **2. Latest developments in the EAG countries' fight against money laundering.**

### ***2.1. Latest trends in predicate and ML offences, and changes in the nature of existing and emergence of new threats.***

11. A review of the existing crime patterns and trends has revealed a decline in the number of predicate offences, including those preceding socially dangerous acts, across the EAG block, a trend explained by the imposition of freedom of movement restrictions. In particular, this trend during the state of emergency was observed in the Kyrgyz Republic<sup>1</sup>, Kazakhstan<sup>2</sup> and Uzbekistan<sup>3</sup>.

12. The most indicative in this sense are the trends and patterns of crimes against property. In Russia, for example, H1 2020 saw a 20.2% decline in assaults aimed at taking possession of property, 11.4% in robberies and 2.9% in thievery, with theft of cargo down 29.3% and vehicles 22.2%.<sup>4</sup> Thus, the imposition of a self-isolation regime led to a natural decline in the number

<sup>1</sup> <https://www.currenttime.tv/a/kyrgyzstan-quarantine-snijenie-prestupnosti/30537737.html>  
<http://www.stat.kg/ru/statistics/prestupnost/> - Kyrgyzstan's Statistics Committee website

<sup>2</sup> [https://qamqor.gov.kz/portal/page/portal/POPPageGroup/Services/Pravstat?\\_piref36\\_258157\\_36\\_22\\_3082\\_223082.\\_ora\\_navigState=eventSubmit\\_doSearch%3D%25D0%259F%25D0%25BE%25D0%25B8%25D1%2581%25D0%25BA%26p\\_YEAR%3D2020%26p\\_MONTH%3D06%26p\\_AREA%3D190000%26p\\_REG%3D1900\\_%26p\\_DEP%3D000%26page%3Dmode\\_report%26currPage%3D1&\\_piref36\\_258157\\_36\\_223082\\_223082.\\_ora\\_navigValues=-](https://qamqor.gov.kz/portal/page/portal/POPPageGroup/Services/Pravstat?_piref36_258157_36_22_3082_223082._ora_navigState=eventSubmit_doSearch%3D%25D0%259F%25D0%25BE%25D0%25B8%25D1%2581%25D0%25BA%26p_YEAR%3D2020%26p_MONTH%3D06%26p_AREA%3D190000%26p_REG%3D1900_%26p_DEP%3D000%26page%3Dmode_report%26currPage%3D1&_piref36_258157_36_223082_223082._ora_navigValues=-) -Kazakhstan's Statistics Committee website

<sup>3</sup> <https://uz.sputniknews.ru/society/20190717/12027300/Bezopasnyy-gorod-prestupnost-tashkent.html>

<https://stat.uz/ru/164-ofytsyalnaia-statystyka-ru/6575-prestupnost2> - Uzbekistan's Statistics Committee website.

<sup>4</sup> Crime situation in Russia in January-June 2020. <https://media.mvd.ru/files/application/1899165>

of incidents involving the theft of personal property on the streets, in public places, etc. This, however, was counterbalanced by a 28.7% rise in different types of fraud, including high-tech.

13. A similar situation is observed in Kazakhstan, which saw, for example, a 10.2% year-on-year increase in the number of fraud cases recorded in Q1 2020.<sup>5</sup>

14. An analysis, by Russia, of the current fraud patterns has revealed both new and previously less common types of fraud involving:

- online sales of personal protective equipment (cheap medical masks and gloves), COVID-19 tests and counterfeit medicines, without their actual delivery to the buyer;
- ticket refunds;
- COVID-19 testing;
- sales of "unique goods" (special filters, air purifiers and COVID-19 cures) requiring upfront payment;
- payment of compensation for damages suffered due to the COVID-19 pandemic;
- solicitation of COVID-19 financial aid from individuals by fraudsters posing as their sick relatives or hospital staff;
- employment;
- payment (refund) of taxes;
- stimulus payments;
- lockdown e-passes;
- cryptocurrency investments.

15. The identified examples of new types of high-tech fraud include the following:

- mailings appearing to be from the World Health Organization;
- fake fundraising appeals from charities and charitable campaigns sponsored by the World Bank or the IMF.

Case study.

*In Russia, in May 2020, officers of the Department of Internal Affairs for the Western Administrative District of the Interior Ministry's Main Moscow Directorate detained a man suspected of embezzling funds allocated for the purchase of medical masks. It was revealed that the suspect, acting on behalf of a legal entity, entered into an agreement with one Moscow-based company to sell it 12 million medical masks for 223 million rubles. The delivery of the masks, to be made*

<sup>5</sup>[https://lenta.inform.kz/ru/uroven-prestupnosti-v-rk-snilsya-na-23-9-v-pervom-kvartale-2020-goda\\_a3638729](https://lenta.inform.kz/ru/uroven-prestupnosti-v-rk-snilsya-na-23-9-v-pervom-kvartale-2020-goda_a3638729)



*within three days, was subject to a 100% advance payment. The customer transferred the money but received no shipment.<sup>6</sup>*

16. A rise in fraud cases during the COVID-19 pandemic was also detected in India, China, Kazakhstan and Turkmenistan.

*Case study.*

*Responding to the People's Bank of China's risk advisories, Bank B deemed transactions carried out by Vendor X to be suspicious. X, an e-commerce company trading in medical masks, was contacted by Bank B for CDD purposes. It turned out that X promoted itself online as a company accepting payments from customers wishing to purchase masks, which, however, were never delivered. Following its investigation, Bank B filed an STR and notified the PBC and law enforcement of the suspected fraud involving medical supplies.*

17. The COVID-19 pandemic has driven up the demand for medical products. Criminals, meanwhile, capitalize on the existing shortages of medical products to defraud customers seeking online suppliers of these products. To this end, fraudsters, while posing as mask and medical equipment vendors, ask customers for advance payment without effecting the delivery of the ordered goods.

