

CHAIRMAN'S COLUMN



Dear colleagues,

This year we are celebrating the anniversary of the Eurasian Group. Ten years ago, in October 2004, its founding members signed the Declaration of the Establishment of the EAG and defined its functions. The past decade has seen significant improvements of anti-money laundering systems of EAG member states, as evidenced by their progress in undergoing mutual evaluations. A solid institutional and legislative framework for improving the effectiveness of AML/CFT cooperation now exists in every EAG member state. Each of EAG member states continue to view the task of making further improvements to their national system as one of their top priorities.

The Group continues to expand its cooperation with observers and partner organizations: a joint EAG-OSCE workshop on the problem of crime and money laundering in cyberspace was held in Kyrgyzstan in August. The threat of cybercrime remains relevant not only for the Eurasian region, but also globally. In this regard, I would like to underline the importance of joint efforts with our neighbours toward achieving a common goal – continuing the fight against money laundering. We are grateful to representatives of the OSCE and countries that sent their experts for their participation in the event.

The EAG's main near-term goal would be to adequately address the deficiencies highlighted in the mutual evaluation reports of the EAG member states, including the study of the effectiveness of legislative and other AML/CFT measures being adopted. This issue will be at the top of the agenda of the upcoming EAG Plenary meeting in Dushanbe, where participants will discuss the follow-up reports of Kyrgyzstan, Turkmenistan and Uzbekistan, the procedures of the 2nd round of mutual evaluations, as well as the capital amnesty programs for EAG member states.

Lastly, I would like to congratulate all of you, dear colleagues, on the anniversary of the EAG and thank you for your contribution to our common cause. I am confident that the Group will do everything possible to eliminate the existing deficiencies in order to strengthen the AML/CFT framework in the Eurasian region.

Dr. K.P. Krishnan

Only together we can meet recent global challenges and threats

On 19-20 June 2014, Moscow hosted the 20th anniversary Plenary meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG). The Plenary was chaired by EAG Chairman Dr. K. P. Krishnan (India)



Among the attendees were Yury Chikhanchin, Rosfinmonitoring Director; Vladimir Nechaev, FATF President; Lee Dongrong, Vice Chairman of the People's Bank of China; Andrey Novikov, Deputy Chairman of the Anti-Terrorist CIS Center (ATC SIC); Zhang Sinfen, Director of the Executive Committee of SCO Regional Anti-Terrorist Structure (RATS); representatives of the EAG member-states: Belarus, India, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan, as well as experts from states and international organizations with observer status in the EAG.

In the welcoming speech to the delegates read out at the opening of the Plenary meeting, the President of the Russian Federation **Vladimir Putin** noted the success achieved by the EAG in recent years, which has grown into a major international organization whose reputation is recognized by all:

«I am convinced that only by combining the efforts of all countries and the entire international community we can meet today's global challenges and threats ... In addition, I would like to mention the importance of avoiding the politicization of these activities, which are based on clear criteria – international standards for combating money laundering and terrorist financing».

In his speech to participants, the EAG Chairman **Dr. K. P. Krishnan** expressed a similar idea:

«The FATF and the EAG are technical organizations, which is what both groups have been saying all along. I regret that we haven't been able to organize joint event, in spite of undertaken efforts».

FATF President **V. P. Nechaev** explained the reason for the cancellation of the joint meeting:

«For a number of reasons, including the absence of a quorum, it became impossible. In order not to affect such phenomena as combating money laundering, terrorist financing and other criminal aspects, Russia has agreed to adjourn the FATF Plenary meeting to a different venue, where a quorum will be present. Combating money laundering cannot wait».

The Plenary approved Mr. Bisengali S. Tadzhiyakov, the Head of the Financial Monitoring Committee of the Ministry of Finance of the Republic of Kazakhstan, as the Vice-Chair of the EAG. The Plenary approved 2015 Action Plan drafted by the EAG Chairman Dr. Krishnan.

The Plenary approved the mandate and action plan of the Working Group on Risk Management and Supervision (WGRS). The Plenary approved

co-chairs for WGCF and WGRS; approved WGEL, WGTA, WGTYP and WGCF reports and the schedule of the EAG activities for the second half of 2014.

In addition, the Plenary discussed deepening of cooperation between the EAG and its partners from international and regional anti-money laundering and combating terrorism financing (AML/CFT) organizations. There were signed memorandums on cooperation with the SCO RATS and the ATC CIS.

