

CHAIRPERSON'S COLUMN



Dear Colleagues!

The Eurasian Group on Combating Money Laundering and Financing of Terrorist continues to focus its efforts on improving the national AML/CFT systems of the EAG member states.

In March, on-site missions to Republic of Belarus and Russian Federation took place, during which Minsk and Moscow worked with their respective assessment teams to demonstrate in practice the effectiveness of their AML/CFT systems. The results of the on-site and key findings will form the basis of mutual evaluation reports (MER). The MER of Russia will be discussed at the FATF Plenary meeting in Paris, France in October 2019, and the MER of Belarus will be discussed at the EAG Plenary in Ashgabat, Turkmenistan in November 2019.

The MERs of P.R.China, Kyrgyz Republic and the Republic of Tajikistan have been previously discussed. In light of the findings, EAG monitors progress in addressing the identified deficiencies of three member states – P.R.China, Kyrgyz Republic and the Republic of Tajikistan. In this regard, we again urge EAG observers and partners to actively engage in our work on provision of technical assistance.

Combatting the ever-changing threats and risks associated with ML/TF continues to be a priority task of the EAG. In this regard, cooperation with our international partners plays a key role. This includes, among others, engagement in joint typology projects, seminars and trainings. We would like to thank the member states and observers for their contribution and reiterate the importance of active participation in such events.

The upcoming EAG Plenary is an important milestone. For the thirtieth time, we will gather together to enrich ourselves with new knowledge, share best practices, and discuss topical issues of further strengthening of financial and economic security in the Eurasian region.

**EAG Chairperson
Ms. HAO Jinghua**

Participation in FATF's February Plenary

Delegation of the Eurasian group on combating money laundering and financing of terrorism (EAG) Member States and Secretariat participated in regular Financial Action Task Force (FATF) plenary session in Paris on 17-22 February, 2019

Participants reviewed reports on the effectiveness of the AML/CFT systems of Finland and China, as well as follow-up reports of Norway and Italy.

The discussion of the Finnish report focused on the country's understanding of money laundering and terrorist financing risks, shortcomings in their criminalization, the specifics of the national mechanism for implementing UNSC targeted financial sanctions, and challenges faced by supervisory

The discussion of the second follow-up report on improvements in the Norwegian AML/CFT system went on as planned. Although the country's progress is evident, some problems remain, meaning that Oslo will have to prepare for a third report.

The International Co-operation Review Group (ICRG), after lengthy discussions, voted to extend a moratorium on the use of countermeasures against Tehran until June 2019. At the same time, the



authorities. In line with its ratings, Finland was placed in an enhanced follow-up process.

Regarding China, in addition to the above, participants discussed challenges related to the effective application of risk-based supervision, decentralization of the financial intelligence unit, and the formation of registers of basic and beneficial ownership information, with an emphasis on the practical application of the chosen methodology. Despite the heated discussion surrounding the last item and arguments in support of China presented by various delegations, including Russia, no consensus with respect to the proposal to upgrade the effectiveness rating from low to moderate was reached. However, the absence of changes in China's other ratings allowed it to ward off the threat of becoming a candidate for a subsequent (next year's) consideration for inclusion on the FATF grey list.

During the discussion of the follow-up report of Brazil, which had on the previous day succeeded in passing through Congress the long-discussed legislation designed to address its outstanding shortcomings in identifying and freezing terrorist assets, the attending delegations supported the request from the Brazilian Justice Minister attending the forum to tone down the language of the draft public statement. In exchange, the high official promised to fast-track the enactment of the new law.

language of the public statement on Iran became tougher, warning the country that if it failed to eliminate the existing gaps in its CFT legislation, "the FATF would seek tighter oversight of the branches of foreign financial institutions operating in Iran".

Participants once again discussed a possible FATF visit to Syria to verify on the ground progress in implementing the Action Plan to eliminate deficiencies in the country's AML/CFT framework as a prerequisite for its removal from the FATF grey list.

