

EAG



Measures Aimed at Anti-Money Laundering and
Combating the Financing of Terrorism

KYRGYZ REPUBLIC

**3RD FOLLOW-UP REPORT ON ADDRESSING
TECHNICAL COMPLIANCE DEFICIENCIES
AND IMPROVING EFFECTIVENESS**

2021



THE KYRGYZ REPUBLIC:
3rd ENHANCED FOLLOW-UP REPORT

I. INTRODUCTION

1. The Mutual Evaluation Report of the Kyrgyz Republic (“the MER”) was approved on May 25, 2018 and published on the EAG website on September 5, 2018, after it was endorsed by the FATF as complying with the international standards of quality and compliance of FATF reports.

2. The 1st Follow-Up Report of the Kyrgyz Republic was presented (without a request to upgrade ratings) at the 30th EAG Plenary Meeting in May 2019.

3. The 2nd Follow-Up Report of the Kyrgyz Republic was presented (without a request to upgrade ratings) at the 31st EAG Plenary Meeting in May 2019. As a result, ratings on 13 FATF Recommendations were upgraded.

4. This Follow-Up Report includes information on the progress of the Kyrgyz Republic made in the period from November 2019 to September 2021 in addressing technical compliance deficiencies mentioned in the MER and in increasing the level of effectiveness of the national AML/CFT system.

5. Also, this report provides information on the changes in the national AML/CFT system triggered by the updates to the FATF Recommendations that were adopted after the completion of the on-site visit to the Kyrgyz Republic.

6. During 2021, a significant obstacle preventing elimination of the remaining and new deficiencies was strict restrictive measures implemented throughout the country to combat spreading of the coronavirus infection (COVID-19).

7. Political events in the Kyrgyz Republic that occurred in the period from October 2020 to the 1st half of 2021 (election of a new Kyrgyz Republic President, adoption of a new Constitution of the Kyrgyz Republic, changed form of government, structural changes in the executive branch of the government, etc.) also affected work to improve the national AML/CFT system.

8. This report is presented to the EAG for information, and the Kyrgyz Republic does not request technical compliance re-rating for any of the FATF Recommendations.

II. FINDINGS OF THE MUTUAL EVALUATION REPORT

9. In accordance with the MER results, the following technical compliance ratings were assigned for the FATF Recommendations.

Table 1: Technical Compliance Ratings as of November 2019

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
LC	LC	C	LC	LC	C	C	NC	LC	LC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
LC	LC	LC	LC	LC	LC	LC	LC	LC	LC
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
LC	LC	LC	LC	LC	LC	LC	LC	LC	C
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
LC	LC	LC	LC	LC	LC	LC	LC	LC	LC

Comment. There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

10. Taking into account the results of the mutual evaluation, the Kyrgyz Republic is subject to enhanced follow-up of the EAG.

III. OVERVIEW OF CHANGES TO IMPROVE TECHNICAL COMPLIANCE

11. This section summarizes the measures implemented by the Kyrgyz Republic to:

- a) Address the technical compliance deficiencies identified in the MER;
- b) Ensure technical compliance with the new updates to the FATF Recommendations that came into force after the completion of the on-site visit to the Kyrgyz Republic.

3.1. CHANGES TO ADDRESS TECHNICAL COMPLIANCE DEFICIENCIES IDENTIFIED IN THE MER

12. During the consideration of the 2nd Follow-Up Report of the Kyrgyz Republic (November 2019), the progress was analyzed in addressing the deficiencies identified in the MER relating to 16 FATF Recommendations (R.1, R.2, R.6, R.7, R.8, R.12, R.16, R.17, R.18, R.21, R.22, R.23, R.24, R.28, R.34, R.38). Based on the analysis results, the remaining and new deficiencies as to these Recommendations were identified.

Work is in progress on the remaining and new deficiencies (significant – related to R.8), identified in the 2nd Follow-Up Report of the Kyrgyz Republic.

13. At the same time, in the period **from October 2019 to September 2021**, the following new AML/CFT regulatory legal acts of the Kyrgyz Republic were adopted.

No.	Regulatory Legal Acts	Scope
Laws of the Kyrgyz Republic		
1)	Law of the Kyrgyz Republic No. 108 dated August 1, 2020 “On Amendments to the Tax Code of the Kyrgyz Republic”	R.15
2)	Law of the Kyrgyz Republic No. 139 dated August 21, 2020 “On Amendments to the Law of the Kyrgyz Republic On Counteracting the Financing of Terrorist Activities and the Legalization (Laundering) of Criminal Proceeds”	R.6 IO.10
3)	Law of the Kyrgyz Republic No. 57 dated April 24, 2021 “On Amendments to the Law On the Payment System of the Kyrgyz Republic”	R.6 IO.10
4)	Law of the Kyrgyz Republic No. 78 dated June 26, 2021 “On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Laws of the Kyrgyz Republic On Non-Commercial Organizations, On State Registration of Legal Entities, Branches (Representative Offices))”	R.8
Regulatory Legal Acts of the Government of the Kyrgyz Republic		
5)	Resolution of the Government of the Kyrgyz Republic No. 746 dated December 31, 2019 “On Approval of the Regulation on Licensing Activities in the Field of Electrical and Postal Communications”	R.26 IO.3
6)	Resolution of the Government of the Kyrgyz Republic No. 486 dated September 15, 2020 “On Amendments to the Resolution of the Government of the Kyrgyz Republic On Issues of Licensing the Right to Use Subsoil No. 561 dated November 29, 2018”	R.24 IO.5

