Turkmenistan joins the EAG

Cooperation between Turkmenistan and the Eurasian group on combating money laundering and financing of terrorism began in 2007 when the President issued a decree on the country becoming an observer member of the EAG. In the same year during the 7th Plenary of the EAG, Turkmenistan was granted observer status.

In May 2010 Turkmenistan adopted new amendments to its Penal Code to conform with requirements of the Vienna and Palermo Conventions. An article about criminal responsibility for the financing of terrorism was also introduced based on recommendations made by the FATF.

The development of legislation and improvement of AML/CFT system in Turkmenistan between 2009–2010: 28 May 2009 the AML/CFT Act is adopted.

In June 2009 amendments were made to bring existing legislation in line with the AML/CFT Act:

- The Penal Code: sentences for serious forms of money laundering were increased to 8 years with the possible confiscation of all property.
- The Code of Administrative Offences and the Code of Administrative Offences for infringements of the AML/CFT Act was introduced.
- The Law on Combating Terrorism: The Financial Intelligence Unit (FIU) was placed in charge of combating financing terrorism.
- The Central Bank Act: these amendments affected banking secrecy and the requirement to provide information to the FIU.
- The Law on Banks and Banking Activity: guidelines on providing information to the FIU, including requirements to freeze assets, were clarified.
- The Law on Currency Regulation, Insurance and Notary: changes were made to bring these laws into conformity with the AML/CFT Act.
- Tax Code: amendments were made to the tax confidentiality section.
- Amendments to laws relating to religious and social organisations were made. A supervising body now controls the financial operations of such organisations, and information must be provided to the FIU.

In January 2010 the Ministry of Finance established a national FIU – the Financial monitoring department.

In April 2010 a joint FATF–EAG mission visited Turkmenistan to draw up recommendations on developing the national AML/CFT system. The President of Turkmenistan also issued a decree on the country becoming a full member state of the EAG.

In May 2010 Turkmenistan adopted new amendments to its Penal Code to conform with requirements of the Vienna and Palermo Conventions as well as recommendations made by the FATF.

2 June 2010 the decision was made at the 12th Plenary session to make Turkmenistan a full member of the EAG. Becoming a member of the Group has paved the way for the government of Turkmenistan to actively cooperate with the FATF and other international organizations in the AML/CFT arena.

FATF President Paul Vlaanderen on the results of the EAG work and global dissemination of international standards

Based on the address of FATF President Mr. Paul Vlaanderen to the EAG Plenary on June 2

FATF President Mr. Paul Vlaanderen took part in the 12th EAG Plenary meeting, where he evaluated the work of the EAG and described future initiatives of the FATF in the international arena.

What do you think of the EAG’s work? How well is it coping with its role as a FATF-style regional body?

Paul Vlaanderen: Despite being one of the youngest FATF-style regional bodies (FSRB) of the region. This is why the EAG became an associate member of the FATF.

The EAG is successfully disseminating FATF standards within the region. Generally the role of FSRBs has dramatically increased in recent years. Thanks to their efforts, international AML/CFT standards have been accepted not only in the FATF member states, but also in more than 180 jurisdictions covered by the activities of FSRBs.

(Continued on page 2)

Oleg Markov
EAG Chairman
The FATF will mark its 20th anniversary this year. What are the main achievements of the organization?

The main aim of FATF is to create conditions for greater transparency and security in international financial system. The FATF 40+9 Recommendations are crucial for developing AML/CFT regimes and providing for safe economies. A large amount of the FATF work involves evaluating the extent to which these standards are followed.

Last year “G20” called upon the FATF to identify a list of countries either not complying with AML/CFT standards or not following them closely enough.

By February 2010 two documents were published. The first one outlined the situation in the most high-risk jurisdictions. The second document presented the results of ongoing-monitoring of the situation in the countries with certain deficiencies in their AML/CFT regimes which have however expressed political commitment to address them in cooperation with FATF and FSRBs. Jurisdictions which manage to improve their compliance with FATF standards get delisted and transferred from the first document into the second one.

FATF procedures are aimed at increasing the effectiveness of AML/CFT compliance worldwide, which is sure to result in greater economic activity, and make countries more attractive to potential investors. Non-compliance with international AML/CFT standards can cost money to national economies.

In what areas does the FATF plan to develop its activities? Are there any new initiatives requiring the participation of the FSRBs?

The FATF procedures employed by the FATF are being constantly refined. The FATF area of activities is also being expanded as a response to the new global threats. For example, the FATF is currently focused on introducing financial monitoring mechanisms to fight corruption. The FATF experts may take part in this initiative.

