

## CHAIRMAN'S COLUMN



### Dear colleagues!

This November India will finish its chairmanship in Eurasian group. Due to joint efforts, over the past 2 years, we achieved significant results.

During this period we have been actively preparing for the 2<sup>nd</sup> round of mutual evaluations within EAG. New evaluation procedures were developed. One of our main tasks was to train professional evaluators in each EAG member-state. That is why we have conducted a range of training workshops in assistance with EAG partners and FATF. EAG Secretariat took part in the assessment of Armenia and plans to participate in the evaluation of Mongolia. This experience will be used during the 2<sup>nd</sup> round of EAG mutual evaluations.

The Group continues its work in the research of new ML/FT typologies. Among the most recent topics are: financial pyramids, and laundering of illicit corruption proceeds. I'd like to draw your attention to our workshop on typologies which was jointly organized with MENAFATF and allowed experts not only to share experiences but also bring the positions of two FSRBs closer.

Our international relations became stronger - CIS ATC got an observer status within the EAG, Eurasian Group joined the Paris Pact Initiative as a partner, UN Secretariat is completing the registration procedure of the EAG Agreement. Also during this period joint workshops with APG, UNODC and OSCE were held. The EAG plans for the nearest future is to further develop cooperation with its partners.

The 23<sup>rd</sup> EAG Plenary Meeting, which will be held in November 2015 in Moscow, will determine the initial tasks for the new leadership of the Group. On behalf of the Republic of India I would like to thank all the EAG member states, observers and partners for the fruitful cooperation. I wish all of you success in the fight against money laundering and new achievements for the good of your countries.

**EAG Chairman  
Ajay Tyagi**

## Mutual understanding is key to EAG's success

*On 21-22 May 2015, Tashkent hosted the 22<sup>nd</sup> Plenary meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG)*

In his welcoming speech, EAG chairman Ajay Tyagi thanked the host party, Uzbekistan, for hospitality and excellent work in organizing the event. Ihtiyor Abdullayev, General Prosecutor of Uzbekistan, addressed the meeting participants on behalf of his country: *«One of the prerequisites of the EAG's successful work is its ability to find common ground on any difficult issues, while respecting the interests of all members of the Group. At the*

*Group, highlighting in particular the increase in the number of assessors following Moscow and New Delhi workshops and the strengthening of the EAG Secretariat. Mr. Mehrishi stressed that the Secretariat had made significant achievements that ought to be taken into account when planning the Group's future activities.*

While commenting on the Plenary agenda, **Yury Chikhanchin**, the head



*same time, I'm convinced of the EAG's ability to move beyond the attained results towards the full integration of international anti-money laundering and terrorist financing standards into national legislations. For my part, I'd like to add that the Anti-Money Laundering and Terrorist Financing Department of the General Prosecutor's Office of the Republic of Uzbekistan is working towards the implementation of the revised FATF Recommendations, carrying out the national risk assessment, and further development and strengthening of international cooperation. We're always open to dialogue and willing to work hand in hand with our partners from other countries.»*

India's representative **Rajiv Mehrishi** spoke about the EAG's achievements during the Indian presidency of the

of the Russian delegation and director of Rosfinmonitoring, noted that today EAG plays a significant role in AML/CFT sphere not only at the regional level but also within the FATF.

*«In essence, the EAG is one of the few groups to rise within the FATF the issues concerning specific matters and activities affecting not only the national security of its members but also individual countries and the whole region. These joint efforts allow us – FATF members Russia, China and India (which are also members of the EAG) – to defend a wide range of common interests.»*

During the meeting, participants discussed the reports by the co-chairs of the EAG Working Group on Mutual Evaluations and Legal

Cooperation as  
a key element of international  
security

Page 3

EAG continues to play a key  
role in the fight against  
drug trafficking

Page 4

Issues, a report by Turkmenistan and Uzbekistan on measures taken to improve the national AML/CFT systems (as part of the procedure for exiting the EAG's follow-up process), the 5th Follow-Up report of the Republic of Belarus, and the Schedule for the 2<sup>nd</sup> round of EAG mutual evaluations; listened to reports by Group members on the method and timing of the upcoming national risk assessment and amendments to national AML/CFT legislations in the run-up to the 2<sup>nd</sup> round of mutual evaluations; and considered a number of other issues included in the agenda.

