



Евразийская группа по противодействию легализации  
преступных доходов  
и финансированию терроризма

Eurasian Group on Combating Money Laundering  
and Financing of Terrorism

# EAG METHODOLOGICAL GUIDELINES ON ORGANISING AND CONDUCTING FINANCIAL INVESTIGATIONS IN THE AML/CFT SPHERE

2023

## Introduction

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) is an international intergovernmental organisation - a regional FATF-style body (Financial Action Task Force) and unites 9 Member States: Belarus, China, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, and Uzbekistan.

The main purpose of EAG is to improve conditions for protection of financial systems and economies of EAG Member States from threats of money laundering, financing of terrorism and financing of proliferation of weapons of mass destruction in accordance with the FATF International Standards on Combating Money Laundering, Financing of Terrorism and Financing of Proliferation of Weapons of Mass Destruction (FATF Standards are recognised as a global AML/CFT/CPF standard) and other provisions adopted in their development.

More information on the EAG can be found at <https://eurasiangroup.org/en>.

This document was developed within the framework of the implementation of the typology project and represents a study of conceptual features and methodological recommendations for Member States on organising and conducting financial investigations in the field of AML/CFT.

The document is intended for application in the work of financial intelligence units, law enforcement and supervisory authorities of the Member States of the EAG, as well as bodies engaged in the development of national legal acts in the field of financial investigations, and, to some extent, the private sector.

The document is the result of the joint work of the project team members formed from the representatives of Member States and EAG Observers (the full list of participants is given in the annex to the document).

The project team members express their gratitude to Member States and EAG Observers for the materials, examples, questionnaire responses and other documents used in the development of this document.

Use of all or part of the document in Member States and EAG Observers is free and allowed without any authorisation, reference to the source when using or publishing is obligatory. When using the document by other parties, please obtain the prior consent of the EAG Secretariat. Applications for such permission for all or part of this publication should be addressed to the EAG Secretariat at [info@eurasiangroup.org](mailto:info@eurasiangroup.org).

## Table of content

|  |           |
|--|-----------|
| Introduction .....   | 1         |
| <b>EAG METHODOLOGICAL GUIDELINES ON ORGANISING AND CONDUCTING FINANCIAL INVESTIGATIONS IN THE AML/CFT SPHERE .....</b>   | <b>4</b>  |
| <b>Chapter I. Introduction .....</b>   | <b>4</b>  |
| General .....  | 4         |
| Goals and objectives of the EAG Methodological Guidelines for Conducting AML/CFT Financial Investigations .....  | 5         |
| Terms and abbreviations used in this document .....  | 5         |
| <b>Chapter II. Theoretical and Legal Provisions Governing AML/CFT Financial Investigations .....</b>   | <b>7</b>  |
| International standards and guidance documents related to AML/CFT financial investigations.....  | 7         |
| Legal regulation of financial investigations in EAG Member States.....   | 11        |
| <b>Chapter III. Reasons and Grounds for Conducting Financial Investigations; Types of Obtained Information and Use of Financial Investigation Findings .....</b> | <b>16</b> |
| Reasons for conducting financial investigations, their types and structure; risk-based approach as the basis for conducting financial investigations .....       | 16        |
| Sources of information for financial investigations .....  | 23        |
| Formalization and use of financial investigation findings .....  | 30        |
| <b>Chapter IV. Financial investigation subjects and mechanisms .....</b>   | <b>35</b> |
| Authorities (subjects) empowered to conduct financial investigations.....  | 35        |
| Financial investigation mechanisms.....  | 36        |
| <b>Chapter V. Specific Features of Certain Types of Financial Investigations .....</b>   | <b>42</b> |
| Financial investigation techniques for combating money laundering.....   | 43        |
| Financial investigations for the purposes of countering the financing of terrorism.....  | 69        |
| <b>Chapter VI. Peculiarities of financial investigations in relation to their subjects. Private sector involvement in financial investigations .....</b>         | <b>75</b> |
| Specifics of financial investigations by financial intelligence units (FIUs).....  | 75        |
| Specifics of financial investigations by preliminary investigation and inquest bodies.....   | 77        |
| Specifics of financial investigations by bodies authorised to carry out operational and investigative activities. ....   | 84        |
| The role and scope of private sector involvement in financial investigations.....  | 85        |
| <b>Chapter VII. National and international cooperation of actors in financial investigations, group (integrated) financial investigations .....</b>              | <b>89</b> |
| Interaction between law enforcement agencies and financial intelligence units (FIUs) in financial investigations.....  | 89        |
| Interaction of preliminary investigation and enquiry bodies with bodies carrying out police and intelligence activities in financial investigations.....         | 93        |
| Specifics of interaction between the bodies involved in police intelligence activities when carrying out financial investigations.....                           | 94        |
| Conducting complex financial investigations by inter-agency teams. ....  | 96        |

---

|  |            |
|--|------------|
| International cooperation and coordination in financial investigations .....   | 100        |
| <b>Chapter VIII. Review of the results of financial investigations. Concerns and recommended actions.....</b>  | <b>102</b> |
| Statistics of financial investigations and their types. Collection, review and use of statistics.....  | 102        |
| Compliance practices in ML/FT financial investigations .....   | 106        |
| Improvement of financial investigative methods and effectiveness, as well as officers' skill development .....   | 109        |
| <b>Basic legislative acts, containing provisions on the regulation of financial investigations in EAG Member States (references are to the text in the original language).....</b> | <b>114</b> |
| <b>List of government bodies (entities) authorised to conduct AML/CFT financial investigations in the EAG Member States.....</b>   | <b>118</b> |
| <b>List of participants of the project team on development of EAG Methodological Guidelines on Organising and Conducting Financial Investigations in the AML/CFT Sphere.....</b>   | <b>121</b> |



