

CHAIRMAN'S COLUMN



Dear colleagues,

The year 2014 is now behind us. We mark it not only as the year of the Eurasian group on combating money laundering and financing of terrorism (EAG) 10th anniversary, but also as a time of significant progress and achievements.

One such achievement is the organization's unwavering commitment to improving the national AML/CFT systems, as evidenced by the progress in mutual evaluation reports shown by all its member states, helping the EAG to become the first and only regional body which does not have a single member subject to FATF ICRG process. This success is largely due to the EAG's operating principals designed to share experiences and find common ground.

Among our priorities for 2014 was the work to prepare for a new round of FATF and EAG mutual evaluations. I must say here that we managed to achieve all that was planned in this area. Another area of focus was the assessors training. Two reports of mutual evaluations on compliance with the FATF Recommendations of Norway and Spain were discussed during the FATF Plenary that was held in October 2014. I believe the next step for the Group should be to have a close review of these countries' reports with a view to fine-tuning our anti-money laundering mechanisms.

I would also like to note the strengthening of horizontal ties. Through last year's joint workshops with the EAG's partners from MONEYVAL, APG, MENAFATF and OSCE. One recent example of such successful cooperation was a joint typology workshop with MENAFATF in Qatar.

I would like to say Happy New Year to all member states, observers and partners of the Group, as well as wish them progress in the development of anti-money laundering legislation and improving anti-money laundering and terrorist financing mechanisms.

**EAG Chairman
Ajay Tyagi**

EAG can rightfully be considered today one of the best FATF-style regional body

The 21st EAG Plenary meeting, which first day was devoted to the 10th anniversary of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), began in Dushanbe (Tajikistan) on November 12, 2014



The history of the EAG dates back to October 6, 2004, when in Moscow the attending parties signed two documents that laid the foundation of the organization:

- The Declaration on the establishment of the Eurasian Group on Combating Money Laundering and Financing of Terrorism;
- Terms of Reference of the EAG.

In 2011, the EAG was granted the status of an international intergovernmental organization.

In his speech, Yu. A. Chikhanchin, head of the Russian delegation, chairman of the EAG in 2012-2013 and director of Rosfinmonitoring, reminded participants of the organization's long path of development – today all EAG member states have well-functioning national anti-money laundering systems, legal frameworks that support them and financial intelligence agencies:

«Without a doubt we have come a long way and the organization that Russia has delivered into the hands of our Indian colleagues can rightfully be considered today one of the best FATF-style regional body in the world. Thank you for believing in Russia and for following it. It shouldn't have been any other way, I suppose, given that at its helm was the man credited for creating the Russian Financial Intelligence Unit – Viktor Zubkov».

The head of the Russian Financial Intelligence Unit recalled how likeminded people from Belarus, Kazakhstan, Kyrgyzstan and China stood at the origins of the EAG:

«The main result of our work is our unity and the coming together

of all the members of the Group we see here today... We have learned to listen to each other and help each other, as evidenced by Turkmenistan, Kyrgyzstan, Tajikistan's exit from the FATF's grey list. Now we can say that the EAG is beginning a new round of evaluations with a clean slate».

Summing up the success of the EAG, Mr. Je-Yoon Shin, vice-president of the FATF and Chairman of Financial Services Commission of the Republic of Korea, said – the EAG currently consists of 9 members, 16 observers and 17 regional and international organizations:

«Money laundering and terrorist financing represent today global problems that require global solutions. As financial markets become increasingly globalized, the role of the EAG and the FATF in the fight with these problems is becoming more crucial. Criminals always target the weakest link in the financial system. That's why we need to act together. The international standards that are embodied in the FATF recommendations should form the basis of every country's fight against money laundering and terrorist financing».

The representative of the FATF Secretariat Timothy Goodrick reminded participants that new methodology puts at the forefront the task of increasing the effectiveness of national AML/CFT systems and implementation of a risk-based approach:

«Although the new methodology poses new challenges for the mutual evaluations, by coordinating their efforts the FATF and FSRBs will be able to overcome them. We are as strong as strong our weakest link».

