

CHAIRMAN'S COLUMN



Dear colleagues!

The two significant events have been just over: the EAG Plenary meeting in Minsk and the FATF Plenary in Oslo. I would like to note certain results of the Group. The international community has positively admitted Kyrgyzstan's and Tajikistan's efforts to remove loopholes in their national anti money laundering systems. However, not only these countries, but the other member-states of the Eurasian group will also have to do a great job to react adequately to emerging money laundering and terrorism financing risks and threats.

The EAG continues strengthening cooperation with its key partners, including the Egmont group. Steps taken in this direction follow the common vector aimed to make the FATF and the group of financial intelligence units closer.

The joint EAG – Egmont group workshop held recently in Minsk is a perfect example of this. I would like to express special gratitude to Mr. Boudewijn Verhelst for his personal input into tightening of the interaction with the Eurasian group.

Our closest plans include the joint project with the other partner of the EAG – the Asia/Pacific Group. In September this year the workshop on typologies, which will allow experts sharing experience of development of typology schemes of money laundering challenging for our regions will be held in Mongolia. The issue of financial flows from drug business detection will be on the agenda. I am sure such projects will help enrich with new knowledge and get experts' positions closer.

Yury Chikhanchin
EAG Chairman

Today's agenda – effectiveness

The 18th Plenary meeting of the Eurasian group on combating money laundering and financing of terrorism was held in Minsk on May 23-24. FATF President Bjørn Aamo took part in the event.

During the opening of the meeting, EAG Chairman and Rosfinmonitoring Director Yury Chikhanchin highlighted the role of the FATF in the Eurasian Group's activities and the significance of the presence of the head of this international organization at the meeting. Mr. Chikhanchin expressed his gratitude to the Belorussian side for the perfect organization of the event and underlined the role of the delegation headed by Mr. Alexander Maximenko in the work of the Group.

"The FATF presidency will be transferred to Russia in July. This mission is not only honorable, but also very responsible. It is important to continue the good legacy left by the current Norwegian president, not least because one of the key FATF documents, "Methodology on Mutual Evaluations", was approved in this period. We should direct the EAG's efforts towards the next round of mutual evaluations and training of assessors", – the EAG Chairman stated.

Speaking at the opening ceremony of the event the Chairman of the State Control Committee of the Republic of Belarus Mr. Alexander Yakobson stressed that EAG member-states are developing their AML/CFT systems, FIUs

are working at their full force, prospective initiatives are being undertaken and the progress achieved allow the Group putting new tasks, creating mechanisms of interaction, which helps improving the work of the Group.

The presentation from the FATF Secretariat's representative Ms. Valerie Schilling on the new "Methodology on Mutual Evaluations" was of particular interest to participants. Mutual evaluations are the main

money laundering systems, which will be carried out during on-site assessor visits. These visits will allow the real work of these systems in each country to be examined more closely. To this end, the experts plan to hold meetings and interviews both in the private and public sectors.

The key issue discussed at the Plenary meeting was the progress made by countries in the reporting period. The Republic of Tajikistan was advised to

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search developments of the International Training and Methodology Centre for Financial Monitoring (ITMCFM), technical assistance, as well as the EAG



tool of the FATF, helping to identify loopholes in anti money laundering systems both in legal and institutional foundations, as well as enforcement mechanisms. The main focus of mutual evaluations in the latest Methodology will be placed on the effectiveness of anti

regulate criminalization of terrorist assets on the level of criminal legislation. The Kyrgyz Republic needs to continue work on improving its national AML/CFT system.

Participants' attention was also drawn to information about the scientific and re-

workshops held between the Plenary meetings. Guests of the event expressed their gratitude to the ITMCFM for its significant contribution in improving the regional AML/CFT system.

The 19th EAG Plenary meeting is scheduled for this November in Turkmenistan.

The closing Plenary meeting of FATF-XXIV under the Norwegian Presidency was held in Oslo, Norway

The Plenary meeting guests of honor were the Minister of Finance of Norway Mr. Sigbjørn Johnsen and Her Majesty Queen Maxima of the Netherlands, United Nations Secretary-General's Special Advocate.