## **EAG METHODOLOGICAL GUIDELINES ON ORGANISING AND CONDUCTING FINANCIAL INVESTIGATIONS IN THE AML/CFT SPHERE**

### **Chapter I. Introduction**

#### ***General***

1. Financial investigations are recognized as one of the key elements of the FATF Recommendations related to law enforcement authorities, operational issues and cooperation with FIUs. The major goal of a financial investigation is to identify and document the movement of money during the course of criminal activity and the link between the origins of the money, beneficiaries, when the money is received and where it is stored or deposited, as well as the general collection and consolidation of evidence and its use in pre-trial and judicial criminal proceedings (trials).
2. Analysis of the available EAG second-round Mutual Evaluation Reports (MERs) shows varying level of effectiveness of financial investigations, even in terms of basic principles of arranging and conducting such investigations, in different Member States. This is primarily due to different legal approaches to regulation of financial investigations and uneven understanding of the utility and objectives of these investigations. Besides that, the EAG includes Member States with different legal systems, which also has an impact on the existing mechanisms of financial investigations.
3. Such situation cannot but affect the overall efficiency of mutual cooperation among the EAG Member States, hindering their ability to achieve maximum results in the process of AML/CFT cooperation.
4. In this context, the EAG Secretariat and the Member States jointly realized the need for development of the EAG-specific document that would allow them to more thoroughly analyze and summarize the financial investigation frameworks existing in the Member States and, where possible, to provide (based on the international experience and best practices) options of legal regulation of financial investigations for potential use by the EAG Member States which would help them to further improve their effectiveness.
5. Another important aspect for the development of such document is the need to provide the Member States with practical information on the existing sources of financial information (databases, registers and their operators).
6. With that in mind, the 33<sup>rd</sup> EAG Plenary discussed and approved the project concept note related the development of the EAG AML/CFT Financial Investigations Guidance (hereinafter – Methodological Guidelines).
7. For this purpose, the project team composed on the representatives of the EAG Member States and observers was established. The representatives of the EAG Member States (Belarus, India, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan) as well as the Philippines and Mongolia took part in the development of the Guidance Document. Besides that, a number of international and regional inter-government organizations (FATF Secretariat, CIS Anti-Terrorism Center, CIS Bureau for Coordination of the Fight against Organized and other Serious Crimes, Eurasian Economic Commission, Collective Security Treaty Organization, Regional Anti-Terrorist Structure of Shanghai Cooperation Organization and Central Asian Regional Information and Coordination Center for Combating Illicit Trafficking of Narcotic Drugs, Psychotropic Substances and their

Precursors) also contributed to the project in the capacity of the project team members. The full list of the project team members is attached as [Annex 3](#) to the document.

8. The final version of the Methodological Guidelines was considered at the 39<sup>th</sup> Plenary Meeting and adopted as the typology project report that could be potentially used for strengthening and enhancing national AML/CFT/CPF systems.

***Goals and objectives of the EAG Methodological Guidelines for Conducting AML/CFT Financial Investigations***

9. The main goal of the development of the Methodological Guidelines is to strengthen the national AML/CFT/CPF frameworks of the EAG Member States, improve the national legislation for unconditional compliance with the FATF Standards and enhance effectiveness of the national AML/CFT/CPF systems through streamlining, automatizing, intensifying and improving quality and efficiency of financial investigations.
10. The basic objective of the Guidance Document is to inform (based on the current FATF Standards) the EAG Member States about possible mechanisms, methods and types of financial investigations (parallel financial investigations); identify government authorities and other agencies empowered to conduct such investigations; provide information on methods and ways to improve the AML/CFT/CPF legislation as it pertains to regulation of financial investigation processes; and to raise awareness of the national competent authorities, provide them with necessary information required for practical operation and improve coordination and international cooperation among the national competent authorities.

***Terms and abbreviations used in this document***

11. The EAG Methodological Guidelines on AML/CFT Financial Investigations use the following terms in addition to the generally recognised concepts set out in the Glossary in the FATF Recommendations:
  - Criminal proceeds (proceeds of crime) refer to funds (property) obtained through the commission of a criminal offence as well as proceeds derived from the use of such funds (property);
  - Property of equivalent value refers to a property which value corresponds to the amount of proceeds obtained through crime;
  - Illicit enrichment of public official refers to acquisition by a public official or his/her family members or persons residing with him/ her as well as persons known to be closely related to him/her (dependent or indirectly controlled) of property or making expenditures which cost (amount) significantly exceeds their income from legitimate sources;
  - State security authorities refer to domestic government authorities responsible for ensuring national security;
  - Inquiry authorities refer to domestic government authorities empowered to conduct inquiries if such form of criminal proceedings is provided for in the national legislation;
  - Criminal prosecution authorities refer to government authorities empowered by the national criminal procedure legislation to conduct pre-trial criminal investigations (inquiry authorities, preliminary investigation authorities, etc.);
  - Authorities empowered to conduct financial investigations refer to criminal prosecution authorities, criminal intelligence authorities, state security authorities, financial

intelligence units and other government authorities that are entrusted by the laws or regulations to conduct financial investigations in full or in part;

- Financial intelligence unit (FIU) refers to relevant national financial intelligence unit;
- Predicate offence refers to a guilty socially dangerous act prohibited by the criminal legislation with precedes the legalization (laundering) of proceeds obtained through the commission of such act, or as a result of which proceeds may be generated (property may be obtained) that may be subject of potential money laundering;
- Financial transaction (transaction) refers to a transaction with funds, securities, derivative financial instruments (option contracts, forward contracts, swaps, etc.), e-money, digital assets, traveller's cheques, other property and economic resources, including property rights and exclusive intellectual property rights, irrespective of its form and method;
- Financial investigation (parallel financial investigation) refers to a process of examining financial elements of criminal conduct (aimed at commission of a criminal offence) as well as identifying and tracing financial flows in the course and the after commission of a criminal act and subsequent laundering of criminal proceeds, locating the illegally obtained property, gathering financial information for corroboration of criminal evidence, identifying property (including property of equivalent value and indirect criminal proceeds) that is subject to confiscation and identifying property which legitimate origin is not confirmed.

12. The following abbreviations and acronyms of organisation names are also used for convenience in the document:

- EAG - Eurasian Group on Combating Money Laundering and Financing of Terrorism;
- VA - virtual assets;
- MLA - mutual legal assistance;
- FTF - foreign terrorist fighter;
- VAT - value added tax;
- NPO - non-profit organisation;
- NCFI - non-banking financial institution;
- ITO - international terrorist organisation;
- PEP - public official;
- AML/CFT - anti-money laundering and combating the financing of terrorism;
- AML/CFT/CPF - countering money laundering, terrorist financing and financing of proliferation of weapons of mass destruction;
- LEAs - law enforcement agencies;
- VASP - virtual asset service provider;
- FIU - financial intelligence unit;
- ML - laundering of proceeds of crime;
- ML/TF - laundering of crime proceeds and terrorist financing;
- ML/TF/CPF - laundering of crime proceeds, financing of terrorism and financing of proliferation of weapons of mass destruction;

- BNI - bearer negotiable instruments;
- OIA - Operative Investigative Activity;
- OIM - investigative operative measures;
- SSB - special state bodies;
- CC - criminal code;
- DNFBP - designated non-financial businesses and professions;
- CPC - Code of Criminal Procedure;
- FATF - Financial Action Task Force on Money Laundering;
- FInv - financial investigations;
- PF - financing of proliferation of weapons of mass destruction;
- TF - financing of terrorism;
- FI - financial institutions;
- CARICC - Central Asian Regional Information and Coordination Centre for Combating Illicit Trafficking in Narcotic Drugs, Psychotropic Substances and their Precursors;
- CARIN - Camden Asset Recovery Interagency Network;
- EGMONT - The Egmont Group - an informal association of financial intelligence units;
- KYC - Know Your Customer - a banking and stock exchange regulatory term for financial institutions and betting firms and other companies handling individuals' money;
- StAR - Stolen Assets Recovery Initiative.