In line with the resolutions of the previous FATF Plenary meeting in Paris on October 14-19, 2018, the FATF Secretariat presented an overview of the security situation in Syria prepared on the basis of input from 19 jurisdictions, the vast majority of which, especially the US, believe that the necessary security conditions for sending experts to Damascus are absent.

Russia used information previously prepared by Syria for a meeting of the FATF Africa and Middle East Monitoring Group in Dubai on January 16-17, 2019 to focus the delegations' attention on progress in improving its AML/CFT system achieved by Syria in 2018. A photo report prepared by Russia following the Rosfinmonitoring delegation's visit to Damascus on February 13-15 was well received.

The work to amend the UN recognized AML/CFT standards to address the issue

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of virtual assets (VA) regulation and expansion of the FATF Recommendations to cover proliferation financing was continued. The adoption of the interpretive note to FATF Recommendation 15 (New Technologies), amended in October 2018, was postponed. Although the delegations reached a consensus on most of the provisions related to amendments to the existing standards to reflect the VA specifics, the Plenary decided to hold consultations with the private sector, scheduled for May of this year. However, the items not expected to be discussed with financial institutions will not be reconsidered.

With respect to proliferation financing, the work on the potential expansion of the standards will be carried out within an ad hoc project group, whose members include Russia, with outcomes of the study to be summarized in June 2019.

Activities held on the side-lines of the Plenary included a meeting with the Russian assessment team, whose participants discussed a number of important policy issues related to the technical compliance of the Russian AML/CFT system with the FATF standards. Meetings were also held with the delegations of Italy, Germany, India, China, New Zealand and Finland.

The next FATF Plenary meeting will be held on June 16-21, 2019 in Orlando (USA).

*FATF public statement
you can read on page 4.*

FATF assessment team's visit to Russia

Assessors of the Financial Action Task Force (FATF) visited Russia from 11 to 29 March 2019. The assessment team is led by Thomas Nilan of the FATF Secretariat



The official presentation of the assessment team took place at Rosfinmonitoring on 11 March 2019 during a meeting of the Interagency Committee to prepare Russia for the 4th round of mutual evaluations.

According to Rosfinmonitoring Director Yury Chikhanchin, assessors will evaluate not only compliance of the Russian AML/CFT system with international standards but also its effectiveness.

In his overview of the assessment process, T. Nilan explained the modalities of interaction with Russian government bodies and representatives of the private sector.

"We have a very diverse team, which I hope will allow us to understand all aspects, including the practical aspects of the Russian AML/CFT system," said T. Nilan. "We have held in-depth discussions regarding technical compliance [compliance of the country's legislation with the FATF standards], and now our job lies in understanding how all this works in practice."

The findings of the evaluation of the Russian AML/CFT system will be summarized during the FATF Plenary meeting in Paris in October.

Besides Moscow, assessors visited the Northwestern and Volga Federal Districts of Russia.

Background information

In 2018, the Russian Federation entered the active phase of the FATF evaluation, which will last until October 2019. Russia had used the preceding years to put in place an effective institutional framework for cooperation between AML/CFT participants from among government agencies and the private sector. As part of the systemic efforts to improve the effectiveness of the country's AML/CFT regime in terms of 11 Immediate Outcomes, Rosfinmonitoring has been working closely with other agencies. To this end, in line with the FATF methodology, the Russian National Security Program was amended in 2017 to include efforts to improve technical compliance with the FATF standards and the effectiveness of the national AML/CFT system in terms of each of eleven Immediate Outcomes.

EAG on-site assessment team has completed the international evaluation of the Belarusian AML/CFT system

The assessment team of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) has ended its on-site visit to Belarus. During the visit, lasting from 10 to 21 March, it conducted an international evaluation of the country's AML/CFT system

In accordance with the EAG schedule, Belarus was due to undergo an evaluation in 2018-2019. As part of the active phase of the evaluation, which began in September 2018, the EAG assessment team visited Belarus to meet officials of the government agencies involved in anti-money laundering and combating the financing of terrorism (AML/CFT) efforts as well as representatives of the private sector (banks, insurance and leasing companies, notaries, lawyers, etc.). During the meetings, participants discussed compliance of the country's legal framework with international AML/CFT standards and the effectiveness of their practical implementation.

