

## CHAIRMAN'S COLUMN



Dear colleagues!

The Plenary meeting in Kyrgyzstan this May confirmed the EAG member states' commitment to the FATF key principles: enhancement of the international cooperation, discussion and implementation of brand new initiatives and projects, accumulation of experience and best practices exchange. Participants shared opinions and experiences on the agenda's core issues, in particular, counter-terrorism financing, information exchange, gatekeepers' role in money laundering.

Within the joint workshop with CIS ATC attendees debated on implementation of the UN Security Council sanctions, interaction of law enforcement agencies and financial intelligence in identification of foreign terrorist-fighters.

One of the key events of this year is FATF Joint Experts' Meeting, held in April in Moscow. On behalf of the EAG, I would like to thank ITMCFM for the organization.

As EAG Chairman I am convinced that such meetings facilitate better understanding of FATF members' positions on key AML/CFT issues and contribute to constructive dialogue. I hope that joint FATF-FSRBs' events will only grow in number. We are open to your proposals and eager to support similar experts' meetings. Only by joining efforts of the global community can we counter effectively present threats of money laundering and terrorism financing.

**EAG Chairman  
Yuri Chikhanchin**

## 26<sup>th</sup> EAG PLENARY MEETING

*The 26<sup>th</sup> EAG Plenary and working group meetings were held in Bishkek (Kyrgyzstan) on May 22-26, 2017.*

The meeting was attended by delegations from EAG member states Belarus, China, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan as well as representatives of countries and organizations holding observer status in the group.

intensify efforts aimed countering terrorism financing and to effectively implement relevant UN Security Council Resolutions.

The Eurasian Group works hard to strengthen its horizontal links with observer organizations. As part



The Plenary approved the outcome document on the common financial profile of a foreign terrorist fighter (FTF) for EAG countries, designed to improve the detection of terrorist financing.

The meeting was led by EAG Chairman and Director of Rosfinmonitoring Yuri Chikhanchin. In his opening remarks to the Plenary, Kyrgyzstan's Deputy Prime Minister Zhenish Razakov said that without mutual support and cooperation, single countries would struggle to oppose such transnational crimes as terrorism, extremism and money laundering, as well as to improve their national anti-money laundering and counter-terrorism financing systems.

"In light of the growing threat of international terrorism, it is important for EAG member states to prepare and undertake concerted and active AML/CFT measures not only at the FIU level, but also with the involvement of law enforcement, supervisory and fiscal authorities," said Mr. Razakov.

The key items of the Plenary week's agenda were linked to ISIL and other terrorists organizations' activities. Participants stressed the need to

of these efforts, the Plenary week schedule included a joint EAG/CIS ATC/ITMCFM/UN CTED workshop on experiencesharing in identification of foreign terrorist fighters (FTFs) and application of targeted financial sanctions against them.

EAG members and observers continue their preparations for the 2<sup>nd</sup> round of EAG mutual evaluations and review workshops on best practices in implementing international AML/CFT/PWMD standards.

Participants highlighted the key role of the International Training and Methodology Centre for Financial Monitoring (ITMCFM, Russia) in the preparations for the next round of EAG mutual evaluations and AML/CFT personnel training. In this regard, ITMCFM was urged to consider the possibility of stepping up technical assistance efforts in these areas, taking into account the capacity of other EAG training and methodology centres and donors. In turn, ITMCFM unveiled its technical assistance initiative for EAG countries that includes plans for holding AML/CFT trainings and experience sharing sessions.

Expert Opinion

Page 2-3

Compliance Ratings

Page 4

Preparations for the 2<sup>th</sup> Round of Mutual Evaluations

Page 4

EAG members briefed the Plenary on amendments to their national AML/CFT legislation and progress in conducting national risk assessment, thereby underscoring their commitment to improving the AML/CFT framework, with the focus on effectiveness.

The Plenary approved technical amendments to the 11<sup>th</sup> report on progress of Tajikistan under the procedure for its removal from the EAG follow-up process (2014), aimed at harmonizing its format.

A particular agenda item was devoted to the task of AML/CFT personnel training. As part of these efforts, the EAG established an Expert Group on the Development of the Common International Qualification Standard of AML/CFT Specialist. Participants were also informed about the work carried out by the international network AML/CFT Institute, as well as presentations from NRNU MEPhI graduates Yulia Medvedeva (Russia) and Bolot Aiga-Nish (Kyrgyzstan).

