

## CHAIRMAN'S COLUMN



### Dear colleagues!

We will remember 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 results 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 family member of the FATF, and to use information resources of the group to strengthen the position of national AML/CFT systems and its members.

I hope that work in this direction will continue to attract leading experts to discuss the most important projects and events.

**Oleg Markov**  
EAG Chairman

## Russia: achievements of the AML/CFT national system and cooperation with the EAG

*The Russian Federation has traveled an uneasy path during the formation of its national anti-money laundering regime. Back in the late 1990s, when the formation of financial and banking infrastructure was already completed, there was still no comprehensive AML/CFT system operating in Russia. In the year 2000, the country was included in the FATF "black" list.*

*Since that time, and within less than three years, a series of measures were taken to create a comprehensive AML/CFT regime, the effectiveness of which has been successfully confirmed by the latest FATF/MONEYVAL/EAG mutual evaluation.*

The Russian Federation has consistently voiced its support for the formation of a global rapid response system to meet present-day challenges and threats, above all, such things as international terrorism, organized crime, financial fraud, corruption and other manifestations of transnational crime.

Building an effective system to counter money laundering is currently one of the priorities for the national security and development strategy.

Russia takes an active position on all AML/CFT issues in the international scene. The country is a state member of the FATF, EAG and MONEYVAL and an observer within the APG, and it also participates in the work of UN specialized departments and international financial institutions involved in fighting money laundering and the financing of terrorism.

The national AML/CFT regime in Russia is being constantly improved, primarily taking into account the recommendations of mutual evaluations performed by the FATF, EAG and MONEYVAL experts in 2008.

The national financial intelligence unit (FIU) was established in 2001 as an independent agency within the structure of executive bodies. Until 2004, it was accountable to the Ministry of Finance, and since 2004, it reports directly to the Government of the Russian Federation.

The Federal Financial Monitoring Service (Rosfinmonitoring) has been formed by transforming the Financial Monitoring Committee of the Russian Federation (FMC) and represents an administrative type of FIU.

The first chief of the FIU was Viktor Zubkov, who is now First Deputy Chairman of the Government of the Russian Federation. Under his authority, the foundation for the national financial intelligence unit was laid. Moreover, Mr. Zubkov was also the first Chairman of the EAG.



In September 2007, the Federal Financial Monitoring Service was taken over by Oleg Markov, who has occupied the position of Eurasian group Chairman for the previous three years.

Today, the chief of the Russian financial intelligence unit is Yuri Chikhanchin.

According to unofficial ratings, Rosfinmonitoring ranks among the top five FIUs in the world. It is actively developing international cooperation, collaborating and engaging in information exchange with its foreign partners. Since 2002, the Federal Financial Monitoring Service has signed AML/CFT interdepartmental agreements with over fifty foreign agencies. The Federal Financial Monitoring Service also renders assistance to FIUs of the EAG member states, thus facilitating their integration into the activities of international organizations. Today, the work on preparing financial intelligence units of Kazakhstan, Uzbekistan and Tajikistan for their admission to the Egmont Group is underway.

Russian AML/CFT legislation is constantly being improved in compliance with international standards. The necessary measures are also being taken to enhance effectiveness of interagency cooperation and implementation of risk-based approach into the activities of supervisory bodies and private sector.

The Interagency Commission on Combating Money Laundering and Financing of Terrorism (AML/CFT Commission), headed by the chief of the Federal Financial Monitoring Service, plays a leading role in these processes. Within the Commission, there is an Advisory Board

uniting leading associations of the banking community and other organizations involved in the AML/CFT system.

The Russian Federation is one of the founding states of the EAG, and one of its most active members. Russia has chaired the EAG since the day of its establishment. It provides considerable technical assistance to other countries within the Eurasian group, including assistance in the field of training specialists for financial intelligence units, as well as the supervisory bodies and law enforcement authorities. For this purpose, the International Training and Methodology Centre for Financial Monitoring was created, which is celebrating its 5th anniversary in December.

The December meeting is already the eighth EAG Plenary Session held in the Russian Federation. Since the establishment of the EAG, Russia has also 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.

### CHRONICLE OF EVENTS

- **September 1997** – The Russian Federation became a member of MONEYVAL, the European FATF-style regional body.
- **2000** – Russia was included on the list of Non-cooperative Countries & Territories, otherwise known as the FATF "black list", due to the absence of a comprehensive AML/CFT regime at that time.
- **August 7, 2001** – Law No. 115 FZ "On Countering Legalization (Laundering) of Money Received from Criminal Activities and the Financing Terrorism" was approved, and amendments to a number of

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other enactments were made in accordance with the new law. In 2002, 2004–2007, and 2009 amendments were introduced to the AML/CFT framework law, with due consideration of the requirements set out by international standards.