The 22<sup>nd</sup> EAG Plenary meeting concluded with the adoption of a Public Statement.

*Continued on page 2*

## Bahodir Zilyaev acting head of the Department for Combating Tax and Currency Crimes and Money Laundering of the General Prosecutor's Office of the Republic of Uzbekistan:



«Over the years of its independence, Uzbekistan has implemented a range of measures designed to improve its national anti-money laundering and terrorist financing system. Today's problems of money laundering and terrorist financing are global in their nature, requiring global solutions and international cooperation. Uzbekistan, for one, is playing an active role in finding solutions to these problems, including through its constructive engagement with the Financial Action Task Force on Money

Laundering, the International Monetary Fund, the World Bank, the OSCE and other international institutions.

It should be noted that the effectiveness of our national AML/CFT system has been recognized by many international organizations of high repute, including the Basel Institute on Governance. Uzbekistan, along with Italy, Spain, Canada, South Korea and the United States, has been referred to a group of countries with the lowest money laundering risk.

Once again, the Plenary has demonstrated a high level of awareness of the tasks and challenges faced by the international community and regional groups in the proper implementation of the FATF standards.

It is particularly noteworthy that not only the participating delegations but also representatives of the private sector were able to become acquainted with latest trends in this area in the course of consultations. This fact is of great importance for growing businesses and will certainly contribute to a constructive engagement with the private sector.

I'd also like to express my sincere appreciation to all delegations for their active and fruitful participation in the activities, and wish them success in their future work. It gives us great pleasure to know that we were able to create favourable conditions for the successful hosting of the Plenary week.»

## Bisengali Tadzhiyakov, Deputy Chairman of the EAG (Kazakhstan):



«The 22<sup>nd</sup> EAG Plenary gave all members of the Group the opportunity to speak about their amendments to AML/CFT legislation, many of which are connected with the 2<sup>nd</sup> round of mutual evaluations and the tough requirements

applicable to this process. Kazakhstan has already begun this work by submitting the required amendments to its parliament. Incidentally, our country was recently visited by Rosfinmonitoring director Yury Chikhanchin, who, among others, met with the prime minister and several members of parliament. At these meetings, the head of the Russian Financial Intelligence Unit highlighted a number of

important issues currently facing the FIU. I'd like to emphasize that although today we are talking about eliminating deficiencies in our legislations, the upcoming mutual evaluations themselves will focus on assessing the effectiveness of application of these laws, a task that all EAG members should be ready for.»

## The new President of the FATF



Mr. Je-Yoon Shin from Korea assumed the position of President of FATF on 1 July 2015. He succeeded Mr. Roger Wilkins OA of Australia.

Mr. Shin was Chairman of the Financial Services Commission (FSC) of Korea, a position he has held from March 2013 to March

2015. Prior to assuming the chairmanship, he was First Vice Minister of the Ministry of Strategy and Finance (MoSF). He has been with the government since 1982, holding a variety of senior positions, including Vice Chairman of the FSC in 2011 and Deputy Minister of the MoSF from 2008 to 2011. In 2010, he chaired the G20 Finance Deputies' Meeting, where important global issues such as financial safety nets, IMF reforms and global imbalances were addressed. In 2008, he made great contributions to shielding Korea from the global financial crisis by establishing currency

swap arrangements with the U.S., Japan and China.

Mr. Shin also held key posts within the Ministry of Finance and Economy (the former body of the MoSF), including Director General of the International Finance Bureau. He was in charge of monitoring and managing exchange rates, advancing domestic foreign exchange systems, and ensuring stability in financial markets in the aftermath of the sub-prime mortgage crisis. From September 2002 to 2004, he served as Director of the Financial Policy Division, where he headed the Task Force Team for restructuring LG Card. In addition, he led efforts to establish the Korea Housing Finance Corporation and introduced long-term mortgage loans in Korea.

