Dear Colleagues! It brings me great pleasure to present this first issue of a new EAG periodical, the Bulletin of the Eurasian group on combating money laundering and financing of terrorism.

The EAG carries out activities aimed at developing effective anti-money laundering and combating financing of terrorism systems (AML/CFT) in countries of the Eurasian region.

The key EAG objective is disseminating the FATF AML/CFT standards in the region, as well as active participation in creating new global and regional approaches to hazard and risk assessment.

Since 2009, the EAG has been publishing a Bulletin that covers the Group’s activities, its member-state progress and the development of regional and international AML/CFT systems. Starting June 2010, the Bulletin will be published monthly to allow the expert and business community to benefit from the most-up-to-date information.

The main theme of the June issue is the 12th EAG Plenary meeting and Kazakhstan as the country that will host this event. Furthermore, the Republic is preparing for the EAG mutual evaluation mission this upcoming July: the EAG experts using FATF methodology will assess compliance of the AML/CFT system in Kazakhstan with international standards and propose recommendations.

The work to provide stability and security for the financial and economic systems in the Eurasian region requires greater interaction of national governments with international structures, especially the FATF and FATF-style regional bodies (FSRBs). In this regard, the forthcoming transformation of the EAG into an international organization is designed to address many integration problems, chiefly by tightening horizontal links with similar structures and improving interaction at the international level.

Another more important step to improve the efficiency of AML/CFT national regimes in EAG countries is an initiative by the EAG analyzing the national risk of money laundering and financing of terrorism (ML/FT) and forming the Group’s own mitigation policy. We will tell you in more detail about the first results of EAG activity in this field in the next Bulletin issues.

We believe that our publication will be of interest to all Eurasian region experts and business community representatives and we invite all states and organizations taking an active part in EAG work to cooperate with this publication’s editorial staff and send materials to place within the Bulletins.

Alongside this, concerning the EAG portal, work has been launched on creating an interactive expert community to unite the leading regional and international AML/CFT specialists, including the representatives of all those interested: international organizations, government agencies and the private sector. This section will allow experts to collaborate in two languages: Russian and English.

We keep up with the times, we challenge our colleagues and partners and provide them with the innovative tools to enhance our cooperation for AML/CFT purposes inside and outside the region.

Sincerely yours,
EAG Chairman
Oleg Markov


**The EAG 12th Plenary Meeting**

From 31 May to 3 June, the Working Group meetings and 12th EAG Plenary meeting will take place in the city of ALMATY, Kazakhstan. The Plenary meeting is to be presided over by the EAG Chairman Oleg MARKOV, Aide to the President of the Russian Federation. EAG member states and observers will take part in the event.

A special guest of the event is Paul VLAANDEREN, the FATF President.

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**Kazakhstan Prepares for EAG Mutual Evaluation**

Kazakhstan has adopted the anti-money laundering law and is preparing for the EAG mutual evaluation mission.

One of the key EAG activities is assessing the member-state national AML/CFT systems’ compliance with the international standards. Based on this procedure, the recommendations are made for further developing anti-money laundering regimes. At present, mutual evaluations were held in five out of seven EAG member states – China (2007), Kyrgyz Republic (2007), Tajikistan (2008), Russia (2008) and Belarus (2008). In November 2009, an assessment began on Uzbekistan, and discussion of results is planned for the 12th EAG Plenary meeting in June 2010.

The EAG mutual evaluation mission on the Kazakhstan’s AML/CFT system will be held in July 2010 and discussion of its results is planned for the 13th Plenary meeting which will take place in December 2010.

Under a constructive cooperation, an AML/CFT legislative and institutional framework has been created: all required legally enforceable statutes have been adopted and the Financial Monitoring Committee within the Kazakhstani Ministry of Finance, the national financial intelligence unit, has been established.

Developing the national AML/CFT system in accordance with international standards is a relevant issue for the Republic of Kazakhstan. Kazakhstan is one of the biggest, fastest-developing and influential states of the Eurasian region which aspires to have a stable financial and economic leadership in the central Asian region. Further development of Kazakhstan and its full-scale integration into the international community will directly depend on the effectiveness of its national system for combating money laundering and financing of terrorism.

On 28 August 2009, Nursultan NAZARBAEV, President of the Republic, signed the Law “On amending certain legislative enactments of the Republic of Kazakhstan for combating money laundering and financing of terrorism”. The law is focused on bringing a number of legislative enactments in compliance with the Law “on Counteracting Legalization (Laundering) of Ill-gotten Proceeds and Terrorist Financing”.