## **Chapter II. Theoretical and Legal Provisions Governing AML/CFT Financial Investigations**

### ***International standards and guidance documents related to AML/CFT financial investigations***

13. In recent years, enhanced attention is paid to financial investigations, which is not surprising, as most criminal offences are committed for deriving material benefit, illicit enrichment and making illegal proceeds appear to have come from legitimate sources. Deprivation of criminals of such opportunity has a positive impact on reduction of a crime rate in individual countries and across the globe in general. Lack of opportunity to enrich oneself through criminal conduct makes offences committed for profit meaningless and pointless.
14. The need for separate criminalization of money laundering offence is justified by recognition of the enhanced threat posed by integration of criminal assets into formal (legitimate) economy.
15. Such decision could hardly be made without giving the international legal dimension to this problem. Over three recent decades, separate rules have been introduced into the international criminal law, which reflects the need for coordinating the efforts of different countries in the fight against crime that has arisen as a result of further integration trends in relations among countries. Common economic challenges, transnational nature of crime and increased interest in confidential movement and placement of assets abroad prompt the international community to combine the efforts against crime that has emerged and flourishes in the process of globalisation. The initial goal was to combine the efforts at the international level for combating the legalization (laundering) of proceeds from the most serious transnational



offences (such as illicit trafficking of narcotic drugs, transnational organized crime, corruption, etc.).

16. In particular, the Preamble to the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances done at Vienna on December 20, 1988 ([Vienna Convention](#)) states that illicit traffic generates large financial profits and wealth enabling transnational criminal organizations to penetrate, contaminate and corrupt the structures of government, legitimate commercial and financial business, and society at all its levels. The countries adopted the Vienna Convention being determined to deprive persons engaged in illicit traffic of the proceeds of their criminal activities and thereby eliminate their main incentive for so doing.
17. In order to justify the need for criminalization of money laundering, the Vienna Convention, the United Nations Convention against Transnational Organized Crime (November 15, 2000, [Palermo Convention](#)) and the United Nations Convention against Corruption (October 31, 2003, [Merida Convention](#)) called for countries to establish as criminal offences under their domestic law, the following actions when committed intentionally:
  - Conversion or transfer of property, knowing that such property is derived from any offence or offences established in these Conventions, or from an act of participation in such offence or offences, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an offence or offences to evade the legal consequences of his actions;
  - Concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from an offence or offences established in these Conventions, or from an act of participation in such an offence or offences.
18. It should also be noted that the fundamental provisions justifying the need for establishment of an international legal framework for conducting financial investigations are declared not only by the United Nations, but also by different international organizations. For example, some EAG Member States have ratified the Council of Europe Conventions, including the CE Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism done at Warsaw on May 16, 2005.

*International Instruments Governing Criminalization of ML and TF*



|  |   |
|--|---|
| United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of December 20, 1988 | United Nations Convention against Transnational Organized Crime of November 15, 2000  |
| ENSHRINED IN:  | United Nations Convention against Corruption of October 31, 2003  |
|  | Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime of November 8, 1990 |
|  | Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime of May 16, 2005     |
| Council of Europe Criminal Law Convention on Corruption of January 27, 1999  | Council of Europe Convention on the Financing of Terrorism of May 16, 2005  |

19. Development of international legal cooperation in the fight against money laundering that has been attributed to different types of predicate offences has led to a situation where the international anti-money laundering provisions are scattered across different international instruments, which makes it difficult to define a single basis for criminalization of money laundering. The Council of Europe Conventions on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime of 1990 and 2005 are intended to become the specialized international legal acts, as they are open for accession and ratification by any country.
20. All aforementioned international instruments also substantiate the need to take actions for confiscation of criminal proceeds, their legalization tools, instrumentalities of crime, etc., which obviously requires implementation of measures aimed at examination of financial aspects of committed predicate offences.
21. Unfortunately, there is no UN document that directly defines goals and objectives of financial investigations. However, such documents exist at the global level as the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation ([FATF Recommendations](#)), adopted by the Financial Action Task Force and other FATF Guidance Documents (Interpretive Notes to the FATF Recommendations and the [Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems](#)).
22. Paragraph 2 of the Interpretive Note to Recommendation 30 defines a “financial investigation” as an enquiry into the financial affairs related to a criminal activity, with a view to:
  - Identifying the extent of criminal networks and/or the scale of criminality;
  - Identifying and tracing the proceeds of crime, terrorist funds or any other assets that are, or may become, subject to confiscation;
  - Developing evidence which can be used in criminal proceedings.
23. In Recommendation 30, a “parallel financial investigation” refers to conducting a financial investigation alongside, or in the context of, a (traditional) criminal investigation into money laundering, terrorist financing and/or predicate offence(s). Law enforcement investigators of predicate offences should either be authorized to pursue the investigation of any related

money laundering and terrorist financing offences during a parallel investigation, or be able to refer the case to another agency to follow up with such investigations.

24. However, the requirements set out in Recommendation 30 are not the only standard that regulates the scope and process of financial investigations. The requirements set forth in Recommendation 4 (Confiscation) and Recommendation 31 (Powers of law enforcement and investigative authorities) also play important role in conducting effective and efficient financial investigations. Given that identification of laundered criminal property, proceeds of crime, property of equivalent value and property derived from the use of criminal assets is one of the main goals and objectives of financial investigations, unconditional compliance with these requirements of the International Standards not only helps to improve effectiveness of actions taken by the law enforcement and judicial authorities for depriving criminals of their illicit gains, but also provides necessary instruments and defines the goals of financial investigations in the legislation.
25. Financial investigations enable to explore and examine in detail financial elements of criminal activities and uncover both sources of criminal proceeds and ways of their further use. In some cases, financial investigations also make it possible to identify vulnerabilities of national legal and financial systems, including lack of regulation of certain sectors and specific financial products, and drawbacks in coordination and cooperation among competent authorities. Analysis of financial investigation statistics allows for identifying the most common money laundering schemes, sectors where criminal assets are typically obtained and laundered, terrorist financing sources and ways of movement or use of funds intended for TF purposes. On the other hand, national risk assessments allow law enforcement authorities to prioritize financial investigations, identify those categories of predicate offences that should necessarily be subject to financial investigations and determine the main lines of inquiries and investigations so as to ensure the most effective allocation and use of available resources. In this context, proper arrangement of financial investigations is directly related to compliance with the FATF Standards pertaining to national risk assessment and statistics.
26. Apart from the need for effective coordination among domestic competent authorities, international cooperation also plays important role in conducting financial investigations. In addition to ensuring international MLA cooperation (Recommendations 37-39), Recommendation 40 also requires countries to establish mechanisms for effective information sharing as part of other forms of international cooperation. This includes exchange of information related to financial investigations. Besides that, when bilateral or multilateral agreements are required for cooperation in the course of financial investigation, countries enter in such agreement in a timely manner and with a maximum possible range of partners.
27. Since, in certain circumstances, information on cross-border movement of cash and bearer negotiable instruments (BNIs) may be an important evidence of illegal movement of criminal funds abroad or may indicate the existence of complex cross-border money laundering schemes or possible method of movement of funds for TF purposes, implementation of the requirements of Recommendation 32 related to declaration of cash and declaration retention period also plays important role in conducting effective and efficient financial investigations.
28. Fundamental and strategic issues related to financial investigation and procedures in context of compliance with the FATF Standards are elaborated in sufficient detail in the FATF Guidance Document [Operational Issues: Financial Investigations Guidance](#) (2012, hereinafter the FATF FInv Guidance).