During the Plenary meeting EAG member-states represented information about changes of national AML/CFT legislations. Also there were discussed issues of capital amnesty in the Eurasian region, its impact on the status and effectiveness of the national AML/CFT systems and the need to monitor this process by the Group.

The focus of the meeting was on the monitoring work following the completion of the first round and preparations for the second round of mutual evaluations of the national anti-money laundering systems of EAG member states. Follow up reports on progress in the development of national AML/CFT systems were presented by experts from Kazakhstan and Kyrgyzstan.

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EAG Anniversary

The Eurasian group on combating money laundering and financing of terrorism

Early in the 21st century, global community encountered new stability challenges – terrorism, drugs, corruption. These threats have no boundaries. Risks of development of transnational economic crime in the Eurasian space pushed the states of the region to cooperate in the sphere of financial flows control, prevention of ingress of criminal money into real economy. During this period, cooperation in the sphere of anti-money laundering and financing of terrorism (AML/CFT) evolved in the mode of two-way contacts, which did not allow to establish in the region an integral effective anti-money laundering system.

The tragedy of September 11, 2001 made the world take a new view of the problems of financial and economic security as well as the issues of combating terrorism. Worth noting is that FATF had been established by that time, yet its regional network was only starting to develop. Level of technical compliance and compliance with FATF standards of national laws in the Eurasian space differed a lot from state to state. Establishment on October 6, 2004 of the Eurasian group on combating money laundering and financing of terrorism became the response to existing regional challenges and threats.

To the Eurasian states that had never been members to FATF-Style Regional Bodies, establishment of EAG was to become the key factor in decreasing the treat of international terrorism, securing transparency, reliability and safety of the states' financial systems and their further integration in the international AML/FT structure. Simultaneously, the states in the region started creating necessary conditions for establishment and development of effective national anti-money laundering systems.

History of EAG Creation

Viktor A. Zubkov, EAG Chairman 2004-2007



The decision of the Eurasian countries to establish a FATF-style regional body has allowed them not only to lay the regulatory, institutional and organizational framework for combating money laundering and financing of terrorism, but also to undergo mutual evaluation procedures designed to determine the level of their national systems' compliance with international standards. The success of anti-money laundering measures depends on continuous improvement and, wherever necessary, the use of unconventional methods and search for new analytical techniques and approaches to combating money laundering and terrorist financing.

Unfortunately, equally urgent is the need to fight terrorism, drug trafficking and terrorist financing. In this regard, I urge the Group not to rest on its laurels, but to continue to strengthen the barriers against the flow of dirty money.



Participants of the signing of the EAG inter-government agreement, June 16, 2011, Moscow

The initiative to establish EAG was for the first time voiced by the Russian Federation during the FATF Plenary Meeting in October 2003. In February 2004, this question was discussed on the international meeting "Cooperation of the CIS member states in combating money laundering and terrorist financing" attended by representatives of the CIS states and China, and a number of international organizations. The initiative was supported by the Council of Ministers of Foreign Affairs of the CIS member states that recommended to the states concerned holding the Foundation Conference regarding establishment of a FATF-Style Regional Body.

The Foundation Conference was held in Moscow on October 6, 2004. It was attended by six founding states – Belarus, Kazakhstan, China, Kyrgyzstan, Russia and Tajikistan. The representative of Russia – Viktor Zubkov – was elected as the First Chairman of the Group. In 2005 and 2010, Uzbekistan, Turkmenistan and India who used to be in an observer status became members of the EAG.

A new milestone in the EAG development was signing on June 16, 2011 of inter-governmental Agreement Concerning the Eurasian Group on combating money laundering and financing of terrorism. The Agreement approved the status of the Group as an inter-governmental organization with its own budget, functioning on the principles of equal participation of member states in its activities. Signing procedure took place during 14th EAG Plenary meeting in June 2011. The procedure was headed by the Chairman of the Eurasian Group Oleg Markov.

Changes concerned the EAG Secretariat too. The Secretariat was established by resolution of the Foundation Conference of October 6, 2004 and was designed to perform coordination functions associated with implementation of the main activity. At the early stage of the Group development, all technical assistance to the organization was provided by the Russian Federation, and until 2012 representatives of Rosfinmonitoring acted as Secretariat officers.

On February 14, 2012, the agreement concerning conditions of presence of the Secretariat in the territory of the Russian Federation was signed in Paris. In the same year, renewed Secretariat of citizens of EAG member states started its operations in Moscow.