- 28 August 2009
  - The President of the Republic of Kazakhstan signed the Law “On amending certain legislative enactments of the Republic of Kazakhstan for combating money laundering and financing of terrorism”. The law is focused on bringing a number of legislative enactments in compliance with the Law “on Counteracting Legalization (Laundering) of Ill-gotten Proceeds and Terrorist Financing”.

- 5 November 2009
  - A seminar – “IT Support of AML/CFT Compliance Solutions” – with the participation of over 20 leading Kazakhstani banks took place in Astana. The seminar was focused on granting practical assistance to national banks by proposing a way to determine the methods and means of processing, delivery and custody of the information for combating money laundering and financing of terrorism.

- 9-11 February 2010
  - An AML/CFT seminar was held in Astana with participation of the Financial Monitoring Committee and reporting entities. It was aimed at discussing various aspects of information exchange between the FIU and private sector institutions and developing agreements and protocols to regulate this process. About 90 reporting entities as well as government agencies and supervisory bodies took part in the seminar.

- 9 March 2010
  - The Law of the Republic of Kazakhstan “on Counteracting Legalization (Laundering) of Illicit Proceeds and Terrorist Financing” came into force. From 9 March 2010, banks, stock exchanges, insurance/reinsurance organizations, pension savings funds, as well as other reporting entities started submitting information on suspicious transactions to the Financial Monitoring Committee. Under the law, the Committee carries out collection and processing of information on money and/or other property transactions subject to financial monitoring and, in case of detection of any signs of money laundering and financing of terrorism, to carry out such information to law enforcement authorities.

- 7-8 April 2010
  - A seminar on the relevant issues of operating a national system of combating money laundering and financing of terrorism took place in Astana. The event was organized by the Financial Monitoring Committee of the Ministry of Finance of Kazakhstan in association with the World Bank, UN ODC, International Monetary Fund and the EAG Secretariat. The main topic of the event was mutual evaluation procedure and various aspects of preparation for it.

- 5 May 2010
  - The Committee for Finance and Budget of the Lower Chamber of Parliament of the Republic of Kazakhstan – MAZHILIS – was assigned to proceed with working on the Draft Law “On amending certain legislative enactments of the Republic of Kazakhstan for combating money laundering and financing of terrorism”.

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**Chronicle of Events**

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**Paul VLAANDEREN is the FATF President for 2009-2010.**

Before assuming the position of President of the FATF in June 2009, Paul Vlaanderen was the Director of International Tax Policy and Legislation at the Dutch Ministry of Finance in the Hague. In that capacity he was in charge of formulating the Dutch anti-money laundering policy, advising the government in the context of the Organization for Economic Co-operation and Development, the United Nations and the European Union. Paul served as the Vice Chairman of the Committee on Fiscal Affairs of the OECD.

Prior to joining the Ministry of Finance in 2000, he was involved extensively with many multi-lateral organizations, dealing with economic, energy and financial issues. Paul worked for over 15 years for intergovernmental organizations like the UN ‘s Food and Agricultural Organization in Rome and Manila, the Energy Agency of the OECD in Paris and the Energy Charter Secretariat in Brussels, closely linked to the European Union.

In June 2008 Paul Vlaanderen became the first Vice-President of the FATF.
Preparing for the FATF Plenary Meeting

From 23 to 25 June, the FATF Plenary meeting will take place in Amsterdam (the Netherlands). This time, the event which usually takes place three times a year is to be held under the banner of the FATF 20th Anniversary with a symbolic gathering of the 20 FATF Presidents. Among the key issues of the agenda (along with other topics) is the interaction between FATF-style regional bodies.

During the Plenary, the meeting of the FATF President with the Presidents/Chairmen of the FSRBs will take place with participation of the FATF Chairman Oleg Markov.

Also in the course of the Plenary meeting, Russia will present its follow-up report on the progress in its national AML/CFT system. The report will reflect the key attempts to eliminate the deficiencies identified by the FATF experts during mutual evaluation. The legislation development and enhancement of interactions between bodies with the private sector.

Generally, the results of the FATF/MONEYVAL/EAG evaluation in 2008 showed high efficiency of the Russian AML/CFT system. Russia was in the top ten countries along with Sweden, Italy and Canada. The Russian financial intelligence unit, Rosfinmonitoring, was included in the Top 5 world FIls.

During 2009, Russia successfully defended the follow-up reports at the MONEYVAL and EAG Plenary meetings. Both FSRBs recognized Russia’s significant progress and the steps implemented under the Government Plan on enhancing the national AML/CFT system.