7)	Resolution of the Government of the Kyrgyz Republic No. 85 dated March 10, 2021 “On Issues of the Ministry of Economy and Finance of the Kyrgyz Republic”	R.27
8)	Regulation on the Precious Metals Department under the Ministry of Economy and Finance of the Kyrgyz Republic, approved by Resolution of the Government of the Kyrgyz Republic No. 128 dated April 1, 2021 (Appendix 16)	R.27
9)	Regulation on the State Communication Agency under the Ministry of Digital Development of the Kyrgyz Republic, approved by Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 17 dated June 1, 2021 (Appendix 3)	R.27
10)	Order of the Cabinet of Ministers of the Kyrgyz Republic No. 80-r dated July 5, 2021 “On Approval of the Draft Treaty of the Member States of the Commonwealth of Independent States on Combating the Legalization (Laundering) of Criminally Obtained Proceeds, the Financing of Terrorism and Financing the Proliferation of Weapons of Mass Destruction”	R.36–40 IO.2
11)	Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 143 dated August 18, 2021 “On Issues of the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic”, which stipulates the approval of: 1) Regulation on the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic in accordance with Appendix 1; 2) Management scheme of the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic in accordance with Appendix 2; 3) Temporary regulation on the procedure for service in the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic in accordance with Appendix 3; 4) Regulation on the banner and emblem of the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic in accordance with Appendix 4.	R.19 R.29
Regulatory Legal Acts of the National Bank of the Kyrgyz Republic		
12)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2019-P-33/55-1-(NFKU) dated November 1, 2019 “On Approval of the Regulation On Licensing Activities of Housing Savings and Loan Companies”	R.26 IO.3
13)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2019-P-33/55-2-(NFKU) dated November 1, 2019 “On Approval of the Rules On Regulating Activities of Housing Savings and Loan Companies”	R.26 IO.3
14)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-14/12-2(PS) dated March 18, 2020 “On Amendments to the Resolution of the Board of the National Bank of the Kyrgyz Republic On Approval of the Rules for Money Transfers through Money Transfer Systems in the Kyrgyz Republic No. 30/6 dated July 15, 2009”	R.18 R.26 IO.3

15)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-14/12-3(PS) dated March 18, 2020 “On Amendments to the Resolution of the Board of the National Bank of the Kyrgyz Republic On Approval of the Basic Requirements for Activities of Commercial Banks When Concluding Agency Agreements for the Provision of Retail Banking Services No. 36/7 dated May 26, 2010”	R.18 R.26 IO.3
16)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-14/17-3(NPA) dated March 27, 2020 “On Amendments to the Resolution of the Board of the National Bank of the Kyrgyz Republic On Approval of the Regulation On Direct Banking Supervision No. 22/4 dated May 28 2008”	R.26 R.27 IO.3
17)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-14/17-4-(PS) dated March 27, 2020 “On Approval of the Concept for the Development of Digital Payment Technologies in the Kyrgyz Republic for 2020–2022”	R.26 IO.3
18)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-12/27-1-(NPA) dated May 13, 2020 “On Procedure for Remote Customer Identification and Verification”	R.10 R.15 IO.4
19)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-14/31-7-(PS) dated May 27, 2020 “On Amendments to the Resolution of the Board of the National Bank of the Kyrgyz Republic On Regulation of Activities of Payment Institutions and Payment System Operators No. 2019-P-14/50-2-(PS) dated September 30, 2019”	R.10 R.26 HP.3
20)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-14/46-4(PS) dated August 19, 2020 “On Approval of the Regulation On Minimum Requirements for the Organization of the Internal Control in Payment Institutions and Payment System Operators For Countering the Financing of Terrorist Activities and the Legalization (Laundering) of Criminal Proceeds”	R.18 IO.4
21)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-33/54-3-(NFKU) dated September 30, 2020 “On Procedure for Remote Customer Identification and Verification”	R.10 R.15 IO.4
22)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-14/66-5(PS) dated November 18, 2020 “On Amendments to the Resolution of the Board of the National Bank of the Kyrgyz Republic On Approval of the Regulation On Electronic Money in the Kyrgyz Republic No. 15/6 dated March 30, 2016”	R.10 IO.4
23)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-33/73-12-(NFKU) dated December 23, 2020 “On Approval of the Regulation on Enforcement Actions Applied to Non-Bank Financial and Credit Institutions and Other Legal Entities Supervised by the National Bank of the Kyrgyz Republic”	R.26 R.27 R.35 IO.3
24)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2021-P-14/34-4(PS) dated June 24, 2021 “On Amendments to the Resolution of the Board of the National Bank of the Kyrgyz Republic On Approval of Regulation On Licensing the Activities of Payment	R.26 IO.3

	Institutions and Payment System Operators No. 2019-P-14/46-1(PS) dated September 2, 2019”	
25)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2021-P-14/34-5(PS) dated June 24, 2021 “On Amendments to the Resolution of the Board of the National Bank of the Kyrgyz Republic On Approval of Regulation On Governing the Activities of Payment Institutions and Payment System Operators No. 2019-P-14/50-2(PS) dated September 30, 2019”	R.26 IO.3
26)	Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2021-P-12/51-1-(NPA) dated September 15, 2021 “On Amendments to Certain Regulatory Legal Acts of the National Bank of the Kyrgyz Republic on Bank Risk and Capital Management”	R.26 IO.3

Recommendation 1 (LC rating based on the results of the 2nd FUR (2019))

14. In order to conduct national ML/TF risk assessment, as part of EU Project “EU Action: Measures Concerning Countering Drugs and Organized Crime (EU-ACT)”, the following work was carried out:

- In December 2019, a workshop was held on topic “National ML/TF Risk Assessment”, the tasks of the working groups conducting the national ML/TF risk assessment were discussed. This workshop was attended by 35 representatives of government agencies of the Kyrgyz Republic and 13 representatives of financial institutions and non-financial entities;

- 3 employees of the State Financial Intelligence Service (SFIS) took part in a training event on conducting national risk assessment held from January 20 to 22, 2020 in Madrid (Spain), as part of exchange of experience with the financial intelligence unit of Spain;

- International experts have been recruited to assist in the conduction of the national risk assessment;