International and Regional Cooperation

Today the EAG brings together states of the region. The observer status has been granted to 14 states and 18 international and regional organizations. The group actively cooperates with many international

Oleg A. Markov, EAG Chairman 2007-2011



The signing of the Agreement helped establish the Group's status as an intergovernmental organization and created equal opportunities for all member states to play an active role in the EAG's work.

During its formative stage, the Group successfully coped with the organizational issues and the challenges of finding the right personnel to work at the Secretariat. The intergovernmental status of the organization helped the EAG strengthen its image as the region's main anti-money laundering and terrorist financing body, an image that should be protected by all Group members through their actions and initiatives. This means doing all that is necessary to bring their national regimes in line with the FAFT standards, which, in turn, will help boost the reputation of the EAG on the international AML/CFT stage.

The main conclusion of the joint work in the framework of the EAG: it is impossible to achieve positive results without the combined efforts of all EAG member states and support of international partners. I'm confident that the Group will continue to set itself lofty goals and use innovative tools to improve cooperation in the region and beyond.

and regional organizations and structures involved in handling of AML/CFT issues.

From February 2005, EAG has been in the status of FATF observer, and in June 2010 the Eurasian Group became an Associated Member of the FATF. As far back as in 2011, it gave the Group members an opportunity to participate in the work on a mutual basis – EAG member states without FATF membership are involved in its work as a part of the delegation of the Eurasian Group. In their turn, FATF member states received an opportunity to participate in EAG activities including Working Group meetings, plenary meetings and other events.

Since 2011, EAG has been permanently involved in the Group's work pertaining to review of FATF international cooperation aimed at evaluation of the Eurasian states for the purposes of detection and elimination of any failures in the national AML/CFT systems.

Cooperation with FATF-Style Regional Bodies has been developing actively. In 2010 the Group was granted the status of observer in the Asia/Pacific Group on Money Laundering (APG). EAG representatives take part in annual (plenary) meetings of APG and typology workshops. As a part of cooperation between two regional groups have been implemented and developed common projects and initiatives including joint workshop on typologies, assessor training and many others.

In 2011 the EAG was granted the status of the observer in the Middle East and North Africa

Yury A. Chikhanchin, EAG Chairman 2011-2013



Today, the EAG is a fully-fledged FATF-style regional body that works successfully with all its key international partners and provides its members with the necessary technical and advisory assistance in the development of their AML/CFT systems.

In an environment of increasing cross-border migration of economic crime and in the face of such global challenges of our century as drug and human trafficking, international terrorism, money laundering and cybercrime, the EAG's strategic objectives have become even more relevant, requiring all its regional and international partners to join efforts to counter these threats.

In this context, the task of boosting international cooperation between governmental, law enforcement, financial intelligence and security services, including in the search for new and more effective forms of informational and operational collaboration, is of particular importance. Above all, such co-operation should focus on the implementation of specific practical measures to combat money laundering and terrorist financing and to increase the efficiency of information exchange in this area.

On the eve of the EAG's anniversary, Russia, one of the originators of the Group, welcomes the establishment and evolution of the national anti-money laundering systems in all countries of the region and stands ready to assist its partners in bringing their AML/CFT regimes in line with international standards.



Financial Action Task Force (MENAFATF). Considering the development of financial and economic ties between two regions, cohesion of EAG and MENAFATF promoted coordination of efforts in combating common threats and risks. Joint EAG/MENAFATF typology workshop is scheduled for December 2014.

Cooperation with the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) develops. Joint workshops on combating the Internet-crime and implementation of updated FATF recommendations were held, cooperation concerning assessor training for the national AML systems evolves.

One of top-priority tasks of the EAG in the Eurasian region is the development of cooperation with organizations whose competence encompasses the issues of regional integration and safety. There should be especially highlighted the CIS 3 and its structures – ATC, IPA, the Council of Heads of the CIS FIUs, UN CTC, CSTP, EurAsEC, SCO and RATS SCO. From the day of its establishment, EAG has significantly expanded regional cooperation and held a number of joint events with these organizations.

In January 2010, the Memorandum of Understanding and Cooperation between EAG and the Coordination Council of Heads of Competent Authorities for Combating the Illegal Drug Trafficking of Members to the Collective Security Treaty Organization (CCACD CSTO) was signed, which provides for establishment of a mechanism for cooperation between FIUs of EAG member states and competent authorities of CSTO member states in combating illegal drug trafficking. This mechanism is meant to increase efficiency of combating laundering of drug trafficking proceeds in the Eurasian region.