Representatives of Belarus, India, Kazakhstan, China, Kyrgyzstan, Turkmenistan Uzbekistan and some of its partner FATF-style regional bodies: (APG, MENAFATF and MONEYVAL) as well as the observers from the OSCE, World Bank, Afghanistan, Montenegro, Turkey and other countries also noted the importance of the work carried out by the EAG. In particular, the CSTO noted the importance of joint practical measures implemented in the framework of the regional anti-drug operation «Channel», while the U.S. congratulated Tajikistan and Kyrgyzstan on removing from the FATF's grey list.

A representative of the UNODC urged to focus on effective enforcement, as an assessment carried out by this organization shows that only a small proportion of criminal proceeds end up being seized.

A Public statement approved by the Plenary highlighted that:

«The EAG is actively involved in the FATF's work and acts as a conductor of the principles and procedures of this organization in the region. And we, while showing consolidated political will, reaffirm our commitment to these principles and procedures. We also reaffirm our commitment to the EAG's goals and the principles of the United Nations in the field of peace and security».

Anniversary medals «10 Years of the EAG» were awarded to the representatives of Belarus, India, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, Uzbekistan, Ukraine and other countries.

Plenary meeting marked the ten years history of the Eurasian group

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Plenary meeting marked the ten years history of the Eurasian group

In his welcome address at the public session of the Plenary, Mr. Bisengali Tadzhiyakov, the EAG Deputy Chairman, pointed out:

"Efficiency of the performed work is proven by the fact that all EAG member states have fully operational national AML/CFT systems supported by the adequate legal and institutional framework. The sectoral and international cooperation enjoys steady development, and the EAG is successfully completing the first round and will soon start the second round of mutual evaluations... At present, none of the EAG member states is included in the FATF lists, which is the definite success indicating that the EAG is on the right track".

At the closed session of the Plenary, participants were informed about replacement of the current head of the Group: Mr. Ajay Tyagi, the Republic of India, was elected as the EAG Chairman until the completion of Dr. K.P. Krishnan's Action Plan for 2014-2015. The Indian delegation informed that Dr. K.P. Krishnan was appointed to other office in the Indian Government and Mr. Ajay Tyagi became his successor. In this context, the Indian Government nominated him as a new Chairman of the EAG. The Indian delegation thanked all EAG member-states for unanimous support of its nominee. In his turn, Mr. Bisengali Tadzhiyakov, who chaired the Plenary Meeting, on behalf of all delegates expressed gratitude to Dr. K.P. Krishnan for the performed work.

Another important issue on the agenda was replacement of the EAG Executive Secretary: Mr. Boris V. Toropov, who held this office since 2011, resigned, and Mr. Vladimir P. Nechaev, who served as the FATF President in 2013-2014 and headed MONEYVAL in 2010-2013, was appointed to this vacant position.

Pankaj Kumar Mishra, assistant secretary of deputy minister, Ministry of Finance, Government of India:



The plenary week was dedicated to the formation of the EAG, which, naturally, was an important milestone. We discussed many issues, including changes connected with the implementation of the FATF standards, experience sharing among EAG member states and other issues that are intended to help all members and observers of the Eurasian Group.

All working groups have done a very good job, particularly - the Working Group on Supervision, which generates today considerably more interest among the participants than in the previous years. Separately, I would like to mention the contribution to the development of the EAG made by the EAG Secretariat. I think if we continue to work with the same vigor, as the same cohesive and strong team, the results of our work will have a major impact on the next round of mutual evaluations.

Besides that, the issue of granting the observer status to the Islamic Republic of Iran was raised and considered by the EAG Plenary: Iran formally requested the Group to consider possibility of granting it the observer status and providing technical assistance. The Plenary attendees with a great interest listened to the presentation made by Mr. Meisam Nasiri Ahmadabadi, Director General of the FIU in the I.R. of Iran. Following the discussion, it was decided to examine possible observer status of Iran in line with Article 8 of the Agreement on the EAG and put this issue on the table again at the EAG 22nd Plenary.

