

CHAIRMAN'S COLUMN



Development of the EAG activities alongside the enhancement of national AML/CFT regimes in the region is correlated with improving methodology, conducting typologies research, studying and disseminating best international practices and experience.

In this respect devising research approaches to AML/CFT and implementing comprehensive personnel training programmes gain crucial importance. We believe that creative and scientific search of strategic priorities for the global and national AML/CFT systems development is a long and complex process. It is important to accumulate and discuss ideas with participation of practicing experts and scientists, researchers, academics as well as representatives of private sector. According to our experience, the system is being most actively developed when we are challenged with difficult tasks that leads to innovative solutions and accumulation of the intellectual potential.

Thus the new EAG Bulletin is mainly dedicated to key lines of research in AML/CFT and issues of interaction with financial and scientific experts.

We also continue to discuss the development of national AML/CFT regimes in the EAG member states. China is in the focus of this issue as one of the EAG founding members and active participant of the international AML/CFT processes. I would like to thank the Anti-Money Laundering Bureau of the People's Bank of China for kindly contributing to the publication by providing information.

Oleg Markov
EAG Chairman

AML/CFT system development in China

China started developing national AML/CFT regime in the end of 1990s. Since then comprehensive AML/CFT legislation has been adopted. The country has been also continuously enhancing preventive measures in the financial sector.

Chinese criminal law identifies money laundering as a serious offence. Since December 2001 following the decision of the national legislator – the National People's Congress of China, terrorism has been included into the range of money laundering related crimes. Terrorist financing is also criminalized. The national AML/CFT law came into force from January 1, 2007.

The People's Bank of China (PBC) is the main national body to coordinate AML/CFT activities in the country including monitoring suspicious transactions and implementation of international AML/CFT standards.

China's financial intelligence unit (FIU) is located in the PBC. The FIU functions have been divided between two PBC units: the Anti-Money Laundering Bureau (AMLB) and the China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC).

The PBC officials believe that enhancement of combating money laundering regime is necessary to ensure economic stability and maintain key interests of the people. It also contributes to transparency in financial sector and mitigating reputational risks of credit institutions.

China is actively developing international cooperation in AML/CFT. China is one of the EAG founding members and



contributes significantly into the Group's activities.

China hosted three EAG Plenary meetings in 2005, 2007 and 2009.

It is a member of the FATF and Asia/Pacific Group on Money Laundering (APG).

China has signed agreements for cooperation with 16 foreign FIUs.

Mutual evaluation of China by the FATF with the EAG's participation took place in November 2006. In accordance with the recommendations of the evaluators, China adopted required amendments to legislation on AML/CFT and it continues to improve national anti-money laundering regime. In recent year China made a significant progress in improving efficiency of criminal prosecution of money laundering and developing supervisory activity.

Chronicle of events

- 2007 – China joined the FATF (firstly as observer, then as official member).
- 2007 – new AML law came into force. Due to the law all interested institutions should

increase level of control and analysis of big and suspicious operations.

- 2008 – the PBC modified the priorities of supervision and regulation in AML and implemented the FATF risk-based approach in order to increase efficiency of national AML/CFT regime.
- 2009 – The State Council of China adopted national AML/CFT strategy until 2012.
- February 2009 – China's People's Congress adopted amendments to Criminal Code. Criminal liability for money laundering was applied to legal entities.
- May 2009 – The State Council of China promulgated the Regulations on Lottery Management to require the lottery issuing and sale organizations to establish suspicious funds reporting regime.
- September 2009 – the PBC issued AML/CFT Guidance for institutions which conduct accounting and payments and started its AML/CFT supervision on this sector.
- May 2010 – the PBC issued the Circular on Implementing United Nation Security Council Resolutions Sanction Measures forwarded by the Ministry of Foreign Affairs in the purpose of developing special mechanism on

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terrorism-related assets freezing in China. This is the first official document evolving terrorism freezing mechanism in which financial institutions are required to screen through the sanction lists.

- June 2010 – Governor's Decree of People's Bank of China on Administrative Rules on Payment Services by Non-Financial Institutions specified the licensing criteria for this sector and strengthened the AML/CFT obligations on the payment service covering online payment, issues and cashing of prepaid cards, acquiring business of the bankcards etc.