EAG took part in the FATF Plenary Meeting

EAG experts took part in the Plenary as well as the EAG member-state delegations from China, Russia, and Turkmenistan which joined the Group in June.

The FATF marked its 20th anniversary and the anniversary of its 40 Recommendations which have become international AML/CFT standards.

H.R.H. Princess Maxima of the Netherlands, the United Nations Special Advocate for Inclusive Finance for Development delivered a keynote address on the subject of Financial Inclusion on the first day of the FATF Plenary meeting.

H.R.H. Princess Maxima of the Netherlands underlined the importance of the FATF work in creating secure economies worldwide. According to H.R.H. address, "financial inclusion means universal access, at a reasonable cost, to a wide range of financial services for everyone needing them, provided by a diversity of sound and sustainable institutions. Exclusion is greatest in poorer countries, most of population 70% of the population have no access to financial services. In low-income countries, only 30% of small businesses have a bank loan or credit line. The basic concepts of AML/CFT regulation are transparency and risk management. These are the principles of safe, sound and well-regulated financial systems that promote consumer protection and encourage a conducive environment for financial services".

FATF President and FS RBs Chairmen meeting

The FATF President Mr. Paul Vlaanderen held a meeting with the FATF-style regional bodies’ Chairman and Secretariats. EAG Executive Secretary Mr. Igor Nebyvaja took part in the meeting on behalf of the EAG Chairman Mr. Oleg Markov. As a result of the meeting it was decided to enhance cooperation between the FATF and FS RBs regarding mutual evaluation procedures (in terms of exchanging evaluators) and implementation of unified risk assessment approaches. Secure EAG was granted associate membership status within the FATF.

The Eurasian group on combating money laundering and financing of terrorism was granted associate member status within the FATF as approved of by the FATF Plenary meeting.

In addition to the Vice-President position in FATF Luis Urrutia occupied the Chair of the Egmont Group of Financial Intelligence Units for the period of 2009-2010.

Serbia and Montenegro – the new EAG observers

The adhesion of Serbia and Montenegro to the EAG as observers is of great significance in strengthening the Group’s position in the region.

In Serbia the AML/CFT Law came into effect on 27 March 2009. In addition, the country passed two MONEVAL evaluations in 2003 and 2009. After the first evaluation a series of measures were undertaken to refine the Penal Code and improve the regulatory system of banking and non-banking sectors. The Serbian Financial intelligence unit - Administration for the Prevention of Money Laundering (APML) – reports to the national government every year. The Serbian FUI is a member of the Egmont Group.

In Montenegro the AML/CFT regime is as a being rapidly developed. The national government is committed to cooperating for AML/CFT. The Financial intelligence unit in Montenegro – Administration for Prevention of Money Laundering (APML) is an independent body that reports directly to the Ministry of Finance. It is also member of the Egmont Group.

Two years after gaining independence in 2006, Montenegro had its first MONEVAL mutual evaluation.

The FATF Plenary session and Working Group meetings were held in Amsterdam on June 21-25. EAG took part in the Plenary as well as the EAG member-state delegations from China, Russia, and Turkmenistan which joined the Group in June.

FATF President Paul Vlaanderen on the results of the EAG work and global dissemination of international standards

(Continued from page 1)
In your opinion, what are the main results of the 12th EAG Plenary meeting?

EAG Deputy Chairman Mr. Valery Yaroshevsky: Firstly, it Turkmenistan became a EAG member state, and new observers joined the Group. Further expansion of the EAG is one of the main priorities identified by the EAG Chairman Mr. Oleg Markov. Another important step is creation of the EAG Working Group on Assessment and Prevention of ML/FT Risks in International Financial Relations (WGAR).

EAG Executive Secretary Mr. Igor Nebyvaev: Decisions were made concerning strategic development of the EAG. In particular, a number of issues were discussed on the EAG transformation into an international organisation. The membership of the Group was expanded. Ideas were discussed to strengthen partnership with regional organisations in other parts of Eurasia – Shanghai Cooperation Organization, Commonwealth of Independent States (Executive Committee), Collective Security Treaty Organization, Eurasian Economic Community, etc.

Mutual evaluation report of Uzbekistan was also approved by the Plenary. It was noted that the country has made progress in enhancing compliance with international standards. Recommendations on how to address the deficiencies were proposed. Mutual evaluations are a large part of the EAG’s work. Credibility of the Group on an international level depends on the effectiveness of ME procedures.

What will be the impact of Turkmenistan’s participation in the EAG?