- Working groups conducting national risk assessment have been created of representatives of government agencies of the Kyrgyz Republic, financial institutions and non-financial entities;

- Schedule of meetings of the working groups has been developed;

- FATF methodological materials of 2013 and 2019 on ML/TF risk assessment, OSCE Handbook on Data Collection in Supporting ML and TF National Risk Assessments, and the World Bank guidance have been studied;

- Draft Methodology for collecting, processing and analysing information for the national risk assessment has been developed;

- List of indicators used for processing and analyzing information in the national risk assessment has been developed;

- Meetings of the working groups have been held to discuss draft Methodology for collecting, processing and analysing information for the national risk assessment, including the list of indicators;

- Statistical data necessary for conducting national risk assessment have been collected;

- The received information has been processed and analyzed to prepare and agree on the final national risk assessment report;

- The final ML/TF risk assessment report has been prepared;

- Meetings of the working groups have been held to consider and agree on the final risk assessment report.

15. To ensure the implementation of the Recommended Actions in respect of IO.1 and more detailed and comprehensive assessment of risks at the national level, the national risk assessment was

carried out with full involvement of all participants of the national AML/CFT system, with greater attention given to ML/TF methods used in practice and to the substantiation of the findings.

16. It should be noted that the final Risk Assessment Report will be submitted for consideration and approval to the Commission on Combating the Financing of Terrorist Activities and Legalization (Laundering) of Criminal Proceeds under the Cabinet of Ministers of the Kyrgyz Republic.

Recommendation 8 (NC rating based on the results of the 2nd FUR (2019))

17. In 2020, the following work on risk assessment was carried out jointly with NPO representatives in the NPO sector:

1) Information was collected on NPOs included in the databases of the National Statistical Committee, the Ministry of Justice, the State Tax Service under the Government of the Kyrgyz Republic, the State Commission on Religious Affairs of the Kyrgyz Republic and in other open publications concerning the NPO sector in the Kyrgyz Republic;

2) Numerous consultations and interviews were held with experts in various fields of NPOs, as well as with representatives of different government bodies who possess information and knowledge necessary to conduct risk assessment in the NPO sector;

3) Work was carried out to compare the databases of the National Statistical Committee, the Ministry of Justice, the State Tax Service under the Government of the Kyrgyz Republic, the State Commission on Religious Affairs of the Kyrgyz Republic and to create a single list of NPOs by 15 forms of incorporation;

4) Sampling was made according to the types of NPOs that meet the definition of NPOs given in the FATF Recommendations;

5) Work was carried out to determine the exact number of actually operating NPOs of 6 forms of incorporation (Public Association, Public Fund, Institution, Association of Legal Entities, Zhamaat, Religious Organization), as well as branches and representative offices of foreign NPOs operating in the Kyrgyz Republic;

6) Information was studied to determine the characteristics and types of NPOs which by virtue of their activities or characteristics are at risk of TF abuse;

7) Factors were identified which influence the risk of NPOs being misused for terrorist purposes, threats and vulnerabilities for NPOs were identified, categories of NPOs with low, medium, high TF risks were identified, the legislation of the Kyrgyz Republic regulating NPOs' activities was analyzed;

8) In March 2021, the TF Risk Assessment Report for the NPO sector was prepared, which provides recommendations for reducing TF risks in high-risk NPOs (charitable and religious organizations).

By now, the final TF Risk Assessment Report for the NPO sector has not been submitted to the Secretariat. At the same time, according to information provided by the country, **TF risk assessment in the NPO sector showed that, in general, the NPO sector in Kyrgyzstan is at low risk of being involved in TF.**

18. It should be noted that Clause 4 of Article 8 of the Constitution of the Kyrgyz Republic dated May 5, 2021 provides that political parties, trade unions and other public associations shall ensure transparency of their financial and economic activities.

19. Law of the Kyrgyz Republic No. 78 dated June 26, 2021 "On Amendments to Certain Legislative Acts of the Kyrgyz Republic (to the Laws of the Kyrgyz Republic On Non-Commercial Organizations, On State Registration of Legal Entities, Branches (Representative Offices)") became effective on June 29, 2021.

According to this Law, Article 17 (Transparency of a Non-Profit Organization) of the Law of the Kyrgyz Republic "On Non-Profit Organizations" was restated.

In this regard, a non-profit organization (except for state and municipal entities) operating at the expense of money and material resources provided free of charge, annually before April 1 shall publish on the website of the authorized tax authority summarised information for the previous year on the sources of the funds, areas of their spending, as well as information about the acquired, used and alienated properties.

At the same time, it should be noted that the requirement of Article 17 of the Law on NPOs, subject to Article 1 of this Law, covers NPO types such as public associations, foundations and institutions (regardless of the ML/TF risk levels). At the same time, although according to information provided by the country, charitable and religious organizations were classified as high-risk NPOs, this Law does not cover religious organizations subject to Article 1. This limitation is partially offset by the fact that control over the activities of a religious organization is described in Article 26 of Law of the Kyrgyz Republic No. 282 “On Freedom of Religion and Religious Organizations in the Kyrgyz Republic” dated December 31, 2008.

20. In addition, Law No. 78 of June 26, 2021 amended the Law of the Kyrgyz Republic “On State Registration of Legal Entities, Branches (Representative Offices)”, according to which the tax authority has the right to apply to the court with an application for forced liquidation of a legal entity if it fails to submit reports to the tax authority for one year.

21. According to information provided by the country, Kyrgyzstan has completed its TF risk assessment in the NPO sector. But some deficiencies have not been eliminated.

Recommendation 12 (LC rating based on the results of the 2nd FUR (2019))

22. In 2020–2021, the SFIS carried out work on the development of information system “National Politically Exposed Persons”, which contains the identification data of the following persons:

- National politically exposed persons who hold and have formerly held political and special state positions or political municipal positions in the Kyrgyz Republic, stipulated by the Register of State and Municipal Positions of the Kyrgyz Republic, approved by the President of the Kyrgyz Republic;
- Leaders of state corporations;
- Prominent political figures, including prominent members of political parties;
- Family members (spouse and children, including adopted children) of a national politically exposed person;
- Close associates (close family relatives, business partners and official representatives) of a national politically exposed person.