About the FIU

The China Anti-Money Laundering Monitoring and Analysis Center (CAMLMAC) specializes in data collection, processing and analysis. Its function is to receive and analyze Suspicious Transition Report (STRs) and Large-value Transaction Reports (LVTs), and transfer STRs to the AMLB after its analysis. CAMLMAC acts as the central point of contact for foreign FIUs (article 10 AML Law). Since 2005 the CAMLMAC receives citizens' appeals.

The Anti-Money Laundering Bureau (AMLB) organizes and coordinates China's AML affairs, and carries out administrative



investigation, dissemination and policy oversight. Decisions about whether to carry out an administrative investigation into a STR or whether to disseminate an STR to the Ministry of Public Security (MPS) or other law enforcement agencies are made pursuant to the AML Law.

The AMLB carries out its activities directly and through its regional and local PBC branches. Regional and local PBC branches have administrative jurisdiction over a specified geographical region, such as a province or large urban area. At a provincial level, there are 36 AML divisions.

Scientific Research in AML/CFT: Current Experience and Perspective Projects

The development of an international system to combat money laundering and financing of terrorism directly involves a wide range of experts in the study of strategic and tactical activities. The first international scientific conference on the "The Value of Science and Training in Developing National AML/CFT Regimes" held in Moscow under the auspices of the EAG in September, was devoted to issues on interaction of practitioners with experts from research community.

The conference was attended by representatives from financial intelligence units of EAG member states (China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan), experts from the business and academic community, as well as higher educational institutions of the Eurasian region.

As the EAG Chairman, Mr. Oleg Markov noted, in his welcoming address to the participants of the event, the task of improving national AML/CFT regimes is being resolved not only by government agencies, but also by a wide range of experts in the field of finance and economic security.

"The establishment of research approaches to AML/CFT and implementation of comprehensive training programs and professional training of personnel is of great significance," said the EAG Chairman.

An interesting discussion revolved around the results of a blitz survey of the experts, conducted on the eve of the conference by an independent analytical centre. "Fighting money laundering as economic reality and political necessity". More than 60 experts, representatives of the banking sector, government agencies, independent financial analysts and professors in specialized educational institutions answered this question. The survey respondents presented their assessment of the issue concerning the participation of the private sector and civil society in the development of AML/CFT systems.

The survey showed that the degree of awareness of the problem of money laundering in society is quite high – 98% of respondents confirmed that money laundering poses a serious threat to the country's economic development and private business.

More than half of the experts (60%) consider that it is impossible to improve the efficiency of the national AML/CFT systems without the active participation of the civil society.

The vast majority of experts noted that the application of international anti-money laundering standards affects the transparency of the economic system and reducing the share of the shadow economy (81%), improves the political image of the government (73%), increases the investment attractiveness of the country (54%), etc.

Search for new forms of the private sector institutions participation in the developing

activities of AML/CFT, comprehensive information on the development of the international AML/CFT system.

"The positive image of the national AML/CFT regimes in the Eurasian region largely depends on how closely governments and businesses cooperate," said the Head of the Federal Financial Monitoring Service, Mr. Yuri Chikhanchin, in his address to the conference. He noted that the formation and development of training programs for professionals in the field of AML/CFT and the implementation of research projects is a very important activity for the EAG member states.

Pavel Livadny, the Co-Chair of the EAG Working Group on Mutual Evaluations and Legal Issues, noted that the expert potential, available in the Eurasian region, allows the EAG to develop advanced research projects, including the formulation of new strategies, standards and guidelines that may be offered to the international community.

The Director of the Anti-Corruption Research Centre, vice-rector of the Russian Legal Academy of the Ministry of Justice of Russia, Viktor Astanin, pointed out that the main problems in the implementation of research projects in the AML/CFT and in fighting corruption come from the "youth" of national

systems in the Eurasian region and the absence of a developed scientific school. He believes that the prospects for the formation of a research base are connected with a more active use of the potential of young researchers – graduate students. It is necessary to implement an academic approach, which combines the resources of higher education, science and research.

According to experts in the field of combating corruption, the EAG has great organizational resources, a good experience in knowledge sharing, implementation of training programs in the AML/CFT and attracting researchers to develop projects.

V. Astanin believes that special

attention should be paid to the EAG project on the development of professional standards for financial analysts, which will improve the quality of training and recruitment for the needs of the national systems.

