

CHAIRMAN'S COLUMN



Dear colleagues,

The year 2015 was marked by the fight against terrorism, which stepped across national borders and turned into the global evil. From now on, we will have to fight against this evil all together and at all levels. ISIL has become a center of attraction for terrorists and put before all countries the most acute problem of foreign terrorist fighters joining the ranks of the illegal armed formations of this criminal group. Murderous terrorist attacks that overwhelmed every conscious man became an occasion for the convening of FATF Special meeting in December 2015, in Paris, which was convened for a rapid response to the continuing escalation of terrorism.

During these challenging times, the Russian Federation has chaired the Eurasian Group once again. In addition to countering terrorist financing, the priorities of Russia in the coming years of chairmanship will include optimizing the structure of the EAG working groups, introducing revised FATF standards and enhancing the interaction of financial intelligence units. Particular attention will be paid to improving the Group's expertise. To this end, the Russian Federation has taken the initiative to conduct the next workshop of assessors in 2016.

I would like to thank our Indian colleagues who were able to ensure the development of the EAG during the previous two-year chairmanship of the Republic of India. The increased number of the Group member states removed from the enhanced monitoring procedure confirms the validity of the policy of improving national anti-money laundering systems in the region. We also welcome the increase in the number of the Group's partners, both among states and international organizations.

I wish all of us success in the new 2016!

**EAG Chairman
Yury Chikhanchin**

Following the results of the 23rd EAG Plenary meeting, Russia has once again chaired the Eurasian Group

On November 13, the 23rd Plenary meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) in Moscow was concluded

The events of the Plenary week were attended by delegations of all the EAG member states (Belarus, India, China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, and Uzbekistan), representatives of international observer organizations and partners of the EAG, including ATC CIS, SCO RATS, UNODC, CSTO,

activities and urged member states to intensify their efforts in combating financing of the terrorist organization of ISIL and early implementation of relevant UN Security Council Resolutions.

Among the significant events of the week should also be noted the



World Bank etc., as well as the Group's observer states (Armenia, Italy, Korea, Poland, the USA, Turkey and France). The Plenary meeting was also attended by President of Financial Action Task Force on Money Laundering (FATF) Je-Yoon Shin (the Republic of Korea).

One of the major results of the Plenary meeting was the election of Rosfinmonitoring Director Yury Chikhanchin as the EAG Chairman, who replaced the India representative Ajay Tyagi. The head of Russian Financial Intelligence Unit has already held the position of the EAG Chairman from 2011 to 2013. Chairman of the State Service of Financial Intelligence affiliated to the Government of the Kyrgyz Republic Melis Mambetzhonov was elected as new Vice Chairman.

The Plenary meeting participants discussed issues related to the ISIL

removal of Turkmenistan from the EAG monitoring, the Republic of Korea becoming one of the EAG observer states, and the conclusion of a bilateral agreement on AML/CFT information exchange between FIUs heads of Armenia and Kazakhstan.

As part of the expansion of cooperation with international and regional organizations, the Plenary supported the idea of holding a joint FATF/EAG/UNODC typological workshop in 2016.

During the Plenary meeting, there was a presentation of the International Training and Methodology Center for Financial Monitoring (ITMCFM, Russia), which is to celebrate its 10th anniversary at the end of this year. The ITMCFM Director Oleg Ivanov made a presentation of the Center and told the participants about the history of

Main focus
on counterterrorism

Page 2

Risk-based supervision

Page 3

FATF plays a key role at the new stage of the fight against global terrorism

Page 3

On the importance of early implementation of the FATF measures aimed at countering terrorist financing and contributing to the victory over ISIL

Page 4

its establishment and development. The Plenary participants expressed their gratitude to the International Training and Methodology Center of Financial Monitoring for significant contribution to the improvement of the regional AML/CFT system and the promotion of the EAG activity.

The autumn EAG Plenary meeting was traditionally marked by the competition for the best financial investigation. The case of the Uzbekistan FIU representatives was recognized as the best among three presentations.

Following the results of the Plenary, the outcome document was adopted.

The 24th EAG Plenary is to be held in June 2016, in Astana, the capital of the Republic of Kazakhstan.

Main focus on counterterrorism

On November 11, 2015, within the framework of the 23rd Plenary week of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) in Moscow, a joint workshop of the EAG and the Anti-Terrorist Center of the Commonwealth of Independent States (CIS ATC) on Improving cooperation between financial intelligence units and law enforcement agencies in the investigation of crimes related to the financing of terrorism was held.