18. COVID-19 fraud has manifested itself in different ways as the pandemic situation continues to evolve. At the peak of the COVID-19 pandemic in China, criminals committed fraud involving fake sales of medical supplies and fundraising. Later, following the suspension of in-person classes by educational institutions, resulting in many Chinese students being stuck abroad, and the rise in demand for liquidity among the self-employed, the country registered a spike in fraud involving airline tickets, tutoring and online lending.

19. Fraudsters have fraudulently forced their victims to call fake customer service lines or click on links to fake websites under the pretext of cancelling flights, exchanging, returning, or buying tickets. In this way, scammers stole sensitive information such as victims' personal data, bank account information, passwords, control images, and then withdrew money from victims' accounts.

20. India recorded a rise in offences involving the following:

- manufacture and sale at highly inflated prices of counterfeit masks and hand sanitizers;
- overcharging migrant workers for transportation from their place of work to their hometowns;

<sup>6</sup><https://mvdmedia.ru/news/ofitsialnyy-predstavitel/v-moskve-sotrudniki-politsii-zaderzhali-podozrevaemogo-v-moshennichestve-s-meditsinskimi-maskami/>

- sales, sometimes at a huge mark-up, of COVID-19 remedies;
- provision of ambulance/transport services to hospitals for additional fee;
- phishing emails containing links to malicious websites purportedly providing access to useful information;
- diverting food aid supplies intended for the poor to the black market;
- storage and illegal sale of large quantities of non-essential goods, such as cigarettes, alcohol, etc.

21. Anti-competitive practices involving price gouging in the wholesale and retail sectors of essential goods during the COVID-19 pandemic, namely food, basic antiviral drugs, masks, disposable gloves, etc. were identified in Kyrgyzstan.<sup>7</sup>

Case study.

*23.03.2020 The State Service for struggle against economic crimes under the Government of the Kyrgyz Republic detained a batch of smuggling of 80 thousand medical masks which were tried to be imported to the territory of the Kyrgyz Republic for the purpose of selling at overpriced prices.*

22. In order to prevent an agiotage of demand and shortages of medical supplies due to their export from the country, some EAG member states introduced temporary bans on exporting such goods. Decree of the Government of the Kyrgyz Republic № 57 of 03.02.2020 established a temporary ban on the export of medicines and medical products from the territory of Kyrgyzstan for six months.

23. Attempts were made to export medical goods in violation of the established restrictions, which were suppressed by the border authorities.

Case studies.

*1) On March 13, 2020, the State Border Service of the Kyrgyz Republic stopped an attempt to illegally export medical goods. It was established that a citizen of Kyrgyzstan arrived at a checkpoint on the state border by car. During the inspection, the border guard found medical goods (medical masks) hidden under bags of dried fruit in excess of 95,600 pieces without shipping documents. The total value of the detained goods was over 1 million 400 thousand soms.*

<sup>7</sup> <http://finpol.gov.kg/ru/news/vyyavleny-fakty-spekulyatsii-na-stoimosti-medsinskikh-masok>  
[https://24.kg/obschestvo/159168\\_finpol\\_vyiyavil\\_spekulyantov\\_prodayuschih\\_lekarstva\\_pozavyish\\_ennym\\_tsenam/](https://24.kg/obschestvo/159168_finpol_vyiyavil_spekulyantov_prodayuschih_lekarstva_pozavyish_ennym_tsenam/)

2) *On July 16, 2020, the illegal export of oxygen concentrators and pharmaceuticals through the state border was stopped at the checkpoint of the State Border Service of the Kyrgyz Republic. It was established that three citizens of the Kyrgyz Republic tried to export four sets of oxygen concentrators, pulse oximeters and pharmaceuticals that were temporarily banned for export.*

24. In general, domestic price gouging during the pandemic remains common in most countries, including Belarus, where authorities detected illicit sales of medical masks.

Case study.

*According to the Belarusian state-owned media outlet BELTA, the country's law enforcement authorities identified, in March 2020, seven instances (in Brest, Minsk, Minsk region, Mogilev and Grodno) involving illegal sales of medical masks. The offenders were charged with administrative offences for engaging in illegal business practices involving the purchase of goods from pharmacies and their subsequent resale to online buyers at a profit. More than 28,000 medical items with a total value of about 26,000 Belarusian rubles were seized<sup>8</sup>.*

*Subsequently, Belarusian law enforcement authorities identified similar practices.<sup>9</sup>*

25. EAG law enforcement authorities continue to take steps to identify and disrupt illicit sales of medical supplies.

Case study.

*In July 2020, the Economic Investigation Service of Kazakhstan's Finance Ministry's Financial Monitoring Committee disrupted a planned sale of 50,000 medical masks by an individual without appropriate certificates.*

*In addition, the Kazakh law enforcement authorities take steps to combat anticompetitive practices such as price fixing involving manufacturers and suppliers of medicines, their theft from medical institutions, and sales of humanitarian aid.<sup>10</sup>*

26. The arrival of the COVID-19 pandemic coincided with the rise in the manufacture and sale of counterfeit and pirated goods in the EAG countries.