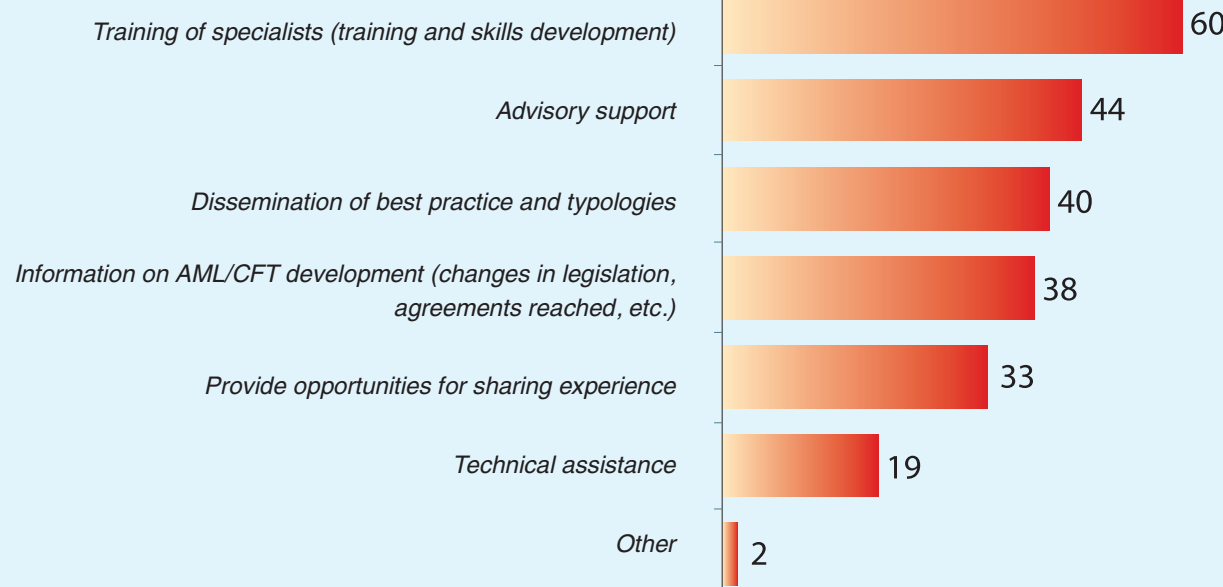
More information about promising research topics is available from the interview with P. Livadny and V. Astanin given to the EAG press center, which we publish on the pages of the Bulletin.

Summing up the results of the conference, the participants agreed to continue their dialogue on the platform of the interactive expert EAG community, as well as in research projects, implemented by the Eurasian Group, with the participation of the International Training and Methodological Center of Financial Monitoring.

In this case, the practical significance of the projects should be of interest to the financial intelligence units of the Eurasian group, and the wider audience of state and public sectors.

Read more about the prominent research topics in the interview of Pavel Livadny and Viktor Astanin

From your point of view, what forms of assistance does the private sector need from the government and international organizations to implement more effective AML/CFT measures?



of the national AML/CFT systems and constructive interaction with the state has also been noted by experts as among the number of priorities for further development. Respondents emphasized that the private sector feels the need for specialists training (60%), obtaining advice from the government and international organizations (44%), including the dissemination of best practices, explanations of the international standards and legislative frameworks regulating the

Today, the portfolio of the EAG includes research studies in the field of risk management of money laundering and financing of terrorism in financial and non-financial sectors, the expansion of new payment technologies and electronic money, the strategic directions of development of national AML/CFT systems in the Eurasian region, the development of professional standards of financial analysts, etc.

Memorandum The results of the conference

Improving national AML/CFT regimes in the Eurasian region involves the consolidation of efforts of public and private sectors, the search for modern mechanisms of interaction between expert practitioners and research potential in the area of economic security and finance.

In realizing the importance of joint effort to create a single bank of research developments, allowing government agencies, financial and non-financial organizations of the Eurasian group to

address more effectively the problem of detecting and preventing illegal activities related to money laundering and financing of terrorism, and managing the risk of committing illegal financial transactions, the conference participants agreed on the following:

1. To participate in consultative forums organized by the EAG for the exchange of experiences and best practices among experts from public and private sectors.

2. To collaborate within the research project of the EAG on "Managing the risks of money laundering and financing of terrorism in the financial sector: a view of the expert community" using the results of the expert survey (interview) of the concerned parties.

