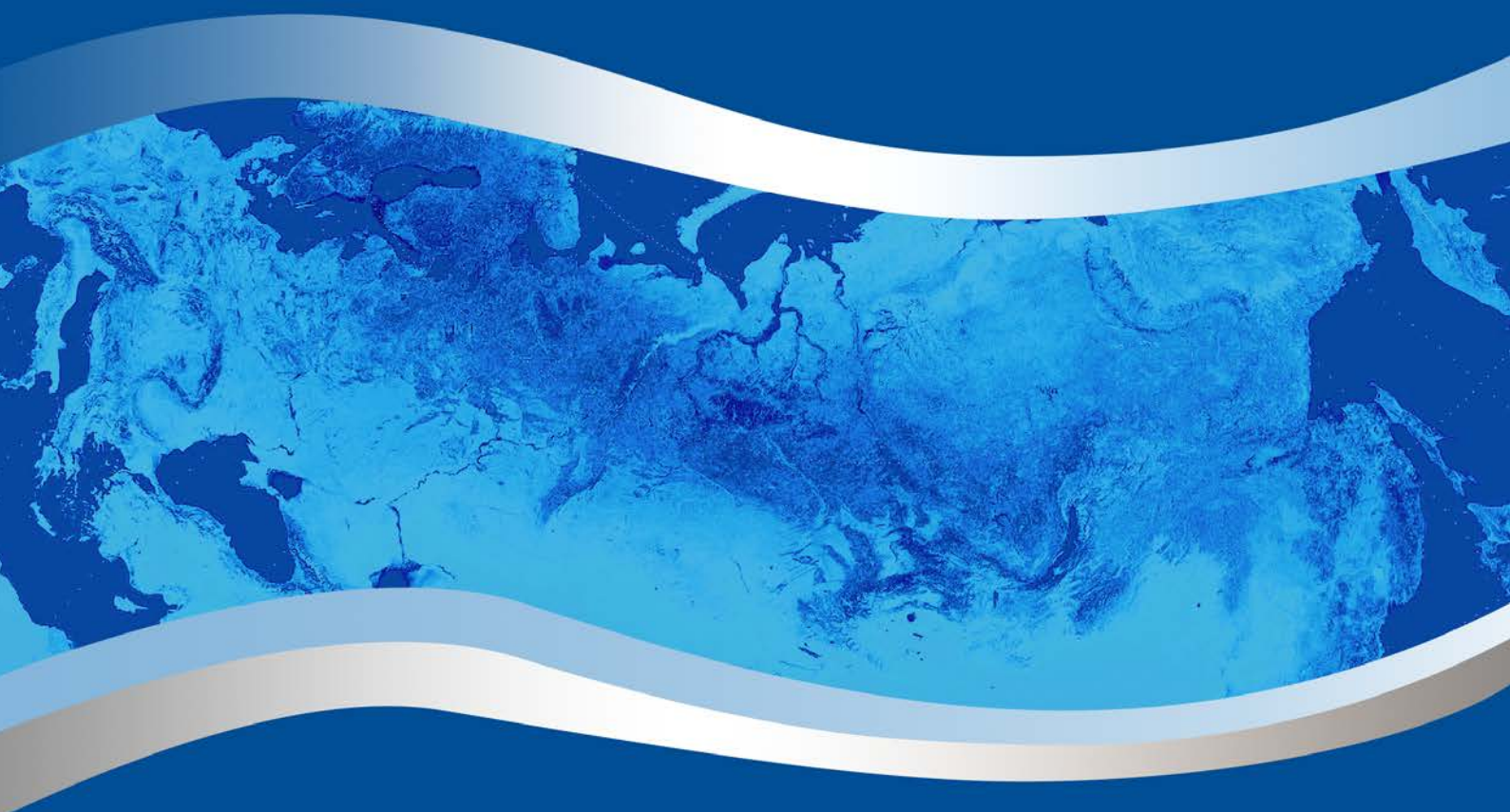


ГОДОВОЙ ОТЧЁТ
ANNUAL REPORT

2018



EAG

ЕВРАЗИЙСКАЯ ГРУППА
по противодействию легализации преступных доходов
и финансированию терроризма

EURASIAN GROUP
on combating money laundering
and financing of terrorism

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Dear colleagues,

As the number of new challenges facing the world increases, the task of promptly and adequately confronting them becomes increasingly urgent. The EAG plays a major role in building up mechanisms designed to combat money laundering and terrorist financing in its member states.