Experience of participation of the EAG states in the anti-drug operation "Channel" implemented under the umbrella of the CCACD CSTO proved that FIU capabilities in timely detection and closure of channels for transfer of proceeds of drug trafficking was able to significantly exceed the effectiveness of drug control operations in the Eurasian region.

Current Work

In the modern period, the main purpose of EAG is securing effective cooperation and collaboration on the regional level and integration of the Group member states in the global AML/CFT system. EAG promotes aggregation of efforts to decrease the threat of terrorism and ensuring transparency, reliability and safety of financial systems of the states in the region. On a regular basis, the Group performs mutual evaluations of the national AML/CFT systems of member states based on the FATF Methodology, studies typologies of money laundering and financing of terrorism and implements the program for provision of technical assistance to member states.

Assistance provided by the EAG has been instrumental in the establishment of financial intelligence units in Kyrgyzstan and Kazakhstan, as well as in the adoption of anti-money laundering

legislations of Kazakhstan, Uzbekistan and Turkmenistan. Each EAG member state has by this time laid an institutional and legal foundation for a successful national AML/CFT system designed to meet the requirements of international standards in this area, which was confirmed by the FATF monitoring procedures.

Effective anti-money laundering and terrorist financing regimes implemented in EAG member states contribute to the economic growth and sustainable development of the region by reducing crime, including corruption, and the size of the shadow economy, creating favorable conditions for the development of legal businesses, and increasing transparency in the financial sector and the economy as a whole. As a result, we can speak of a real increase in investment attractiveness of the Eurasian countries due to the overall strengthening of their financial systems and the countries' reputation in the international community.

On October 6, the Eurasian Group will celebrate its 10th anniversary, marking the passing of an important milestone of its rapid, yet difficult development. Indeed, during this time the EAG has evolved from being a small organization dedicated to providing technical assistance to its members to becoming an influential regional anti-money laundering powerhouse whose authority is recognized by both regional and global players.

Dr. K. P. Krishnan



Currently the Eurasian Group on combating money laundering and financing of terrorism is a dynamically developing structure. A plenty of foreign states and international organizations are interested in its activity. All Group member-states have formed institutional and legislative base for national AML/CFT to comply with the international standards. The effectiveness of the EAG policy is reflected by the achievement of the EAG in consistently being able to have the Group member-states removed from the FATF list of countries having significant AML/CFT deficiencies (FATF Public Statement). The EAG achievements show successful and effective realization of tasks to meet the challenges of ensuring global economic security.

We are now at a stage where the Group's activity needs to focus on mutual evaluation of the member-states'. This process would allow identification of vulnerabilities and weak points in combating the threats to the global financial integrity, and also help in assessing the efficiency of the system. The key objectives for the member-states, are preparation for mutual evaluation as per the revised standards of FATF and EAG mutual evaluation procedure, having a pool of trained assessors, AML/CFT risks assessment, monitoring of voluntary tax legislation compliance programs as well as further reforming national AML systems and updating them in compliance with the international standards.

I believe that the Eurasian group activity will continue to progress and will be characterized by attracting interest of new members and observers who have displayed effectiveness in implementation of FATF revised standards, as well as, by consolidation of its position in the world.

Consultations with the Private Sector will be an Ongoing Process

Moscow, June 16th 2014, in the framework of the 20th Plenary meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) was organised a meeting of the Private Sector Consultative Forum "Risk-Based Approach to New Payment Methods"

The event was organised by the International Training and Methodology Center for Financial Monitoring (ITMCFM) and the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG).

The meeting was hosted by Rosfinmonitoring officials, representatives of the financial intelligence units and private sector of the Eurasian Region states, ITMCFM experts and the delegates of MEPhI Financial and Economic Security Institute. The meeting started with the opening speech by the FATF President Vladimir Nechaev.

The consultations were divided into 3 sections where the following issues were discussed: «Government and business. Ways of cooperation for ML/FT risks assessment and mitigation»; «New payment methods and ML/TF risks»; and «Facilitation of the dialog between government and private sector by educational and research institutions».

The first section heard the presentations made by Viktor L. Dostov and Pavel M. Shust, the representatives of the E-Money Association, and by Vladislav E. Ponamorenko, assistant professor of the Chair of Monetary Relations and Monetary Policy and the Chair of Financial Law of the FSEBI HPE Financial Institute Affiliated to the Government of the Russian Federation. The speakers highlighted important issues pertaining to adaptation of the risk-based approach to the key trends in the innovative retail financial instruments market, discussed the cooperative efforts undertaken for implementation of the risk-based approach in the NPPS sector and elaborated on the ways of mitigating ML/FT risks in the CES member states foreign trade.