From January 2001 to September 2002, Mr. Shin served as Director of the International Financial Policy Division. His hard work and dedication has led major credit rating agencies -Moody's, S&P and Fitch- to restore Korea's ratings to pre-crisis levels. Between October 1999 and December 2011, the days following the Asian financial crisis, Mr. Shin served as Deputy Secretary to the President for Financial Affairs, contributing greatly to Korea's efforts in overcoming the crisis.

Mr. Shin was born on March 25, 1958 and graduated from Seoul National University in

1981 with a degree in Economics. He passed the Higher Civil Service Examination with the highest score in 1981. He also studied economics at the graduate school of Cornell University. Mr. Shin is married with two daughters and resides in Gwacheon, Korea.

### Objectives for FATF-XXVII (2015-2016):

1. Enhancing FATF and FSRB's efforts in countering terrorist financing
2. Addressing the challenges faced by the fourth round of mutual evaluations
3. Addressing capacity constraints
4. Work prioritisation and strategic allocation of resources
5. Mid-term review of FATF Mandate
6. Reinforcing the global AML/CFT network
7. Closer engagement with the private sector and civil society



## Cooperation as a key element of international security

Consultations with the private sector “Risk Assessment and the Role of the Private Sector. Guiding Principles and Feedback” were held during the 22<sup>nd</sup> EAG Plenary week on May 20 in the Uzbek capital Tashkent



The duties of the Consultations moderators were performed by representative of Uzbek FIU Vyacheslav Pak, international strategic advisor on financial security Giuseppe Lombardo, representatives of the International Training and Methodology Center for Financial Monitoring (ITMCFM) Evgeny Volovik and Konstantin Sorokin, and Deputy Head of the Department for Financial Monitoring and Currency Control of the Russian Central Bank Andrey Gasanov.

In his welcoming remarks, **EAG Executive Secretary Vladimir Nechaev** spoke of the importance of the annual dialogue between the private sector and EAG member states:

«The format of annual consultations is standard for both the FATF and FATF-style regional bodies. While the Financial Action Task Force acts as a developer of international standards, whose guidelines, best practices and possible amendments thereto are the subject of the current discussions, our task is to monitor their implementation, identify the problems that arise and find solutions. We're establishing a dialogue and will refer the questions asked during these consultations to the FATF.»

**Acting head of the Department for Combating Tax, Currency Crimes and Money Laundering under the Prosecutor General's Office of the Republic of Uzbekistan Bahodir Zilyaev** spoke of the importance and timeliness of this forum, which is held on the eve of the 2nd round of EAG mutual evaluations. Mr. Zilyaev emphasized Uzbekistan's strong commitment to the AML/CFT issues, as evidenced by the establishment of instructions of Uzbek President Islam Karimov of the Interagency Working Committee for review and implementation of the revised FATF Recommendations:

«The Committee is working hard to integrate the revised FATF Recommendations, including the requirement for the implementation of a risk-based approach, into the country's legislation.

*I would also like to note that the current processes of globalization, financial markets integration, emergence of new services and the widespread use of information technologies are, unfortunately, occurring against the backdrop of increased activities by various transnational criminal groups and rapid growth in drug trafficking and cybercrime, rendering the task of combating money laundering increasingly urgent. The scale of the problem calls for an adequate and timely responses from the entire international community. There can be no doubt that the adoption in February 2012 of the revised FATF Recommendations was a major step in countering these threats.»*

Mr. Zilyaev thanked the OSCE Project Co-ordinator's office in Uzbekistan for its unwavering, longstanding support of the country's FIU in strengthening the national anti-money laundering and terrorist financing system. In turn, **representative of the OSCE Project Co-ordinator's office in Uzbekistan Gyorgy Szabo** identified cooperation as a key element to ensuring security on an international scale:

«Although the main role in the fight against money laundering should be played by government and law enforcement agencies, everybody, including the private sector, must be involved in this ongoing work. In this sense, such consultations are very important for us. I wish to thank our partners for organizing this event and providing excellent working conditions, as well as all the experts who came to the forum from many OSCE member countries.»