I feel privileged to have been given the opportunity to lead the EAG Secretariat in 2019. In this regard, I would like to thank my predecessor, Vladimir Nechaev, for the EAG's achievements during his tenure.

2018 saw the continuation of the EAG 2nd round of mutual evaluations, culminating in the approval of the mutual evaluation reports of Kyrgyzstan and Tajikistan (in May and November, respectively), that are the first EAG states evaluated using the revised FATF Methodology.

Much attention in 2018 was devoted to the preparation of the EAG states for mutual evaluations, including holding two workshops for Belarus and Uzbekistan.

The focus of the new round of mutual evaluations is not so much on the assessment of technical compliance of the countries' AML/CFT frameworks with the FATF

standards as on the effectiveness of the AML/CFT system.

The transformation of terrorist threats, the emergence of new opportunities for money laundering and the development of virtual assets necessitated a close study of the constantly evolving ML/TF typologies. To counter these challenges, the EAG sought the engagement of both its members and partners, including the FATF, APG, UN and CIS ATC.

Much needs to be done in 2019. Among the EAG's strategic priorities for the next four years is the strengthening of the EAG member states' AML/CFT systems and improving their compliance with the FATF Standards. This will necessitate increased participation of the EAG states in the EAG activities as well as changes in the current approaches to technical assistance coordination.

We also plan to raise the awareness and understanding of the supranational ML/TF risks inherent in Eurasia in order to develop comprehensive measures to mitigate them.

In addition, we want to promote the sustainable development of the EAG and bolster its standing within the FATF Global Network and across Eurasia.

S. Teterukov

ABOUT THE EURASIAN GROUP ON COMBATING MONEY LAUNDERING AND FINANCING OF TERRORISM (EAG)

History

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) is a FATF-style regional body established at the initiative of the Russian Federation on October 6, 2004 at the founding conference in Moscow attended by six founding states: Belarus, Kazakhstan, China, Kyrgyzstan, Russia and Tajikistan. Uzbekistan, Turkmenistan and India joined the EAG later.

The Moscow Declaration on the Establishment of the EAG, along with its Terms of Reference, formed the basis of the Agreement on the Eurasian Group on Combating Money Laundering and Financing of Terrorism of June 16, 2011. The Agreement defined the EAG as a regional intergovernmental organization with its own budget, which functions on the basis of equal participation by Member States in its activities.

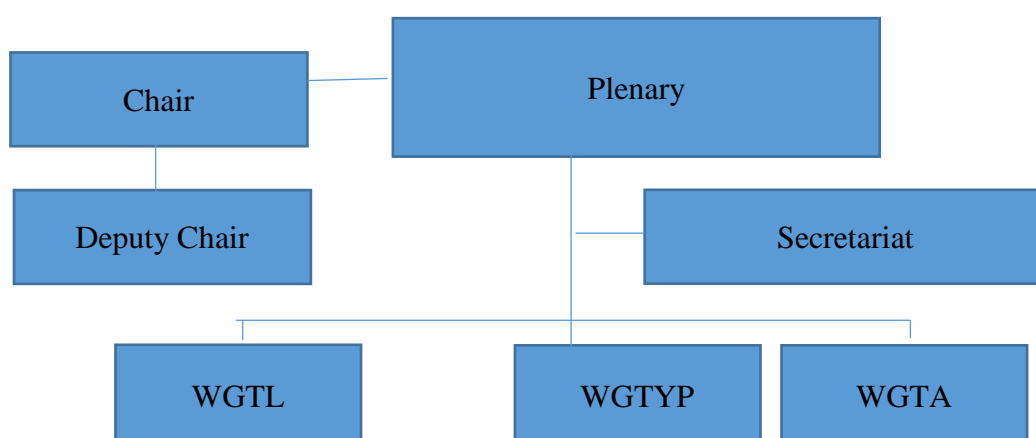
Goals and objectives

Pursuant to the EAG Agreement, the EAG's main goal is to ensure effective communication and cooperation at the regional level, as well as the integration of the EAG Member States into the international anti-money laundering and combating the financing of terrorism (AML/CFT) framework in line with the FATF Recommendations and AML/CFT standards of other international organizations whose membership EAG countries hold.