The second section became the arena of the most heated discussions and debates over cryptocurrencies, electronic money and new payment

instruments. The presentation was made by Evgeny M. Volovik, a member of the FATF ad hoc group, who informed the participants about the FATF Guidance on New Payment Methods and presented information on Bitcoin ATMs. The section also discussed ways of mitigating ML/FT risks related to money transfers via payment terminals (presentation made by Dmitry P. Gronin, Manager of Financial Monitoring Service of "Platina" Bank) and the recent modifications in the Russian legislation pertaining to regulation of payment methods (presentation made by Nadezhda I. Prasolova, the Deputy Head of the Rosfinmonitoring Legal Department).

The third section discussed ways of facilitating public-private sector dialogue by the educational and research institutions. The main topics discussed included the development of the AML/CFT Network Institute and the educational, research and periodical publication projects presented by the ITMCFM. The presentations were made by Ekaterina V. Ledyeva, Konstantin G. Sorokin, Pavel V. Kukushkin and Alina V. Paskal, all of whom represented the ITMCFM. In his presentation,

A.V. Reznikov, assistant professor of the Economy and Management Department of the Education and Science Institute (the non-commercial partnership for facilitating advancement of education and science), elaborated on the development of the AML/CFT knowledge.

In his closing remarks the FATF President Vladimir P. Nechaev noted that all presentations were very interesting and informed that the issues related to virtual currencies would be further discussed during the upcoming FATF Plenary meeting:

"The FATF is not going to drop this subject and the information obtained and discussed at the events like this consultative forum will help to develop recommendations and improve the existing systems which could be benefit many countries. In my opinion, the outcomes of this EAG Plenary week will allow us to offer many useful ideas, proposals and recommendations. In general, such consultations with the private sector, which have already become the traditional events, will be the ongoing evolving process".

Irina Prusova, National Bank of the Republic of Belarus



– Currently, significant modifications are made in our AML legislation as it pertains, in particular, to application of the risk-based approach in implementation of control and monitoring measures. We need to do a lot of work to develop the RBA guidelines for practical application by the Belarusian banks. In this context, it was very useful to learn the opinions and views of our Russian colleagues – the representatives of the regulators and the private sector. It is very important for our future work.

Maksad Shagdarov, Senior Manager – Compliance Officer, People's Bank of Kazakhstan



– I very much enjoyed participation in this Consultative Forum which was dedicated to consideration and discussion of important issues for both Russia and Kazakhstan, including problems related to abuse of new technologies by criminals and measures aimed to prevent it. Generally speaking, the anti-money laundering law was adopted in Kazakhstan quite recently, just four years ago.

However, we have already made the significant progress in this area. Specifically, I would like to emphasize the importance of application of such new instrument as the risk-based approach. The banks that are subject of financial monitoring must know and assess their clients by applying the RBA measures.

It was very interesting to hear the presentations of the specialists in this area, and I think that the experience of the leading experts will benefit our work.

Mirzosharif M. Sharipov, First Category Expert of the International Cooperation Division of the Financial Monitoring Department of the National Bank of Tajikistan



– The ideas and opinions exchanged at the Consultative Forum became the key to development of a common understanding of the risk-based approach and its application by both the private sector and the government institutions.

One of the main topics discussed at the meeting involved the ML/FT risks related to virtual currencies and the measures that could be or have been already undertaken to prevent and mitigate these risks.

It should be noted that the events like this Consultative Forum play an important role in efficient implementation of the FATF Recommendations since they bring together the representatives of all sectors that are the subject to the AML/CFT requirements as well as the representatives of the civil society and the government authorities.

Comparing with the previous events of this type, this meeting was featured not just by the increased number of participants, but also by their active engagement in discussions. The Consultations became the real bilateral dialogue between the representatives of the private sector and FATF and FSRB member states, and also provided the opportunity for the participants to share their experience and discuss challenges and problems related to new payment methods.

In general, the Consultative Forum served as the effective platform for the dialog between private sector and state authorities. The meetings were rich in the events for the representatives of both the private sector and the regulators and, therefore, proved to be of practical value.

And finally, I would like to note that, in our opinion, it is expedient to hold such events in future for our further commitment to address the innovations in the financial system, such as the issues related to cryptocurrencies (virtual currencies) that are gradually becoming the integral element of the global financial system.