

## CHAIRPERSON'S COLUMN



### Dear colleagues!

I am very pleased to address you for the first time in the Bulletin as the EAG Chairperson. We have already started our work and I would like to emphasize the Group's priorities for the nearest future.

The Eurasian region is considered quite vulnerable to the threat of terrorism, therefore it is very important for us to pay special attention to the field-specific FATF materials, including the new Counter-Terrorist Financing Operational Plan and the report "Financing of Recruitment for Terrorist Purposes".

We have launched full-scale work on mutual evaluations. At the EAG Plenary meeting it is planned to adopt the first report. The evaluation of Tajikistan is in progress; the preparation for the evaluation of Belarus has started. We need to dedicate special attention to this area. Within the framework of technical assistance I call for the Secretariat and the donors to help the countries in the preparation and the follow-up to mutual evaluations. It is essential to highlight that the EAG will soon participate in two workshops for assessors training – jointly with the APG in Malaysia in August and with the FATF in Russia in September.

An FATF/EAG/APG workshop for judges and prosecutors was held recently in Shenzhen (China). The representatives of the investigative bodies, prosecution and the judiciary system from the EAG member states took active part in the event. The EAG fully supports this initiative of the Argentine FATF Presidency. This work contributes to the effectiveness of law enforcement and the judiciary system.

The ML/TF situation we are facing is complicated. The importance of AML/CFT is becoming more and more significant as underlined by the G20 and other organizations. It is essential for all of us to establish effective domestic mechanisms and to enhance international cooperation.

**EAG Chairperson  
Ms. HAO Jinghua**

## Areas of Focus of Financial Action Task Force (FATF)

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Combating the financing of terrorism remains one of the top priorities for the FATF global network members over the last several years. In February 2016, following the terrorist attacks in Paris, the FATF adopted a consolidated strategy and an operational plan aimed at combating terrorist financing. Since then, the FATF has concentrated its efforts on identification of new and emerging terrorist threats, enhancement and improvement of its standards and assessment of countries' implementation of necessary and effective measures to detect, prevent and prosecute cases of abuse of the financial system in support of terrorism. The FATF has achieved significant results in the four key areas identified in the 2016 operational plan.

To further strengthen the international fight against terrorist financing, the Plenary adopted a new operational plan of action. This is an "agile" document that provides a framework for a uniform and dynamic response to terrorist financing risks. It is based on existing results and focuses on new areas which will increase understanding of the current risks and the effectiveness of measures to minimize these risks. It is also flexible to address the continuously evolving threats. The mentioned areas of increased focus include:

- further improvement of the identification and understanding of TF risks, both at national and broader levels, which will have an impact on the effectiveness of international efforts to tackle TF;
- carrying forward the FATF's effort to enhance information exchange, which will be built on the work that the FATF has already completed in the area of inter-agency and the private sector information sharing;
- compiling the best practices for TF identification, inter alia, successful investigations, criminal prosecutions and convictions, including the initiative by Mr. Santiago Otamendi, the FATF President, on increased engagement with the criminal justice system and judicial bodies;
- ensuring a better implementation of effective counter-terrorist financing measures through closer interaction with the FSRBs, and the actions they are taking.

The FATF will also continue the expanded update on the financing of ISIL, Al-Qaeda and affiliates.

The FATF Plenary adopted revisions to Recommendation 2. Now its requirements expand to information sharing between competent authorities. It is emphasized that cooperation should include coordination with the relevant authorities. It will ensure the compatibility of AML/CFT requirements with data and privacy protection and other similar provisions (e.g. data security / localization). The integrated implementation of these requests will facilitate exchange of information with the private sector.



These revisions continue the modifications that were introduced at the last FATF Plenary to the Methodology as it pertains to the information sharing requirements. Now the updated Methodology and Recommendations have been adjusted. The changes in the Methodology will help assessors to analyze the extent of information exchange group-wide, including with branches and subsidiaries, and to understand whether sufficient safeguards are in place to ensure confidentiality and prevent public disclosure.