29. For the purpose of the FATF FInv Guidance, the term “financial investigation” means an enquiry into the financial affairs related to criminal conduct. The major goal of a financial investigation is to identify and document the movement of money during the course of criminal activity. The link between the origins of the money, beneficiaries, when the money is received and where it is stored or deposited can provide information about and proof of criminal activity.
30. The FATF FInv Guidance is not a standard or interpretative note and is only intended to help countries better understand law enforcement’s role in the larger AML/CFT context, specifically addressing the role of financial investigations. The intention of the FATF FInv Guidance is to assist policy makers as well as practitioners by providing ideas and concepts that they can incorporate into their AML/CFT frameworks that might lead to more effective financial investigations. These ideas and concept can go beyond the scope of the standards but are intended to provide examples of ways in which countries conduct financial investigations.
31. The purpose of these Methodological Guidelines is to extend the information contained in the FATF FInv Guidance in order to provide addition information on the ways of legal regulation of financial investigations with due consideration for the specificities of the regulatory regimes and legal systems exiting in the EAG Member countries and to ensure common understanding by all involved authorities of the nature and methods of financial investigations.

***Legal regulation of financial investigations in EAG Member States***

32. Although there is a large number of laws and regulations that are directly or indirectly related to goals and objectives of financial investigations and tools required for conducting such investigations as well as laws and regulations that establish the obligation of the government authorities to create the financial investigation framework, the legal regulation at the national level plays a very important, event fundamental role in this process.
33. The second round of the EAG mutual evaluations shows that proper legal regulation of the reasons, grounds and procedures of conducting inquiries into financial aspects of criminal activities has a significant positive effect on understanding by law enforcement officers of methods used for identifying proceeds of crime and property of equivalent value and other issues related to financial investigations. The EAG Member States that had undergone mutual evaluations after the adoption of domestic laws and regulations summarizing the ways and methods of conducting inquiries into financial aspects of ML/TF predicate offences showed better understanding of mechanisms of obtaining financial information and sources such information and also demonstrated the most consistent financial investigation skills across different competent authorities.
34. However, the survey conducted in the course of this project shows that there are still different approaches to determining the subject and scope of financial investigations even after completion of the on-site mutual evaluation visits.
35. In their responses to the questionnaires disseminated under this project most Member States indicated that the concept and procedure of financial investigations are defined in both national legislation and interagency regulations. Nevertheless, none of the documents submitted and reviewed contained a comprehensive description of the conceptual and methodological aspects of financial investigations.



36. At the same time, it is expected that there should be a comprehensive holistic regulatory framework for determining goals and objectives of financial investigations and ensuring effectiveness of such investigations.
37. Financial investigation should be an integral part of an overall anti-crime strategy. Countries should establish a comprehensive policy that sufficiently emphasizes the role of financial investigations as an integral part of the law enforcement efforts.<sup>1</sup>
38. Examination of financial elements and aspects of criminal activities as the integral part of the effective ML/TF identification and investigation system should be enshrined in strategic documents reflecting the national AML/CFT/CPF policies. However, it does not mean that there should necessarily be a separate section focused on financial investigations in such strategic documents. At the same time, when countries set out the AML/CFT priorities in strategic documents, they typically do it with the aim to seize and confiscate, to a maximum possible extent, proceeds of crime, property of equivalent value and property derived from the use of criminal assets. In this context, it seems important to ensure that strategic documents are focused on efforts required for suppressing criminal offences posing high ML/TF threat and on measures that would improve identification and disruption of criminal financial flows. Given that the concept of financial investigations is broader than mere examination of financial aspects in the course of identification and investigation of predicate offences, it is expedient that strategic documents also include measures that enable to identify ML or predicate offences through the use of laws and regulations related to monitoring of financial transactions carried out by certain categories of persons.
39. Statutory obligations or powers to conduct financial investigations are typically set out in the general law enforcement laws as well as in the regulations of individual agencies. For example, in the EAG Member States, the basic obligations to assess financial status of a person who has committed a criminal offence, determine the amount of obtained criminal proceeds (amount of inflicted damage) and identify assets that are subject to confiscation are set out in the criminal and criminal procedure codes that regulate procedural actions to be taken in the course of criminal proceedings.
40. The criminal procedure codes (CPC) of almost all EAG Member States contain provisions according to which the circumstances to be proven shall necessarily include the nature and amount of damage inflicted by a criminal offence (Art.89, Section 1, Par.4 of the CPC of Belarus; Art.105D of the CPC of India; Art.113, Section 1, Par.7 of the CPC of Kazakhstan; Art.81, Par.6 of the CPC of Kyrgyzstan; Art.73, Section 1, Par.4 of the CPC of Russia; Art.85, Section 2, Par.8 of the CPC of Tajikistan; Art.126, Section 1, Par.7 of the CPC of Turkmenistan; and Art.82, Par.1 of the CPC of Uzbekistan). However, it should be noted that only Article 105D of the CPC of India requires to identify property illegally obtained in the course of committing a criminal offence. This approach appears to be more correct as it covers all proceeds of crime obtained through the commission of both criminal offences that inflict material damage/ harm to victims and criminal offences that do not result in such damage.
41. It is obvious that the concept of “proceeds of crime” differs from the concept of “damage inflicted by crime”. In some cases when committed criminal offences cause material damage (harm), the amount of proceeds of crime may be equal to the amount of inflicted damage. The most obvious example of this is theft of money from other person, as in this case the amount

---

<sup>1</sup> FATF FInv Guidance, Part II, Par.17.

of criminal proceeds obtained by an offender is equal to the amount of stolen money. However, as demonstrated by the investigative practice and the case law, there are many instances when the amount of proceeds obtained through the commission of criminal offences that inflict material damage differs from the amount of inflicted damage. Typically this happens when different approaches are used to valuation of the cost of assets targeted by offenders, or when criminal proceeds are obtained as payment for the provided goods and services. In such situation, the amount of criminal proceeds is typically lower than the amount of damage incurred by victims.