<sup>8</sup> <https://www.belta.by/incident/view/fakty-nezakonnoj-torgovli-meditsinskimi-maskami-presecheny-v-belarusi-384798-2020/>

<sup>9</sup> <https://minsk.mvd.gov.by/ru/news/3235>

<sup>10</sup> <https://kfm.gov.kz/ru/news/in-pavlodar-region-prevented-illegal-sale-of-medi.html>  
[http://www.akorda.kz/ru/executive\\_office/executive\\_office\\_news/vyyavleno-869-narushenii-v-sfere-realizacii-lekarstv-i-medizdelii](http://www.akorda.kz/ru/executive_office/executive_office_news/vyyavleno-869-narushenii-v-sfere-realizacii-lekarstv-i-medizdelii)



*Case study. The Economic Investigation Service of Kazakhstan's Finance Ministry's Financial Monitoring Committee initiated criminal case against three residents of Almaty with unauthorized use of a trademark to manufacture counterfeit drugs and medical products, seizing 60,000 counterfeit drugs of 17 varieties.<sup>11</sup>*

27. Not less common during the pandemic are corruption crimes involving the embezzlement of relief funds and acquisition or disposal of medical supplies.

28. The EAG countries have seen a rise in such crimes, including schemes involving the embezzlement and misuse of, as well as the overestimation of requirements for, relief funding through provision of deliberately false information about the persons in need of such assistance.

29. Thus, the number of particularly grave corruption crimes registered in Kazakhstan in H1 2020 has increased three times compared to the same period in 2019, with the total amount of damages recovered by the country's Anti-Corruption Service estimated at 33.2 billion tenge, more than twice the amount recovered in the previous year.<sup>12</sup>

*Case study.*

*The Economic Investigation Service of Kazakhstan's Finance Ministry's Financial Monitoring Committee is currently conducting an anti-fraud investigation into a large-scale embezzlement of COVID-19 relief funds.*

30. Such offences may also be committed with the help of corrupt officials.

31. The need to strengthen the fight against corruption offences and abuse of office during the COVID-19 pandemic is highlighted by Tajikistan, Uzbekistan and Turkmenistan.

*Case study.*

*The Department for Combating Economic Crimes under Uzbekistan's General Prosecutor's Office, jointly with the State Security Service, has uncovered the embezzlement of public funds from the Bukhara region emergency fund. It was revealed that the chief physician of the Bukhara Regional Centre for Sanitary and Epidemiological Welfare colluded with an infection disease doctor to buy 4.9 tons of calcium hypochlorite worth 395.4 million som for 600 million som, thereby overpaying 204.6 million som.*

<sup>11</sup> [http://www.akorda.kz/ru/executive\\_office/executive\\_office\\_news/vyyavleno-869-narushenii-v-sfere-realizacii-lekarstv-i-medizdelii](http://www.akorda.kz/ru/executive_office/executive_office_news/vyyavleno-869-narushenii-v-sfere-realizacii-lekarstv-i-medizdelii)

<sup>12</sup> <https://informburo.kz/novosti/chislo-vyyavlennyh-za-6-mesyacev-osobo-tyazhkih-korrupcionnyh-prestupleniy-v-tri-raza-prevysilo-proshlogodniy-pokazatel-108391.html>

*The contract in this case was concluded with a supplier affiliated with the said infection disease doctor. The defendants were charged with offences falling under Art. 167, part "a" (theft through large-scale embezzlement) of the Criminal Code of Uzbekistan<sup>13</sup>.*

32. The enactment of COVID-19-related restrictions in the financial sector, including those affecting cash and electronic transactions, has led to the rise of activity of pyramid schemes and shell companies in the EAG countries.

Case study.

*In April-May 2020, initiative disseminations sent to Kazakhstan's Economic Investigation Service by the country's FIU led to the initiation of 21 criminal investigations into pyramid scheme fraud involving 60,000 private investors. Simultaneously, the FIU works to identify and trace the suspects' assets located both inside the country and abroad.*

33. China has seen an increase in environmental crimes during the pandemic.

34. At the same time, the spike in COVID-19 infections in the EAG countries was followed by a rise in the number offences involving medical supplies and charity fundraising.

Case study.

*Mr. W, on the excuse of donating for the fight against COVID-19, published donation information with a fund-raising QR code on an Internet platform, calling for public donations. During the pandemic, over 100 people from all over China made remittance by scanning the QR code, mostly integral multiples of RMB 10 yuan or 100 yuan, and the total value exceeding RMB 100,000. Shortly after the money was credited, it was transferred to Mr. W's personal bank account. Nevertheless, there was no corresponding donation record, only obvious features of fraudulent actions. The case has been reported to the police for investigation.*

35. As evident from the EAG law enforcement practice, the pandemic only contributes to the prevalence of ML offences and their scope.

<sup>13</sup> <https://www.gazeta.uz/ru/2020/05/22/%D0%B2%D0%BE%D0%B7/>  
<https://www.gazeta.uz/ru/2020/05/31/navoi/>

36. Russia, for example, recorded 281 ML offences in January-June 2020, up 1.8% compared to the same period in 2019.<sup>14</sup>

37. Tajikistan, meanwhile, registered a 196% percent increase in the value of laundered assets, from 75,360 som in 2019 to 147,706 som in 2020. ML offences were committed in the public sector, i.e. by civil servants.