The Plenary adopted the updated FATF guidance on the implementation of financial provisions of United Nations Security Council Resolutions to counter the proliferation of weapons of mass destruction. This paper will help countries to understand and implement these provisions, to ensure that targeted financial sanctions are applied, and each country has effective mechanisms to prevent breaches. The guidance is available on the FATF website.

The Plenary meeting considered a report on the ML/TF risks associated with virtual

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currencies and the regulatory measures taken in different countries.

In November 2017, the FATF Plenary expressed its support for sound financial innovations in line with the FATF Recommendations and for exploration of the opportunities that can contribute to improving the effective implementation of AML/CFT measures. Various activity streams linked to FinTech and RegTech are currently underway as the FATF considers how its standards apply in this context. The Plenary participants heard presentations from some of its member countries concerning the initiatives they were implementing in this area.

One of the key priorities under the Argentinean Presidency of the FATF is enhancement of engagement with national prosecution authorities and other stakeholders within the criminal justice system. The FATF President updated the Plenary on the outcomes of the second workshop for judges and prosecutors, organized in collaboration with the APG and EAG and hosted by China.

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The Plenary also adopted the revisions to the High-Level Principles and Objectives for FATF and FATF Style Regional Bodies. Following the Plenary meeting this document now includes new provisions pertaining to the principles of financial management of the FATF and FSRBs with the following sections: source of funding; budget preparation, approval and management; transparency and accountability. The updated document is available on the FATF website.

The traditional Forum of the Heads of FIUs was held within the framework of the FATF Plenary. The attendees discussed how to enhance the effectiveness of suspicious transaction reporting (STR) regimes and the quality of financial intelligence (including through the application of special IT tools). The participants shared their views on the importance of FIU autonomy and independence and its impact on the strategic and operational work of financial intelligence units.

The private sector undoubtedly plays an important role in detecting suspicious transactions, inter alia, through filing STRs. Therefore the Plenary meeting discussed the further development of public/private partnerships.

The strategic field of the FATF activity covers evaluation of the compliance of the national AML/CFT systems with the FATF Standards. The Plenary reviewed and discussed the mutual evaluation report of Iceland. It is available on the FATF website.

The Plenary meeting acknowledged the substantial progress made by Spain and Norway in improving their national AML/CFT systems since the adoption of their mutual evaluation reports in 2014. The Plenary agreed to re-rate technical compliance of these countries.

The Plenary also discussed the progress of Brazil made in line with the action plan of November 2017.

The FATF congratulated Bosnia and Herzegovina for the significant progress made in improving

its national AML/CFT system and addressing the strategic AML/CFT deficiencies. Bosnia and Herzegovina will no longer be subject to the FATF's enhanced follow-up, and will work with MONEYVAL as it continues to further strengthen its national AML/CFT regime.