Valery Yaroshevsky: Expanding the EAG membership increases the influence of the EAG in the region, and helps facilitate the main goal of developing comprehensive AML/CFT systems in the Eurasian countries. The membership of Turkmenistan in the EAG will help the country enhance its national AML/CFT regime.

Igor Nebyvaev: The incorporation of Turkmenistan is the direct result of successful cooperation between the country and the EAG over the past couple of years. Turkmenistan was an observer in the Group and demonstrated significant progress in developing national AML/CFT system. Membership in the EAG will enable the country to increase the level of compliance with international standards. In return, the EAG is looking forward to the active participation of Turkmenistan in its future projects.

In your view, what is the main aim of the new EAG Working Group on Assessment and Prevention of ML/FT Risks in International Financial Relations?

Valery Yaroshevsky: I would say that the main aim of the new Working Group is to conduct strategic analysis on international financial relations. Given that money-laundering schemes are largely linked with cross-border financial transactions, it is essential to define these hotspots to facilitate international financial investigations. Therefore effective country risk assessment and the development of measures to prevent criminal activities are of the utmost importance.

Igor Nebyvaev: Many international organizations are looking into identifying high-risk zones and jurisdictions. With the help of the new Working Group, the EAG can play its part in these processes. The first step will involve developing a methodology for risk assessment and then the group will be able to identify high-risk countries and form recommendations on cooperating with them.

Which strategic priorities do you consider the most important for the EAG in the next 6 months?

Valery Yaroshevsky: We need to concentrate on developing bilateral links with international bodies involved in global AML/CFT processes. The EAG will make an invaluable contribution to current FATF projects by reviewing the situation in high-risk jurisdictions and developing anti-corruption initiatives. We are also interested in broadening the membership of the Eurasian group and continuing our active cooperation with all its existing members. In view of this, one of today’s more pressing goals is the creation of an interactive EAG expert community on our website, which will allow our partners to discuss online recent developments, trends and problems.

Igor Nebyvaev: Cooperating closely with the FATF and other FSRBs, as well as strengthening collaboration with our partner organisations. To this end, we are planning a joint conference with Shanghai Co-operation Organization, Commonwealth of Independent States (Executive Committee), Collective Security Treaty Organization, Eurasian Economic Community on the economic security of Eurasia.

The Russian Federation submitted its follow-up report to the FATF

The report covers Russia’s progress in enhancing national anti-money laundering system over the past two years since FATF–MONEYVAL–EAG mutual evaluation in 2008.

The mutual evaluation proved high efficiency of Russian AML/CFT regime. According to unofficial ratings Russia was listed among the top ten countries along with Sweden, Italy and Canada. Rosfinmonitoring was included into top five world FIUs. Having acknowledged all the achievements, the experts however suggested a number of recommendations on improving Russia’s AML/CFT system.

The follow-up report submitted to the FATF Plenary is a mandatory part of the FATF/FSRBs evaluation procedure. It reveals the results of joint work of Russian state authorities and private sector organizations. Key role in these processes has been played by the Ministry of foreign affairs of Russia, Central bank, Federal Service for Financial Markets and other government agencies which are part of the Interagency Commission on Combating Money Laundering and Financing of Terrorism chaired by the head of Rosfinmonitoring Mr. Yury Chikhanchin. Considerable achievements have been made in the following areas:

1. enhancement of AML/CFT legislation;
2. enhancement of law enforcement authorities’ and Rosfinmonitoring’s activities aimed at prevention, detection and investigation of ML/FT related crimes;
3. further development of AML/CFT supervisory activities;
4. enhancement of training system for AML/CFT experts.

The submitted follow-up report has finalized the first round of Russia’s progress reports to the evaluators. Previously Russia successfully defended similar reports at the MONEYVAL (September 2009) and EAG (December 2009) Plenaries.

The most significant achievements in enhancing AML/CFT legal infrastructure are as follows:

- introduction of detailed regulations for money transfers regarding provision of information on the payer;
- specification of AML/CFT mechanisms for financial institutions regarding foreign and international officials. By taking these measures Russia expects to achieve high level of its national AML/CFT regime compliance with 40+9 FATF Recommendations. By these and other implemented measures Russia seeks to achieve high level of compliance with international AML/CFT standards.

The next follow-up report will be submitted to the FATF Plenary in June 2011. According to the Head of Legal Department of Rosfinmonitoring and Co-Chair of the EAG Working Group on Mutual Evaluations and legal issues Mr. Pavel Livadny the success of this follow-up report is due to increase Russia’s investment appeal and the level of confidence in the nation’s financial system held by the international community.