The workshop was attended by representatives of Azerbaijan, Armenia, Belarus, India, Kazakhstan, China, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkey, Turkmenistan, Uzbekistan, as well as CSTO and SCO RATS. The main objective of the event was to exchange experiences in order to understand better the possibilities of financial intelligence units and the needs of law enforcement agencies in countering terrorist financing.

Outline

The Anti-Terrorism Center of the Commonwealth of Independent States (CIS ATC) established by decision of the Council of CIS Heads of States on June 21, 2000, is a permanent special-purpose agency of the Commonwealth of Independent States aimed at coordinating the interaction of competent authorities of CIS member states in the fight against international terrorism and other manifestations of extremism.

Overall management of the Centre is carried out by the Council of Heads of Security Bodies and Special Services of CIS member states (SORB).

The participants were greeted by the EAG Executive Secretary Vladimir Nechaev and the CIS ATC Deputy Head Oleg Zemskov.

V. P. Nechaev:



"The CIS ATC has been the EAG observer as little as a year, but we already have a joint workshop. In September, we held a joint workshop with the UNODC and ITMCFM in Moscow on a similar subject: Strengthening cooperation between financial intelligence units and law enforcement agencies in combating laundering of illicit drug trafficking process with the assistance of the Regional UNODC Programme for Afghanistan and neighboring countries.

The Eurasian Group is a FATF-style regional body, and our task is to assist establishment and monitoring of anti-money laundering system aimed at combating money laundering, terrorism financing and proliferation of weapons of mass destruction. We can use the available tools to assist in the experience exchange and the advanced training of employees.



The traditional system, which existed in every state for a long time, involves the source-based work. New anti-money laundering system is based on the implementation of UN Security Council Resolutions, the FATF Recommendations, as well as on information received from financial institutions. In this case, it is referred not only to financial institutions but also to non-financial professions and, above all, of course, to non-profit organizations those have traditionally enjoyed the confidence of population in many countries, but can be used for terrorist financing.

I can guarantee that the Eurasian Group will by all means contribute to further cooperation with the CIS ATC and assist countries in improving the qualification in this and other areas."

O. A. Zemskov:



"Almost 15 years have passed since 2001 when baseline international legal documents on combating terrorism through the UN were adopted and special groups and regional anti-terrorist centers aimed at countering terrorist financing were set up on their basis. By this time, such structures as FATF, MONEYVAL, and the Egmont Group have been set up, and in 2004 the Eurasian Group on Combating Money Laundering and Financing of Terrorism started its work. All these organizations are aimed at ensuring reliable and effective functioning

of systems of combating money laundering and terrorist financing in member states.

At the same time, I would like to emphasize that as early as in 2000, prior to the September 11 attacks, the Anti-Terrorism Centre was established by decision of Heads of the CIS member states and one of its priorities was fighting against terrorist financing.

It should be noted that we cooperate in this area with all special services and law enforcement agencies of the CIS member states, including their task forces dealing with countering terrorist financing.

As of late, we have been actively cooperating with the Council of Heads of financial intelligence units of the CIS member states and individual financial intelligence agencies of the Commonwealth of Independent States."

At the end of his speech, O. A. Zemskov bestowed on behalf of the CIS ATC the Certificate of Acknowledgement to the EAG leadership with the following wording: "To the Eurasian Group on combating money laundering and the financing of terrorism for the great contribution to the improvement of coordination and interaction of state power bodies of the Commonwealth of Independent States in the fight against terrorism", and awarded the "15 years of the CIS ATC" anniversary medals to the EAG Executive Secretary V. P. Nechaev, Deputy Executive Secretary and the EAG Senior Administrator A. M. Seleznyov, and Head of Financial Analysis and Financial Investigations Office of the Rosfinmonitoring Counter-Terrorism Financing Department E. A. Mozgov.

Following results of the workshop, an agreement on further cooperation between the EAG and ATC CIS in combating terrorist financing was concluded.

Risk-based supervision

On December 16-17, 2015, Moscow hosted the international workshop "Risk-based approach to supervision as a mechanism for increasing effectiveness of AML/CFT system"

The event was organized by Rosfinmonitoring and the International Training and Methodology Center for Financial Monitoring (Russia).

More than 90 experts took part in the event including international assessors and representatives of FIUs and supervisory bodies of the EAG member states. The attention was focused on issues of international experience and best practices in setting up the RBA to supervision, preparing and conducting the national risk assessment, arranging the remote monitoring, interagency cooperation, etc. The event has also provided an overview of new FATF guidance on risk-based approach implementation (hereinafter – RBA) "Effective supervision and enforcement by AML/CFT supervisors of the financial sector and law enforcement" (October 2015).