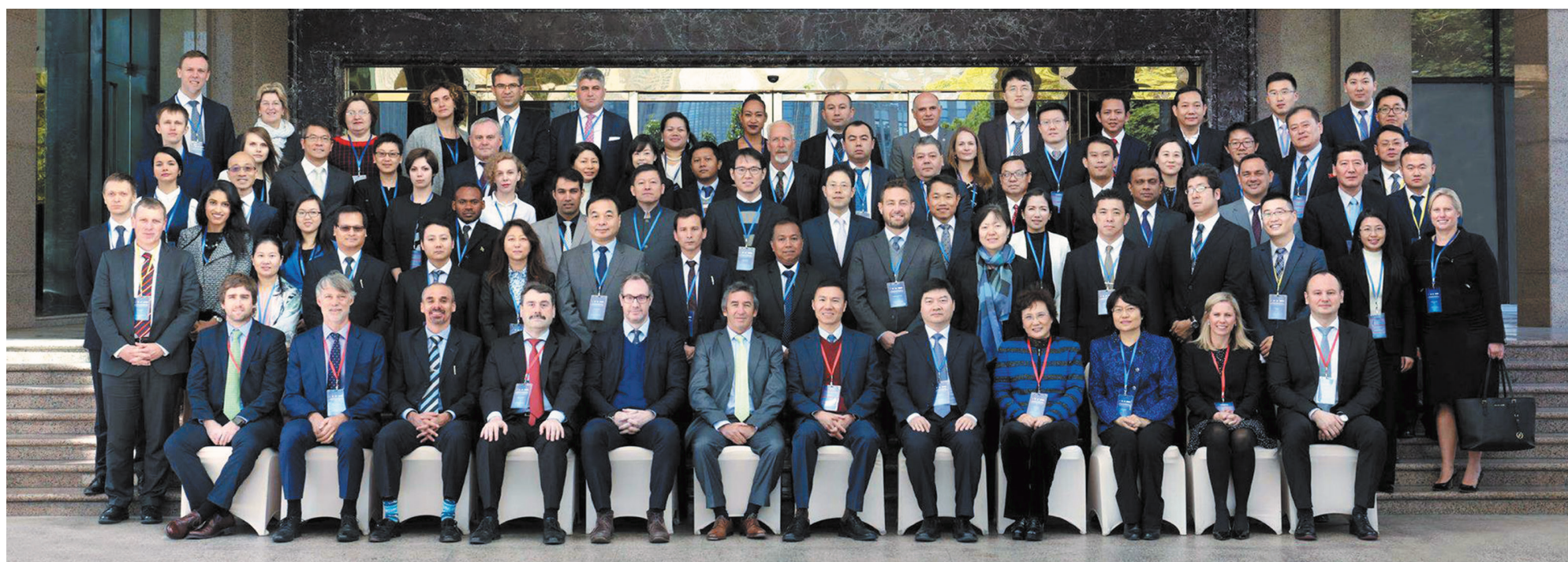
In June 2016, the FATF welcomed Iran's high-level political commitment to address its strategic AML/CFT deficiencies. Since November 2017, Iran has established a cash declaration regime and introduced draft amendments to its AML and CFT laws. However, the majority of the Iranian action plan items remain incomplete.

Taking into account the steps taken by the country, it was decided to continue the suspension of counter-measures against Iran. The FATF will make a decision on further steps in respect of Iran at the next FATF Plenary Meeting in June 2018.

The next Plenary Meeting of the FATF will also take place in Paris, France, in June 2018.

## Role of Judges and Prosecutors in the AML/CFT System

*On January 11-12, 2018 in Shenzhen (People's Republic of China) FATF/APG/EAG held the second joint workshop on anti-money laundering and countering the financing of terrorism (AML/ CFT) for judges and prosecutors. The People's Bank of China hosted the event with the support of Shenzhen Municipal Government*



The FATF and FATF-Style Regional Bodies APG and EAG jointly organized a second workshop for judges and prosecutors that focused on their experiences, challenges and best practices in investigating and prosecuting money laundering and terrorist financing and confiscating criminal proceeds.

FATF President Mr. Santiago Otamendi and the Head of the People's Bank of China FATF delegation, Mr. Liu Xiangmin, chaired the event. The EAG Chair, Ms. Hao Jinghau, also took part in the event. In his remarks, Mr. Yin Yong, Deputy Governor of the People's Bank of China underscored the importance of hosting the event and welcoming the FATF President as well as participating countries to their country.

Approximately 90 delegates representing 32 delegations, including anti-money laundering and counter-terrorist financing expert prosecutors, investigative and trial judges participated in

the workshop. These practitioners shared their experiences of the challenges they face during the investigation and prosecution of money laundering and terrorist financing offences and the confiscation of proceeds linked with crime or terror. They shared examples of how to overcome these challenges and discussed effective mechanisms and good practices.

Outreach to the Prosecutorial Services and Criminal Justice System is an initiative by FATF President Santiago Otamendi of Argentina and one of the FATF Priorities for 2017-2018. The judiciary has an essential role in establishing stable institutions, accountability, integrity, transparency and the rule of law, which are all pillars of an effective AML/CFT system.