38. At the same time, no significant changes in ML patterns were detected in the EAG countries.

## *2.2. Changes in the nature of the EAG countries' vulnerabilities, and the COVID-19 impact on financial institutions and DNFBPs.*

39. The EAG countries have put in place a system for monitoring the existing COVID-19 risks.

40. Supervisors in India identified that COVID-19 has given rise to challenges in maintaining business continuity, cybersecurity and AML/CFT, including:

- increased customers' dependence on online transactions;
- allocation of public funds to provide credit for erroneous/false objectives;
- difficulties faced by banks in the event of a periodic deterioration in customer profiles due to social distancing restrictions enforced by bank branches;
- the rising volume of cash transactions related to trade and the accompanying risk of them being classified as suspicious.

41. Monitoring conducted by Russian authorities helped identify higher risks linked to the following:

- fake COVID-19 fundraising campaigns;
- unlicensed COVID-19 testing at inflated prices;
- illegal fund transfers disguised as payments for various medical products;
- bogus claims for relief funding;
- misuse of COVID-19-related simplified procurement procedures.

42. Despite the country's decision not to impose restrictive measures, Belarus monitored COVID-19 related ML/TF risks. The number of reported suspicious cash transactions increased in Q2 2020 compared to the previous quarter, with the number of suspicious cashless transactions, despite the rise in their average value, remaining at the same level. Meanwhile, the number

---

<sup>14</sup> Crime situation in Russia in January-June 2020. <https://media.mvd.ru/files/application/1899165>

of denials to access online banking services issued to suspicious customers has also risen.

43. The COVID-19 pandemic and attendant social-distancing measures have impacted the ability of AML/CFT supervisors from EAG countries (Belarus, China, Russia and others) to conduct on-site inspections.

44. Reporting entities in China and other countries that have imposed COVID-19 restrictions have encountered difficulties with the timely filing of STRs or other AML reports, which inevitably affects the effectiveness of supervision.

### **3. Latest developments in the fight against TF.**

45. The COVID-19 pandemic has also impacted the EAG member states' CFT efforts. Among those effected are TF schemes and the intended use of funds.

46. Fundamental changes have taken place in the patterns of international and internal migration, with a sharp decline in the volumes of cross-border and, partly, internal passenger traffic and improvements in their controllability, including due to restrictions on migration flows, the closure of borders by some countries and suspension of cross-border travel. Countries that have introduced severe restrictions become less attractive for internally displaced persons and labour migrants, as well as for militants.

47. Foreign terrorist fighters have found themselves "locked" in their countries of permanent residence and unable to travel to conflict zones to take part in terrorist activities as mercenaries. Given that many of them are unable, and unwilling, to earn money through legitimate means, they and their families are struggling to make ends meet. Faced with these circumstances, terrorist organizations, their sponsors and supporters may resort to providing financial support to such individuals and their families.

48. However, the introduction of restrictive measures and the threat of infection does not spell the end to the migration of militants and their family members from conflict areas. Instead, restrictions on international travel may give rise to the emergence of new human trafficking and cash smuggling routes, as well as contributing to the popularity of informal money transfer services. Borders between adjacent countries may be manned by militants to ensure a smooth passage across the border for both FTFs and cash, aided in some cases by corrupt border and customs officials.

49. Meanwhile, work migrants and refugees locked out of their home countries or with little prospects for returning pose a great danger. The rising prospects of social unrest within these groups, coupled with an awareness of the hopelessness of their situation, makes these people more vulnerable to terrorist recruitment.

50. Meanwhile, economic and financial crisis, rising unemployment and declining incomes eat into terrorists' revenues derived from their sympathizers, forcing them to either look for new sources funding or find new ways to monetize existing ones.

51. The rise in the popularity of online services, e-commerce and teleworking, associated in the latter case with the use of personal, sometimes less protected, computers, creates additional opportunities for terrorists to augment their income through hacker attacks and fraud.

52. The growth in production and sale of counterfeit money may increase the volume of funds channelled to terrorists during the pandemic.

53. Meanwhile, the use of money transfer systems for TF, coupled with the rising popularity of the Hawala remittance system, continues to pose threats. Faced with cross-border travel restricts, terrorists may switch from keeping most of their criminal proceeds in cash to investments in digital money and virtual assets.

54. The COVID-19 pandemic further contributes to the popularity of virtual assets, including on the Darknet, strengthening the appeal of counterfeit document and payment instrument e-commerce trading platforms for terrorist financiers.

55. The popularity of NGO-led fundraising appeals linked to COVID-19 deaths and/or illnesses used to raise funds for TF is growing. In this context, particular attention should be devoted to fundraising appeals posted on instant messenger and social media platforms.

#### **4. Measures taken by the EAG countries to mitigate the impact of the COVID-19 pandemic on AML/CFT efforts.**

##### ***4.1. Regulatory measures.***

56. The EAG countries, both in connection with the introduction of restrictive measures, in their furtherance and without them, have adopted a number of regulations designed to focus the private sector and supervisors' attention on compliance with AML/CFT requirements and prevention.



57. In Tajikistan, Presidential Decree No. 1544 "On preventing the impact of COVID-19 on the socio-economic situation in Tajikistan" calls for the adoption of e-government practices by state bodies. It also urges the National Bank to work closely with other government agencies and financial institutions to facilitate the use of electronic payments instruments and remote acceptance of payments for government services, including fines and other mandatory payments to the budget.