The EAG's key objectives are:

- to promote the implementation by the EAG member states of the FATF Standards;
- to conduct mutual evaluations of the EAG member states for compliance with and effective implementation of the FATF Standards;
- to coordinate international cooperation and technical assistance programmes with the relevant international organizations, bodies and states;
- to study ML/TF typologies and share experiences in combating these crimes taking into account regional specifics;
- to prepare and conduct other joint AML/CFT activities.

EAG organizational chart



EAG member states and observers

The EAG currently comprises 9 member states, with 15 states and 21 international and regional organizations holding the status of its observers.

Member countries

- Belarus
- India
- Kazakhstan
- China
- Kyrgyzstan
- Russian Federation
- Tajikistan
- Turkmenistan
- Uzbekistan

Observer countries

- Armenia
- Afghanistan
- Iran
- Italy
- South Korea
- Lithuania
- Moldova
- Mongolia
- Poland
- Serbia
- USA
- Turkey
- Ukraine
- France
- Montenegro

Observer organizations

- Asian Development Bank (ADB)
- Asia-Pacific Group on Money Laundering (APG)
- CIS Anti-Terrorism Centre (CIS ATC)
- World Bank (WB)
- Financial Action Task Force on Money Laundering (FATF)
- Middle East & North Africa Financial Action Task Force (MENAFATF)
- Egmont Group
- Eurasian Development Bank (EDB)
- European Bank for Reconstruction and Development (EBRD)
- Council of Europe Committee of Experts (MONEYVAL)
- UN Counter-Terrorism Committee (UNCTC)
- United Nations Analytical Support and Sanctions Monitoring Team (1267)
- International Monetary Fund (IMF)
- Collective Security Treaty Organization (CSTO)
- Organization for Security and Cooperation in Europe (OSCE)
- United Nations Office on Drugs and Crime (UNODC)
- Shanghai Cooperation Organization (SCO)

- Eurasian Economic Commission (EEC)
- Interpol
- Commonwealth of Independent States (CIS) Executive Committee
- Central Asian Regional Information and Coordination Centre for Combating Illicit Trafficking in Narcotic Drugs, Psychotropic Substances and Their Precursors (CARICC)

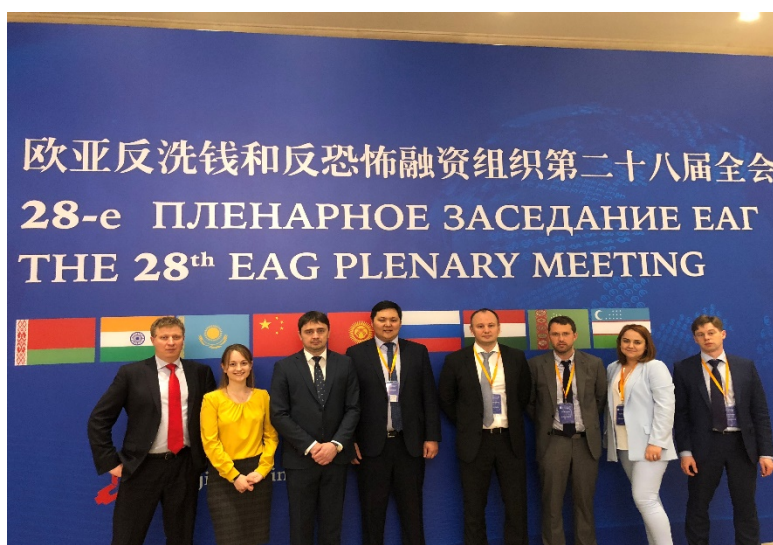
EAG 2018 PLENARY MEETINGS HIGHLIGHTS

EAG 28th Plenary meeting

The EAG 28th Plenary and working group meetings were held from 22 to 25 May 2018 in Nanjing (China).