3. To continue building the interactive community of experts of the Eurasian Group on the EAG website www.eurasiangroup.org

Experts' View on Accumulating EAG Intellectual Potential

Participants in the international scientific and practical conference on the "The Value of Science and Training in Developing National AML/CFT Regimes", Pavel Livadny and Viktor Astanin: on the participation of financial institutions and the scientific community in increasing the transparency of national economies and the international financial system.



Pavel Livadny – Co-Chair of the EAG Working Group on Mutual Evaluations and Legal Issues, Head of Legal Department of Federal Financial Monitoring Service of Russia.

EAG is a fairly young FATF-style regional body. What is the contribution of the Eurasian group to the international AML/CFT system?

EAG is a rather influential international organization that actively participates in the development of regional and global AML/CFT systems, including the development of strategic and methodological approaches to combating money laundering.

Today there are still many important, interesting research topics and developments in the field of AML/CFT, which are not covered by the FATF yet. EAG can contribute greatly to the development of an international anti-money laundering system by participating in innovative research projects.

EAG member states were traditionally distinguished by their high intellectual potential, established scientific schools in the field of economics, jurisprudence and law.

The expert community, which is formed on the basis of EAG on the initiative of the EAG Chairman Mr. Oleg Markov, is designed to solve many pressing problems, including contribution to the improvement of the FATF recommendations.

How should interaction with the expert community be organized?

The role of experts is very important. The staff of specialized government agencies: supervisory, law enforcement, special authorized bodies are primarily engaged in legal practice. But everyday life presses, and they often have neither the resources nor the time to summarize their experience for the development of new regulations and recommendations. They are in great need of legal and methodological support.

The research results do not provide a theoretical basis, but they allow us to formulate relevant hypotheses and suggestions, which have an obvious practical value. It is very important to accumulate experience, to synthesize it and to formulate specific recommendations that are applicable in everyday activities. Such a symbiosis of practitioners and experts can create effective mechanisms for AML/CFT, and allows for rapid responses to emerging threats.

What topics are the focus of interest today for experts and researchers?

One of them is the sharp and abrupt development of non-traditional financial institutions around the world and moving of criminal schemes and technologies from the well-regulated banking sector into less controlled areas.

At the same time there is a rapid development of electronic money transfers and payments. The national AML/CFT systems need legislative strengthening of their capabilities and more rapid tracking of electronic transactions. At present, the region is developing the legislation in the field of electronic technology in the financial sector. For example, Russia is improving the legislation regarding regulation of the electronic terminals, as well as drafting the law on the national payment system, which should provide a basis for legal provision of the electronic payments market. In China in June 2010 AML/CFT obligations on the payment service covering online payment, issues and cashing of prepaid cards, acquiring business of the bankcards were strengthened.

Viktor Astanin – Head of the Anti-Corruption Research Center, vice-rector of the Russian Legal Academy of the Ministry of Justice of the Russian Federation.

Could you please share with us your experience of forming expert potential in the field of combating corruption?

There was a great temptation to assemble a team of existing scientific experts. But it turned out that this is not so simple. Many well-known experts were not independent in their views and approaches, and some were subject to opportunistic reasoning.

In order to interest scientists in this subject, we had to think about creating a research school, which forms the main elements of the academic structure having three elements: education – science – professional development. The availability and quality assurance of these elements (including the creation of educational and methodical association, the united editorial board of specialized scientific publications, etc.) in future may provide some positive results.

To date, we have already formed a team of scientific experts who are independent in their methodological approaches, and constitute the basis of an emerging scientific school in the field of combating corruption.

What common tasks to improve AML/CFT regimes and combat corruption can be defined?

Differences in the national legislations on combating corruption and money laundering are very attractive to criminals. In this respect, the synchronization of legislative approaches and best practices in anti-corruption policies and anti-money laundering, both domestically and internationally, acquires relevance. Common problems that we face consist in increasing the effectiveness of preventive measures. The standardization of rules regulating foreign economic cooperation in the private sphere are of great importance, especially in the banking environment, which is always subject to risks of concealment of money laundering.

At the same time an important role in preventing corruption and laundering of criminal proceeds is provided by the development of criminological significant sustainable features, schemes and trends of these crimes. This is the so-called typologies research, which

is conducted by the FATF, EAG and other FSRBs.