The 27<sup>th</sup> EAG Plenary meeting will be held in November 2017 in the capital of the Russian Federation, Moscow.

## Expert Opinion

*FATF/Rosfinmonitoring Joint Experts' Meeting on AML/CFT typologies, organized with the EAG and ITMCFM support and attended by FATF President Juan Manuel Vega-Serrano (Spain), started on April 24, 2017 in Moscow.*

*Over 250 representatives from 40 countries took part in the event*

In his opening remarks to the participants, EAG Chairman and Director of Rosfinmonitoring Yuri Chikhanchin said that the recent tragedies in Paris, Stockholm, St. Petersburg, London and other cities around the world brought into focus the severity of the imminent terrorist threat, forcing the international community to mobilize its efforts in the fight against the financing of terrorists, especially ISIL, and against financial and economic crime in general:

"The relevant international organizations, particularly FATF, provide the necessary support and coordination of national efforts to counter modern challenges and threats in the financial sector. They carry out extensive research, involving world famous experts, aimed at identifying these challenges and threats, as well as at finding ways to neutralize them with the help of special methodology and tools."

"In particular, I would like to touch on the issue of terrorist recruitment financing," said Mr. Chikhanchin. "The Russian Federation, jointly with Spain, has proposed the relevant project to the international community. This research will allow countries to better understand the financial mechanisms behind terrorist recruitment, ultimately leading to the identification and mitigation of the existing terrorist financing risks."

Another initiative pertains to a comprehensive review of the cross-border financial flows and identification of the infrastructure created by professional intermediaries for the redistribution, laundering and management of their clients' funds, whose ranks may include criminal and terrorist organizations.

"Such meetings always allow us to enrich ourselves with knowledge and experience, and contribute to the professional development of specialists of the field, a task considered in Russia as one of top priorities."

The meeting agenda also included such topical issues as national information exchange and beneficial ownership, with EAG and FSRB experts sharing their experience in this area.

Another part of Vega-Serrano's call was dedicated to Russian approaches to AML/CFT training. On April 24 he saw the International Training and Methodology Centre for Financial Monitoring (ITMCFM), the EAG's backbone AML/CFT training facility.

During his visit to ITMCFM, Mr. Vega-Serrano, jointly with EAG Chairman and Director of Rosfinmonitoring Yuri Chikhanchin, took part in an international round table on money laundering and terrorist financing risks using new payment methods. Experts from Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan participated in the event via videoconferencing.

Also as part of his programme aimed at studying Russia's personnel training and research experience, the FATF President paid a visit to the Lebedev Physical Institute of the Russian Academy of Sciences and the Financial University under the Government of the Russian Federation.



### PARTICIPANTS FEEDBACK

**Eugenio Maria Curia, coordinator for international affairs at the Ministry of Justice and Human Rights of the Argentine Republic, Head of the national delegation to the FATF, President of GAFILAT:**



"I believe this workshop is very useful for all the participants. It includes discussions of the key topics such as beneficial ownership, risk assessment and, most importantly, cooperation with the private sector. In combating money laundering, joint projects conducted by the private and public sectors, which are key players in this field, should complement each other. Among the project participants are the security personnel of banks, insurance and other companies involved in the cross-border money transfer services.

We were also provided with the opportunity to discuss a new approach to combating human trafficking. Its scale can be estimated as simply catastrophic. We are studying the link between human trafficking and ML/TF in the context of resolutions and decisions of the UN Security

Council. During the workshop, we got a clear picture of this criminal activity and the steps that must be taken to counter it. And finally, we discussed information sharing, which is key to cooperation not only between various government agencies, but also with the private sector and between countries.

Argentina faces many challenges and threats. The country is currently debating a new version of the Criminal Code that includes a number of predicate and other offences related to money laundering and other novelties.

The country is also working hard to train prosecutors and judges – as we wish to strengthen this part of the system – and enhance skills of supervisory and regulatory personnel. All this is being done at the GAFILAT level and constitutes part of our efforts to cover all elements of the AML/CFT/PWMD system.

To sum up, it was a very useful workshop and I am glad to be part of it."



### Jeffrey Onyefefu Isima (Republic of Nigeria), Chief officer at the GIABA Secretariat:



"I would like to thank the workshop organizers both for their administrative efforts and the event's rich content. I attended the session on terrorist recruitment financing, while my colleague from the GIABA Secretariat the one on beneficial ownership. Both issues are a priority for our FSRB. We conduct numerous studies into terrorism financing, and at the workshop it was our first acquaintance with the Russia-led project on financing of recruitment activities.