Her Majesty underlined that the implementation of anti-money laundering and combating the financing of terrorism (AML/CFT) regimes is closely connected with financial inclusion. President of the FATF, Mr. Bjørn Aamo, stressed in his comment that financial Inclusion will remain an important task for the FATF in coming years, both in policy development and in other areas of work.

Financial inclusion is a guaranty for transparency of financial flows and decrease of currency turnover.

The new FATF standards oblige to take additional steps to protect international financial system. Among the most important documents adopted in Oslo are guidance relating to Politically Exposed Persons as well as Risk-Based Approach to Prepaid Cards, Mobile Payments and Internet-based Payment Services. Were approved and published studies on Money Laundering and Terrorist Financing Related to Counterfeiting of Currency and

Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals.

The FATF ICRG meeting, where the countries with national AML/CFT systems' deficiencies were discussed, passed in the framework of the Plenary.

Objectives of the Russian Presidency in the FATF for 2013 – 2014 having obtained great support from the delegations were the key issue on the agenda.

The next FATF Plenary meeting will be held in October 2013 in Paris.

Information Technology in Financial Intelligence

A joint Egmont Group and Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) workshop, organized by the International Training and Methodology Center for Financial Monitoring (ITMCFM, Russia) at support of Belarus, was held in Minsk on May 20.



The workshop was dedicated to “Modern approach to construction and development of information and analysis systems in FIU”.

The nature of working in combating money laundering is such that its effectiveness is largely defined by the level of development, functionality and content of information-analytical systems. A computer will never replace a person, and the final say always goes to the person conducting the financial investigation. However, the knowledge and typologies that can be structured should become an effective tool for automated monitoring and analysis.

The decision to organize the workshop was taken during the 17th EAG Plenary meeting in New Delhi and was supported by the Egmont Group, which unites over 130 financial intelligence units (FIUs) around the world. The Egmont Group Chairman Mr. Boudewijn Verhelst (Belgium), Head of the ITWG, the Egmont Group Ms. Hennie Verbeek-Kusters, as well as experts from FIUs in various countries, all took part in the event.

The Eurasian region is an important and active part of the information exchange network for the Egmont Group. Mr. Verhelst acknowledged the role of the Russian FIU given the size of the country, economy and financial sector. Rosfinmonitoring is one of the leading members of Egmont Group. The main aim of the international union of financial intelligence units is to create a global network for the exchange of information between FIUs.

Rosfinmonitoring Deputy Chairman Mr. Valery Shibin underlined that Russia has very close technical and information interaction with the FIUs of other countries. The same was mentioned by Coordination and International Cooperation Manager at the Financial Monitoring Department of the State Control Committee of Belarus Vitaly Prosvirov: “Russia is our closest neighbor and ally, our cooperation continues to develop and we are exchanging experience and information. Information technologies are the foundation of financial intelligence. It’s a well-known fact that knowledge is power.

Recommendations for the joint EAG-Egmont Group workshop

1. Continue exchanging experiences in using IT technologies for financial monitoring in the Eurasian region.
2. The Egmont Group IT Working Group should find the possibility to share its workshop conducting experience within other regions.
3. Contact the EAG Secretariat with a request to inform other FSRBs of the results of this workshop.
4. Look at the possibility of creating a relevant information resource about new IT products and their implication experience.

on a national level. One of the most important tasks for Egmont Group is to work on developing a common standard for IT systems.

However all the countries in the Egmont Group share similar tasks. First and foremost, they must adapt to the latest revision of the FATF Recommendations. According to Ms. Verbeek-Kusters, some analysts sometimes use intuition, while others use experience, when assessing information. Quite often this knowledge stay solely in the heads of these analysts. They come to the correct conclusions but the challenge is to include this information in the IT system so that all the FIUs could benefit from it.

The event was opened with a welcome address from EAG Chairman and Rosfinmonitoring Director Yuri Chikhanchin. During the event, representatives from the EAG member states (Belarus, India, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan), as well as EAG observers, discussed a number of issues of mutual interest with the Egmont Group delegation. Leading specialists in IT from the FIUs of various countries gave talks at the meeting, which were followed by interesting and lively discussions with plenty of questions for those giving the presentations.