42. Further problem occurs in case of criminal offences that do not directly cause any material damage (harm), e.g. bribe taking or sales of narcotic drugs. Proceeds obtained through the commission of such criminal offences are not considered as “damage” and, therefore, are formally not subject to proof under the criminal procedure codes of most Member countries. For example, it is sufficient to establish the fact of transfer of narcotic drugs irrespective of the used methods (sale, gift, lending, etc.) for proving that a drug-related crime has in fact occurred, while a derived benefit is considered the aggravating circumstances.
43. In this context, inclusion of not only the concept of “inflicted damage (harm)”, but also the concept of “criminal proceeds obtained through the commission of a criminal offence” in the criminal procedure laws of the EAG Member States seems to be the most appropriate way of dealing with this problem. This problem is partly addressed in the criminal procedure codes of Belarus, Kazakhstan, Kyrgyzstan and Russia where the circumstances that are subject to proof include circumstances confirming that property has been obtained through crime or is the proceeds derived from the use of criminal property, and/or circumstances confirming that property that is subject to confiscation has been obtained through the commission of a criminal offence or is the proceeds derived from such property, or has been used or intended to be used as instrumentalities for committing a criminal offence or financing or otherwise supporting extremist or terrorist activity or a criminal group. However, unlike the amount of inflicted damage, the amount of such proceeds or the cost of property is not subject to proof under the current legislation.
44. Speaking about incorporation of provisions related to financial investigations into the criminal procedure law, it should be noted that, in view of the goals and objectives of criminal prosecution, such investigations are aimed at examination of financial aspects of criminal conduct associated with predicate offences, i.e. they are parallel financial investigations. In general, the scope of such investigations is limited to inquiry into financial aspects of circumstances of crime. For example, this means that, in the course of investigation into a tax evasion case, it is sufficient to establish the fact of non-payment of taxes to the state budget for determining whether or not such actions constitute a criminal offence, and to estimate the amount of unpaid taxes for determining presence or absence of aggravating circumstances. Formally, if an investigator takes no actions to find out how the illegally obtained funds were further used, this does not prevent him from completing the investigation into a predicate offence. Similarly, if the source of funds intended for terrorist financing is not identified, this does not affect the classification and proof of TF offence.
45. Overall, it should be noted that financial investigations, including parallel financial investigations, may go beyond mere proof of predicate offences. However, as such investigations often take longer time (especially when they involve inquiries into complex circumstances of subsequent disposal of criminal proceeds or property or inquiries into

financial aspects preceding the crime), law enforcement agencies responsible for conducting preliminary investigations may have lower interest in pursuing financial investigations given that the pretrial procedural terms are limited. Nevertheless, inquiry into subsequent use of illegally obtained property, examination of other financial transactions carried out by an offender in that period of time, assessment of financial status of persons affiliated with offender and establishment of other facts and circumstances allow for revealing complex and thoroughly disguised ML schemes and TF methods.

46. In this context, it should be admitted that, apart from incorporation of certain provisions governing financial investigations into the laws and regulations that establish the pretrial and criminal prosecution procedures, it is also necessary to develop and adopt separate regulations that define the grounds, procedures and conditions of parallel financial investigations, powers of government authorities responsible for conducting such investigations as well as other aspects, such as use of special expertise in the course of parallel financial investigations, joint investigations, financial information sources and mechanisms of interagency and international coordination and cooperation.
47. Based on the existing practice in the EAG Member States, such regulations are typically adopted at the agency and interagency levels. As there are no mandatory requirements regarding specific government authorities responsible for adopting regulations governing parallel financial investigations, it can be concluded that such documents may be independently adopted by each pretrial investigation agency or by judicial authorities. However, common understanding by competent authorities of objectives and methods of parallel financial investigations and their practical implementation has a positive effect on effectiveness of such investigations and their assessment by international organizations. In this situation, there are two options to ensure common approach to financial investigations: (1) to adopt a single law or regulation binding on all authorities and agencies involved in parallel financial investigations, or (2) to appoint a special (designated) authority responsible for monitoring legitimacy, completeness and effectiveness of financial investigations.
48. In most Member States (except for India), prosecution authorities responsible for overseeing compliance with the legislation in the course of pretrial proceedings may act in the capacity of such designated authority. At the same time, it should be admitted that assignment of such function to prosecutors may not allow to fully address the financial investigation effectiveness issues due to external reasons and circumstances.
49. Thus, adoption of a single law or regulation governing parallel financial investigations that is binding on all competent authorities is the preferable option. This is also evidenced by the mutual evaluation findings and follow-up reports. For example, in those EAG Member States that underwent mutual evaluation after adoption of the relevant laws and/or regulations (Uzbekistan, Kazakhstan, Turkmenistan), the assessors noted more common and comprehensive understanding by officers of different law enforcement agencies of information sources required for financial investigations, circumstances to be investigated, investigation methods and techniques, FIU capability to contribute to parallel financial investigation; and also better understanding by the heads of competent authorities of the need for personnel training and, in some cases (Kazakhstan), the need to establish special units or appoint officers specialized in parallel financial investigations.
50. However, before the adoption of a single financial investigation law or regulation, it is necessary to thoroughly develop its contents, examine the best practices and experiences of

other countries and take into account the specific features of national legal systems. The regulation developed in the Republic of Tajikistan and adopted by RT General Prosecutor's Order No.5-39 dated April 20, 2021 is one of the positive examples of such efforts. A significant work aimed at the development of the interagency regulation was also performed in Belarus, where the [Methodological Guidelines for Identification by Government Authorities of Property Obtained through Crime or in Violation of Anticorruption Legislation](#) were adopted by the joint resolution of law enforcement and other competent authorities dated June 30, 2022.

51. At present, five of nine EAG Member countries stated that they have special regulations governing financial investigations. However, it should be pointed out that these regulations either establish the procedure of parallel financial investigations or regulate issues related to examination of financial status of persons and, therefore, only partly meet the goals and objectives of financial investigations.
52. In furtherance of the regulations governing the general conditions of financial investigations, the countries should develop and use detailed instructions and guidelines clarifying the specific activities to be undertaken by the relevant competent authorities.
53. Regulation of financial investigations not related to criminal prosecution (i.e. non-parallel financial investigations) deserves a separate consideration. Such financial investigations may be conducted for the purpose of seizure of property under the anticorruption legislation, inquiry into circumstances of illicit enrichment, application of certain methods of non-conviction based confiscation and execution of international requests unrelated to investigations into specific criminal offences. Besides that, since the fundamental principles of the domestic law of most EAG Member States does not allow for holding legal persons criminally liable, regulation of financial investigations unrelated to criminal prosecution may also cover examination of financial aspects of activities of legal persons suspected of being misused for ML/TF purposes.
54. Examples include Chapter 4 of the Joint Resolution of the law enforcement and other competent authorities of Belarus dated June 30, 2022 that defines the procedure of examination of financial status of persons outside the criminal prosecution process, and the provisions of the [Russian Federation Law No.230-FZ on Control over Consistency of Expenditures of Persons Holding Public Positions and Other Persons with their Income dated December 3, 2012](#).
55. In summary, it should be noted that countries independently make decisions about the level of legislation governing financial investigations. However, in order to ensure that such domestic legislation meets all requirements of international AML/CFT standards, such regulatory framework should cover all necessary forms, goals and objectives of financial investigations.
56. Examples of regulations governing financial investigations in countries with similar legal systems include the Asset Investigation Guidelines of Lithuania (adopted by General Prosecutor's Resolution No.I-219 dated June 27, 2018), that contain assets investigation provisions for applying the mechanism of extended confiscation of property.<sup>2</sup>