After the on-site visit, the EAG assessors will prepare a draft outcome report for discussion at the EAG Plenary meeting in November 2019.

In the run-up to the on-site visit, the State Control Committee had worked hard to prepare the country's government agencies and the private sector for the evaluation. To this end, in 2018, it conducted the country's first national ML/TF risk assessment,



developed and is implementing the action plan to mitigate the identified risks, and, in collaboration with the EAG Secretariat, has provided trainings designed to prepare the country's government agencies and other organizations for the international evaluation.

Background information

The purpose of the mutual evaluations of AML/CFT systems is to monitor countries' compliance with international AML/CFT standards.

The last evaluation of the Belarusian AML/CFT system took place in 2008. The key feature of the current round of mutual evaluations, which began in 2013, is its focus on the effectiveness of the AML/CFT system or the practical results from the implementation into national legislation of the internationally recognized, mandatory AML/CFT standards.

These activities complemented the country's ongoing comprehensive efforts to train, retrain and upskill AML/CFT personnel.

Mutual evaluation of Tajikistan's AML/CFT/CPF system

The 29th Plenary meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), held on 15-16 November 2018 in Minsk (Belarus) adopted Tajikistan's report on the mutual evaluation of its national anti-money laundering and combating the financing of terrorism and proliferation (AML/CFT/CPF) system

The assessment of compliance of the country's AML/CFT/CPF system was carried out in accordance with the FATF (Financial Action Task Force) 2012 Recommendations and the 2013 Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of the AML/CFT Systems. It was performed based on information provided by Tajikistan and obtained during the EAG assessment team's visit to Dushanbe (Tajikistan) from 5 to 16 March 2018.

The previous mutual evaluation of Tajikistan was conducted by the World Bank in 2007 using the FATF 2004 Methodology. The Mutual Evaluation Report of Tajikistan, conducted as part of the EAG first round of AML/CFT mutual evaluations, was approved by the EAG 9th Plenary in December 2008. Following the review of the report, Tajikistan was placed in the EAG enhanced follow-up process. In addition, in 2011 Tajikistan became subject to the FATF's International Cooperation Review Group (ICRG) process.

After making progress in improving its AML/CFT system, Tajikistan was removed from the ICRG process in October 2014 after the completion of the FATF on-site mission to the country, which



acknowledged the government's political will and progress achieved. In May 2014, Tajikistan presented its 11th in-depth follow-up report to the EAG 20th Plenary meeting as part of the procedures for the country's removal from the EAG follow-up process. Following its discussion, Tajikistan was it was decided that Tajikistan has made progress in respect of all core and key recommendations.

The level of technical compliance with these recommendations can be considered as corresponding to the 'largely compliant' (LC) level. In November 2014, Tajikistan was removed from the EAG follow-up process.

The active phase of the assessment conducted within the EAG 2nd round of mutual evaluations lasted from September 2017 to November 2018, until the discussion of the EAG assessment team's draft mutual evaluation report. The Plenary endorsed the mutual evaluation report and executive summary in the framework of the EAG second round of mutual evaluations, with participants highlighting Tajikistan's significant progress in improving the AML/CFT system following the previous assessment by the World Bank in 2008 as part of the EAG 1st round of mutual evaluations. The Plenary discussed the key findings and recommended actions related to the country's AML/CFT regime.

After the completion of the FATF quality and consistency review, the MER was published on the EAG website. In accordance with the EAG 2nd Round Mutual Evaluation Procedures, Tajikistan will present its follow-up report at the EAG 31st Plenary meeting in November 2019.