The workshop didn’t become a sort of “private club” of IT specialists. No matter what the topic of each report was, there was always an active discussion involving both IT specialists and financial analysts, the FIU heads and rest of the participants. Even highly-specialized reports such as “Affordable threats restraining for FIUs computing centre” by Joseph Margalit, senior FIU consultant in Israel, provoked an



Financial intelligence units today have huge data arrays, that require special software capable to process such a large scope of information.

The fight against money laundering and the financing of terrorism must be a joint effort, which has been proven time and again in practice by the collaborative work of FIUs. Therefore, it is important for all participants of the workshop to exchange their experiences and learn something from each other, so that decisions can then be taken

active discussion, which touched upon issues in many related fields.

Participants were particularly interested in reports by the Chinese delegation, who shared their experience in combining the efforts of three units from different government bodies carrying out financial intelligence. The presentation from the representative of the FIU in India Ms. Renu Amitabh contained an overview of the Indian FIU's information system, which offers extensive functionality and was created using the latest information technology. The representative from Armenia's FIU Ms. Alice Amirbekyan showed participants a fully-fledged solution for those with limited IT budgets and this drew great interest from other FIU representatives.

at the Egmont Group IT Working Group. One of the most topical questions facing FIUs is the ability to create so-called graphical "Data Marts". Links determine the nature of the item in question and offer a provisional automated analysis option. New IT capabilities help to create the necessary plans, which make the work of the FIUs much more effective. The intuitiveness, responsiveness, accessibility, security of the interface are all important, as well as the ability to provide feedback.

At the end of the event, all the guests unanimously supported the continuation of these events, as well as expanding the ways of cooperation in order to solve all the problems associated with automating certain FIU procedures.

In the final presentation, Ms. Verbeek-Kusters invited everyone interested to join the IT working group:



"Information technologies are not the goal in itself. The main goal of IT is to assist financial intelligence. Without using IT systems, the FIUs cannot function properly. The Egmont Group contains various FIUs that differ in number, character and structure and we want to support all of them".

Participants also found Ms. Henrie Verbeek-Kusters' presentation especially interesting. She talked about the Egmont Group's decision-making process when building IT systems, and the approaches taken by the IT Working Group. This is a very interesting and important document. It is not linked to any specific technologies or solutions, but does define the methods and philosophies behind creating IT system. Rosfinmonitoring is prepared to take part in the development and discussion of this document and bringing the theories contained within it into practice. A number of guests expressed their interest in taking part in developing a "Standard of transparency" currently underway

As the organizer of the workshop, ITMCFM drew up recommendations for subsequent EAG – Egmont Group workshop, which were approved by all participants. In addition, FIU representatives were told about the outline for the next workshop held by the Egmont Group's Training Working Group dedicated to "Financial flows related to illegal drug production and trade", which is planned to be held on July 3, 2013 in Sun City (South Africa). The main aim of the workshop is to share experience, name problems associated with the identification of financial flows from drugs and prepare suggestions on how to improve efficiency of FIUs in this area.

Experts' commentary

Mr. Vladimir Rakotsevich, Serbian FIU expert:



"The subject of this workshop is important because the problems we all have to deal with are very similar. The ways of solving these problems are also similar. Some people deal with

them faster than others, and such events help us find ways of solving these problems by chatting in person with our colleagues. I think that future workshop will be dedicated to increasing the effectiveness of existing solutions. The methods are already established, they just need to be perfected, refined, expanded and customized for each and every country".

Mr. Joseph Margalit, Israeli FIU consultant:



"This is not the first EAG and ITMCFM workshop I've attended. The thing I like most is that the participants openly share ideas and experience, there's a real lively discussion. That's why I would name this workshop one of the best I've travelled to. A lot of interesting questions are raised. This sort of discussion lets everyone, who's just starting out, understand the nature of the problems that they've already come across and which problems lay ahead, as well as benefit from the experience of the FIUs. These events are designed to enable experienced intelligence analysts to share the experience they've accumulated. There's another important factor: the FIUs get the feeling at these events that they have a network for the exchange of information, which can and must be shared. This exchange is already in place and will continue to develop and spread across borders, irrespective of cultural differences, but most importantly – irrespective of the differences in the financial crimes that will be encountered".