---

<sup>2</sup> Document is available in the [Lithuanian language](#)



### Chapter III. Reasons and Grounds for Conducting Financial Investigations; Types of Obtained Information and Use of Financial Investigation Findings

#### *Reasons for conducting financial investigations, their types and structure; risk-based approach as the basis for conducting financial investigations*

57. In order to ensure a comprehensive nature of investigations and their effectiveness in the fight against ML/TF, it is important to determine the reasons for launching financial investigation and enshrine them in the legislation. In a broad sense, the reasons for conducting financial investigations refer to information sources or data on the basis of which FIUs, law enforcement and other competent authorities<sup>3</sup> determine the need to inquire into financial aspects of illegal activity and identify goals and objectives of a financial investigation.
58. The FATF FInv Guidance (Section II, Par.18) states that countries should be proactive in developing effective and efficient strategies to make financial investigations an operational part of their law enforcement efforts. In context of reasons for financial investigations, this means that the practice of conducting inquiries into financial aspects of criminal or other illegal activities should be improved and extended, where necessary. If, in the course of their routine operation, competent authorities identify new sources of information for launching financial investigations, such information sources should be included in the relevant list of reasons (for pursuing financial investigations), and appropriate mechanisms should be developed for conducting financial investigations triggered by such reasons.
59. Summary of responses to the questionnaires (received from the Member States under this project) related to sources that constitute reasons for conducting financial investigations shows that the list of information on circumstances that are subject to financial analysis and sources of such information is broad enough. However, the specific lists of reasons for conducting financial investigations vary in different countries. This is explained by different legal systems and regulatory frameworks in place in the EAG Member States, and also by the fact that financial investigations are often limited to examination of financial status of persons in the process of investigation into predicate offences.
60. For example, due to different procedural status of prosecutors in criminal proceedings and in law enforcement activities in general, prosecutors' reports are not considered in some countries (like India) as the reasons for launching financial investigations. On the other hand, in countries where prosecution authorities play a significant and important role in coordinating the law enforcement efforts, breaches identified by prosecutors during inspections (*inter alia*, in the course of oversight of compliance with the legislation) are often treated as credible evidence of potentially committed tax, financial or corruption offences.

#### *Need to examine financial status of persons in the course of criminal prosecution or to determine amount of obtained criminal proceeds or indirect proceeds*

61. Examination of financial status of a person held criminally liable and his/her affiliates is an important part of criminal prosecution of money laundering, terrorist financing and predicate offences. Determination of financial status of such persons and financial transactions carried out by them during the period when criminal offences were committed allows for meeting several objectives of both preliminary (pretrial) investigation and parallel financial investigation. First of all, it allows investigators to identify and locate assets or proceeds

<sup>3</sup> According to Criterion 30.5, FATF Recommendation 30 applies to those competent authorities, which are not law enforcement authorities, per se, but which have the responsibility for pursuing financial investigations of predicate offences.

obtained through crime and seize them in a timely manner such as to avoid their subsequent laundering. Possession by a suspect of a large amount of assets/ property, legitimate origin of which he/she cannot explain, makes it possible to link such person to other criminal offences and to secure extended confiscation, if such confiscation is permitted by the national legislation of a country. Examination of relations and contacts of an offender in the course of financial investigation into his/her financial status allows for identifying schemes used by the offender to conceal obtained criminal proceeds or to disguise ownership of criminal assets by giving them to offender's affiliates. Inquiries into financial status also enable to identify property that is subject to confiscation, including instrumentalities of crime, property of equivalent value and proceeds derived from the use of criminal property (incremental or indirect revenue).

62. In many cases, especially related to economic (financial), corruption and tax crimes, the amount of proceeds of crime or indirect proceeds cannot be determined without proper investigation into financial elements of criminal offences. In order to determine whether or not proceeds of such crimes were laundered, it is necessary to analyze subsequent financial flows and inquire into possible attempts of offenders to give the appearance that illegally obtained funds came from legitimate sources by integrating them into formal (legitimate) economy, moving them abroad by way of multiple complex wire transfers through different bank accounts, returning them back from abroad disguised as loans, acquiring property in the name of other persons, etc.
63. Inquiries into financial status of persons suspected of TF allows for identifying sources of funds used for terrorist financing, possible masterminds and accomplices of suspects and other criminal offences committed by suspects proceeds of which were used for the terrorist financing purposes. In general, identification of sources of funds used for terrorist financing in individual cases and their subsequent synthesis and analysis allows for identifying TF threats and risks, i.e. to create a necessary database for conducting national risk assessments.

*Need to inquire into financial elements of predicate offences for identifying or proving ML/TF*

64. As mentioned above, financial investigations enable law enforcement and other competent authorities to trace criminal proceeds, and in particular to establish whether or not such proceeds were subsequently laundered. However, since many predicate offences in order to be proven do not require deep examination and analysis of financial elements, large number of money laundering instances remain undetected. In practice, it is impossible to identify and disrupt activities of professional money launderers without conducting thorough and effective financial investigations in order to prove that ML has in fact occurred. This also applies to collection of evidence of the use of proceeds of crime for TF purposes. For example, examination and analysis of subsequent distribution and use of criminal proceeds derived from illicit drug trafficking, forced labor and human trafficking allow law enforcement authorities not only to identify organized criminal groups involved in these illegal activities, but also to detect instances when criminal proceeds are used for terrorist financing purposes, if offenders and members of criminal groups are known to be linked to terrorist activities.
65. Countries should exercise a great responsibility in entrusting the conduct of financial investigation for identification of subsequent ML or TF to law enforcement officers. The law enforcement efforts should be prioritized such as to exclude any effect of other criteria used for assessing the quality of work of investigators (such as number of completed cases, reduction of investigation period, increase in damage compensation and decline in crime rate)

on decision to pursue financial investigations for the aforementioned purposes. Financial investigation should be an obvious and mandatory stage of the overall investigation process for officers involved in investigations of predicate offences. A more effective option in this situation is to establish separate units or to appoint investigators or operational officers who are tasked exclusively with conducting financial investigations of predicate offences.