The Plenary approved the mutual evaluation report of Kyrgyzstan, placing the country on enhanced follow-up process.

The Plenary discussed issues related to the fight against ISIL, calling on all EAG member states to intensify efforts to combat the financing of ISIL and ensure effective implementation of the relevant UNSC resolutions.



The Plenary adopted the outcome document on the common financial profile of a foreign terrorist fighter (FTF) for EAG states, which is designed to improve the detection of terrorist financing; the handbook "The List of Information of Interest to FIUs and Operational Bodies in Conducting Joint (International) Investigations"; amendments to the EAG 2nd Round Mutual Evaluations Schedule and the EAG 2018 Budget.

The Plenary highlighted the particular relevance of the EAG experts' involvement in UNCTC assessments and provision of technical assistance to EAG member states in line with UNCTC recommendations based on their outcomes.

EAG member states briefed the Plenary on changes made to their national AML/CFT legislation and progress in conducting a national risk assessment, thereby underscoring their commitment to improving the domestic AML/CFT framework, with a focus on effectiveness.

EAG 29th Plenary meeting

The EAG 29th Plenary and working group meetings were held from 12 to 16 November 2018 in Minsk (Belarus).

The Plenary approved the mutual evaluation report of Tajikistan, placing the country on enhanced follow-up process.

The Plenary reviewed a report on the UN measures adopted in pursuance of UNSC resolutions, various reports and analytical materials prepared by UN structural units, as well as completed and planned research projects carried out by the FATF. The Plenary reaffirmed the urgency and priority of the tasks connected with the fight against terrorism and its financing.



The EAG Plenary week included a workshop on the Supervisors' and the Private Sector's Role in Mutual Evaluations of National AML/CFT Systems, attended by not only representatives of supervisory authorities but also the private sector, whose impact on the effectiveness of the national

AML/CFT regime is significant. The large number of participants and the intensity of discussions underscored the importance of involving the private sector in EAG activities.

Participants approved the EAG Secretariat Performance Report 2018 and Action Plan 2019.

NATIONAL AML/CFT SYSTEMS EVALUATIONS

The EAG embarked on a new round of mutual evaluations in 2016, assessing each EAG member state on the basis of the FATF Standards and the Methodology for assessing technical compliance with the FATF Recommendations and the effectiveness of AML/CFT systems. The technical compliance assessment measures the extent to which the country's laws, regulations and other legal instruments meet the specific requirements of the Standards. The effectiveness assessment focuses on the country's practical implementation of the Standards and determines the extent to which each of the eleven Immediate Outcomes is achieved.

In 2018, the EAG discussed and approved two mutual evaluation reports, of Kyrgyzstan and Tajikistan.

Kyrgyzstan



Kyrgyzstan has put in place a legal framework for investigating and prosecuting ML/TF offences, supported by operational financial intelligence and international cooperation mechanisms. The effectiveness of the country's AML/CFT regime can be boosted further through improvements to the procedures for confiscating criminal proceeds (assets) and approaches to conducting parallel financial investigations.

Kyrgyzstan's legal framework allows it to properly apply targeted financial sanctions against individuals and organizations designated by the UN Security Council, as well as to compile a national list of designated individuals. In addition, the country is implementing additional preventive measures to counter proliferation financing. The report set out recommendations for improving the engagement of non-profit organizations, including the need to develop a risk-based approach to their supervision.

Competent authorities overseeing the activities of financial institutions and DNFBPs demonstrated the use of effective oversight and sanction mechanisms. However, the gaps in the AML/CFT coverage of reporting entities and the absence of supervisory authorities over certain categories of DNFBPs hamper the performance of the entire AML/CFT system.

Financial institutions are well aware of their AML/CFT obligations established by Kyrgyzstan's law. Banks, unlike representatives of other financial institutions and designated non-financial businesses and professions, demonstrated a good understanding of the ML/TF risks.