Ms. Galina Bobrysheva, Director General ITMCFM, Russia:



"We are continuing the tradition of sharing experience as a part of the Eurasian Group. I'm proud to announce that we've exceeded the scope of discussions within the EAG solely and thank the Egmont Group for being a co-organizer of this event.

The world is developing at a rapid pace, information technologies never stand still, our opponents, those who seek to launder money, are always one step ahead, and that should motivate us to ensure that our tools are always the most advanced.

I hope that the topics of this event will be further studied and that this will not be the last time the International Training and Methodology Centre for Financial Monitoring brings together a range of experts at a round table".

Ms. Natalia Evstifeeva, Senior lecturer of the financial monitoring academic department of the MEPHI, Russia:



"While discussing the presentations the issue of interaction of the internal FIU network with external ones was touched upon. On the one hand, interconnection of these networks can greatly

enhance possibility of using open sources of information in the process of financial investigation, on the other hand, once the internal network is losing an air gap with the outer world it will become vulnerable to external threats. Some FIUs face this risk consciously, some sacrifice possible comfort in favor of its information's security. The issue is up-to-date, complicated and there is still no solution here.

Overall, the workshop was very lively and interesting, and its presentations show high level of IT-systems of EAG states. I would like to express my gratitude to the organizers for the opportunity to take part in the workshop and hope that such events on IT issues will be held regularly".



2nd Eurasian anti-corruption forum was held in Moscow

"Experience without theory is blind, but theory without experience is mere intellectual play." (I. Kant). In the fight against an evil such as corruption, the combination of experience and theory is an inextricable part of success.

The Second Eurasian Forum on "Financial mechanisms against corruption: international standards and national solutions" was held in Moscow on June 4, 2013. The event was organized by the Institute of Legislation and Comparative Law under the Government of the Russian Federation, with support from the Russian Duma and the Accounts Chamber.

Chairman of the State Duma of the Russian Federation Sergey Naryshkin, Chairman of the Audit Chamber Sergei Stepashin, Director of the Institute of Legislation and Comparative Law under the Government of the Russian Federation (IZISP) Taliya Khabrieva – Vice-president of the Russian Academy of Sciences, Director of the Federal Financial Monitoring Service Yuri Chikhanchin, First Deputy Chairman of the Federation Council Alexander Torshin, Chairman of the Investigative Committee of the Russian Federation

Alexander Bastrikin, Deputy Head of the Federal Tax Service Svetlana Andryushchenko all took part in the opening of the forum.

The international expert community was represented by countries such as Austria, USA, Germany, Poland, France, Switzerland, Kazakhstan, Tajikistan, Turkmenistan, Moldova, Ukraine and Belarus.

The international financial aspects of the fight with corruption, cooperation with the FATF, the Council of Europe, the EurAsEC, as well as other international organizations, were the topics that drew most interest out of those discussed. Special attention was given to the problems of implementing the requirements of international anticorruption bills into national legislations.

The tools offered by the anti money laundering system are just one of the ways of tackling corruption. In his speech, the Rosfinmonitoring Director said that *"if we view corruption as a phenomenon, we can look at social, moral, cultural and historical conditions, legal, financial and regional aspects, educational and upbringing*

conditions, which determine how it comes about."

"When evaluating corruption risks and vulnerabilities, one cannot forget about the serious consequences, which eventually lead to a lack of trust in the government and create the preconditions for political and economic instability".

Yury Chikhanchin mentioned several key areas in tackling corruption: *"We need to create a system for retrieving information about beneficiary owners of legal entities, registered both in their own country and abroad, so that this information can become available not only to government bodies but also private sector. Possible ways of "deoffshorization" and barriers to creating fly-by-night businesses need to be examined. Developing techniques for the private sector to identify domestic and foreign public officials and those close to them is also a pressing issue".*

In July this year, Russia will take presidency in the Financial Action Task Force – the FATF. A report from the group's President-elect and current Vice president Vladimir Nechaev was

about international AML/CFT standards as one of the tools against corruption. *"Corruption remains unpunished all too often in non-transparent conditions, when income from these crimes cannot be linked to the crime itself. The effective implementation of the FATF Recommendations increases transparency in financial systems by creating reliable documentation of business relations, deals, and discloses the true owners of property and movement of assets",* – he said. Vladimir Nechaev also told guests about the practical work of the FATF in tackling corruption, namely cooperation with the G-20 Anti-corruption Working Group and the OECD.