With regard to the issues of beneficial ownership, their discussion during the meeting showed which problems remain unresolved in West Africa. We still have a lot to do in this area.

Projects for risk assessment are also of interest to GIABA. We have just kicked off the second round of mutual evaluations within the group with the assessment of Ghana. It was the first assessment on the basis of the revised FATF Recommendations and Methodology. This assessment revealed just how big the problem of establishing beneficial ownership really is for West Africa. For this reason, any projects in this area are of great importance and use to us."

### Lansana Daboh (Republic of Sierra Leone), researcher at the GIABA Secretariat:



"Risk assessment is very important, as, I believe, it helps us better understand ourselves. For countries, it represents a mirror in which one can see all his shortcomings.

On communicating with representatives of the countries that have already conducted a risk assessment, it becomes clear that its successful outcome depends on close interaction both at the domestic and international levels. Only by combining information from different sources

we can get a complete picture, as best showcased by our fight against organized crime. Given the cross-border nature of these criminal activities, it is clear that we must act together to succeed in defeating them. It is therefore especially useful that during the meeting we were able to share experiences and views on these problems, which are very important for all participants."

### Peter Clark, Deputy Director of Australia's FIU (AUSTRAC), co-chairman of the FATF Risks, Trends and Methods Group:



"This meeting is very important, particularly as a forum for FATF experts engaged in operational work. They face key AML/CFT risks and threats that are relevant to the entire international community.

Also important is the participation of private sector representatives in a number of sections, an engagement that improves our understanding of the existing risks and strengthens our efforts to combat the existing threats.

This was a very useful and highly productive event for all of us."

### Minlend Nouma Didier Maurice, Head of the National Financial Investigation Agency of the Republic of Cameroon:



"Among the most important topics broached by the experts' meeting participants are terrorist financing and human trafficking. We are currently implementing several projects focused on terrorist financing. These initiatives are being implemented in cooperation with other countries in the region (Niger, Chad, Nigeria, Mali and Benin) facing the threat posed by Boko Haram. The terms of this cooperation provide for the sharing of information between countries, cooperation between national agencies, and

coordination of joint efforts and resources."

### Andrei Frolov, administrator at the MONEYVAL Secretariat:



"The topic of the workshop is more relevant than ever. Many countries, including Russia are in the process of preparation for FATF and FSRBs' evaluations. The workshop was a good opportunity to share experiences and positive examples regarding the organization and implementation of a national ML/FT risk assessment.

It is encouraging to see the active involvement of the private sector in the work of the forum.

The workshop highlighted the on-going cooperation in many countries between state bodies and the private sector in identifying terrorist financing risks, which is certainly very important."

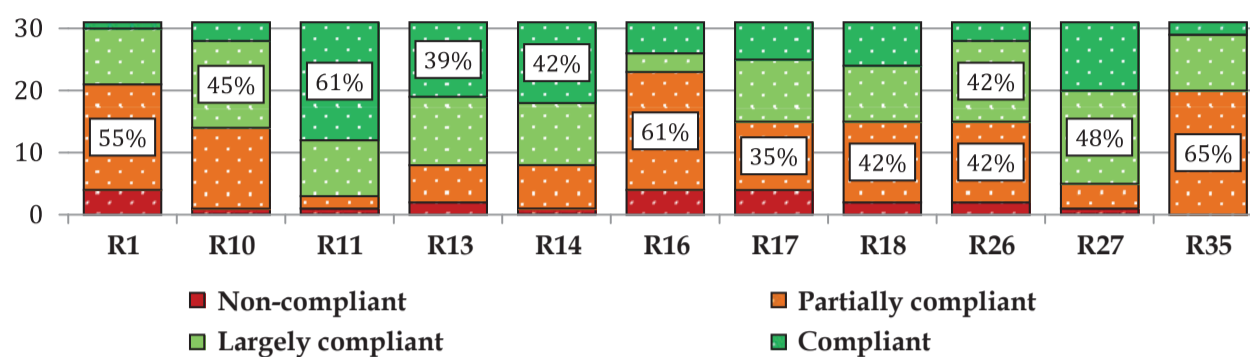
## Compliance Ratings

On April 25, 2017 the FATF published the consolidated table of assessment ratings obtained by countries based on the outcomes of mutual evaluations of national AML/CFT systems conducted by the FATF and FATF-style regional bodies under the 2013 Methodology for Assessing Technical Compliance with the FATF Recommendations and Effectiveness of the AML/CFT Systems

At the moment, the national AML/CFT systems of 31 countries have undergone mutual assessments against the revised Methodology: Armenia, Australia, Austria, Armenia, Bangladesh, Belgium, Bhutan, Cambodia, Canada, Costa Rica, Cuba, Guatemala, Honduras, Hungary, Malta, Norway, Samoa, Serbia, Singapore, United States, Trinidad & Tobago, Tunisia, Uganda, Fiji, Switzerland, Sweden, Sri Lanka, Ethiopia and Jamaica, as well as the Isle of Man (the assessment outcomes of the latter are not included in the consolidated table).