58. In Belarus, Presidential Decree No. 3 dated May 2020 "On foreign gratuitous aid" streamlines the procedure for its registration, taxation and use, as well as detailing its purpose. Recipients are required to use such aid only for its intended purposes and report on its use. The decree also applies to non-profit organizations.

59. Belarus also amended the Law "On Measures to Combat Money Laundering and Financing of Terrorism and Proliferation". Law No. 14-Z of 13 May 2020 amended the provisions governing the terminology and obligations of persons carrying out financial transactions; identification of financial transaction participants, by introducing a requirement to retain beneficial ownership information; and identification, verification and updating of customer data. It also designates as persons carrying out transactions the High Tech Park residents engaging in the following activities: provision of services related to the creation and issuance of digital tokens, including services related to their promotion, consulting and other related services; activities of cryptocurrency platform operators; activities of cryptocurrency exchange operators; other activities involving the use of digital tokens.

60. In addition, amendments to AML/CFT regulations designed to strengthen national AML/CFT systems, including during the COVID-19 pandemic, were adopted by Kazakhstan.

61. In the Republic of Uzbekistan there was adopted the decision of the Cabinet of Ministers from 04.09.2020 No. 539 "About measures for further improvement of mechanisms of collection, processing and storage of information on foreign legal entities and individuals engaged in entrepreneurial activity, carrying out their activities through a representative office, branch or permanent establishment", which provides for creation, updating, maintenance and use of a single centralized database about legal entities, foreign legal entities operating in the Republic of Uzbekistan on the basis of a representative office, branch or permanent establishment, diplomatic missions, consular offices of foreign states, representative offices of international

organizations accredited in the Republic of Uzbekistan and natural persons engaged in entrepreneurial activity. The EAG countries have brought to the attention of the private sector, law enforcement and supervisory authorities the contents of the FATF President's statement concerning compliance with the FATF standards amid the COVID-19 pandemic, as well as the FATF paper "COVID-19-related ML/TF Risks and Policy Responses" (FATF's COVID-19 paper). Some EAG Member States have published these documents on the websites of their FIUs and other government agencies (Rosfinmonitoring, the Bank of Russia, the FIU of Kyrgyzstan, etc.). They are also accessible from the EAG website.

62. The People's Bank of China (PBC) published, in February 2020, a notice on compliance with AML/CFT requirements amid the COVID-19 pandemic, calling on the private sector to develop AML/CFT emergency response programs using the full range of tools at its disposal. The private sector was advised to exercise flexibility in following a risk-based approach. For example, in order to facilitate the release of charitable funds, the private sector was encouraged to implement "a fast-track procedure" for the application of due diligence measures in situations with low risks.

63. PBC branches have issued risk warnings, urging financial institutions (FIs) and individuals to remain vigilant. In response to these risk warnings, FIs have checked keywords associated with the COVID-19 pandemic such as "face masks" and "donations" in their operating system, filing STRs whenever a suspicious transaction has been detected. Simultaneously, supervisors received feedback from the "social network group." In addition, the PBC cooperated closely with law enforcement in sharing fraud-related intelligence.

64. In February 2020, the China Anti-Money Laundering Monitoring and Analysis Centre (CAMLMAC) issued a notice on effective reporting of important and urgent STRs during the COVID-19 pandemic, as well as setting up a mechanism for a rapid processing of important STRs to enable effective and timely detection of financial fraud and other criminal activities associated with the COVID-19 pandemic.

65. The State Financial Intelligence Service of Kyrgyzstan (SFIS) has sent letters (warnings) to FIs, notifying them about possible fraudulent schemes criminals may use in the current situation and urging stricter compliance with AML/CFT requirements, and requests for information about any unusual transaction requests.

66. The Indian government has capped the prices of medical equipment and pharmaceuticals; raised the awareness of financial institutions and the public in general about the transition from cash to digital payments (the use of digital payments by residents during the quarantine period went up by 42 % compared to the previous period); and issued guidelines on misuse of COVID-19 relief funding. It has also set up a COVID-19 Fact-Checking Unit (FCU) within the Press Information Bureau.

67. Responding to the FATF President's statement of April 2020, Rosfinmonitoring has published in the Personal Account section of its website a COVID-19 risk advisory for reporting entities, urging them to promptly report all suspicious customer transactions (financial behaviour) marked "COVID." In May 2020, in response to reporting entities' STRs related to emerging risks, as well as information contained in the FATF COVID-19 paper, Rosfinmonitoring prepared and published in the "Personal Account" additional indicators.

68. In a letter to financial institutions prepared in response to the information contained in FATF documents, the Financial Monitoring Department of the National Bank of Tajikistan (Tajikistan's FMD) informed them about the COVID-19-related threats and vulnerabilities, as well as their impact on the ML/TF risks. The National Bank of Tajikistan sent to financial institutions Guidance No. 27.3-175/2537 dated 1 July 2020, along with remote identification procedures developed by it.

#### *4.2. Measures taken by FIUs.*

69. EAG FIUs play a coordinating role in consolidating the efforts of law enforcement and supervisory authorities, as well as the private sector, in responding to the COVID-19-related ML/TF risks.

70. To crack down on fake charity fundraising, FIUs conduct an ongoing monitoring of fundraising appeals linked to COVID-19 deaths and/or illnesses posted online. In addition, they work closely with law enforcement to track possible COVID-19 fraud complains coming from individuals and entities.

71. Rosfinmonitoring also monitors financial transactions carried out by companies offering COVID-19 testing to the public to identify entities providing such services without a license and at inflated prices, in order to identify possible fraud and report it to law enforcement.