Recommendation 18 (LC rating based on the results of the 2nd FUR (2019))

23. In 2020, the following decisions of the National Bank of the Kyrgyz Republic on the organization of internal control in payment institutions and payment system operators were adopted:

1) Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-14/12-2(PS) dated March 18, 2020 “On Amendments to the Resolution of the Board of the National Bank of the Kyrgyz Republic On Approval of the Rules for Money Transfers through Money Transfer Systems in the Kyrgyz Republic No. 30/6 dated July 15, 2009”;

2) Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-14/12-3(PS) dated March 18, 2020 “On Amendments to the Resolution of the Board of the National Bank of the Kyrgyz Republic On Approval of the Basic Requirements for Activities of Commercial Banks

When Concluding Agency Agreements for the Provision of Retail Banking Services No. 36/7 dated May 26, 2010”;

3) Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-14/46-4(PS) dated August 19, 2020 “On Approval of the Regulation On Minimum Requirements for the Organization of the Internal Control in Payment Institutions and Payment System Operators For Countering the Financing of Terrorist Activities and the Legalization (Laundering) of Criminal Proceeds”.

Recommendation 19 (LC rating based on the results of the MER (2018))

24. The deficiency underlying the LC rating in the MER (2018) is the following:

“Measures to raise awareness of problems related to AML/CFT vulnerabilities of other countries do not guarantee that the relevant information is communicated to all financial institutions.”

25. On September 1, 2021 Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 143 dated August 18, 2021 “On Issues of the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic” became effective.

26. According to Clause 12 of the said Resolution, the SFIS shall:

- Generate, update and publish the List of High-Risk Countries and send relevant information on a high-risk country (about excluding or including the country) to government agencies, financial institutions and non-financial businesses and professions;

- Publish information on the AML/CFT deficiencies (vulnerabilities) of the systems of high-risk countries;

- Make proposals on the approval of the List of High-Risk Countries, in respect of which measures (sanctions) are applied, publish and communicate this list to financial institutions and non-financial businesses and professions, state bodies of the Kyrgyz Republic;

- Monitor the official websites of international organizations and, if necessary, issue an order on making amendments or additions to the List of High-Risk Countries;

- Collect statistical information on the measures (sanctions) taken in relation to the high-risk countries and their residents from financial institutions and non-financial businesses and professions, government bodies of the Kyrgyz Republic.

27. The List of High-Risk Countries and information on the AML/CFT deficiencies (vulnerabilities) of the systems of high-risk countries are published on the SFIS website: <https://www.fiu.gov.kg>.

Recommendation 24 (LC rating based on the results of the 2nd FUR (2019))

28. In 2020, Resolution of the Government of the Kyrgyz Republic No. 486 dated September 15, 2020 “On Amendments to the Resolution of the Government of the Kyrgyz Republic On Issues of Licensing the Right to Use Subsoil No. 561 dated November 29, 2018” was adopted, according to which a subsoil user and/or an applicant for obtaining the right to subsoil use shall submit information (data) to the authorized state body responsible for subsoil use about the beneficiaries of the subsoil user and/or the applicant for obtaining the right to subsoil use (“the beneficiary information (data)”), by filling out the beneficiary information (data) form (“the form”), and indicate whether the beneficiaries include politically exposed persons. According to information provided by the country, this measure will increase the transparency of the system for granting the right to subsoil use, improve the implementation of the requirements of the international standard of the Extractive Industries Transparency Initiative (EITI).

29. In 2020–2021, the SFIS carried out work on the development of information system “National Politically Exposed Persons”, which contains identification data of the beneficial owners of legal entities created and registered in the territory of the Kyrgyz Republic.

30. Plan is to include beneficial owners of legal entities created and registered on the territory of foreign states in this information system, based on information provided by financial institutions.

Recommendation 26 (LC rating based on the results of the MER (2018))

31. In the 4th quarter of 2019, work was carried out with the technical support of the OSCE to develop the following documents:

1) Methodology for identifying and assessing sectoral ML/TF risks and risks of the supervised entities;

2) Guidelines on the implementation of risk-based approach in supervisory activities;

3) Training workshop was held (November 5–6, 2019) for employees of supervisory authorities on the implementation of the above methods in practice, on the identification of sectoral ML/TF risks, on understanding by the supervised entities of the ML/TF risks inherent in them, on the adoption of measures to mitigate ML/TF risks.

32. The developed methodology and guidelines were sent to the supervisory authorities and approved by the internal acts of the supervisory authorities:

- Resolution of the Supervision Committee of the National Bank of the Kyrgyz Republic No. 02/1 dated January 31, 2020;

- Order of the State Communication Agency of the Kyrgyz Republic No. 2013pr dated June 29, 2020;

- Order of the Precious Metals Department under the Ministry of Economy and Finance of the Kyrgyz Republic No. 51-p dated December 30, 2019.

Recommendation 29 (LC rating based on the results of the MER (2018))

33. On September 1, 2021 Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 143 dated August 18, 2021 “On Issues of the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic” became effective. In accordance with it, the following documents have been approved:

1) Regulation on the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic in accordance with Appendix 1;

2) Management scheme of the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic in accordance with Appendix 2;

3) Temporary regulation on the procedure for service in the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic in accordance with Appendix 3;

4) Regulation on the banner and emblem of the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic in accordance with Appendix 4.

34. The above provisions are new and repeal the 2012 SFIS Regulation.

35. When developing the new SFIS Regulation, all the criteria of R.29 were taken into account.

36. In this regard, the deficiency relating to criterion 29.1 has been eliminated (*the SFIS does not have the authority to collect, process and communicate information pertaining to ML-related predicate (main) crimes*), identified in the MER (2018).