The overall objective is the development of professional standards in both areas, covering all levels of specialization – from analytics to the practical work. As far as I know, the experts of the Eurasian group are paying quite significant attention to this innovative direction and are conducting appropriate research.

It is also necessary to note the relevance of the creation of common components of the monitoring system for areas where corruption and money laundering are predicate phenomena and are related to each other. Solving this problem would facilitate the work of experts in completing their questionnaires and reports, which are required by the international structures (GRECO, FATF, etc.), supervising the execution of the international legal obligations of the countries.

In your opinion, what is the role of international organizations in enhancing the effectiveness of measures to combat corruption and money laundering?

International organizations play a significant role in the coordination and harmonization of public policies in the field of combating corruption and money laundering, and in the methodological enforcement of international conventions and the implementation of control measures for the implementation of international legal commitments at the level of national legal systems.

GRECO, the UN Office on Drugs and Crime, OECD play an active part in the global anti-corruption policy. In the field of combating money laundering, we have the FATF and the FSRBs (EAG, MONEYVAL, APG in Europe and Asia). These help unite the efforts of states, based on the evaluation of the effectiveness of the implemented measures. The asset recovery and confiscation of proceeds derived from corruption, including that part which is used to finance terrorism can serve as an example of such work.

International Community Against Nuclear Terrorism

Conference of the Global Initiative to Combat Nuclear Terrorism (GICNT) to counteract the financing of terrorism was held in Astana on September 28–30.

Representatives of the GICNT countries, including its co-chairs – the United States and Russia, discussed the issues of improving national counteractions against financing of terrorism, the role of legislatures in this process, the problem of sharing information to prevent the illegal proliferation of nuclear materials.

The Co-chair of the EAG Ad Hoc Working Group for Development and Implementation of Operational Guidance Mr. Igor Alekseev, participated in the conference on behalf of the EAG.

The venue of the conference was not chosen by chance. Kazakhstan having voluntarily

renounced its nuclear arsenal, at that time the fourth largest such arsenal in the world, considers this initiative as a real instrument to counteract nuclear terrorism. This state has been a member of the EAG since the founding of the Group and actively participates in international AML/CFT processes.

The Chairman of the Committee for Financial Monitoring of the Ministry of Finance of the Republic of Kazakhstan, Mr. Musiraly Utebaev, noted that the identification and cutting off of financial flows to support terrorist organizations, is one of the priorities in the process of counteracting the threat of international terrorism, and plays a large role in solving these tasks is assigned to the FATF and FSRBs, including the EAG.

Launched in 2006, by the presidents of the United States and Russia, the Global Initiative to Combat Nuclear Terrorism seeks to create an international multi-layered protection system and aims to strengthen the cooperation of the international community to prevent nuclear weapons components from getting into the hands of terrorists. To date, 82 countries are members of the Global Initiative.

Recent events

Projects of the Eurasian Group on Personnel Training in the New Academic Year

In September, in the framework of the EAG technical assistance, a two-week training course was held in Moscow for teachers – practitioners, involved in the



training of national personnel in the Eurasian countries. The training was organized at the International Training and Methodology Centre for Financial Monitoring (ITMCFM).

This project is aimed at accumulating the EAG potential to introduce multi-level training programs in order to further disseminate knowledge, and is being realized on the initiative of the EAG Chairman Mr. Oleg Markov.

The syllabus has been designed for the most experienced AML/CFT experts, as well as for teachers of specialized training centers, conducting education at the national level. In addition to lectures and seminars on topical issues of international standards and initiatives, the course includes lectures on pedagogical psychology, taking into account the features needed for the training in public and private sector personnel of national AML/CFT systems.

According to the participants of the seminar, the demand is extremely high for additional knowledge about the practical steps being taken by the international community and the best practices of different states to ensure the transparency of national financial systems and the safety of business relations.

Another project launched under the auspices of the EAG Chairman Mr. Oleg Markov, is the preparation of young professionals for the national AML/CFT

systems of the Eurasian region, located in one of the leading Russian universities in Moscow.

A total of 21 students from the states of the Eurasian group, specializing in financial and economic security within the specialty “Integrated information security of automated systems” are receiving training at the Institute for Financial and Economic Security (IFES) at MEPI in the year 2009–2010.