72. As part of the efforts to mitigate the risk of illegal fund transfers being disguised as payments for various medical products

and medical equipment, Rosfinmonitoring monitors the relevant suspicious transactions and communicates to law enforcement agencies the intelligence on possible pass-through and cash reverse ML transactions carried out by entities under the guise of legitimate trade in medical and personal protective equipment.

73. Rosfinmonitoring monitors fundraising appeals linked to COVID-19 deaths and/or illnesses posted online, in order to identify individuals with possible links to terrorists. Rosfinmonitoring, on an ongoing basis, monitors STRs involving non-residents filed since the start of the COVID-19 emergency and during the period of self-isolation, in order to identify suspicious transactions, including sharp increases in the number of transactions, and reports them to law enforcement.

74. In addition, work is being carried out to boost the analytical capacity of Rosfinmonitoring's Unified Information System, which now allows the selection of COVID-19 related transactions based on a given indicator. This work allows Rosfinmonitoring to monitor any changes in these financial flows (including by region), as well as in their originators and beneficiaries, with subsequent notification of law enforcement, executive authorities and supervisors.

75. Furthermore, Rosfinmonitoring has established contact with credit institutions that are members of the Compliance Council, which facilitates the sharing of information on emerging suspicious transaction risks related to the pandemic (the purpose of the Compliance Council is to elicit effective feedback from the private sector on matters related to information sharing). The Compliance Council meets regularly via video conference.

76. In its guidance on compliance with certain AML/CFT/CPF requirements, accessible from its website, Rosfinmonitoring advises entities and individual entrepreneurs carrying out transactions with funds or other assets, as well as lawyers, notaries and persons engaged in business activities related to the provision of legal and accounting services, to continue providing service to individual customers, their representatives, beneficiaries or beneficial owners with an expired identity document.<sup>15</sup>

77. Tajikistan's FMD, with the support of the International Finance Corporation (IFC) project, has developed remote identification procedures for low-risk products, including wire transfers.

---

<sup>15</sup> Information notice dated April 16, 2020, [www.fedsfm.ru/news/4497](http://www.fedsfm.ru/news/4497)

78. Kazakhstan's FIU has prepared the paper "Financial Pyramid Typologies" and shared its contents with reporting entities (banks, notaries, etc.). The guidance allows reporting entities to timely identify entities running pyramid schemes and refuse to carry out illicit transactions.

#### **4.3. Law enforcement measures.**

79. EAG law enforcement agencies pay extra attention to predicate offences, whose number may increase due to the COVID-19 pandemic.

80. For example, to facilitate a timely and adequate response to the developing situation, the Supreme People's Prosecutor's Office of China, in January 2020, issued a guide that provides clear instructions for investigating cases during a pandemic.

81. The EAG countries work to raise public awareness of emerging new cases and types of fraud, including by developing video content for publication on traditional and social media platforms designed to warn members of the public against making dubious investments and losing their money. Members of the public are provided with the opportunity to contact law enforcement remotely within the framework of existing legislation. A guidance to this effect is published on the official websites of these agencies.

82. Wherever possible, some EAG countries have allowed court hearings to be conducted remotely via video conference.

83. The Russian authorities have set up a working group tasked with collecting, compiling and analysing data on the anti-COVID-19 efforts of law enforcement authorities in Russian regions.

84. Fight against shell companies used by criminals to overstate expenditure and evade taxes has been intensified.

#### ***Case study.***

*Extensive analytical work carried out by Kazakhstan has allowed it to identify some 1500 dubious entities provisionally divided into 58 criminal groups. These findings were shared with law enforcement. Pre-trial investigations have already been launched into the activities of 51 groups, including 14 accused of participating in criminal groups.*

85. The EAG competent law enforcement and other authorities conduct an ongoing monitoring of the use of COVID-19 relief funds.<sup>16</sup>

<sup>16</sup> <https://genproc.gov.ru/smi/news/archive/news-1832394/>



Case study.

*Analysis conducted by Kazakhstan's FIU has allowed it to compile a list of public procurement participants at high risk of embezzlement. The list contains 92 entities believed to have been involved in the siphoning off and embezzlement of approx. 50 billion tenge. Based on these findings, the Economic Investigation Service, jointly with the General Prosecutor's Office, is implementing a Joint Plan of Operational and Preventive Measures to Combat the Embezzlement of Public Funds.*

86. To mitigate the risk of ineligible entities applying for relief funding, Rosfinmonitoring monitors public contracts concluded as part of the anti-COVID-19 efforts, including for the purchase of medical supplies, equipment, etc., to identify unreliable contractors and report them to law enforcement and regional authorities.

87. The agency also tracks public contracts explicitly mentioning COVID-19 in their purpose statement in order to identify unreliable contractors and report them to law enforcement and regional authorities. To address situations involving unjustified overstatements of contract prices, Rosfinmonitoring conducts a comparative analysis of prices for contracted goods and works to identify shell companies among suppliers. In addition, Rosfinmonitoring monitors incoming STRs for transactions carried out by recipients of public funds for signs of corruption.

**4.4. Supervisory measures.**

88. Cooperation with the private sector is key to successful AML/CFT efforts, since any AML/CFT guidelines issued by supervisors (government) will serve their stated purpose only if they are effectively implemented by the private sector. Prior to adopting any regulations, the EAG countries engage in dialogue and discussions with the private sector, drawing on its experience and best practices.