37. According to Clause 11 of the SFIS Regulation, the main tasks of the SFIS are:

1) Collection (receipt) and storage of suspicious operation (transaction) reports and other information about operations (transactions);

2) Operational analysis of suspicious operation (transaction) reports and other information about operations (transactions), as well as available information, to identify operations (transactions) or acts related to the financing of terrorist and extremist activities, legalization (laundering) of criminal proceeds, **predicate offenses**;

3) Strategic analysis of the available information, including information provided by the government agencies, to identify trends and schemes related to the financing of terrorist and extremist activities, legalization (laundering) of criminal proceeds;

4) Preparation of generalized materials or information based on the results of operational or strategic analysis and its submission, on own initiative or upon request, to the relevant government agencies within their competence.

Subject to Subclause 1 of Clause 12 of the SFIS Regulation, one of the SFIS functions is to identify operations (transactions) or acts related to the financing of terrorist and extremist activities, legalization (laundering) of criminal proceeds, **predicate crimes**, in particular, in accordance with international treaties of the Kyrgyz Republic.

Subject to Subclause 2 of Clause 13 of the SFIS Regulation, SFIS, in order to implement its functions, may exchange information with law enforcement authorities, national security agencies, prosecution authorities of the Kyrgyz Republic during the investigation of criminal cases on financing terrorist and extremist activities, legalization (laundering) of criminal proceeds and related predicate offenses.

It should be noted that Clause 6 of the SFIS Regulation stipulates the following rule, which can eliminate doubts about Criterion 29.7 (a), as indicated in the MER (2018):

“6. The Service independently organizes and carries out its activities within the powers established by the legislation of the Kyrgyz Republic.

Government agencies of the Kyrgyz Republic may not interfere in the activities of the Service performing its tasks and functions.”

It should be noted that the previous wording stated that government agencies may not interfere in the issues under the supervision of the SFIS, **except for the cases stipulated by this Law and other laws of the Kyrgyz Republic**.

38. Temporary regulation on the procedure for service in the State Financial Intelligence Service under the Cabinet of Ministers of the Kyrgyz Republic approved by Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 143 dated August 18, 2021 will strengthen operational independence and autonomy of the SFIS in the selection and placement of SFIS staff, according to Criterion 29.7(d).

3.2. AMENDMENTS TO ENSURE COMPLIANCE WITH THE UPDATED RECOMMENDATIONS ADOPTED AFTER THE COMPLETION OF THE ON-SITE MISSION

39. The FATF Recommendations (1, 2, 7, 15, 17, 18 and 21) have been amended after the completion of the on-site visit to the Kyrgyz Republic.

40. In the 2nd Follow-Up Report of the Kyrgyz Republic (Clause 106), it is mentioned that with regard to the Recommendations that have been amended after the on-site mission, Kyrgyzstan has fully implemented new requirements of R.7 and has also largely implemented new requirements of R.2, R.18 and R.21.

41. As to the amendments made to R.1 and R.2 (October 2020) and R.17 (November 2020), work is scheduled for 2022.

Recommendation 15 (LC rating based on the results of the MER (2018))

42. In order to implement new requirements of R.15 about extending the current AML/CFT requirements in relation to virtual asset service providers and in relation to introducing the concept of "virtual asset" into the national legislation of the Kyrgyz Republic, Law of the Kyrgyz Republic No. 108 dated August 1, 2020 "On Amendments to the Tax Code of the Kyrgyz Republic" was put into force on August 21, 2020, according to which the Tax Code of the Kyrgyz Republic was supplemented with new Chapter 61 (Cryptocurrency Mining Tax) stipulating the following concepts and terms:

- "Virtual asset" is a digital representation of value that is created, stored and circulated in electronic (digital) form as an object of civil rights and does not include cash (currency), securities or electronic money issued in accordance with the established procedure.

- "Cryptocurrency Mining" means activity of performing computing operations using software and hardware that ensure operation of the transaction blocks (blockchain) ledger, by entering information about transactions between users in a distributed ledger (in accordance with predetermined rules and principles), which requires continuous power supply. Cryptocurrency mining can be accompanied by the creation of a virtual asset, which comes into the possession of the miner as a reward for confirming transactions in the distributed ledger.

In this regard, cryptocurrency mining tax has been introduced in the Kyrgyz Republic and administration of cryptocurrency mining activities has been implemented.

In addition, draft Law on Virtual Assets developed by the National Bank of the Kyrgyz Republic is currently under discussion.

43. In order to reduce the risks of spreading of the coronavirus infection (COVID-19), commercial banks, payment institutions and microfinance organizations have introduced new business practice of remote customer identification and verification using new technologies, with preliminary assessment of ML/TF risks. In this regard, the following decisions of the National Bank of the Kyrgyz Republic have been adopted:

- Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-12/27-1-(NPA) dated May 13, 2020 "On Procedure for Remote Customer Identification and Verification";

- Resolution of the Board of the National Bank of the Kyrgyz Republic No. 2020-P-33/54-3-(NFKU) dated September 30, 2020 "On Procedure for Remote Microfinance Customer Identification and Verification".

IV. AMENDMENTS TO IMPROVE THE EFFECTIVENESS OF THE NATIONAL AML/CFT SYSTEM¹

Immediate Outcome 1:

44. Information on the progress on IO.1 is presented in the overview on R.1 and R.8.

Immediate Outcome 2:

¹ This chapter provides information on the implementation of the recommended actions to improve the effectiveness of the AML/CFT system of the Kyrgyz Republic, set out in the Mutual Evaluation Report of the Kyrgyz Republic.

