Dear colleagues!

With the turn of December 2010 for a series of events that had great importance for the Eurasian group. The EAG became an associate member of the FATF, which indicates the strengthening of its authority, and it became an observer in the Asia-Pacific Group on Money Laundering. The membership of the EAG increased as well, with Turkmenistan joining the group as a full member, while Serbia and Montenegro came into the circle of observers.

The mutual evaluation of two states of the Eurasian group, Kazakhstan and Turkmenistan, began. The result of this evaluation will largely determine the further integration of these countries into the international AML/CFT system. During the past period, the FATF began to evaluate the risks for the global financial system and to identify states that are not cooperating or complying with international standards. Concurrently, work continued on the revision of 40+9 Recommendations. Today, there is an active ongoing discussion of the proposed changes to the private sector operations, which directly provides measures to prevent money laundering. These and other events have been covered on the pages of one of the projects, information and communication campaign of the EAG – the Monthly Bulletin.

Each edition of the eight issues released this year was dedicated to one of the countries of the EAG. The first focused on Kazakhstan, where the 12th Plenary Session of the Eurasian group took place, the final eighth edition was devoted to Russia, which is hosting the 13th EAG Plenary.

Next year, we plan to proceed with the formation of the EAG’s image as a full member, while Serbia and Montenegro entered this year was dedicated to one of the 13th EAG Plenary.

The December meeting is already the eighth EAG Plenary Session held in the Russian Federation. Since the establishment of the EAG, Russia has hosted a large number of training events, typology seminars, consultative forums with the private sector, etc.

The active participation of Russian experts in the EAG working groups, typology research, mutual evaluations and high-level visits, represents the country’s substantial contribution to the formation of an effective system of countering money laundering in the Eurasian region.

Yuri Chikhanchin.
The year 2010, spent under the chairmanship of the Russian Federation in the EAG, was of great importance for development of the Eurasian group and its member states, which achieved significant progress in the harmonization of their national AML/CFT regimes in compliance with the FATF standards.

On the threshold of the New Year, members of the Eurasian group summarize the results of their work, analyze the main events that occurred in the international AML/CFT environment and exchange their recommendations for future activities.

Strengthening cooperation, realizing new ideas and projects, accumulating experience and exchanging best practices are the priorities that form the basis of the group’s work, and are supported by all its members. It is impossible to develop EAG activities without the active cooperation of its member states, and their integration into the international AML/CFT system. Only by uniting our efforts, can we create the necessary conditions to ensure economic stability and security.

Summarizing the results of the passing year, the heads of the EAG member-state delegations exchanged their views on the most significant projects and initiatives in this region and beyond its borders, and commented on key EAG events.

**CHINA**

LIU ZHENGMING – Deputy Director-General of the AML Bureau of the People’s Bank of China

The FATF is revising its recommendations. Which amendments you consider among the priorities? How will they impact the EAG member-state AML/CFT regimes?

A: The FATF, as an international standard setter in AML/CFT area, has to continually review and revise its recommendations according to the changing of money laundering and terrorist financing techniques. At present, the FATF is preparing for its 4th round evaluations after 2012, it is time to review the standards so as to combat the new threats, trace new trends and methods of money laundering and to reflect the development of AML practices of its members based on the 3rd round evaluation results. The revision of recommendations will have a direct impact on the EAG’s next round of mutual evaluations after 2012. Each EAG member state will have to improve its domestic AML/CFT regime to meet the requirement of the revised standards. These include the amendment of the criminal law to add the tax crimes as money laundering predicates, the application of the risk-based approach (RBA) in some recommendations, enhanced CDD on domestic PEPs, the ratification of United Nation Convention against Corruption, strengthening international cooperation, etc.

For China, I think our primary priority will be the adoption of a risk-based approach. RBA will allow resources to be allocated in the most efficient ways, thus it will be the most effective approach to balance the cost and benefit of AML/CFT work, especially for China, since we are combating ML/TF in the world’s second largest, diversified and imbalanced economy while with very limited AML/CFT resources.

**BELARUS**

VALERY YAROSHEVSKY – Director of the Financial Monitoring Department of the State Control Committee of Belarus

Upon the call of the G-20, FATF is studying the possibilities of applying financial monitoring mechanisms to counter corruption. How, in your opinion, could the application of the FATF standards lead to a reduction of corruption risks in the Eurasian region?