89. To minimize the likelihood of late filing of STRs and other AML reports by reporting entities, as well as given the challenges in conducting on-site AML/CFT inspections in some countries, EAG supervisors have made changes to the mode of such inspections and their interaction with the private sector, as well as extending the deadlines for filing STRs and other reports.

90. Belarus has replaced on-site inspections with remote monitoring, leaving the on-site inspection mode only available for special cases.

91. For the remote control implementation, in some cases, financial institutions have provided to the supervisory authority the necessary regulatory documents on the AML/CFT process, as well as computers with remote access to the financial institution's software via secure communication channels. Communication in necessary situations was carried out via videoconference.

92. Faced with a decline in on-site auditing capabilities, Rosfinmonitoring continues to monitor compliance of reporting entities with AML/CFT requirements remotely.

93. Identification of new risks of ML/TF was carried out, including through continuous online interaction with the private sector - members of the Compliance Council.

94. Rosfinmonitoring, in cooperation with the Bank of Russia, ensured prompt communication of information on typologies and risks associated with the epidemic situation, signs (indicators) of suspicious transactions to reporting entities through the Personal Cabinet of the Rosfinmonitoring website. Information notes and recommendations were issued to send STRs on operations related to specific risks, indicating a special indicator {COVID} in the message field.

95. Interaction with supervisory authorities and exchange of information on risks in the sectors and in the activities of individual entities were also carried out online through the Personal Cabinet on the official website of Rosfinmonitoring.

96. Once the moratorium on inspections has been lifted, the country will resume the monitoring of compliance with AML/CFT requirements. This will also include an audit – which will be adjusted to take into account the impact of unfavourable factors caused by the pandemic and the resulting changes in working conditions – of reporting entities' compliance throughout 2020.

97. In addition, Rosfinmonitoring actively leveraged remote tools during the stay-at-home regime to communicate with reporting entities, by sending requests and remedial orders to non-compliant entities and conducting ML/TF risks-related outreach. The use of remote compliance monitoring tools has enabled Rosfinmonitoring to boost compliance and reduce risks in the supervised sectors. The achieved progress may be due not only to a significant decline in economic activity, but also to the use by supervisors of remote compliance monitoring tools.

98. In China, the PBC has proposed a reasonable extension of the deadlines for filing STRs and other reports, strengthened its liaison with the private sector by setting up a dedicated task force to assist regulators severely affected by the COVID-19 pandemic, and promptly advised them on preventive action. Social media and online conferencing systems were established to engage the private sector in a timely manner.

99. In March 2020, the Central Bank of the Republic of Uzbekistan, taking into account the increase in the number of payments made remotely during the COVID-19 pandemic, and in order to minimize risks, developed and sent to supervising organizations "Recommendations for improving financial literacy of clients when using bank cards".

100. In order to reduce risks related to payments on loans the Central Bank of the Republic of Uzbekistan recommended all credit organizations to take measures on introduction of procedures for identification of clients by couriers - employees of credit organizations.

101. To facilitate a seamless online transfer of funds between individuals, the Bank of Russia has placed a cap on the fees payable by bank customers for transfers between individuals.<sup>17</sup>

102. In addition, the Bank of Russia has limited the maximum value of buying commissions for online purchases.

103. In the current environment, the Bank of Russia has decided to extend the period of temporary regulatory easing introduced at the height of the pandemic.<sup>18</sup>

104. In particular, the Bank of Russia has established the period during which customers are allowed to open a bank account without the personal presence of the individual opening the account or the customer's representative; provided that the purpose of account opening is to make or receive socially significant payments. In addition, it has established the period during which individual entrepreneurs or legal entities are allowed to open a bank account without the personal presence of the person opening the account or his representative; provided that such account is opened for a small- or medium-sized business and the purpose of account opening is to enable such business to obtain a loan needed to retain its employees.

105. The Bank of Russia has also established the period during which banks are allowed to provide services to individual

---

<sup>17</sup> Bank of Russia information, [https://www.cbr.ru/press/pr/?file=20032020\\_133645if2020-03-20T13\\_36\\_08.htm](https://www.cbr.ru/press/pr/?file=20032020_133645if2020-03-20T13_36_08.htm)

<sup>18</sup> Bank of Russia information, [https://www.cbr.ru/press/pr/?file=26062020\\_134012pr.htm](https://www.cbr.ru/press/pr/?file=26062020_134012pr.htm)

customers, their representatives, beneficiaries or beneficial owners with an expired identity document.

106. At the same time, in response to improvements in the epidemiological situation and the gradual lifting of restrictive measures in the majority of the country's regions, the Bank of Russia has decided to cancel some regulatory easing measures.

107. In India, due to the spread of COVID-19, onsite supervision of the banks for ML/TF risks is on hold. To address this issue, authorities are conducting offsite analysis and reviewing data obtained using the supervision data template developed by them. The Supervision Data Template is a comprehensive document covering, *inter alia*, the anti-money laundering policy, risk categorization, transaction data (offline and online), correspondent banking transactions, beneficial ownership, remittances within and outside the bank, transaction and account types, etc. The data template allows authorities to categorize banks based on their risk profile and indicators.

#### ***4.5. Measures taken by financial institutions.***

108. China's private sector is leading the fight to mitigate the COVID-19-related ML/TF risks. In response to the aforementioned notices, it prepares AML/CFT emergency response programs using the full range of tools at its disposal.