45. In 2020 and during the first 9 months of 2021, the following international cooperation took place through the communication channel of the Egmont Group:

Criteria	2020		2021	
	ML	TF	ML	TF
Number of SFIS requests sent to financial intelligence units of foreign states	128	12	51	10
Number of responses received to the SFIS requests	112	9	46	9
Number of requests received from financial intelligence units of foreign states	25	19	18	17
Number of SFIS responses sent to requests of financial intelligence units of foreign states	24	19	12	12
Number of pieces of spontaneous information of SFIS sent to financial intelligence units of foreign states	9	20	2	30
Number of pieces of spontaneous information received from financial intelligence units of foreign states	12	5	4	5

46. A Unified Information System has been developed with technical support of the OSCE Programme Office in Bishkek for recording and monitoring the execution of incoming and outgoing international requests related to ML/FT and predicate offenses. This information system will enable speeding up of registration of international requests, monitoring of the execution of international requests and improving the quality of execution of international requests.

47. In 2020 and during the first 9 months of 2021, the following international cooperation on mutual legal assistance took place:

Criteria	2020–2021	
	ML	TF
Number of instructions (requests) sent to competent authorities of foreign states	8	3
Number of instructions (requests) received from competent authorities of foreign states	5	2

48. As part of UNODC technical assistance, 2 SFIS employees took part in the meeting of the working group on the development of cooperation in the field of countering the financing of terrorism and illicit financial flows in Central Asia, held from 12 to 14 of November, 2019 in the city of Almaty (Republic of Kazakhstan).

49. The Asset Recovery Inter-Agency Network of Asia Pacific (ARIN-AP) assisted in the participation of 1 SFIS employee in the 6th ARIN-AP Asset Recovery Training held from 25 to 28 of November, 2019 in the city of Seoul (Republic of Korea).

50. On March 3, 2021, an international conference was held in Bishkek on topic “Issues of the Accession of the Kyrgyz Republic to the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime and on the Financing of Terrorism”, organized as part of the project of the Council of Europe and the EU.

Immediate Outcome 3:

51. Information on the progress on IO.3 is presented in the overview on R.26.

Immediate Outcome 4:

52. In 2020, 39 workshops were held in the SFIS Training and Methodological Center, and 32 workshops were held in 9 months of 2021, during which more than a thousand of employees of financial institutions and non-financial businesses and professions underwent training.

No.	Financial institutions and non-financial businesses and professions	2020	9 months of 2021
1.	Mortgage companies (organizations)	1	-
2.	Commercial banks	262	412
3.	Credit unions	-	-
4.	Leasing companies (organizations)	-	-
5.	Pawnshops	24	28
6.	Microfinance organizations (microcredit agencies, microcredit companies, microfinance companies, specialized financial and credit institutions)	75	48
7.	Accumulative pension funds	-	-
8.	Exchange offices	22	68
9.	E-money payment system operators	-	-
10.	Reinsurance organizations and brokers	-	-
11.	Payment institutions	27	23
12.	Postal facilities	15	-
13.	Professional securities market participants	-	-
14.	Savings and loan housing construction banks	-	-
15.	Insurance companies (insurers)	11	-
16.	Insurance brokers	-	-
17.	Stock exchanges	-	-
18.	E-money issuers and agents (distributors)	-	-
19.	Public and private notaries	184	-
20.	Independent lawyers (individual entrepreneurs), law firms and their employees (legal advisers)	-	-
21.	Realtors (agents, brokers, intermediaries, real estate trade organizers, real estate trustees)	-	-
22.	Individuals and legal entities engaged in operations (transactions) with precious metals and stones, jewelry made from them, and scrap of such products	18	45
23.	Individuals and legal entities providing services of creation or management of legal entities	-	-
Total number of learners		639	624

53. As part of the implementation of the Plan, the OSCE Programme Office in Bishkek provided technical assistance in recruiting 1 international and 1 local experts and organizing trainings to improve the effectiveness of AML/CFT preventive measures in financial institutions, which were held from 18 to 19 of December, 2019 in the city of Bishkek (attended by 25 representatives of commercial banks) and from 23 to 24 of December in the city of Osh (attended by 25 representatives of commercial banks).

54. As part of technical assistance of the UNODC Programme Office, from February 24 to March 2, 2020 training courses on countering the financing of terrorist activities and legalization (laundering) of criminal proceeds were held for the private sector in the following regions of the

Kyrgyz Republic: Osh, Batken, Jalal-Abad. They were attended by 62 representatives of the private sector.

Immediate Outcome 5:

55. Information on the progress on IO.5 is presented in the overview on R.24.

Immediate Outcome 6:

56. In 2020 and during the first 9 months of 2021, the SFIS received the following number of reports about operations (transactions):

No.	Report type	2020	9 months of 2021
Total number of received reports, of which:		521,137	472,840
1.	Reports of suspicious operations (transactions):	506,424	454,915
	- Legalization (laundering) of criminal proceeds	505,530	454,507
	- Financing of terrorist activities	894	408
2.	Reports of suspicious operations (transactions) involving individuals or legal entities from high-risk countries	247,049	126,175
3.	Reports of suspicious operations (transactions) involving individuals who have served a sentence for legalization (laundering) of criminal proceeds, terrorist or extremist activities	19	0
4.	Average number of daily received reports	2,084	2,955

57. In 2020 and during the first 9 months of 2021, the SFIS carried out the following work to fulfill its main tasks:

No.	Type of work	2020		9 months of 2021	
		ML	TF	ML	TF
1.	Number of operative analyzes performed	71	17	24	13
2.	Number of processed reports of operations (transactions)	739,359	369,679	662,581	270,332
3.	Number of requests sent during operative analysis, of which:	392	203	157	117
3.1	<i>To financial institutions and non-financial businesses and professions</i>	<i>153</i>	<i>127</i>	<i>95</i>	<i>64</i>