The problem of corruption is relevant for most countries of the world, and the Eurasian region is no exception. The FATF Recommendations, aimed at identification of clients and the final beneficiaries as well as monitoring their activities, allow financial institutions to reveal crimes of corruption. An important role is played by the implementation of mechanisms for client risk evaluation. The approach involves a thorough analysis of high-risk clients in order to timely detect suspicious business activities that might be concerned with corruption.

In October 2010, FATF issued an information document explaining the specifics of applying the 40+9 Recommendations to counter corruption. This initiative confirms fully with the general vector on tightening all measures aimed at reducing the level of corruption set by the international financial community. Today states and intergovernmental structures are striving to unite their efforts and form common standards of anti-bribery policy, in order to ensure transparency of the global financial system.

**RUSSIA**

YURI CHIKHANCHIN – Head of the Federal Financial Monitoring Service of Russia

**THE DEVELOPMENT OF THE EAG**

The Government of the Russian Federation has confirmed its commitment to sign the agreement about the Eurasian group. How would you estimate the prospects of transforming the EAG into an international organization? How will it change the group’s activities?

Transformation into an international organization is an important stage in the development of the Eurasian group, which was initiated by the EAG Chairman, Oleg Markov. This change is brought on by the need to formalize all the organizational, financial, material and technical resources, as well as to clearly define the roles played by EAG participants, both member states and observers.

The status of an international organization will allow countries within the Eurasian group to engage much more actively in the work of the EAG itself, as well as in the global processes of countering money laundering. At the same time, it is expected that the role of observers in the group’s activities, and strengthening its ties with regional and international partners, should increase.

The tasks faced by EAG are constantly developing under the influence of new challenges and threats. With account of the trans-border nature of the crimes involving money laundering, it is only possible to combat them by united efforts. In this sense, the status of an international organization will allow the Eurasian group to act as a competent participant in these processes, both within this region and beyond its borders.

**INTERNATIONAL COOPERATION AND ENSURING COOPERATION IN THE LINE OF FINANCIAL INVESTIGATIONS?**

The Republic of Kyrgyzstan pays significant attention to international cooperation for the purpose of countering money laundering. The State Financial Intelligence Service signed agreements with many foreign FIUs, concerning cooperation for AML/CFT purposes. The Service is actively exchanging information with foreign agencies within the framework of joint financial investigations. An important role in this process is played by the membership of the Kyrgyz FIU in the Egmont Group.

In this connection, the Egmont project, designed to organize a training course in tacit analysis for the EAG member states and planned for 2011, is very topical.

Within the framework of the Eurasian group activities, Kyrgyzstan is striving for more integration into the global AML/CFT system and strengthening ties with its international partners. As a result of EAG receiving associated membership in the FATF, all group member states have gained an opportunity to take a more active role in the work of this organization and the development of international processes for combating money laundering the financing of terrorism.

**KAZAKHSTAN**

MUSIRALY UTEBEYEV – Chairman of the Financial Monitoring Committee of the Ministry Finance of Kazakhstan

The Eurasian group is an important stage in the development of the Eurasian region. How does participation in the work of the EAG affect the development of the international anti-corruption cooperation in the line of financial investigations?
In your opinion, what interaction mechanisms between EAG member states are the most advanced? The successful work of any system depends directly on the permanent effective communications between its elements - and this is precisely what the Eurasian group needs. Today, the bilateral exchange of information between FIUs of EAG member states is already quite refined. The videoconferencing (VC) project also has good prospects. This project has been developing within the EAG for the last two years on the initiative of the EAG Chairman, Oleg Markov.

Today, VC connects Russia and Belarus. At the present moment, a VC subscrib-er point is being installed in Kazakhstan. Using the opportunities offered by videoconferencing has a special relevance in the context of forming a common economic space and the Customs Union, now uniting Kazakhstan, Belarus and Russia. We are also planning to develop the VC system to organize interagency coopera- tion of public authorities within Kazakhstan, and thus to improve the operational efficiency of information exchange within the framework of the national AML/CFT system.