- **November 1, 2001** – Financial Monitoring Committee of the Russian Federation (FMC) was established.
- **June 2002** – FMC became a member of the international association of FIUs within the Egmont Group.
- **July 2002** – Russia introduced criminal liability for the financing of terrorism and ratified the corresponding UN Convention (the New York Convention).
- **October 2002** – at the FATF Plenary Session, a decision was taken to remove Russia from the "black list" in connection with country having created a comprehensive AML/CFT system.
- **June 2003** – Russia received full membership in the FATF.
- **October 2003** – in the course of the FATF Plenary Session, Russia put forward a proposal for the creation of EAG - as an FSRB for the states of Eurasian region.
- **March 9, 2004** – the Financial Monitoring Committee of the Russian Federation was reformed into the Federal Financial Monitoring Service (Rosfinmonitoring).
- **October 2004** – Moscow hosted the Founding Conference, where the founding declaration of the EAG was signed.
- **October 2006** – the Interagency Commission on Combating Money Laundering and Financing of Terrorism (AML/CFT Commission) was established.
- **2007-2008** – Russia underwent FATF/MONEYVAL/EAG mutual evaluation, and received quite a good rating in terms of compliance with international standards.
- **2010** – Russia joined the Asia-Pacific Group on money laundering as an observer.

## HEADS OF THE EAG MEMBER-STATE DELEGATIONS SPEAK ABOUT THE DEVELOPMENT OF THE

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 system 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 predicated offence, the application of the risk-based approach (RBA) in some recommendations, enhanced CDD on domestic PEPs, the ratification of United Nation Convention against Corruption, strengthen international cooperation, etc.

As 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 conforms 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 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 counter 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.

### KYRGYZSTAN

**GULMIRA SHAKIROVA –**  
Chairperson of the State Financial Intelligence Service of Kyrgyzstan

**How does participation in the work of the EAG affect the development of**



**international cooperation and ensure 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 tactic 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 and the financing of terrorism.

### KAZAKHSTAN

**MUSIRALY UTEBAYEV –**  
Chairman of the Financial Monitoring Committee of the Ministry Finance of Kazakhstan



## INTERNATIONAL AML/CFT SYSTEM AND THEIR COOPERATION WITHIN THE EURASIAN GROUP

### 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 subscriber 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 cooperation 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

**DZHAMSHEH YUSUFIEV –  
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 membership enabled it to form the foundations 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 organizations, the country has created a financial intelligence unit and performed the required work to develop its national legislation. At the present moment, a draft framework AML/CFT law has been prepared, 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 national AML/CFT system is played by the EAG technical assistance, which hold staff training and professional development seminars. In 2010, Tajikistan hosted a visiting training seminar, in line with the Eurasian group, where officers of



financial intelligence units, law enforcement and supervisory bodies underwent the required training. For these processes, a very important position is occupied by the International Training and Methodology Centre of Financial Monitoring, established by Russia, the World Bank and other EAG donor organizations. The ITMCFM also offers long-term training programmes which offer unique opportunities for preparing well qualified AML/CFT specialists.

#### TURKMENISTAN

**BATYR CHARYGELDYEY –  
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 activities in the development of its national AML/CFT regime in compliance with the international standards, but also to participate 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 system, as well as to analyze the real situation 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 evaluation. It will also help us to enhance international cooperation and investment climate.

#### UZBEKISTAN

**ZOKHID DUSANOV –  
Head of the Department on Combating**

**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 developing. 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 Uzbekistan. 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 opportunity to exchange experience in the professional environment, offered within the framework of the research and practice conference held this September in Moscow, 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 Institutions" held in October by the International Training and Methodology Centre for Financial 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 transformation 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 Recommendations 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 Interparliamentary Assembly of Member Nations of the Commonwealth of Independent States (IPA CIS) by the EAG Chairman Oleg Markov and the IPA CIS Secretary General 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

NEWS OF THE EURASIAN 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 Russia, 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. Special-

ists 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 Russia, 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.

### Kyrgyzstan and Tajikistan 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 Tajikistan 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 Tajikistan 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.

### Kyrgyzstan will sign the EAG Agreement

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

On behalf of the Kyrgyzstan 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](http://www.eurasiangroup.org) (follow the "Expert Community" link).

### 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

entitled "EAG Bulletin" to: [info@eurasiangroup.org](mailto:info@eurasiangroup.org)  
Telephone: +7 (495) 950-31-46, fax: +7 (495) 950-35-32.  
More information can be found on our website: <http://www.eurasiangroup.org>