3.2	<i>To competent authorities of foreign states</i>	128	64	31	11
3.3	<i>To the government agencies of the Kyrgyz Republic</i>	111	12	31	42
4.	Number of prepared and sent generalized materials and information, of which:	73	17	24	13
4.1	<i>At the request of the law enforcement agency of the Kyrgyz Republic</i>	11	13	6	10
4.2	<i>At the initiative of the SFIS</i>	62	4	18	3
4.3	<i>To the agency for combating economic crimes</i>	71	-	4	-
4.4	<i>To the national security agency</i>	2	13	7	12
4.5	<i>To the internal affairs agency</i>	-	4	7	1
4.6	<i>To the prosecutor's office</i>	-	-	1	-
4.7	<i>To the tax service</i>	-	-	5	-
5.	Number of executed requests of law enforcement agencies of the Kyrgyz Republic, of which:	174	103	105	79
5.1	<i>National security agency</i>	68	94	48	76
5.2	<i>Agency for combating economic crimes</i>	59	-	11	-
5.3	<i>Internal affairs agency</i>	34	9	43	3
5.4	<i>Prosecution authorities</i>	10	-	3	
6.	Number of suspended operations (transactions) with indicators of legalization (laundering) of criminal proceeds	1	-	-	-

7.	Amount of suspended operations (transactions) with indicators of legalization (laundering) of criminal proceeds	154,998,500 Russian rubles	-	-	-
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58. In 2020–2021, work was carried out to develop (rework) and install the following 5 information systems of the SFIS on the server equipment of the SFIS:

1) Beneficial owners (beneficial owners of legal entities created and registered in the territory of the Kyrgyz Republic);

2) Sanctions lists (sanctions list of individuals and legal entities, groups and organizations known to be involved in terrorist or extremist activities and the proliferation of weapons of mass destruction);

3) National politically exposed persons (list of national politically exposed persons, family members and close associates of national politically exposed persons);

4) Those legalizing (laundering) proceeds of crime (list of persons, groups, organizations known to be involved in the legalization (laundering) of criminal proceeds);

5) Targeted financial sanctions (database on suspended operations (transactions), frozen and unfrozen operations (transactions) and (or) funds).

The above work was carried out as part of the implementation of the Roadmap measures for the implementation of “Digital Kyrgyzstan 2019–2023” Concept of Digital Transformation, approved by Order of the Government of the Kyrgyz Republic No. 20-r dated February 15, 2019.

59. Work was carried out to rework the database access methods for 8 government agencies of the Kyrgyz Republic through the System of Interdepartmental Electronic Interaction (SMEV) “Tunduk”. Agreements on interagency electronic communication have been signed within SMEV “Tunduk” with the following government agencies of the Kyrgyz Republic:

- State Institution “Cadastre” under the State Agency for Land Resources under the Government of the Kyrgyz Republic dated February 18, 2020;

- State Commission on Religious Affairs of the Kyrgyz Republic dated September 15, 2020.

60. As part of technical assistance of the OSCE and UNODC, substantial assistance in upgrading technical equipment of the SFIS has been provided. Work was carried out to install and configure a secure electronic communication channel using “Check Point” software and hardware complex, and all commercial banks operating in the territory of the Kyrgyz Republic were connected to this communication channel. Work was carried out to install and implement software “SFIS Electronic Document Management System”, purchased with the technical support of the UNODC.

61. The OSCE Programme Office in Bishkek provided technical assistance in conducting training “Conducting Operational and Strategic Analysis” based on the training course on strategic analysis of the Egmont Group, from 4 to 6 of November, 2019, in the city of Bishkek (attended by 35 representatives of the SFIS, the State Service for Combating Economic Crimes, the State Committee for National Security and the Ministry of Internal Affairs).

62. The OSCE Programme Office in Bishkek provided technical assistance in the participation of 1 SFIS employee in training course “Cryptocurrency” in cooperation with the Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism, held on November 27–29, 2019, in the city of Vienna (Austria).

63. UNODC provided technical assistance in the participation of 2 SFIS employees in regional workshop “Disrupting illicit financial flows associated with transnational organized crime” and the regional meeting of financial intelligence units held on November 21–22, 2019, Almaty, the Republic of Kazakhstan.

64. It should be noted that in 2020–2021 the SFIS, with the assistance of the UNODC and the OSCE Programme Office in Bishkek, significantly increased its technical (analytical) facilities.

65. In 2020, work was carried out with the technical assistance of the ITMCFM to develop information system “Personal Account”, which will be made available on the SFIS website, and access will be granted to employees of financial institutions and non-financial businesses and professions for exchange information in electronic format.

66. In 2020 and during the first 9 months of 2021, 45 training events were held with the technical support of international donor organizations:

No.	International donor organizations	2020	9 months of 2021
1.	International Training and Methodology Center for Financial Monitoring (ITMCFM)	20	11
2.	UNODC	6	1
3.	OSCE	-	1
4.	US Embassy in the Kyrgyz Republic	2	-
5.	Interpol	1	-
6.	EU Action Against Drugs and Organised Crime (EU-ACT) Project	1	1
7.	Council of Europe	-	1
Total number		30	15

67. In 2020 and during the first 9 months of 2021, 180 employees of government agencies of the Kyrgyz Republic took part in training events:

N o.	Government agencies of the Kyrgyz Republic	2020	9 months of 2021
1.	National Bank	34	41
2.	State Financial Intelligence Service	25	17
3.	State Service for Combating Economic Crimes	15	3
4.	Ministry of Internal Affairs	6	4
5.	General Prosecutor’s Office	3	7
6.	State Committee for National Security	2	3
7.	Ministry of Justice	1	1
8.	State Tax Service	1	-
9.	Chamber of Accounts	-	4
10.	State Customs Service	-	3
11.	State Agency on Environment Protection and Forestry	-	1
12.	State Inspectorate for Environmental and Technical Safety	-	3
13.	State Agency for Antimonopoly Regulation	-	1
14.	Ministry of Economy and Finance	-	5
Total		87	93

Immediate Outcome 7:

68. In 2020 and during the first 9 months of 2021, the law enforcement agencies of the Kyrgyz Republic carried out the following work to investigate ML cases:

No.	Type of work	2020	9 months of 2021
1.	Number of initiated criminal cases	16	7
2.	Number of criminal cases brought to court	2	-
3.	Amount of the revealed damage	168 828 662 soms	-

69. The most successful example of an ML investigation was the investigation related to M.B. LLC, carried out by the agency for combating economic crimes of the Kyrgyz Republic at the initiative of the SFIS, with the participation of the competent authorities of the Russian Federation. As a result, 58,999,817 rubles and 924,070 US dollars were turned into state revenue.