An obligatory condition for the students’ education is the use of their potential for the needs of national AML/CFT systems. EAG Secretariat is also interested in attracting students to a number of organizational issues in international targeted events of the EAG: inter-session meetings of working groups, consultations with the private sector, etc.

The Meeting of the Egmont Working Groups in Chisinau

On October 12–13, 2010, a meeting of the Egmont Working Groups was held in Moldova.

The meeting was attended by over 150 representatives from 50 member states of the Egmont Group.

During the meeting, priority issues of the Egmont Group were discussed, in particular, training in AML/CFT.

It was decided to hold the Egmont Tactical Analysis training course for professionals of the EAG member states in Russia in 2011.

The participants of the Egmont Training Working Group were shown a draft of the pilot training course on mutual evaluations. This course is designed for financial intelligence units and aims to prepare them for the missions of mutual evaluations of FATF and



FSRBs. Training in this area is intended to enhance the interaction of the Egmont Group with the FATF, which has been identified as

one of the priorities of both organizations for the year 2010–2011.

Tajikistan Received Training in the Framework of the EAG Technical Assistance

On September 29–30, 2010, Dushanbe hosted a training workshop for government specialists on the “Fundamentals of combating money laundering and financing of terrorism”. The event was held by the Eurasian group under the support of the National Bank of Tajikistan.

Specialists from the Department for Financial Monitoring, Banking Supervision Department of the National Bank of Tajikistan, the Agency for Anti-Corruption, Prosecutor General's Office, the Interior Ministry, the NSC, and the Office of the President of the Republic of Tajikistan received training.

The participants of the seminar were offered lectures on topics related to the development of current issues in the global AML/CFT system and activities of the EAG, implementation of risk-based approach, as well as the study of positive experiences of other countries in the Eurasian region in national legislation improvement.

A new head of the financial intelligence unit has been appointed in Kyrgyzstan

On October 5, 2010, Gulmira Shakirova was appointed the Chairperson of the State Financial Intelligence Service of the Republic of Kyrgyzstan.

Previously, Ms. Shakirova served as councilor to the Minister of Finance and the councilor to the President of the Social Fund of the Republic of Kyrgyzstan. Since August 2010, she was the Deputy Chairperson of the State Financial Intelligence Service.

On the development of professional standards of analysts in the field of AML/CFT

Within the international conference “The Value of Science and Training in Developing National AML/CFT Regimes”, held on September 23 in Moscow, a training session was held on gathering baseline data to develop a professional standard for the financial analyst in AML/FT. Representatives of the EAG member states: Belarus, China, Kazakhstan, Kyrgyzstan, Russia,

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Tajikistan and Uzbekistan took part in the training.

EAG Deputy Chairman, Director of the Financial Monitoring Department of the State Control Committee of Belarus, Mr. Valery Yaroshevsky via videoconferencing, took part in the discussions on the methodology of standard development.

It is expected that the project results will be used to develop higher education training programs for experts in financial monitoring, as well as to improve the quality selection of employees for financial intelligence units.

Ukraine and Kazakhstan join forces in combating money laundering

The meeting of the Ukrainian President Victor Yanukovich and the Kazakh President Nursultan Nazarbayev was held in Kyiv. The heads of the two states signed a Protocol on Amendments to the Ukraine – Kazakhstan



Action Plan for 2010–2011, as well as a number of bilateral documents aimed at developing Ukrainian-Kazakh cooperation.

The Memorandum of Cooperation between the State Committee for Financial Monitoring of Ukraine and the Ministry of Finance of the Republic of Kazakhstan in the sphere of combating legalization (laundering) of proceeds from crime and financing of terrorism was among the documents signed at the formal meeting.

In accordance with international norms and national laws of each state, the parties agreed to cooperate in the collection, processing and analysis of information on financial transactions of individuals and entities in order to combat money laundering and financing of terrorism.

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

We welcome all experts that wish to join us in this work to fill in a form at www.eurasiangroup.org (follow the “Expert Community” link).

EAG Expert Community

The Eurasian group on combating money laundering and financing of terrorism unites the countries in Eurasia to join their efforts in the fight against economic crimes and the threat of international terrorism. The eight mem-

ber states of the EAG include Belarus, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan. 17 countries and 15 international and regional organizations have observer status.

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

Editorial board

We welcome you to take part in the development of the EAG Bulletin. If you would like to place news, articles and other publications in the following issues of the Bulletin, please feel free to send an e-mail

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