The table below shows countries' ratings for technical compliance with the FATF Recommendations that are of utmost interest to the Russian financial market (R1 "Assessing risks and applying a risk-based approach", R10 "Customer due diligence", R11 "Record keeping", R13 "Correspondent banking", R14 "Money or value transfer services", R16 "Wire transfers", R17 "Reliance on third parties", R18 "Internal controls and foreign branches and subsidiaries", R26 "Regulation and supervision of financial institutions", R27 "Powers of supervisors", and R35 "Sanctions").

Countries' compliance with recommendations 11, 13 and 14 was rated best – except for one FATF member country (Australia), which was rated non-compliant under R13, while Armenia, Honduras, Spain and Trinidad & Tobago received the highest ratings under all three recommendations.



The lowest ratings were awarded under R1, R16 and R35. Spain was the only country that was able to demonstrate to assessors that responsibilities for assessing ML/TF risks and applying a risk-based approach were fully incorporated into its legislation. Importantly, given the cross-cutting status of Recommendation 1, the rating received for compliance with it tends to impact ratings for compliance with other FATF Recommendations. At the same time, the partially compliant rating under R1, in particular, was awarded to Australia, Austria, Norway and the United States.

It is noteworthy that compliant and largely compliant ratings under R16 were given to Armenia, Bhutan, Cuba, Malaysia, Singapore, Trinidad & Tobago, Ethiopia and Jamaica, while Australia, Austria, Belgium, Canada, Italy, USA, Switzerland, Sweden and even Spain (overall leader) were rated partially compliant.

Most countries failed to demonstrate sufficient proportionality and deterrent nature of sanctions that can be applied to persons who do not comply with AML/CFT requirements: only Austria and Spain were rated compliant under Recommendation 35.

A summary of countries' ratings that reflect the extent to which a country's measures are effective shows that the lowest ratings were given for IO3 (supervision of the financial and DNFBP sectors) and IO4 (compliance by the financial and DNFBP sectors with AML/CFT requirements). Thus, no country was given high level of effectiveness, while four countries (Spain, Canada, Cuba and Malaysia) were given substantial level of effectiveness for IO3 and only Armenia was given substantial level of effectiveness for IO4.

## Preparations for the 2<sup>th</sup> Round of Mutual Evaluations

A training workshop for Tajikistan's inter-agency delegation to prepare for the 2<sup>nd</sup> round of the FATF mutual evaluations was held in Moscow on April 10-14, 2017 at the International Training and Methodology Centre for Financial Monitoring.

The workshop was attended by the Director of the Financial Monitoring Department of the National Bank of Tajikistan, Farhod Bilolov, as well as representatives of the General Prosecutor's Office, the Supreme Court, the Ministry of Foreign Affairs, law enforcement agencies, the Customs Service, and various government officials.

Leading Russian AML/CFT experts delivered lectures on such topics as:

- FATF and EAG mutual evaluations: experience in preparing and holding
- International standards for combating money laundering, financing of terrorism and proliferation of weapons of mass destruction. Implementation into the national AML/CFT framework
- International AML/CFT standards for supervisors
- Implementation of UNSC targeted financial sanctions related to the identification, freezing and blocking



of assets of persons involved in terrorist or extremist activities

- The use of electronic payment systems to pay for drugs. The use of cryptocurrencies and electronic payment systems for drug trafficking.

Summing up the training outcomes, participants highlighted importance of such meetings for more effective fight against money laundering and terrorist financing, as well as for easier

experience sharing and better understanding of key AML/CFT issues.

The discussion week ended with a meeting of the EAG Chairman and Director of Rosfinmonitoring, Yury Chikhanchin, and members of Tajik delegation. Mr. Chikhanchin shared his vision of the existing international ML/TF threats and risks, and outlined the most relevant areas of cooperation between the countries' financial intelligence units.

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)

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