The Plenary was briefed on the review of Kyrgyzstan and Tajikistan under the ICRG process. The delegates of the EAG member states congratulated their colleagues with removal from the FATF follow-up process.

The delegations of Belarus, India, Kazakhstan, China and Russia provided information on national

Zhang Yang, section chief the AML Bureau, People's Bank of China:



I think the most important issues of the plenary week were the approval of the procedure for the second round of mutual evaluations and the adoption of certain internal documents relating to changes in national AML/CFT legislations of EAG member states.

Also it's necessary to say that re-election of the EAG Chairman and next year's Action plan adoption became a subject of special attention.

Timothy Goodrick, policy analyst at FATF:



First of all I want to say that the Eurasian Group is currently celebrating its 10th anniversary. It has come a long way during that time, from the moment when there was no FSRB in the region to the emergence of a full-scale regional group that rightfully occupies its place in the international AML/CFT system.

With regard to the 21st EAG Plenary meeting, I'd like to mention a significant progress achieved by Kyrgyzstan and Tajikistan in terms of bringing its AML/CFT legislation in line with international requirements, as evidenced by their removal from the ICRG process, the fact highlighted at the current EAG Plenary.

AML/CFT legislation amendments. After that, the Plenary heard the reports on progress made by the Kyrgyzstan, Turkmenistan and Uzbekistan.

Besides that, the FATF representatives shared the experience gained in course of mutual evaluation of Spain and Norway.

Mr. Pavel V. Livadny, State Secretary and Deputy Director of Rosfinmonitoring, pointed out that the EAG 21st Plenary marked the ten years history of establishment of this Group which, throughout these years, has gained an international reputation and has become one of best FATF Style Regional Bodies:

"The FATF has started the next round of mutual evaluations of the national AML/CFT systems, and it sets the EAG the similar objectives. The new Assessment Methodology is mainly focused not on assessment of the legal and institutional framework, but on effectiveness of the AML/CFT system in fighting against economic crime. What is the value and amount of confiscated assets generated from crime, and what are the outcomes of combating the financing of terrorism, extremism and other ant-social activities? Currently, the FATF applies very strict criteria and approaches to conducting assessments. Just as an example, Norway, being one of the FATF founders with the developed financial system, economy and legislation, received relatively poor ratings in course of the new round of evaluations. In this context, it is clear that our countries have to take the lessons learned into account".

The 22nd Plenary meeting will be held next May in Tashkent, the Republic of Uzbekistan.

Vladimir P. Nechaev (Russia), the EAG Executive Secretary since January 2015:



I'd like to note that the EAG has approached its 10th anniversary with a very impressive result: it has become the first FATF-style regional body with not a single member under FATF monitoring process, an achievement that underscores the great progress made by our countries in strengthening their anti-money laundering systems.

The Plenary made a decision to grant observer status to the CIS Anti-Terrorist Center that shows both EAG prestige and its desire to coordinate the efforts of regional organizations towards the common goal of combating money laundering and terrorist financing.

I think the approval of the Procedures for conducting the second round of mutual evaluations and the EAG's 2015 Action Plan is very important because it represents an increased emphasis on practical steps to prepare and conduct a new round of mutual evaluations based on the new FATF standards.

FATF Continues to Monitor National Anti-Money Laundering Systems

The 26th Plenary of the Financial Action Task Force (FATF) and Working Group meetings were held in Paris from 19 to 24 October 2014



It was the first session held under the Australian Presidency (R. Wilkins) after the end of the Russian presidency of V. P. Nechaev on July 1, 2014.

The Plenary discussed the fourth round of mutual evaluation reports on compliance with the FATF Recommendations of Norway and Spain. Following the review of the above reports, Spain was placed in the regular follow-up process, while Norway in the enhanced follow-up process due to some serious shortcomings with regard to both technical compliance and effectiveness of the national AML/CFT system.

Discussions of the new reports allowed the delegations to share their views on difficulties and problems experienced during the evaluation of countries conducted in accordance with the FATF's updated Methodology.