A new, open-ended FATF mandate

On 12 April 2019, the finance ministers and other national representatives of the FATF (Financial Action Task Force) agreed an open-ended mandate for the FATF

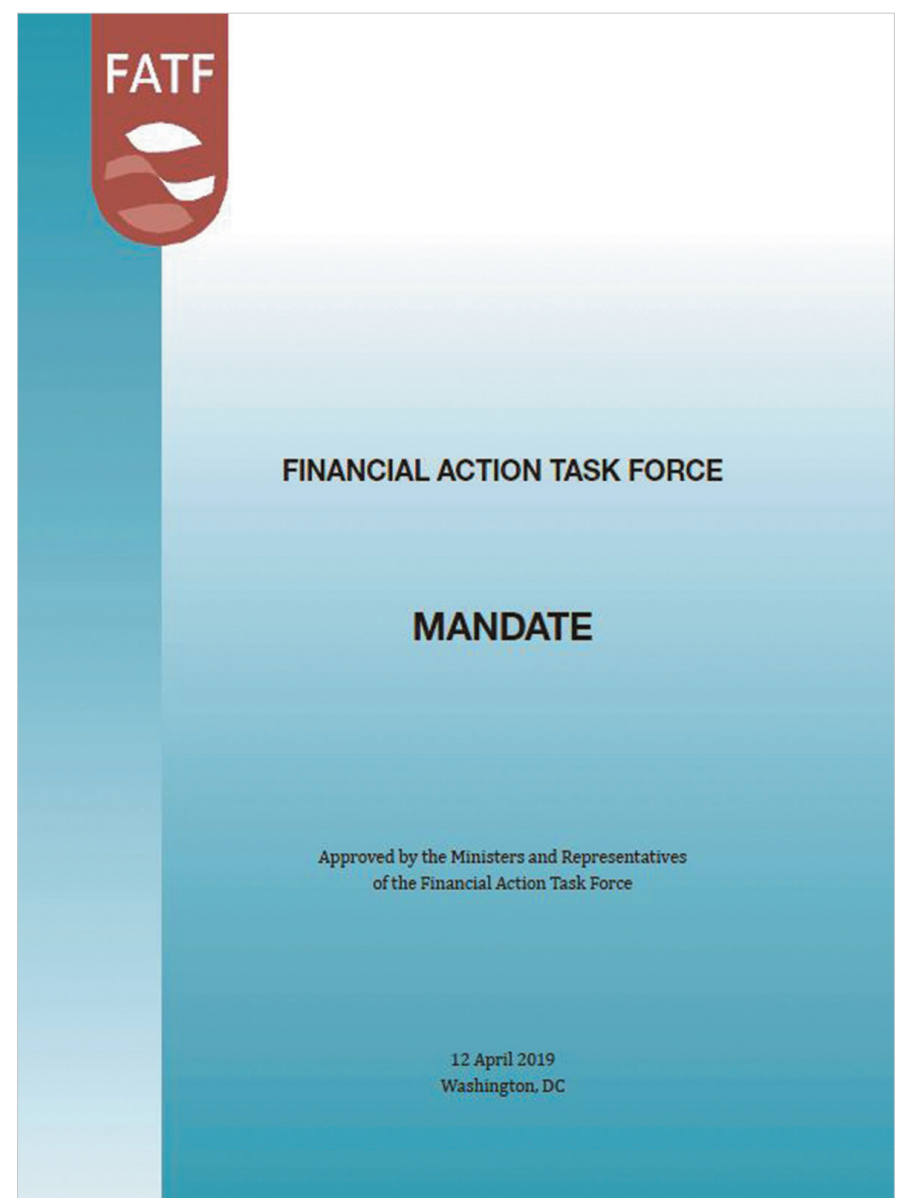
The granting to the FATF of an open-ended mandate, was timed to coincide with the 30th anniversary of this intergovernmental organization. The FATF last revised its mandate in 2012, expanding its powers to include the fight against proliferation financing.

In accordance with the new mandate, starting in July 2019, FATF presidents and vice-presidents will be elected for a two-year term as part of the efforts to "raise the FATF's profile and visibility on the global stage". FATF ministers also agreed to meet every two years, starting from 2020, to discuss strategic issues and to take stock of FATF progress in its mandate. In addition, they approved a new funding mechanism for the organization.