The workshop in Shenzhen, China was the second of a series of workshops that the FATF and FATF-Style Regional Bodies will jointly organize this year. The next workshop took place

in February 2018 for judges and prosecutors of the African and Middle-East region and was organized jointly with MENAFATF, GIABA, GABAC and ESAAMLG. This event was followed by a workshop in Strasbourg in March 2018 and a final one will take place in Busan, Korea in May 2018.

The outcomes of the discussions at these workshops will contribute to a President's paper that will identify the challenges that prosecutors and the judiciary face, and suggest good practices to deal with them. This should improve the effectiveness of prosecutorial services and criminal justice systems to prosecute terrorist and criminals who abuse the financial system and confiscate assets related to crime.

FATF will continue its focus on enhancing engagement with national Prosecutorial Services and other experts within Criminal Justice Systems to build synergies, and ultimately improve the effectiveness of AML/CFT efforts.



# Role of Judges and Prosecutors in the AML/CFT System

*An interview with Ms. HAO Jinghua of China, EAG Chairperson in 2018-2019*

**– In January 2018 China took over the leadership of the Eurasian Group on Combating Money Laundering and Financing of Terrorism for a two-year period. What tasks do you plan to tackle during this period?**

– As one of the international AML/CFT organizations, the Eurasian Group plays an important role in the global AML/CFT system. China is one of the co-founders of the EAG, and I'm glad to have been given the honour to lead it. The EAG former Chair, Head of the Russian FIU, Yury Chikhanchin, was very successful in steering this organization forward. China also intends to make a significant contribution to the EAG work. We have a lot of work to do in the next two years, hence we need to plan really well.

Now we already have several major tasks lying ahead of us. First, given that the EAG has started a new round of mutual evaluations on its members' AML/CFT systems, we need to make efforts to carry it forward. Second, in view of the rapidly evolving international threats, we must work towards identifying ML/TF risks and seeking ways to mitigate them. Third, we need to continue improving cooperation between EAG members.

In order to tackle the above tasks, we'll encourage workshops and other training events aimed at raising the capacity of EAG members.

**– You said that you plan to support the EAG member states' joint efforts to identify risks. Could you elaborate please?**

– Sure. The work to identify and assess risks lies at the heart of the entire AML/CFT system. After all, only by understanding their own risks can countries effectively combat global challenges. This is particularly true for the EAG, where we're all part of one big family, and this is why it's so important for EAG members to be aware of the situation in other countries.

Naturally, we plan to support this work in every way possible during our chairmanship. We will implement certain projects in this area developing various operational models. To this end, we're currently working jointly with the Russian

Federation on a project to study the risks of money laundering through insurance companies, the goal of which is not only to facilitate a general understanding of the situation, but also to identify specific typologies of such companies' abuse by criminals.

**– The fact that there is a joint Chinese/Russian project suggests a certain level of cooperation between our countries. What's your overall assessment of the relationship between the Russian Federation and China in the AML/CFT field?**

– There is a strong and long-lasting relationship between China and Russia in the AML/CFT sphere. In particular, we worked together to establish the Eurasian Group and continue supporting each other at the EAG and the FATF.

Two countries have many points of contact at various international organizations. Speaking of AML/CFT, one of the most important tasks for us today is the FATF 4th round of mutual evaluations, where we face a number of common challenges.

In addition, we should not forget that theory must always be followed by practice, and in this regard I'm very pleased to note that our competent authorities, including financial intelligence units, are actively cooperating on a number of specific cases linked to money laundering and terrorist financing. I'm sure this work will continue in the future.

**– The issue of e-money and cryptocurrencies is currently on the agenda of many organizations. We know that China has achieved some good results in this area. How is this sector regulated in your country?**

– The use of electronic money is very common in many areas of China's economy. Notably, a large number of people find the use of e-money in financial transactions very convenient. Unfortunately, it is also abused by criminals and becoming a big challenge to the AML/CFT system. To address this problem, our country has set up a robust oversight regime for online financial companies and e-money services providers. Like traditional



financial institutions, online financial companies are also required to take steps to combat ML/TF and are subject to on-site inspections. We are also formulating administrative measure on AML/CFT of online financial institutions to regulate this sector. Moreover, given the importance of this issue, China has established the National Internet Finance Association. As a self-discipline body, it plays an important role in this area.