While greeting the participants, the EAG Chairman Yuri Chikhanchin emphasized that

the most important task of national AML/CFT systems is applying of the FATF approaches to the implementation of RBA, and specifically in supervision. Risk analysis should be a comprehensive and systematic work, an important part of which is the identification and creation of countermeasures as the health of the economy depends on them.

The MONEYVAL expert in monitoring, training and AML/CFT typologies Michael Stellini shared the results of the evaluation of Armenia, Spain, Malaysia, Norway, and Belgium, highlighting the main points, which countries should keep in mind preparing for the next round of mutual evaluations.

The Central Bank of Armenia representative Vage Petrosyan told the participants how his country has passed the national AML/CFT system assessment procedures. Besides this, of great interest to the participants was the report of the

Italian FIU Chief Analyst Alessia Cassetta on the advanced methods of implementing a risk-based approach in supervision used when checking the banking sector.

According to the absolute majority of the participants, the supervision system includes a variety of tools, such as preventive measures, sanctions and others. However, their use should be appropriate and proportionate to the risks that may occur in the financial sector in order to avoid excessive control and regulation. As alternative means we should use information exchange between supervisory authorities and FIUs, remote monitoring technology, organization of "feedback" channels with the supervised organizations and so on.

Based on the workshop results, the participants adopted a series of recommendations on applying risk-based approach to supervision for the EAG member states.

FATF plays a key role at the new stage of the fight against global terrorism

The Eurasian Group delegation under the leadership of the EAG Chairman Yu. A. Chikhanchin took part in the FATF Special meeting held on December 12-14, in Paris, which was convened for a rapid response to the continuing escalation of terrorism

On the first day of the meeting, the FATF and the Egmont Group representatives met with operative officers from financial intelligence units, law enforcement agencies, security bodies and special services to exchange information and analyze the investigations of recent terrorist attacks, including the challenges they face in addressing the identification and suppression of terrorist financing.

Recognizing an unprecedented threat posed by ISIL, the FATF reached decision to tighten its measures on countering terrorist financing. In order to understand better and reflect the volatile nature of risks associated with terrorist financing, the Financial Action Task Force has decided to revise its strategy as follows:

- **FATF will analyze the impact of recent measures on ISIL**

Despite the volatile situation in Syria and Iraq, the available knowledge about ISIL obtained in the course of the study on its financing sources approved in February remains relevant.

ISIL continues to receive the main income from the controlled territories, specifically from the illegal sale of oil, gas and other natural resources, robbery and extortion, removal of agricultural production and smuggling of items of cultural heritage.

With a view to the continuous monitoring of risks and improving the awareness of the private sector, the FATF, together with the United Nations, the Counter-ISIL Finance Group, the Egmont Group, Interpol and other interested parties, will prepare relevant information on the sources of ISIL's



financing. Further, this will allow the private sector to take appropriate action and to understand better emerging risks.

Moreover, in February 2016, the FATF will hold a consultative meeting with the private sector to present the currently developed risk indicators of terrorist financing and will help to improve the information exchange with national competent authorities.

- **FATF will take measures to improve information exchange**

There is a need to improve information exchange between intelligence agencies, including those at national and international level as well as between the competent authorities and the private sector. Recent tragic events have demonstrated that financial and analytical information plays an important role in the investigation of terrorist attacks. This information should also assist in the elimination of terrorist financing sources, thus making a significant contribution to the prevention and suppression of terrorism as a whole.

In this regard, FATF will expeditiously analyze how its member states understand risks facing them as well as difficulties encountered in the implementation of the information exchange, and the specific steps taken to address them. Based on the received data, FATF will develop an action plan that will be a part of a comprehensive strategy in detecting and preventing terrorist financing that should ultimately contribute to the success of global efforts aimed at degrading and, eventually, defeating ISIL as a terrorist organization.

Moreover, the FATF and the Egmont Group will work together to remove obstacles hindering the

effective information exchange, as well as to review the need to revise the international standards in this area. Besides this, an immediate action will be taken to improve information exchange between government authorities, countries and the private sector.

- **FATF will consider the need for tightening its standards and their subsequent implementation**

FATF establishes international standards necessary to counter terrorist financing. To ensure that these standards meet modern challenges and threats, the Group will take following steps:

- based on a review of measures taken in respect of countering terrorist financing by 196 jurisdictions comprising the FATF global network, a special monitoring procedure in relation to countries that have not recognized terrorist financing as a criminal offense or not imposing targeted financial sanctions will be initiated in February 2016;
- on February Plenary meeting, a discussion about the areas in which standards can be tightened with a view to improve compliance with UN Security Council Resolutions aimed at combating terrorist financing will be started.