66. Failure to pay appropriate attention to the need for identifying potential ML and analyzing financial elements in the course of investigations into predicate offences may lead to increase in number of persons involved in money laundering processes due to low probability of detection and disruption of such activities, encouraging them to unite their efforts, which may result in further deterioration of the dynamics of recovery, confiscation and appropriation of criminal assets by the state. A vivid example to this is more frequent use of shell (fly-by-night) companies for facilitating both predicate offences and money laundering.
67. All this undermines the effectiveness of national AML/CFT systems as they become incapable of depriving criminals of their ill-gotten proceeds to a maximum possible extent and making criminal activity unprofitable.

*Need to obtain evidence and analyze ML/TF schemes in course of criminal prosecution*

68. The findings of the MERs of the EAG Member States show that simple enough schemes prevail among the most commonly detected money laundering methods. In most MERs, the assessors came to conclusion that complex ML schemes were detected very rarely due to poor quality of parallel financial investigations conducted for analyzing ML schemes.
69. In the course of criminal investigations into predicate offences, parallel financial investigations enable investigators not only to uncover ML mechanisms, but also to identify proceeds derived from the use of criminal assets, as in case when inquiry into financial aspects of money laundering through acquisition of property in the name of third persons reveals that such property is rented out and, therefore, generates additions profits for a suspect.
70. In some cases, parallel financial investigations conducted in the course of ML evidence gathering process allow law enforcement officers to identity accomplices of suspects and to establish involvement of persons held liable in other similar criminal offences.

*Gathering information on possible terrorist financing by natural or legal persons including: intelligence, tips from informants, information from confidential sources, information about informal money movement methods, etc.*

71. Criminal intelligence gathering is the main method of detecting and solving TF-related criminal offences as such offences are highly latent, and offenders often take all available measures for keeping confidentiality and concealing the fact that funds are transferred for the needs of terrorists and their accomplices. In such circumstances, intelligence gathered by field officers and information received from whistleblowers/informants (i.e. persons who secretly cooperate with law enforcement authorities) are the important sources of information for preventing or disrupting terrorism-related offences.
72. However, information received by field officers from whistleblowers and informants in informal way cannot, in itself, serve as the evidence of socially dangerous conduct. Apart from the need to verify such information through gathering additional criminal intelligence, it is also necessary to conduct financial investigation to identify sources of funds raised by a criminal for terrorist financing, amount of such funds, methods used for moving (transferring) the collected funds for TF purposes, financial instruments used by a criminal, etc. When

financial support is provided by way of acquiring equipment for the commission of terrorist acts, buying air tickets, sponsoring a travel, etc., financial investigations enable to objectively establish links between a suspect and a beneficiary, while the traditional criminal intelligence gathering methods may sometimes be useless in such situation.

*Information obtained in the course of investigation into another criminal offence (terrorism, extremism)*

73. In the course of investigation into particular criminal offences, investigators often obtain a significant volume of information which is not directly related to the investigated case. Such information may be related to both a suspect (e.g. information on property owned by a suspect which is not related to the investigated crime, but has a suspicious origin) and other persons potentially involved in illegal activities.
74. In the process of investigations into terrorism related crimes, investigators should consider possible existence of persons who provided financial support and instrumentalities of crime to terrorists as a separate line of inquiry. In such cases, financial investigations enable to separately inquire into sources of funds used for establishing a group of persons that pursue terrorist activities, or encouraged individual terrorists or their accomplices to commit criminal acts. Information indicating the sources and amount of funds spent for meeting the everyday needs of terrorists and their own sources of funding should also be collected and analyzed in the course of financial investigations.

*Seizure, in the course of criminal proceedings, of large amounts of funds and assets that are not related to underlying proceedings, but which source and legitimate origin are not confirmed*

75. Seizure of assets takes place during many criminal investigations and proceedings. In the course of searches, seizures and other procedural actions undertaken in the process of criminal investigations into financial, corruption and property-related crimes (fraud, theft, misappropriation, embezzlement, etc.), investigators often find assets and funds which themselves are not objects of crime, but which legitimate origin is not obvious. It seems inappropriate and thoughtless to leave such assets to suspects or other persons without verification of their origin and legitimacy and without assessment of whether or not such assets may be subject to confiscation as property of equivalent value or may be subject to extended confiscation.
76. In such situation, financial investigations may be aimed at valuating the discovered property, revealing the circumstances of acquisition and legitimacy of ownership of such property by a suspect, inquiring whether or not such property is obtained through the commission of other criminal offences or is laundered proceeds derived from the use of criminal assets, and determining if such property is potentially subject to confiscation in circumstances uncovered by investigation.

*Information held by financial intelligence units (FIUs) and other competent authorities*

77. Effective interagency information sharing among FIU, law enforcement and other competent authorities is one of the major sources of solid and meaningful information indicating potential instances of ML/TF and predicate offences. Typically, FIU conducts its own financial investigation before disseminating information to competent authorities. Therefore, such disseminations contain not just vague information on potentially committed criminal offences, but are corroborated by reports received from financial institutions, extracts from various registers, etc.



78. Information disseminated by a financial intelligence unit constitutes obvious grounds for competent authorities to conduct general inquiries and further pursue financial investigation initiated by the FIU. It is information provided by the FIU that contains indicators complex financial crime schemes, movement of assets abroad and use of different financial instruments for ML and TF purposes.

Reports from public, organizations (including NPOs), publications in mass media and on the Internet, and suspicious transaction or activity reports received from private sector (financial institutions and designated non-financial businesses and professions (DNFBPs))

79. Although reports from public and organizations as well as online publications are defined in the criminal procedure legislation of many EAG Member States as the reasons for initiating criminal proceedings, these information sources may also serve as the grounds for launching financial investigations when such reports and publications contain information on proceeds generating offences.

Identification of ML or TF risks by competent authorities (FIUs, supervisors, etc.) as part of application of a risk-based approach (sectoral risk assessments, off-site monitoring or on-site inspections of obliged entities, etc.)

80. As mentioned above, financial investigation strategy and risk-based approach are closely interrelated. In order to appropriately allocate the available resources, countries identify criminal areas where financial investigations play a primary strategic role. These may include certain types of criminal offences posing high ML threat and certain vulnerable sectors or financial products which are often used for committing proceeds generating offences. On the other hand, the statistics collected by countries as well as analysis of all financial investigations allow for assessing sectors and products that are most frequently used for committing predicate offences, ML and TF and, therefore, serve as the sources of information for assessment of ML/TF risks.
81. As indicated above, when prosecutors' (response) reports serve as the information source for conducting financial investigations, identification of potential ML or TF risks in the course of monitoring by supervisory or other competent authorities, sectoral risk assessments or inspections of high-risk entities may constitute the grounds for pursuing further financial investigation into certain aspects of financial activities of inspected entities and natural and legal persons affiliated with them.