TAJIKISTAN

DZHAMSHED YUSUFIEN – First Deputy Chairman of the National Bank of Tajikistan

Tajikistan is now at an important stage of forming its national AML/CFT system. What is the role of EAG in this process? Tajikistan was one of the founding states of the Eurasian group. EAG mem- bership enabled it to form the founda-tions of its national AML/CFT system. Thanks to the high-level missions and a series of consultations with experts of the Eurasian group and observer organiza-tions, the country has created a financial intelligence unit and performed the re-quired work to develop its national legisla-tion. At the present moment, a draft framework AML/CFT law has been pre- pared, with the active participation of the EAG Secretariat. Adoption of this law is aimed at ensuring the existence of a full-fledged anti-money laundering regime. The EAG Secretariat has also assisted Tajikistan in drafting other legislative documents.

An important role in developing the na-tional AML/CFT system is played by the EAG technical assistance, which hold staff training and professional develop-ment seminars. In 2010, Tajikistan host-ed a visiting training seminar, in line with the Eurasian group, where officers of financial intelligence units, law enforce-ment and supervisory bodies underwent the required training. For these process-es, a very important position is occupied by the International Training and Meth-o-dology Centre of Financial Monitoring, established by Russia, the World Bank and other EAG donor organizations. The ITMCFM also offers long-term train-ing programmes which offer unique op-portunities for preparing well qualified AML/CFT specialists.

TURKMENISTAN

BATYR CHARGYELODYEV – Head of international relations department of Financial Monitoring Department of the Ministry Finance of Turkmenistan

Turkmenistan has recently joined the group of EAG member states. How did this influence the development of its national AML/CFT system? Admission to the EAG has allowed Turkmenistan not only to intensify its activ-ities in the development of its national AML/CFT regime in compliance with the international standards, but also to partic- ipate directly in the work of international organizations – including the FATF. Currently Turkmenistan is undergoing EAG mutual evaluation. It is an important stage for our country, because on the basis of the evaluation results, we will be able to develop recommendations and a specific action plan to improve the sys-tem, as well as to analyze the real situa-tion in the country and submit the results we achieved to the FATF. The level of the international community’s confidence in our national financial system will also depend on results of this mutual evalu-ation. It will also help us to enhance in-ternational cooperation and investment climate.

UZBEKISTAN

ZOKHID DUSANOV – Head of the Department on Combating Money Laundering under the General Prosecutor’s Office of Uzbekistan

Fiscal and Foreign Currency Crimes and Money Laundering under the General Prosecutor’s Office of Uzbekistan

Within the EAG framework, staff training projects are actively develop- ing. What is the demand for such work in Uzbekistan? The opportunity to take part in the EAG training projects, and forming an expert community is very important for Uzbeki-stan. Of critical importance is the process of professional development of AML/CFT trainers, as the experienced experts and practitioners who should be ready to share their knowledge and skills with public and private sector officials.

According to our experts, the opportu-nity to exchange experience in the pro-fessional environment, offered within the framework of the research and practice conference held this September in Mos-cow, was very useful.

During the year, there were many other training events organized under the aegis of the Eurasian group. A great interest was evoked by the seminar on “Internal Control in Credit and Financial Institu-tions” held in October by the International Training and Methodology Centre for Fi-nancial Monitoring, with assistance of the Central Bank of Uzbekistan.

On December 14-15, 2010 13th EAG Plenary meeting will take place in Moscow

Experts from the EAG member states including China, Belarus, Kazakhstan, Kyrgyzstan, Russian, Tajikistan, Turkmenistan and Uzbekistan and observer countries and organizations will take part in the meeting.

Key issue of the agenda is assessing preliminary results of the EAG activities and discussing priorities for the upcoming period in the context of the anticipated trans-formation of the group into an international organization.

Another major topic is the member state follow-up reports on the progress made in developing national AML/CFT regimes. This issue becomes ever more relevant given the development of the FATF procedures on revising the 40+9 Recommend-a- tions prior to the 4th round of mutual evaluations.

The participants of the EAG Plenary will also consider granting observer status to the UN CTC and developing cooperation with other international and regional organizations.

In this framework a memorandum of understanding will be signed with the Inter-parliamentary Assembly of Member Nations of the Commonwealth of Independent States (IPA CIS) by the EAG Chairman Oleg Markov and the IPA CIS Secretary Gen-eral Mikhail Krotov. The EAG and IPA CIS will develop cooperation for enhancing national legislation of the member states and conducting comprehensive information exchange.