\*\*\*

Participants of the session titled «International Experience in Risk Assessment. Prospects and Trends» listened to the reports by Giuseppe Lombardo («The Role of Financial Institutions in the National Assessment of ML/FT Risks»), Evgeny Volovik («Virtual Currencies: Risks and Regulation») and Alexander Vuiichich, AML/CFT expert and head of Serbia's FIU until 2012 («The Role of DNFBPs in the National Assessment of ML/FT Risks»).

The session titled «The Sectoral Assessment of Risks» began with a report by Valery Lopatin, advisor to the chairman of the non-commercial partnership National Financial Market Council («ML/FT Risks in the Payment System Risks Structure»). Among other speakers were Vladislav Ponamorenko, Assistant Professor at the Department of Monetary and Credit Relations and Monetary Policy of the Financial University under the Government of the Russian Federation («Assessment of the ML/FT Risks in the Banking Sector in the Context of Regional Integration») and Mato Meyer, advisor for economic cooperation and public administration at the Bureau of Coordinator of OSCE Economic and Environmental Activities («National Assessment of ML Risks: OSCE's approaches and tools»).

A list of speakers at the final session titled «Country-based Approach to Risk Assessment. Best Practices and the Role of the Private Sector» included Alexey Stepanov, head of the Department for Macro Analysis and Typologies at Rosfinmonitoring («Issues of Importance in the Establishment of the National Risk Assessment and Russia's Experience»), Arda Igembaev, head of the F1 Department of the Financial Monitoring Committee of the Ministry of Finance of the Republic of Kazakhstan («The Role of Reporting Entities in the Management of ML/FT Risks») and Buned Esanboev, head of the Department for Internal Control over International Banking Transactions and Remittances of the National Bank for Foreign Economic Activity of the Republic of Uzbekistan («The Experience of Risk Assessment and Application of a Risk-based Approach by the National Bank for Foreign Economic Activity of the Republic of Uzbekistan»).

All declared discussion topics proved to be of great interest to the participants and were accompanied by lively discussions. Summing up the outcomes of the Consultations, Vladimir Nechaev noted the relevance of the topics discussed and constructiveness of the dialogue.

### Aniko Hrubí, Policy Analyst, FATF:



“FATF has got reasonably good relations with EAG as a FATF-style regional body. We regularly participate in events conducted by the Eurasian group, and EAG representatives participate in FATF meetings. I can say that this cooperation

is very important for us. The FATF Standards are applicable in all regions, and EAG is one of our main partners, because the Group tries to observe all the Standards rigorously.

During the past Consultations with the private sector, particular attention was given to risk-based approach - a new concept of FATF Standards implementation. In particular,

correct implementation of risk-based approach was discussed. Interesting discussions should contribute to the right understanding of mandatory FATF Standards. In this regard, it was really interesting to learn about international experience of bringing national risk assessment systems in compliance with the Standards (this will be the main issue of forthcoming FATF mutual evaluations).”

## EAG continues to play a key role in the fight against drug trafficking

*A joint EAG/UNODC/ITMCFM interregional workshop on strengthening cooperation between financial intelligence units and law enforcement agencies in combating drug-related money laundering was held from 2 to 4 September in Moscow with support from the Regional UNODC Programme for Afghanistan and Neighboring Countries*

A list of the workshop participants included delegations from member states of the Eurasian Group on Combating Money Laundering and Financing of Terrorism, along with delegations from Afghanistan, Iran and Pakistan, representatives of the UN Office on Drugs and Crime, the Federal Financial Monitoring Service, and the International Training and Methodology Centre for Financial Monitoring.