70. With the technical assistance of UNODC, 1 SFIS employee took part in workshop for EAG assessors on topic “Assessment of Effectiveness, Experiences and Best Practices in ML Investigation in Eurasian Region”, Tashkent (Republic of Uzbekistan), November 11–15, 2019.

71. As part of UNODC technical assistance:

- From 23 to 26 of July, 2020, a training course on countering the financing of terrorist activities and legalization (laundering) of criminal proceeds was held for representatives of law enforcement agencies, prosecutors and the private sector in the city of Bishkek, which was attended by 30 representatives of law enforcement agencies;

- From February 24 to March 2, 2020 training courses on countering the financing of terrorist activities and legalization (laundering) of criminal proceeds were held for the private sector in the following regions of the Kyrgyz Republic: Osh, Batken, Jalal-Abad; they were attended by 70 representatives of the prosecutor's office;

- On August 20, 2020, online training on countering the financing of terrorist activities and legalization (laundering) of criminal proceeds was held for employees of the central offices of law enforcement agencies of the Kyrgyz Republic (the General Prosecutor's Office, the Ministry of Internal Affairs, the State Service for Combating Economic Crimes) and the SFIS.

72. On September 8, 2021, Order of the SFIS “On the SFIS Structure and Staffing Table” was signed, in accordance with which the Department of Operational and Strategic Analysis of the SFIS was created of 12 staff members. The information systems mentioned in IO.6 enabled automation of work of the SFIS analysts.

Immediate Outcome 8:

73. In 2020 and during the first 9 months of 2021, the competent authorities of the Kyrgyz Republic carried out the following work to fulfill their main tasks:

N o.	Type of work	2020		9 months of 2021	
		ML	TF	ML	TF
1.	Confiscated and reimbursed amounts	168,458,662 soms	-	58,999,817 rubles, 924,070 US dollars	-

Immediate Outcome 9:

74. In 2020 and during the first 9 months of 2021, the law enforcement agencies of the Kyrgyz Republic carried out the following work to investigate TF cases:

No.	Type of work	2020	9 months of 2021
1.	Number of initiated criminal cases	19	9
2.	Number of criminal cases brought to court	2	-
3.	Amount of the revealed damage	-	-

75. As part of EBRD technical assistance, 2 SFIS employees took part in the meeting of the working group on the development of cooperation in the field of countering the financing of terrorism and illicit financial flows in Central Asia, held on November 12–14, 2019 in the city of Almaty (Republic of Kazakhstan).

Immediate Outcome 10:

76. In 2020 and during the first 9 months of 2021, the SFIS carried out the following work to fulfill its main tasks:

No.	Type of work	2020	9 months of 2021
1.	Number of persons included in the Consolidated Sanctions List of the Kyrgyz Republic, of which:	77	61
1.1.	<i>Number of individuals</i>	77	61
1.2.	<i>Number of legal entities, organizations</i>	-	-
1.3.	<i>At the initiative of the SFIS</i>	-	-
1.4.	<i>At the initiative of the courts of the Kyrgyz Republic</i>	4	1
1.5.	<i>At the initiative of the law enforcement agencies of the Kyrgyz Republic</i>	-	-
1.6.	<i>Based on international requests</i>	73	60
2.	Number of reviewed applications for exclusion from the Consolidated Sanctions List of the Kyrgyz Republic	27	33
3.	Number of persons excluded from the Consolidated Sanctions List of the Kyrgyz Republic	23	38
4.	Amount of frozen operations (transactions) and (or) funds	70,745 som, 120,000 rubles	183,996 som; 45 US dollars; 8,500 rubles
5.	Number of orders to unfreeze an operation (transaction) and (or) funds	120	20

6.	Amount of frozen operations (transactions) and (or) funds, of which:	684,273 som, 17,500 US dollars	76,792 som
6.1.	<i>Amount of unfrozen funds based on the exclusion of individuals and legal entities from the List</i>	<i>454,707 som, 17500 US dollars</i>	<i>10,884 som</i>
6.2.	<i>Amount of funds with access granted to carry out operation (transaction) (payment of taxes, contributions, etc.)</i>	<i>229,566 som</i>	<i>65,908 som</i>

77. As part of UNODC technical assistance, access was granted (for 20 SFIS employees) to the online training modules of the UNODC e-system to improve skills of SFIS staff in English.

Immediate Outcome 11:

78. As part of technical assistance of ITMCFM, 2 employees of the SFIS took part in the joint EAG/FATF training event on countering the financing of the proliferation of weapons of mass destruction, held from 9 to 12 of December, 2019 in the city of Moscow (Russian Federation).

V. CONCLUSION

79. **From November 2019 to September 2021**, the Kyrgyz Republic carried out significant work to eliminate deficiencies related to the following FATF Recommendations:

- Recommendation 8 which was rated “NC”;
- Recommendations (1, 12, 15, 18, 19, 24, 26, 29) which were rated “LC”.

80. In addition, significant work has been carried out to implement the recommended actions to improve the effectiveness of the AML/CFT system of the Kyrgyz Republic, as set out in the MER.

81. This report is presented for information. Kyrgyzstan does not request re-rating and will continue to report to the EAG on further progress in improving the national AML/CFT system.