109. The private sector files STRs and regular reports with the PBC in good faith and exchanges relevant data and information with supervisors online. Due to the pandemic-induced decline in the use of cash, criminals have become more likely to resort to online transactions. Financial and payment institutions have strengthened their monitoring of transactions, driving down the risks. Since February 2020, China's private sector has filed 124 COVID-19-related STRs with CAMLMAC, which, after analysing them, has shared information on 27 suspicious cases with state security agencies. Analysis of STRs has allowed CAMLMAC to identify new typologies that emerged during the pandemic.

110. The private sector of other EAG countries also plays a significant role. When faced with a pandemic, financial institutions and DNFBPs act as the backbone enforcers of the ML/TF risk mitigation measures.

111. Commercial banks in Kyrgyzstan refused to carry out transactions for customers when the purpose of such transactions was unclear. There were also instances when, during the enhanced due diligence of a potential client, the latter rejected the bank's services.

112. Financial institutions in Belarus have also strengthened CDD measures, resulting in a higher incidence of online banking denials issued to suspicious customers.

113. Faced with a quarantine, reporting entities in Russia were forced to move some of their AML/CFT personnel to remote work. As a result, financial institutions have developed new, hitherto unused approaches to identifying suspicious transactions and communicating with customers (using web technologies).

Case study.

*One of the Russian banks developed a module for online monitoring of customer transactions in order to better identify suspicious transactions.*

*The main “red flags” have been installed:*

- *a large (untypical) payment amount for a client;*
- *transfers to an individual or individual entrepreneur;*
- *loan transactions;*
- *operations with counterparties with "risky" activities;*
- *lack of cash receipts when acquiring;*
- *special words in the purpose of payment (for example - bill of exchange, cession, gold, etc.);*
- *transfers or receipts to/from dubious counterparties;*
- *change of VAT rate in the purpose of payment;*
- *account closing operations;*
- *substantial excess of the declared turnover of the client;*
- *receipts of subsidies (grants, crediting under state contracts), etc.*

114. Some financial institutions have created special information centres on COVID-19 issues or special sections on existing AML portals.

115. In India, despite challenges in cooperating with money changers and Authorized Forex brokers, authorities have stepped up off-site monitoring of periodical returns and bank statements, with extra focus on compliance with AML/CFT requirements.

116. Through issue of series of advisories, regulatory reporting and periodic meetings with top management of the supervised entities (SEs), the Reserve Bank of India ensured that the unconventional remote working conditions necessitated by the lockdown and adoption of other practices/procedures do not lead to a relaxation of existing cyber security framework and data protection controls in RE's. All REs are sensitized to be extra careful to the threats from AML/CFT risks.



117. The Securities and Exchange Board of India (SEBI) has issued a COVID-19 Notice exempting capital and debt market businesses from the requirement to suspend their operations. This has allowed exchanges and depositories to continue to monitor compliance with AML/CFT requirements with the help of digital solutions. Notably, oversight and other regulatory functions have not been affected by the COVID-19-related restrictions. The monitoring of transactions by exchanges/depositories, carried out in accordance with the procedures in place before the imposition of the COVID-19 restrictions, is smooth, stable and efficient. In addition, SEBI has issued a Standard Operating Procedure for off-site inspections, eliminating the need for physical visits to company offices without sacrificing quality of inspection, and responses are sought digitally. Both concurrent parallel and internal audits are carried out by auditors remotely.

#### **5. Changes in the competent authorities' international AML/CFT cooperation and measures taken.**

118. The COVID-19 pandemic has affected not only the relationships between reporting entities within countries, but also cooperation between the EAG Member States and other countries. The main reason for this was the restrictions imposed by countries on the operations of the relevant law enforcement, supervisory and other state bodies.

119. The decline in international air traffic, coupled with restrictions on entry to various countries, has impacted experience sharing between law enforcement agencies, as well as hampering their ability to conduct face-to-face meetings and other events.

120. Due to disruptions and reduced traffic volumes, written requests for mutual legal assistance and cooperation between law enforcement agencies cannot be granted, as some countries require the provision of formal and written requests (responses), which severely undermines the effectiveness of transnational cooperation.

121. The introduction of self-isolation measures and remote work has extended the deadlines for the execution of international requests, affecting the provision of mutual legal assistance and international cooperation between FIUs and other agencies.

122. With respect to international mutual legal assistance, the introduced restrictions have made it impossible to fulfil requests for procedural actions, provision of documents, carrying out of seizures, searches, etc.

123. Although those EAG countries that chose not to introduce restrictions did not experience problems with executing MLA or cooperation requests, they still faced situations where the MLA requests executed by them in a timely manner could not be accepted by requesting parties due to restrictions imposed in their territory. This problem particularly affected the consideration of criminal extradition and temporary extradition requests, transfer of items, material evidence, etc.

124. Prioritizing the execution of international AML/CFT requests helps reduce the negative impact of COVID-19 on international cooperation.

125. Contacts with the law enforcement authorities of the countries concerned should be actively strengthened through virtual conferences, telephone calls and e-mail communication, including in the latter case to enable the transfer of documents and requests.

126. However, in general, these measures can only help preserve the current state of international cooperation without completely neutralizing the negative impact of COVID-19 on its effectiveness.

127. Due to the ongoing impact of COVID-19 on internal and external processes, the EAG countries work to analyse the current developments involving the ML/TF risks, develop and adopt both primary response measures to emerging threats and vulnerabilities and subsequent ones aimed at mitigating the ML/TF risks and ensuring the sustainable functioning of AML/CFT regimes in general.

EAG Secretariat