“Compliance with FATF standards has a crucial impact on international economic ratings. At the same time acknowledgement of Russia’s progress by the FATF experts rules out any possibility of the country’s inclusion in the sanction lists” underlined Mr. Livadny.
Kazakhstan and Russia Consultations Forum on Financial Security of Private Sector and AML/CFT Best Practices was held in Almaty (Kazakhstan) on May 31 on the behest of the Eurasian group on combating money laundering and financing of terrorism (EAG) in cooperation with Rosfinmonitoring and the Kazakhstani Ministry of Finance.

Recent events

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The outcome of the Shanghai Cooperation Organization (SCO) meeting

On June 11 the Council of the Shanghai Cooperation Organization member states convened to discuss measures to tackle organised crime.

The leaders of the SCO member states expressed their views on the possibility of a joint effort to rebuild Afghanistan and bring stability to the situation in Kyrgyzstan. They also discussed the possibility of cross-national projects in various fields. During the meeting agreements on agricultural cooperation and fighting crime were signed.

The IMF is satisfied with banking supervision in Belarus

After visiting the Republic of Belarus in June, the International Monetary Fund praised the progress the National Bank had made in banking supervision.

Experts of the IMF advised Belarus against introducing new forms of banking regulation, and recommended concentrating on refining existing procedures.

According to the results of the IMF analysis, “The National Bank of Belarus should follow international practices in this field, paying particular attention to the results of the monitoring and to limiting the concentration of sources of funding, as well as stimulating credit growth.”

An economic forum was held in Saint Petersburg

The annual international economic forum was held in Saint Petersburg from 17–19 July.

Participants noted on more than one occasion that the global economy is well on its way to recovery, however risks to investment have increased.

Experts agreed that the international community should take steps to make the Eurasian states more attractive to investors. As well as the macroeconomic climate, Russia’s goals were also discussed. Particular attention was paid to the placement of Russian capital abroad, strengthening the investment potential of the country and the development of new concepts to reduce risks (including corruption).

The USA compares cyber attacks to military assaults

Experts have calculated that organised cyber-crime causes the USA more than $250m worth of damage every year.

According to a recent report by the Internet Crime Complaint Center, cyber-crime is capable of paralysing about 500 thousand websites in the space of six months. Experts admit that the main problem in the fight against cyber-terrorism is the lack of coordination between governments. NATO is working on a report that directly compares digital attacks to open hostilities, while the USA is creating a department in the Pentagon to deal with virtual threats – CyberCom.

The EAG’s Expert Community

The Eurasian group on combating money laundering and financing of terrorism is uniting Eurasian countries to fight economic crime and reduce the threat of international terrorism. There are eight countries in the EAG: Belarus, Kazakhstan, China, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. 17 countries and 15 international and regional organizations have observer status. The EAG application for the associate membership was fully supported by the FATF member states and international organizations.

The EAG is creating an interactive expert community in order to discuss the most relevant AML/CFT issues and share experience. Its aim is to bring together experts in the field of financial monitoring, financial security, law, banking technologies and others engaged in global AML/CFT processes.

The opportunities created by the EAG portal, allow experts to hold interactive forums, conduct research and discuss current initiatives in AML/CFT sphere.

Anyone wishing to help with this work is welcome to fill in a form at www.eurasiangroup.org (follow the “Expert Community” link).

International News

INTERNATIONAL NEWS

The FATF and FSRBs widely use consultations with private sector as a means to facilitate coordination between supervisory bodies and reporting institutions. Such consultations provide a platform for an effective discussion between national governments and private sectors institutions and allow them to elaborate recommendations for implementations of AML/CFT standards.

As a result of the Consultations Forum held in Almaty, recommendations were made for private sector institutions and supervisory bodies of Kazakhstan and Russia, which are aimed at enhancing combating money laundering and financing of terrorism.

Recommendations to the supervisory bodies and private sector institutions of Kazakhstan and Russia on the results of the consultations forum

To the financial institutions and other reporting entities:
• in the context of creation of the Single economic space with participation of Kazakhstan and Russia it is recommended to monitor closely transfers of monies and conduct due diligence regarding those customers involved in the international trade operations.
• in order to ensure transparency of financial transactions and those with securities and other property it is recommended to monitor closely transactions with offshore jurisdictions and the jurisdictions under the FATF monitoring.

To the supervisory and regulatory bodies:
• in the context of spread of new technologies and payment methods including those which do not demand customers’ presence – it is recommended to pay attention to e-money payments and other alternative non-banking payments (including payments through terminals). In this regard it is recommended to consider enhancing state regulation of e-payments in compliance with international standards.
• in the context of spread of non-banking financial services in terms of short-term loans and creating it is recommended to enhance government regulation and supervision in these areas.

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