Of course, we encourage the use of new technologies for AML/CFT. Some banks and online financial companies in China, for example, have already used facial recognition technology for the identification of their customers.

We can invite experts from China's leading financial companies to join our workshops, to discuss the risks posed by various new technologies and the mitigation measures as well.

**– The role played by educational and scientific institutions in AML/CFT is being actively discussed today. In November China hosted the 7th Anti-Money Laundering Forum, where, among important issues, participants discussed the creation of expert evaluation systems and development of educational environments in different countries. What is your opinion in this regard?**

– I think this is very important because in order to effectively combat money laundering, one must have the right qualification. Bank and other financial institution employees working in this area must possess adequate AML/CFT knowledge and skills. By investing in professional training, we invest in highly qualified AML/CFT personnel.

Jointly with our colleagues from Chinese educational institutions, we are currently working to improve our education system, including with respect to the international academic cooperation.

**– Russia and China, besides the EAG, are also members of the Financial Action Task Force (FATF). What is your impression on the outcomes of the first FATF meeting under the Presidency of Argentina?**

– As you know, the FATF plays a unique role among the international AML/CFT bodies, namely, it sets international AML/CFT standards. From this point of view, the past Plenary meeting was a successful event with fruitful achievements, including combating terrorist financing, revising some standards, adopting the mutual evaluation reports of Mexico and Portugal, strengthening its institutional basis, governance and capacity and outreach to Prosecutorial Services and Criminal Justice Systems, etc. The EAG as well as other regional AML/CFT bodies plays more and more important role in the FATF and continues facilitating implementation of the FATF standards and improves the effectiveness of AML/CFT system in Eurasian countries.





## D. Lewis, FATF Executive Secretary: The Importance of Effective Information Sharing and Public Private Sector Partnerships in The Fight Against Terrorist Financing

The role of the private sector, in particular financial institutions, has always been central to the fight against money laundering and terrorist financing. It is therefore vital that the Financial Action Task Force (FATF) continually seeks to improve engagement between the public and private sector.

Financial institutions hold information that is critical to understanding the «financial behaviour» of terrorists and those that fund terrorism. We need to ensure this information is fully and effectively exploited without undermining individuals' data protection and privacy rights.

At the FATF, engagement with the private sector became a top priority immediately following the Paris attacks of 2015. A joint meeting between FATF member governments and representatives of the private sector highlighted the importance of tackling long-standing barriers to effective information exchange within banks that operate in multiple jurisdictions, between banks, and with the authorities in each country, as well as between agencies domestically and internationally.

### Reference

The terrorist acts in Paris and its suburbs were committed late in the evening on Friday, November 13, 2015. Almost simultaneously, several attacks were carried out: explosions near the stadium «Stade de France» in Saint-Denis, shootings in several restaurants, as well as the massacre in the concert hall «Le Bataclan» (where about 100 people were taken hostage). 130 people were killed, more than 350 wounded. According to media reports, these were terrorist attacks that claimed the largest number of victims in the history of France and the largest attack on Paris since World War II. The country, for only the fourth time in its history, introduced a state of emergency. The «Islamic State» claimed responsibility for the attacks, calling them «French 9/11».

Following this meeting, the FATF, through its members, shared with financial institutions and others, the results of its research on indicators of terrorist financing risk. This was further supported by the FATF publication of its consolidated standards on information sharing in 2016, which grouped the relevant sections of the FATF Recommendations dedicated to the exchange of information. The compilation will help to clarify what the FATF Recommendations require in terms of the types of information that should be shared, including the types of information that competent authorities are required to make publicly available, the circumstances in which such information should be shared, and the protections and safeguards which should apply to information sharing and exchange.

Since then, the FATF has continued to work in close partnership with the private sector, in particular with the *Institute of International Finance* and the *Wolfsberg Group*, to promote more effective information sharing and to help identify and address the barriers to this. This has since led to the publication of guidance on private sector information sharing in November 2017.