The opening ceremony included welcoming remarks by representatives of the workshop organizers: EAG Executive Secretary Vladimir Nechaev, UNODC regional representative in Afghanistan and neighboring countries Andrey Avetisyan and general director of ITMCFM Oleg Ivanov.

**A. Avetisyan:** «As you all know, Afghanistan still remains the largest supplier of opiates. What, however, exacerbates this problem even further is the fact that it undermines the stability, security, public order, and the wellbeing of so many countries. Despite this, we've already made significant progress in strengthening regional cooperation in combating trafficking in drugs and precursors, as well as in mitigating social and economic impact caused by these activities. Meanwhile, Eurasia and Central Asia



*will, of course, continue to play a key role in addressing these challenges.»*

During the workshop, participants discussed new trends in legal regulation of the fight against drug-related money laundering, the priority areas of cooperation, experience of participation in the operation «Channel,» and best practices in combating the laundering of drug proceeds. Particular attention was paid to the main pillars supporting organized crime, i.e., the issues related to the use of drug proceeds, their transportation, storage and subsequent investment, as well as to possible ways of undermining its structure.

The participants thanked UNODC, EAG, and ITMCFM for the organization of this Interregional Workshop and spoke in favour of further development of regional cooperation through the organization of workshops concerning interregional-level AML issues with the support of the Eurasian group.

EAG will continue supporting the states of the region in the sphere of AML/CFT, in particular, through the organization of special training courses and workshops on financial investigations, financial analysis, countering cash smuggling, fight against illegal use of money and value transfer services, money laundering prosecution.

### Jeremy Milsom, UNODC senior programme coordinator, and David Copley, UNODC AML advisor:



«The workshop deserves a high mark. And although not all presentations matched the stated theme of the event, they were thought-provoking, which is a good thing in itself. Therefore, it appears that all participants contributed to it in one way or the other, not only through presentations but also

through discussions of the presented material, including on the sidelines.

It must be said that the countries in this region are doing everything they can to address the problems featuring among the themes of the workshop. Although it's clear that we all have different problems and different laws to deal with them, our job is to search for cross-over points, the common denominator with which to suppress the activities of criminal groups, including drug traffickers. We're already doing a lot in this direction, but can do even more, hence we must work harder. And this is why it's very important that all those present share with us not only their achievements but also failures.

I guess it would be wrong to single out just one case without shining some positive light on other examples of successful work of law enforcement in seizing large quantities of drugs. On the other hand, there're instances where the number of seizures is not huge but where there're clear signs of strengthening cooperating, which is no less important for our work. Public demands from us to remain proactive. But in order to act, we first need to chart our path. And when we see examples of people who struggled to figure out how to cooperate begin to engage with one another and move along this path, for us it's just as important in terms of future progress as examples of success stories.»

### Vladimir Nechaev, EAG Executive Secretary:



«This workshop has allowed us to expand the traditional list of attendees for this event, comprising nine EAG member states, by adding several countries most affected by the problem of Afghan drugs.

When two years ago Russia took over the FATF presidency, one of our priorities was to conduct a study of financial flows related to the trade

in Afghan opiates. This study was conducted in the FATF with the participation of both the Eurasian Group and other FSRBs, completed last June, and published. Its principal point was this: Since only a small fraction of drugs gets confiscated and destroyed, while the share of drug proceeds seized from criminals is even smaller, it stands to reason that by reducing the profitability of drug trafficking business, we'll render the task of defeating it altogether a lot easier. For this reason, I believe that the need to conduct financial investigations should be one of

the issues looked at in more detail in the future. However, it's one thing when law enforcement authorities seize drugs, catch criminals, and bust criminal networks, and quite another when they seize drug proceeds, thereby depriving criminals of the opportunity to invest them in their business.

I do, of course, support the idea that such workshops should be held regularly, because they allow their participants to familiarize themselves with the best experience of other countries and use it at home.»

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>

Publisher: Autonomous Non-Profit Organization ITMCFM. Editorial board: P. Kukushkin, I. Lisina, K. Litvinov, Y. Mazina.