Although Kyrgyzstan exhibits many signs and characteristics of effective international cooperation, the country's competent authorities should make a better use of various international cooperation and mutual legal assistance mechanisms as well as monitor the quality of implementation of international requests.

The EAG 28th Plenary approved the mutual evaluation report of Kyrgyzstan, placing the country on enhanced follow-up process. In line with the EAG 2nd Round Mutual Evaluation Procedures, Kyrgyzstan will present its follow-up report at the EAG 30th Plenary meeting in May 2019.

Tajikistan



Tajikistan has a solid legal framework in place for combating money laundering and terrorist financing. Still, it needs to do more to improve ML investigations, confiscation of criminal proceeds, supervision and compliance with UNSC resolutions.

Although the competent authorities' understanding of the TF risks inherent in Tajikistan was good, their understanding of the ML risks needs to be improved. Among the main predicate offences

responsible for generating substantial criminal proceeds in Tajikistan are bribery, corruption, tax evasion and drug trafficking. To mitigate ML/TF risks, Tajikistan has adopted a number of visions and strategies, including the President-endorsed National AML/CFT/PF Strategy 2018-2025.

Although the country's law enforcement authorities take practical steps to detect and investigate ML, their capacity to do the same in respect of TF is not always fully utilized. As regards TF, Tajikistan's law enforcement authorities identify and investigate individuals responsible for raising, moving and using funds in support of terrorists. In addition, law enforcement agencies utilize the entire range of intelligence gathering and investigative activities provided by the CFT law.

Although supervision over financial institutions and DNFBPs is largely commensurate with the size and scope of these sectors, it is not based on a risk-based approach, which is expected to be implemented based on the findings of the national ML/TF risk assessment and adopted National AML/CFT/PF Strategy.

EAG notes that Tajikistan is involved in the provision of mutual legal and extradition assistance in support of investigations, prosecutions and other proceedings related to predicate offences. However, the country's law enforcement bodies lack the experience of AML/CFT-centric international cooperation.

The EAG 29th Plenary approved the mutual evaluation report of Tajikistan, placing the country on enhanced follow-up process. In accordance with the EAG 2nd Round Mutual Evaluation Procedures, Tajikistan will present its follow-up report at the EAG 31st Plenary meeting in November 2019.

COMBATING MONEY LAUNDERING AND TERRORIST FINANCING: RESEARCH, TYPOLOGIES AND ACTIVITIES

One of the EAG's key priorities is to study money laundering and terrorist financing typologies, which is achieved by conducting typological research and organizing appropriate international events. The EAG states are keen to organize and participate in research projects.

The EAG 28th Plenary endorsed the findings of the report on the Identification of Persons Assisting Terrorist Organizations in Purchasing Tickets for Terrorist Fighters, voting to continue work in this area in close cooperation with the CIS ATC. Participants also decided to hold a joint EAG/CIS ATC workshop in October 2018 to strengthen cooperation between law enforcement agencies and financial intelligence units in combating TF.

Responding to the success of the EAG states' efforts to share Lists of terrorists, the EAG 28th Plenary decided to continue the mutual freezing practice with regular updates of the Plenary on its progress.

The EAG 29th Plenary approved the EAG report "Money Laundering through Insurance Companies" and announced the findings of the FATF study "Professional Money Laundering Networks and Schemes", in which EAG member states were directly involved.

The 29th Plenary meeting held a contest for the best investigation entitled "Cooperation between State Bodies in Combating the Financing of Terrorism". The contest was won by Tajikistan, with China and Russia finishing as runners-up.



The joint EAG/APG workshop was held in Novosibirsk (Russia) in December 2018. The meeting was attended by over 260 representatives of financial intelligence units, law enforcement and supervisory agencies, and the private sector from more than 60 countries and organizations of Eurasia and Asia Pacific.

The issues discussed at the workshop were grouped into three thematic sections: the use of criminal proceeds, including from organized crime, to finance terrorist; human trafficking; and risks associated with digital financial assets.

Representatives of the EAG and APG financial intelligence units shared their experiences in identifying and analysing financial flows, while representatives of the private sector, NPOs and civil society presented their insights and analytical findings and discussed the main challenges related to intelligence disclosure and sharing.