The FATF regularly meets with representatives of those businesses that are at the front line of detecting and disrupting the funding of terrorism, through its Private Sector Consultative Forum (the Forum) and through the Forum of Heads of Financial Intelligence Units, among other events.

The main issues on the agenda of the Forum are as follows:

- Financial inclusion
- Correspondent banking
- De-risking and its numerous drivers
- Beneficial ownership
- Information exchange
- FinTech and RegTech.

Recently, the Forum has focused on strengthening information exchange between groups of financial service providers, private sector participants; private and public sector as well as within the public sector. While progress has been made, much more needs to be done if financial intelligence units and law enforcement agencies are to fully exploit the information held by financial institutions in particular, and make better use of their efforts and ability to identify suspicious transactions.

At these FATF events, private sector representatives stress the importance of a common approach to **cooperation with the public sector and law enforcement agencies**. The exchange of information with financial intelligence units is of particular importance. Encouragingly, there are a growing number of examples of public-private partnerships that facilitate such information exchange and we are seeing real results from this. Such initiatives need to be built on and developed, not only a national level but also across borders.

Collaboration with Non-Profit Organisations (NPOs) is increasingly important in order to address terrorist financing channels. As a result of collaboration with the NPO sector, the FATF has reviewed and enhanced its standards and the sector is now represented in the Forum. It is equally important that credit and financial institutions establish closer working relationships with the NPO sector.

The effective implementation of FATF standards as they apply to remittance providers, lawyers, accountants and company formation agents is also an important and growing area of focus for FATF, and the subject of discussions with the private sector. It is important to better understand the role of these businesses in money laundering and terrorist financing, wittingly or

unwittingly, and to ensure effective supervision and enforcement of these businesses to protect them from such abuse. FATF is actively working to develop a better understanding of professional money laundering networks that are offering money laundering as a service to criminals and terrorists alike, and where organisations such as Europol have identified 400 professional money launderers operating at the top level in Europe alone.

In the era of digital technologies, the FATF is closely monitoring the use of innovative financial products for money laundering and terrorist financing. The FATF recognizes the opportunities such services provide, not least for financial inclusion, while also seeing the risks. As such the FATF has publicly stated its strong support for financial innovation in line with anti-money laundering and counter-terrorist financing measures. FATF has held a number of forums with the FinTech and RegTech community to raise awareness and understanding of these risks and to work together to address these, while supporting financial innovation. To this end, the FATF has also recently launched an online platform for its members to provide up-to-date information on their own initiatives. More detailed information on the project can be found at the organization's website.

The FATF will continue to work in partnership with the private sector and to promote national and international initiatives to improve the exchange of information to more effectively tackle money laundering and terrorist financing. A common sense, risk-based, intelligence-led approach should be at the heart of these efforts. Our collective efforts to tackle these threats should not become a slave to inflexible regulatory compliance and a box-ticking mind-set. This will be at the forefront of FATF work in the coming months, with the support of the G20, as it reviews its guidance on virtual currencies - or crypto assets - and considers if changes to the standards are necessary. The communique of G20 Finance Ministers and Central Bank Governors, that met in Argentina in March, reflected the commitment of the world economic leaders to implement the FATF standards as they apply to crypto assets. The G20 is looking forward to FATF's review of these standards, and called on the FATF to advance their global implementation. The FATF will be updating them later in the year on progress with its work in this area. FATF is now looking forward to President Macron's high-level conference on terrorist financing, that will be held in Paris at the end of April.

### Reference

David Lewis joined the FATF as its Executive Secretary in November 2015, following posts for the UK Government as Head of the Illicit Finance Unit and Senior Policy Advisor on money laundering and terrorist financing. He was previously a senior member of the National Crime Agency.

As Executive Secretary, Mr. Lewis is responsible for leading the FATF Secretariat, coordinating and delivering the work of the FATF on money laundering and countering the financing of terrorism and proliferation of weapons of mass destruction.