During the Plenary meeting, Russian delegation voiced the need to incorporate the provisions of the UN Security Council Resolution 2199 into the FATF standards, and made a presentation "Approaches of the Russian Federation to new risks associated with the financing of ISIL", which aroused keen interest among the participants.

On the importance of early implementation of the FATF measures aimed at countering terrorist financing and contributing to the victory over ISIL

An address by the FATF President Je-Yoon Shin to the meeting of Finance Ministers of the Special Session of the UN Security Council, New York, December 17, 2015

Thank you for the opportunity to address you and to emphasize the importance of immediate implementation of the FATF standards relating to countering terrorist financing and, accordingly, to the victory over ISIL.

Terrorism needs money. ISIL, positioning itself as a state and providing services expected from the state, needs money more than any other terrorist group. Money is the main vulnerability of ISIL.

The suppression and disruption of financial flows should be at the center of any successful strategy aimed at the victory over ISIL.

The disruption of the ISIL financing system will prevent them from recruiting new fighters.

ISIL needs access to the financial system for the movement of cash flows and payment for shipments. ISIL uses charitable institutions and money transfer systems, and is in need of physical movement of huge sums of cash.

The financial intelligence unit can identify the structure of terrorist groups, the activities of individual terrorists, their logistics and intermediate networks.

So what is the assistance of the FATF and what it has already achieved?

The FATF has implemented global standards for combating terrorist financing on the basis of UN Security Council Resolutions.

Almost all jurisdictions around the world have obligated to implement FATF standards and are in the process of mutual evaluation.

We openly point at those who are unable to take the necessary measures to combat terrorist financing, and it warns other jurisdictions and banks against the risks and deters foreign investment. At the moment, FATF has considered more than 80 countries in the framework of this process and publicly specified 58 of them. As a result, 43 jurisdictions out of 58 have already implemented the required reforms.

Our goal is to protect the integrity of the financial system and the global economy as a whole. We must be sure that there are no safe havens for terrorist financing.

Over the past six months, FATF has reviewed the implementation of measures to counter terrorist financing in 196 countries. Almost all of them have recognized terrorist financing as a criminal offense and are ready to impose targeted financial sanctions.

Over the past two months, half of the jurisdictions where we have identified serious issues urgently enacted relevant laws to address them.

However, these measures are not sufficient. The sentences on the charge of terrorist financing were passed only in 33 jurisdictions. Most countries are too slow in complying with the UN requirements to freeze assets: delays range from two days to a month.

Now, all jurisdictions must immediately focus on the effective implementation of the FATF standards, not only on the adoption of laws and regulations.

The significance of these measures is obvious.

On Saturday, the FATF called a meeting of practitioners from financial intelligence, law enforcement, security, and intelligence units. They explained how the financial information of the private sector has helped to track down the terrorists behind the latest attacks, and thereby prevent new attacks. We are also aware of cases when the suppression of terrorist financing undermined the ability of terrorist groups to prepare acts of violence.

On Sunday, members of FATF, UN, IMF, World Bank and other international organizations met to learn the lessons of recent terrorist attacks. We focused on the operative capacity in the fight against the financing of terrorism. Our most important finding is that there is a need to improve and accelerate information exchange

- between departments within jurisdictions;
- between jurisdictions;
- with the private sector representatives.

In the next six weeks we will be collecting information on the terrorist financing risks faced by the FATF members, as well as on problems in the area of the information exchange between financial intelligence units and their responding to emerging challenges.

This will help us to work together and overcome the obstacles that hinder the information exchange. We know, for example, that the differences in the laws on data protection result in the fact that one of our largest sources of information – banks – often do not have the right to conduct an international exchange of information within their organizations, not to mention the information exchange between different banks or with authorities.

We will also identify and exchange "red flags", i.e. indicators of terrorist financing, to assist the private sector in the detection of suspicious activity and informing about it. The FATF has always worked in close cooperation with the



United Nations. In October, we have updated our standards to reflect the Security Council Resolution 2178 on foreign terrorist fighters.

Today, having a firm mandate of the Security Council, we will proceed to further actions to strengthen these measures throughout the FATF global network in order to facilitate the most rapid and effective implementation of targeted financial sanctions.

The wholehearted support of the United Nations will help us to put pressure on all member states of the FATF for the effective implementation of the FATF standards in these countries. FATF is an operative group with a time-limited mandate. This directs our work and makes us fast and flexible.

But it also means that we are dependent on the goodwill and support of all the participants to evaluate and implement the FATF standards and share knowledge about the changing threats.

We need strong support from you, as Finance Ministers, to continue our work effectively.

In conclusion, I would like to thank the Security Council and all our members for their assistance in this important work.