Separately, finance ministers set out in the ministerial declaration the FATF priorities for the next four years, including the conclusion of the 4th round of mutual evaluations and the efforts to eliminate "new and emerging threats" related to digital ID, virtual assets and other innovations.

The new FATF mandate recognizes the need for the FATF to take decisive, co-ordinated and effective global action against the threat of criminal and terrorist abuse of the financial system.

"The ministerial declaration, along with the revised mandate, sets out priorities for the FATF to address these challenges by strengthening its internal governance and ultimately its capacity to respond to the threats all countries face," said Marshall Billingslea, who as Assistant Secretary of the US Treasury will be, according to new provisions, the last FATF president to serve a one-year term.



From FATF Public Statement

Paris, France, 22 February 2019 - The Financial Action Task Force (FATF) is the global standard-setting body for anti-money laundering and combating the financing of terrorism (AML/CFT). In order to protect the international financial system from money laundering and financing of terrorism (ML/FT) risks and to encourage greater compliance with the AML/CFT standards, the FATF identifies jurisdictions that have strategic deficiencies and works with them to address those deficiencies that pose a risk to the international financial system.

Jurisdiction subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the ongoing and substantial money laundering and financing of terrorism (ML/FT) risks.

Democratic People's Republic of Korea (DPRK)

The FATF remains concerned by the DPRK's failure to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and the serious threats they pose to the integrity of the international financial system. The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies. Further, the FATF has serious concerns with the threat posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMDs) and its financing.

The FATF reaffirms its 25 February 2011 call on its members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies, financial institutions, and those acting on their behalf. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures, and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing (ML/FT/PF) risks emanating from the DPRK. Jurisdictions should take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC resolutions.

Jurisdiction subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction.

Iran

In June 2016, the FATF welcomed Iran's high-level political commitment to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan.



Given that Iran provided that political commitment and the relevant steps it has taken, the FATF decided in October 2018 to continue the suspension of counter-measures.

In November 2017, Iran established a cash declaration regime. In August 2018, Iran has enacted amendments to its Counter-Terrorist Financing Act and in January 2019, Iran has also enacted amendments to its Anti-Money Laundering Act. The FATF recognises the progress of these legislative efforts. The bills to ratify the Palermo and Terrorist Financing Conventions have passed Parliament, but are not yet in force. As with any country, the FATF can only consider fully enacted legislation. Once the remaining legislation comes fully into force, the FATF will review this alongside the enacted legislation to determine whether the measures contained therein address Iran's Action Plan, in line with the FATF standards.

Iran's action plan expired in January 2018. In February 2019, the FATF noted that there are still items not completed and Iran should fully address: (1) adequately criminalising terrorist financing, including by removing the exemption for designated groups "attempting to end foreign occupation, colonialism and racism"; (2) identifying and freezing terrorist assets in line with the relevant United Nations Security Council resolutions; (3) ensuring an adequate and enforceable customer due diligence regime; (4) ensuring the full operational independence of the Financial Intelligence Unit and clarifying that the submission of STRs for attempted TF-related transactions are covered under Iran's legal framework; (5) demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers; (6) ratifying and implementing the Palermo and TF Conventions and clarifying the capability to provide mutual legal

assistance; and (7) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information.

The FATF decided at its meeting this week to continue the suspension of counter-measures. While welcoming the passage of the Anti-Money Laundering Act, the FATF expresses its disappointment that the Action Plan remains outstanding and expects Iran to proceed swiftly in the reform path to ensure that it addresses all of the remaining items by completing and implementing the necessary AML/CFT reforms.

If by June 2019, Iran does not enact the remaining legislation in line with FATF Standards, then the FATF will require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran. The FATF also expects Iran to continue to progress with enabling regulations and other amendments.

Iran will remain on the FATF Public Statement until the full Action Plan has been completed. Until Iran implements the measures required to address the deficiencies identified with respect to countering terrorism-financing in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system. The FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence with respect to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19, including: (1) obtaining information on the reasons for intended transactions; and (2) conducting enhanced monitoring of business relationships, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.