The work to revise the procedures for the formation of the black and grey lists, which began in June 2013, was continued, with participants discussing the possibility of using performance metrics as the main criteria for placing jurisdictions in this special follow-up process. At this stage, most delegations take the view that the adoption of such approach prior to obtaining the necessary practical experience and the full review of the fourth round mutual evaluations mechanism is premature.

A discussion of the countries' progress in implementing FATF Secretariat-approved action plans to remedy the strategic shortcomings in the national AML/CFT systems revealed that not a single one of the six blacklisted jurisdictions (Algeria, Ecuador, Indonesia, Iran, Myanmar and

North Korea) had managed to exist the black list since June 2014.

As for Indonesia and Ecuador, the next few months are going to be absolutely crucial for them, given that under the existing procedures if they fail to show significant progress by the next Plenary (February 2015), the FATF may decide to move them to the toughest part of the list, featuring North Korea and Iran, which are subject to the so-called countermeasures.

North Korea, on the other hand, is, according to FATF experts, moving in the right direction: last July it joined the Asia-Pacific Group (an FSRB) as an observer, which speaks of Pyongyang's willingness to establish a constructive dialogue with the FATF community and eventually exit the black list.

Plenary participants noted significant progress made by Argentina, Cuba, Ethiopia, Tajikistan and Turkey in addressing the strategic deficiencies in their national anti-money laundering and terrorist financing systems. These countries are no longer subject of the FATF's ICRG review process. Since Tajikistan is not more a subject of follow-up process, the Eurasian Group has currently become unique FATF-style regional body with not a single black or greylisted member.

As part of the final stages of the third round of mutual evaluations, the FATF continued its work with the member countries placed in the enhanced monitoring process and still lacking enough progress to warrant delisting.

The FATF devotes priority attention to the effectiveness of the fight against terrorist financing in connection with the escalation of terrorist activity in the world, with the CFT issue dominating not only the agenda of the meetings specifically dedicated to this topic, but also the discussions of country-specific issues.

Particularly meaningful was the discussion of the methods of combating financing of the terrorist group the Islamic State of Iraq and the Levant (ISIL). Given the threat it poses, it was decided that this issue should be discussed by the FATF's Risks, Trends and Methods Working Group, with a report to be submitted to the next Plenary meeting (February 2015). This project will be devoted to the study of the ISIL funding sources, as well as its financing channels and mechanisms. Furthermore, the FATF issued a public statement urging all countries to strictly comply with the FATF Recommendations with a view to denying ISIL access to the national financial systems. The document contains references to UN Security Council Resolutions 2170 and 2178, as well as to the specific FATF recommendations (5, 6, 8, 10, 13, 14, 16, 32, 37, 39 and 40). It also notes that the FATF will continue to assess risks linked to ISIL, including by examining its revenue sources.

The Plenary listened to the reports and latest updates on the Voluntary Tax Compliance (VTC) programmes of Argentina, Australia, France and Kyrgyzstan. All these programs were deemed to be consistent with the FATF's four basic principles on VTC. Monitoring of Kyrgyzstan's programme was discontinued due to its completion in June 2014.

EAG and MONEYVAL presented the updated results of Albania's and Kazakhstan's VTC programme monitoring. EAG and APG also informed the FATF of the adoption of their own procedures for monitoring the tax compliance programmes of member states prepared in accordance with the FATF's procedures adopted in June 2014.

Next 27th Plenary will be held in Paris, in February 2015.



EAG and MENAFATF Expert's Meeting in Doha

The joint Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) and the Middle East and North Africa Financial Action Task Force (MENAFATF) Workshop on Typologies and Capacity Building was held in Doha (Qatar) from 14 to 17 December 2014



The opening statement at the beginning of the workshop was delivered by His Excellency Sheikh Fahad bin Faisal Al Thani, Deputy Governor of the Central Bank of Qatar and Chairman of the National Anti-Money Laundering & Terrorism Financing Committee (AML/CFT). Opening remarks were made by the workshop co-chairs, the EAG and MENAFATF Executive Secretaries. The special attention devoted by Qatar's leadership to the topical issues of AML/CFT and the timely provision to the private sector of information on the risks and threats in this area was highlighted by the participation in the workshop of the emirate's senior officials.