The approval of the follow-up reports for the FATF experts in June is crucial to Russia as it impacts the level of confidence in the nation’s financial system (especially the banking sector) held by the international community, which also directly influences Russia’s investment appeal. Russia has implemented significant measures to develop its AML/CFT legislation: a number of the key laws and subordinate acts were adopted, and a package of prominent draft laws has recently been elucidated. One of these provides for the phrase ‘financing of terrorism’ to be applied to crimes related to ‘illegal handling of nuclear or radioactive materials’ and ‘nuclear or radioactive material theft or extortion’ (the draft law passed its first reading on 16 April, 2010).

The draft law provides for Russian AML/CFT legislation requirements to be applied by foreign subsidiaries and branches of Russian financial institutions, and sets requirements to monitor closely business relations and transactions with persons and companies from those countries failing to comply or partly complying with the FATF Recommendations. It also added to the FATF non-cooperative to hold legal entities and their executives to account for failure to comply with anti-money laundering legislation requirements, taking the nature of the detected violations into consideration.

For the first time, the representatives of the Republic of Belarus participated in the Meeting of the Russian Interagency Commission on Combating Money Laundering and Financing of Terrorism (AML/CFT Commission) held on March, 23.

Participation of Belarus in the meeting was organized remotely through a secure channel of videoconferencing system.

The videoconferencing system implemented as part of the EAG Single Information Space connects the EAG Secretariat, Financial Action Task Force, the Department of the Russian Federation, Customs Committee of Belarus and International Training and Methodology Centre for Financial Monitoring and Combating Money Laundering. It is anticipated that all EAG member states will be connected to the videoconferencing system in due time.

The participants of the meeting discussed the regulation of trans-border cash and cash instrument transfers within the customs union countries.

The experts of the joint FATF/EAG mission on international AML/CFT cooperation.

The fact that Turkmenistan has been already added to the FATF non-cooperative and/or high risk jurisdictions list was also an important issue of discussion.

During the consultation Turkmenistan demonstrated high level of commitment to enforce cooperation in combating money laundering, terrorist financing, corruption and organized crime.

The IMF representatives took notice of the fact that, for the past several years, Turkmenistan has prepared a legal framework and created a financial intelligence unit under the Ministry of Finance.

A corresponding resolution was signed by the President of Turkmenistan, Gurbanguly BERDYMUHAMMEDOV. The president noted the importance of the international cooperation in combating money laundering and financing of terrorism, as well as the relevance of improving the legal foundations for fighting the crime.

The Law of Turkmenistan on combating money laundering and financing of terrorism was adopted.
The Presidents of Russia and Uzbekistan held negotiations on combating money laundering and financing of terrorism.

On 20 April, negotiations between the Presidents of Russia and Uzbekistan took place in Moscow. Dmitry Mедvedев and Islam Karimov were satisfied with the end results of the negotiations and expressed an aspiration to take cooperation between the two states to a higher level. Mr. Medvedev especially emphasized the necessity of partnership in the struggle against illegal migration, money laundering and financing of terrorism. The Heads of the countries expressed their great interest in investment cooperation and agreed to develop closer interaction within international organizations.

From IA “PRIME-TASS”

Tajikistan takes additional measures to strengthen its efforts against corruption.

In his annual address to the Parliament, the President of Tajikistan, Emomali Rahmon, announced the need to develop programs fighting corruption by all of the ministries, departments and local executive bodies. Moreover, by issuing a relevant decree the president charged the competent authorities with strengthening control over the targeted use of budget funds, as well as developing the law enforcement authorities coordination in their fight against corruption. The government of Tajikistan was charged with developing and passing a plan of events within three months on implementing the president’s anti-corruption decree and exercising steps to achieve it.

From IA REGNUM

Ukraine improves its national AML/CFT legislation in compliance with the international standards.

On 18 May, at the Plenary meeting of the Supreme Council of Ukraine, the Law “On amending the Law of Ukraine “On combating money laundering and financing of terrorism” was adopted. The adopted Law is designed to improve the national AML/CFT system in compliance with the FATF requirements and other international recommendations. The Law provides for representatives of the non-financial sector such as notaries, lawyers, real estate dealers, precious metals and stones dealers, auditors, and economic players rendering legal services and services on business accounting to be included in the category of reporting institutions. Special attention was paid to politically exposed persons. Reporting regarding these people is obligatory for all reporting entities. An important part of the Law are the amendments to the Criminal Law concerning the criminalization of financing of terrorism.