Presentation of Director of the International Training and Methodology Centre for Financial Monitoring Galina Bobrysheva was dedicated to methods for tackling corruption. Participants were shown an anti-corruption inspection of legal acts in the field of AML/CFT developed by the Eurasian group (one of the FSRBs). This project helps identify areas of corruption risk in national legal systems and increase the effectiveness of anti-corruption financial mechanisms.

INTERNATIONAL NEWS

Recent events



Kyrgyzstan tightens combating money laundering and financing of terrorism

President of the Kyrgyz Republic Mr. Almazbek Atambayev signed the Law «On amendments to certain legislative acts of the Kyrgyz Republic.»

The law was adopted by the Parliament of the Kyrgyz Republic on April 25, 2013.

The law was adopted with the goal to implement provisions of international treaties and measures envisaged in the Action Plan adopted at the FATF Plenary meeting on 28 October 2011.

The adopted Law introduces amendments to the Criminal Code of the Kyrgyz Republic and the Law «On Combating Terrorism». In particular, Articles 183 (legalization (laundering) of the proceeds of crime), 226-1 (financing of terrorist activities) of the Criminal Code were adopted in an edition, which specifies the qualifying elements of the offenses.

Articles 1 and 25 of the Law «On Combating Terrorism» were also adopted in a new edition, which clarifies the basic terms and concepts used in the law and establishes the procedures for suspension of transactions and freezing the assets of natural or legal persons involved in terrorist activities.

According to the words of Chairman of the State Financial Investigation Service of the Kyrgyz Republic Mr. Malis Mambetghannov the process of combating will be strengthened in the future. "Methods of countering

will be improving and the level of requirements will be increasing. There is only one reason to that: each year financial crime, unfortunately, widens its area and develops its schemes, which are not compatible with the international law and countries' legislation. If the international standards update, our legislation should develop in compliance with the new requirements and standards", – Mr. Mambetghannov concluded.



The President of Tajikistan signed laws on combating money laundering and financing of terrorism

On June 13, the President of the Republic of Tajikistan Mr. Emomali Rakhmon signed laws, which are intended to counter legalization of criminal proceeds and strengthen combating terrorism and its financing – the press-service of the President reports.

It was also mentioned that these laws will allow bringing current statutory and regulatory acts of the republic into compliance with the international law, enforcing combating all types of crimes, in particular, with transnational organized crime, as well as regulating and controlling currency turnover.

These laws have been approved by the lower chamber of the Republic's Parliament and supported at the special session of the upper chamber of Parliament on June 12.



Belarus and China activate cooperation in countering legalization of criminal proceeds

This issue was discussed at the meeting of the Chairman of the Belorussian State Control Committee Mr. Alexander Yakobson with the Deputy Chief of the Bureau on combating money laundering and terrorism financing of the People's Bank of China Mr. Liu Zhengming in Minsk on 21st May.

As Mr. Alexander Yakobson noted Belorussian need for Chinese experience in the issues of financial monitoring.

Mr. Liu Zhengming underlined that Belorussian and Chinese financial intelligence services always communicate, closely interact on national and international levels, and meet at workshops and the EAG Plenary meetings. «Cooperation between financial investigation of China and Belarus is very close, we actively interact, agree on our positions, coordinate our work in the EAG framework while discussing follow-up reports of the Eurasian group member states», – Mr. Liu said.

Another direction of cooperation is development of typologies with the aim to work out the mechanism of combating illegal financial flows. The EAG has a Working group on typologies; the representatives from Belarus and China take active part in the group's meetings. The information is constantly being exchanged between the two services. They also share experience of using data detection technologies and information-analytical systems functioning.