The 13th EAG Plenary will approve of the typology reports of 2010 on ML/TF risks of e-money, foreign trade operations, nontraditional financial institutions, alternative remittance systems, etc.
Recent events

Krygzstan will sign the EAG Agreement

On December 1, the President of the Republic of Krygzstan, Rosa Otunbayeva, approved the draft agreement on the Eurasian group on combating money laundering and financing of terrorism.

On behalf of the Krygzstan government, the agreement will be signed by the Chairman of the State Financial Intelligence Agency, Gulmira Shakirova. Russia and China have also expressed their intentions to sign the agreement on the Eurasian Group in the nearest future. The transformation of EAG into an international organization will allow for improvements of the group’s working efficiency and promote the further integration of its members into the global system of combating money laundering and the financing of terrorism.

In Astana, the summit of the Organization for Security and Cooperation in Europe (OSCE) has come to its end

Participants of the summit underlined the need to form a single economic security space “from ocean to ocean” – that is from the Atlantic Ocean to the Pacific Ocean and from the Arctic Ocean to the Indian Ocean.

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 member 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.

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).

Kyrgyzstan and Tajikstan strengthen their cooperation in the AML/CFT sphere

Agreement on cooperation between the State Financial Intelligence Service of Kyrgyzstan and the Department of Financial Monitoring at the National Bank of Tajikstan will be signed at the 13th EAG Plenary meeting.

Within the framework of the present agreement, financial intelligence units of the two states are planning to develop their cooperation in the field of combating money laundering and the financing of terrorism. Kyrgyzstan and Tajikstan have also achieved cooperation for AML/CFT purposes within the Eurasian Group. Signing the bilateral agreement on interagency cooperation will allow strengthening the joint efforts of both states, and will lead to an improvement in the effectiveness of combating economic crime and terrorist threats within this region.

While opening the summit, the President of Kazakhstan, Nursultan Nazarbayev, noted that with the creation of the OSCE, the European principles of security were established “from Vancouver to Vladivostok”. Today, with account of the considerable expansion of the organization, due to admission of many countries of Central Asia, it is of particular relevance to build a new single structure of security for the Euro-Atlantic and Eurasian community. The OSCE now has observer membership within the EAG. These two institutions cooperate on issues connected with combating economic crime and money laundering. Most Eurasian Group member states also participate in OSCE.

In Krygzstan, the rules of combating money laundering through the stock exchange have been formulated for the first time

The RTS (Russian Trading System) stock exchange submitted for approval by the Federal Service for Financial Markets, the regulations for internal control for the purpose of combating money laundering and the financing of terrorism.

In addition to standard customer identification procedures applied today, RTS proposes using a risk-based approach by dividing traders into four categories, depending on the degree of risk in the transactions being performed. As customers with the highest degree of risk, RTS recognized tour operators, casinos and other companies offering gambling business services, alternative money transfer operators and other institutions, the activities of which are related to an intensive turnover of cash. At the same time, RTS experts have formulated rules for the identification of unusual and suspicious transactions. Upon detecting unusual transactions, the stock exchange should be authorized to request additional information from traders and submit notifications to the Federal Financial Monitoring Service if necessary. Specialists of the Federal Service for Financial Markets believe that similar internal control regulations should be introduced for all stock exchanges, as the requirements of the national AML/CFT legislation apply to all participants of the securities market.

The Ministry of the Interior of Russia and the FBI of the USA are planning to create a specialized working group on combating corruption

The law enforcement authorities of the two countries are expanding their practical cooperation in fighting corruption. In Washington, members of a special delegation from the Ministry of the Interior of Russia participated in negotiations with representatives of the State Department, Ministry of Justice, FBI and other U.S. agencies.

Both parties expressed interest in developing dialogue in this field and welcomed the possibility of creating a joint working group on combating corruption with the cooperation of the Ministry of the Interior of Russia and the FBI of the USA. In the national plan for combating corruption in Krygzstan, a great importance is placed on tracing property, acquired by way of corruption and withdrawn beyond the country’s borders. This sphere seems to be of high priority for the USA as well, so, in this connection, the strengthening of bilateral cooperation becomes more and more relevant. For specialists in the field, the agreement on exchange of information on specific cases of corruption in both countries, and sharing ideas on forms and methods of fighting corruption crimes is very important.

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