The agenda of the workshop consisted of two parts: sharing experience on ML/FT typologies and capacity building, which were attended by representatives of the private sector from the both FATF-style regional bodies (FSRBs).

Section A. Money Laundering through the Physical Transportation of Cash

All section participants agreed that although the physical movement of cash is relatively expensive, compared to modern electronic techniques, it provides a high degree of anonymity for participants of criminal schemes. Smooth interaction between financial intelligence units (FIUs), customs and tax authorities – given that cash transportation is often accompanied by tax evasion – and similar agencies in other countries plays a key role in the successful detection of cross-border cash movements. Only joint

efforts and close cooperation between deferent agencies have the capacity to withstand the threat posed by ML/FT.

Section B. Illicit Financial Flows and the Use of AML/CFT Tools in Combating Corruption

Workshop participants devoted special attention to the analysis of anti-corruption laws, as well as provided examples of successful cooperation between FIUs of different countries and of typological schemes for laundering corruption proceeds.

The international political and financial community currently devotes considerable attention to the issue of corruption, which limits sustainable economic growth and threatens the financial stability of not only individual countries, but also the global economy as a whole. In order to ensure that the fight against corruption remains successful and effective, FIUs must develop a sound operating procedure for dealing with corruption schemes. The FIU staff, on the other hand, must have at their disposal special work materials designed to speed up financial investigations, i.e. a list of key typologies, the guidelines for the use of databases and international communication channels, and recommendations for interaction with other departments and agencies. By criminalizing corruption as a predicate offense, ratifying and implementing the United Nations Convention against Corruption, improving domestic legal frameworks and strengthening international cooperation, countries will contribute to the eradication of corruption in the world.

Section C. Risks and Threats of Money Laundering from Cybercrime

The development of modern payment instruments, their availability and the lack of formal boundaries in cyberspace render this sector extremely attractive to criminals, including in the context of ML/TF. Participants acknowledged the speed at which the sector was evolving and stressed the importance of proactive action on the part of FIU experts. The absence of boundaries and the international nature of these offences impose additional requirements on the level of qualification of experts and the speed of interaction between various agencies.

Aybek Turdukulov, representative of the EAG Secretary, provided with a detail picture of the international legal system for combating cybercrime and money laundering. While highlighting the development stages of this system, he focused on the Convention on Cybercrime, approved on November 23, 2011.

Discussions of the agenda item titled «Capacity Building» focused on two topics: the updated FATF Recommendations and the role of the private sector in the national risk assessment; AML/CFT and new technologies. Sofien Moruan and Dr. Mohammed Al Rashdan of the MENAFATF Secretariat identified the main areas of cooperation between the FATF, FSRBs and the private sector. Speakers focused participants' attention on the updated FATF Recommendations and their implementation as a means of enhancing the overall AML/CFT regime in the region. Kuralaj

Igembaeva, a representative of the EAG Secretariat, made a presentation dedicated to the issues of national risk assessment and the role of the private sector. Given the length of discussions that accompanied the first FATF mutual evaluation reports, it can be argued that this topic remains urgent and highly relevant, including due to the fact that appraisers pay particular attention to the interaction between the private sector and government bodies during national risk assessments.

Victor Dostov, the Chairman of the Board of nonprofit partnership «Advancement of E-money», spoke about the main evolutionary processes affecting payment systems and the risks supervisory authorities and the private sector may face in the near future. He noted the ability of modern electronic identification methods to match the potential of traditional paper-based techniques in terms of user identification. For his part, Saleh Nofal, Compliance Officer at Qatar National Bank, presented a report on the use of new payment methods in the region and related problems and risks.

The experts participating in the workshop noted the rapid evolution of methods used to commit crimes, as well as emphasized the need to increase interaction between AML/CFT regime participants both at the national and international levels. It particularly concerns improvements in the quality of information sharing processes.

At the end of the workshop, participants expressed their wish not only to continue such meetings, but also to increase their frequency, in order to remain at the forefront of the best AML/CFT efforts.