In the course of discussions, participants highlighted the importance of multilateral and close cooperation between representatives of the public sector of different countries, as well as representatives of non-profit organizations, the private sector and civil society.

TECHNICAL ASSISTANCE

Two workshops to prepare countries for mutual evaluations were held in 2018, in April for Belarus and in December for Uzbekistan. During the workshops, representatives of public authorities and the private sector familiarized themselves with the mutual evaluation process, the FATF Methodology and the specifics of reporting on technical compliance and effectiveness. The EAG Secretariat plans to organize similar events for the assessed countries in the future.

In 2018, the Working Group on Technical Assistance (WGTA) held two meetings, focusing on technical assistance (TA) coordination and effectiveness in the context of the new round of mutual evaluations.

As regards TA coordination, EAG member states and observers suggested the following approaches:

- to update the EAG regulatory framework for TA provision;
- to draw up an annual Unified TA Plan;
- to clarify the WGTA and EAG Secretariat's responsibilities for TA coordination;
- the Working Group should use the findings of the EAG Secretariat's intersessional analysis to identify the EAG member countries' TA requirements;
- the EAG Secretariat should monitor TA results and effectiveness.

A significant role in providing TA within the EAG in 2018 was played by ITMCFM and particularly its videoconferencing (VC) network, which is often used for operational engagement, whose importance tends to increase during the EAG mutual evaluations. In addition, VC network allows ITMCFM to extend its coverage to all AML/CFT system participants, as well as to engage scientific and academic communities. One should also note the importance of the work by ITMCFM and the International Network AML/CFT Institute to train AML/CFT personnel for Eurasia.

COOPERATION WITH INTERNATIONAL PARTNERS

A number of important activities aimed at strengthening cooperation between the EAG and its international partners were held in 2018.

Cooperation with FATF



The EAG is an associate member of the FATF. Besides participating in FATF Plenary meetings in 2018, the EAG Secretariat took part in the pilot counter proliferation-financing workshop, prepared by the FATF Training and Research Institute (TREIN).

The EAG Secretariat submitted proposals for improving this training program. In addition, an agreement was reached to hold an identical workshop in 2019 exclusively for EAG member states taking into account regional specifics.

Cooperation with APG



The EAG holds an observer status in the Asia Pacific Group. In addition to participating in the APG Plenary meetings (June 21-27, 2018, Kathmandu, Nepal), the EAG and APG held a joint assessors' workshop (August 12-17, 2018, Kuala Lumpur, Malaysia), attended by 11 EAG representatives.

Three EAG representatives who took part in this workshop are currently involved in the mutual evaluation of Belarus (two assessors and one reviewer).

Cooperation with other organizations



In cooperation with the CIS ATC and INTERPOL, the EAG Secretariat, with assistance from ITMCFM, organized a workshop to strengthen cooperation between financial intelligence units and law enforcement in combating terrorist financing (2-4 October 2018, Almaty, Kazakhstan).

The focus of the workshop was on the identification of individuals involved in terrorist financing, with participants also discussing the threat stemming from the export of "personal jihad", a new model of terrorist and extremist activity; increased targeting by terrorist recruiters of EAG local populations; the migration of members of international terrorist organizations from Syria and Iraq to new conflict zones; and the formation of sleeper cells from returnees and radicals who had been unable to leave their countries to join terrorists.

Representatives of EAG and CIS ATC financial intelligence and law enforcement agencies and invited international experts attended the workshop.



INTERPOL

Representatives of the EAG Secretariat took part as speakers in a regular working group meeting for INTERPOL Project Kalkan, which brings together several EAG states (8-19 September 2018, Tbilisi, Georgia).

During that meeting, which focused on the movement of foreign terrorist fighters (FTFs) in Central Asia, the EAG Secretariat briefed participants on the latest developments in this area, particularly as regards the financial support provided to FTSs in Central Asia, and the work carried out by the EAG and its member states to combat TF. The meeting ended with an agreement to further increase cooperation and collaboration between the EAG and Interpol, a commitment supported by the participation of Interpol representatives in the EAG Plenary meeting and a joint typologies workshop.



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