Besides that, the Law stipulates the possibility of suspending suspicious financial transactions without a relevant court decision. Thus, the reporting institutions have a right to delay financial transactions for up to two working days and Gosfinmonitoring, as a national financial intelligence unit, has the right to do so for up to five days. Gosfinmonitoring, the National Bank of Ukraine and fourteen ministries and other central authorities of Ukraine, as well as some self-regulating organizations, have played an active role in the creation of this Law for the past several years.

From the EAG

AML/CFT International System Development: the FATF Procedures and the Integration of International Interaction

The FATF has updated lists of non-cooperative and/or high risk jurisdictions. This initiative has been carried out in order to report to the G20 and is aimed at ensuring security and stability of the international economic system by broader compliance of countries with the AML/CFT standards, particularly FATF 40+9 Recommendations.

As a result of the latest FATF Plenary meeting, the list of the high risk jurisdictions was divided into three categories. The first category comprises jurisdictions subject to a FATF call on its members and other jurisdictions to apply countermeasures to protect the international financial system from the ongoing and substantial money laundering and terrorist financing risks emanating from the jurisdictions. Only one country has fallen within this category, Iran. The FATF suggests that correspondent relations with Iran should be monitored closely as well as special attention should be drawn to opening Iranian financial institutions, branches and subsidiaries abroad. With this regard, the deepest concern for FATF is the possibility that the financial system of Iran could be used to finance international terrorism.

The second category encompasses those jurisdictions with strategic AML/CFT deficiencies that have not committed to an action plan developed with the FATF to address these deficiencies as of February 2010. The FATF calls on its members to consider the risks arising from the deficiencies associated with each jurisdiction. Among those states are Angola, DPRK, Ecuador and Ethiopia. Finally, the third category, involving Pakistan, Turkmenistan and Sao Tome and Principe, encompasses those jurisdictions previously publicly identified by the FATF as having strategic AML/CFT deficiencies, which remained to be addressed as of February 2010.

Turkmenistan is an observer in the EAG and the EAG continuously assists the Republic in developing its national AML/CFT regime and addressing deficiencies identified by the FATF. The FATF has also come to the decision to remove Uzbekistan from the enhanced monitoring procedure following the country’s significant progress in addressing the deficiencies in the national AML/CFT regime previously identified by the FATF.

According to the EAG, Uzbekistan’s progress comes as a result of joint efforts undertaken by the national government and competent authorities alongside the FATF, EAG, World Bank and IMF experts.

The enhancement of interaction between the EAG and Asia-Pacific region: cooperation between the EAG and APG.

The annual Plenary meeting of the Asia/Pacific Group on Money Laundering (APG) will take place in Singapore from 12 to 16 July 2010. The goal of the Plenary will be to discuss the results and strategic avenues for the Group’s development.

The Russian Federation will take part in the APG Plenary meeting for the first time after joining this FSRB as an observer in May. The participation of Russia in the APG is destined to significantly increase the efficiency of Russia’s cooperation with the countries of the Asia-Pacific region.

At the same time, integrating the activity of the Eurasian and Asia-Pacific FATF-style regional bodies is to be intensified: since December 2009 the APG has been an observer in the EAG, furthering cooperation in combating money laundering and terrorist financing between the two regions.

About the EAG

The Eurasian group on combating money laundering and financing of terrorism (EAG) unites countries within the Eurasian region in their efforts to combat economic crime and reduce the threat of international terrorism. The EAG comprises 7 countries: Belarus, China, Kazakhstan, Kyrgyz Republic, Russia, Tajikistan, and Uzbekistan. Among those participating in the main EAG activities are financial intelligence units, law enforcement agencies, supervisory bodies, national banks and other government agencies of the region's countries.

The EAG is a FATF-style regional body. Its main goal lies in establishing and comprehensively developing national AML/CFT systems in the Eurasian countries in compliance with the international standards.

The EAG carries out the following activities:
- mutual evaluation of EAG member-state national AML/CFT system compliance with international standards and development of recommendations to enhance their effectiveness;
- typology research into criminal practices of money laundering and terrorist financing in the Eurasian region to combat economic crimes;
- providing comprehensive advisory and technical assistance to the EAG member states to ensure the development of their national AML/CFT regimes;
- holding consultations with the region’s private sector to mitigate risks of misuse of financial and non-financial institutions providing monetary services for criminal purposes.

The activities of the EAG as a Eurasian centre for combating money laundering are aimed at ensuring the security of member-state national economies, increasing transparency of their financial systems and reducing the level of corruption, as well as boosting the investment appeal of these countries on an international stage.