Detection of regular cross-border movements of large amounts of cash, monetary instruments and assets by a person or occasional (one-time) cross-border movement of such assets in large amount

82. The major goal of financial investigations into cross-border movement of large amounts of cash or bearer negotiable instruments (BNIs) is to obtain and corroborate the information indicating that a person in question is a cash courier who transports money that may be used for terrorist financing purposes or is the laundered criminal proceeds. There may also be situations when the purpose of cross-border movement of money is to officially declare them such as to give the appearance of legitimate ownership of such money.
83. Given that cross-border movement of cash and BNIs does not, in itself, constitute any breach of the legislation, financial investigations are conducted in such cases for confirming or disconfirming legitimate origin and ownership of cash or BNIs by a person who transports them.

84. One of the examples is a situation where a person who repeatedly transits a country during a certain period declares each time large amounts of cash stating that these moneys belong to him/her personally. In this case, financial investigation may be conducted for establishing and confirming ownership of transported cash. If a financial investigation reveals that transported cash has a criminal origin or belongs to other person, this transportation and declaration of money could be regarded as ML as it is aimed at concealing the true origin and ownership of money.

*Receipt by agency empowered to conduct financial investigations of information on possible excess of expenses of a person over his/her official income or on possession by a person of large amount of undeclared property or income*

85. Unlike the aforementioned reasons and grounds for pursuing financial investigations, the EAG Member States, in general, do not fully understand the need to conduct financial investigations for corroborating facts of potential illicit enrichment and, therefore, revealing criminal origin of proceeds. Lack of criminalization of illicit enrichment in the legislation is indicated as the reason for refusal to recognize such information as the grounds for conducting inquiries into legitimate origin of proceeds. As mentioned above, this is explained by insufficient separation of the concepts of financial investigations and parallel financial investigations which are conducted alongside with (in context of) investigations into predicate offences. Financial investigation involves inquiry into financial aspects of not only a particular offence, but also a criminal (illegal) activity in a broader sense. One of the goals of financial investigation is to detect criminal activity or reveal the fact of receipt of criminal proceeds. In this context, inquiry into legitimate acquisition by a person of undeclared valuable property or into expenses of a person that exceed his/her income from legitimate sources allows for establishing the facts of involvement of such person into criminal activity and particular criminal offences, including ML.
86. In the EAG Member States, this form of financial investigations is typically not related to criminal prosecution, but instead serves as a tool for preventing corruption-related crimes. For example, in respect of certain categories of public official (persons holding public positions), the anti-corruption legislation of Belarus and Russia established the procedure of seizure of property (assets of corresponding value) which value significantly exceeds their income from legitimate sources (Article 36 of [the Belarusian Law on Combating Corruption](#), Article 17 of [the Russian Federation Law on Control over Consistency of Expenditures of Persons Holding Government Offices and of Other Persons to their Income](#)). Before making a decision to seize such property (assets of corresponding value), a financial investigation (although such concept is not directly defined in the legislation) is conducted by the competent authorities for examining the circumstances of acquisition of the property, its origin, actual value, etc.
87. Given that countries should be proactive in developing strategies to make financial investigations part of their law enforcement efforts, it seems that these reasons and grounds for pursuing financial investigations should be implemented into the national practice.

*Publication or disclosure of information abroad (Panama Papers, etc.)*

88. Disclosure of large amount of confidential information related to activities of legal persons registered in offshore jurisdictions in recent years, has caused mixed responses of the national law enforcement and other competent authorities as to the need to conduct financial investigations for verifying the disclosed information and financial documents. It is argued that such information cannot constitute the grounds for both general inspections and financial

investigations since it is disclosed in breach of the relevant procedures set out in the legislation. However, such views and opinions seem to be not entirely justified, as the disclosed information is obtained in jurisdictions that do not abide by the legislation of countries which natural or legal persons are involved in financial transactions with offshore companies. Besides that, although such information is in essence confidential, it still can be used for the criminal intelligence gathering purposes and, therefore, can constitute the grounds for pursuing financial investigations.

89. In view of widespread money laundering schemes involving illegal withdrawal of funds abroad and use of companies registered in offshore jurisdictions, it seems unreasonable to ignore the need to conduct financial investigations based on disclosed information on certain financial transactions related to offshore jurisdictions.
90. The EAG Member States engaged in this project also indicated other reasons and grounds for pursuing financial investigations that are used individually within their national jurisdictions. Some of them may be categorized among the aforementioned sources of information for initiating financial investigations, while others are country-specific reflecting different interagency information exchange forms and mechanisms. Such reasons and grounds for conducting financial investigations include the following:
  - Court decisions and orders requiring to conduct financial investigation;
  - Tax evasion that entails trans-border implications;
  - Requests of law enforcement and other government authorities;
  - Documents or electronic records in databases that contain a risk alert;
  - Requests and spontaneous disseminations of foreign FIUs;
  - Seized documents and devices containing information that gives rise to suspicions or indicate involvement of persons in terrorist activities.
91. It seems that in order to raise awareness and develop common understanding of reasons and grounds for pursuing financial investigations among competent government authorities, such reasons and grounds should be set out in laws and regulations governing financial investigations. However, most EAG Member States indicated that when making decisions to initiate inquiries into financial aspects of criminal activities they use the approaches to determining reasons and grounds that have been developed in the course of practical financial investigations (without formally reflecting them in laws and regulations). Where such provisions are set out in regulations, these are typically the regulations governing activities of officers of individual competent authorities. For example, in the Russian Federation, the reasons and grounds for pursuing financial investigations are set out in the departmental Order on Approval of Procedure of Verification of Information on Transactions with Funds or other Assets for Identifying ML or TF-Related Transactions and in the Methodological Guidelines for Arranging and Conducting Financial Investigations that regulate the activities of the FIU officers in this area. In the Republic of India, the reasons and grounds for pursuing financial investigations are set out in the guidelines issued for officers of investigative authorities. The Headquarters of the Directorate of Enforcement of India issues, from time to time, “technical circulars” for streamlining the financial investigation process and providing financial investigation instructions to local units that contain, inter alia, description of reason for initiating financial investigations.

92. Lack of transparent and clear legislative provisions and reliance of the existing procedures partly explains why many EAG Member countries underestimate the effect of practical financial investigations into illicit enrichment and disclosed financial misconduct on the overall effectiveness of the AML/CFT system.

***Sources of information for financial investigations***

93. In the course of financial investigations, agencies empowered to conduct such investigations develop different hypotheses and draw conclusions based on available information. Financial investigation includes not only measures aimed at gathering financial information (information on accounts, transactions, property), but also requires collection of other information to ensure complete analysis of financial aspects of criminal activity (information on persons, places of their residence, personal data, etc.).
94. Information on circumstances relevant for a case under investigation may be found in different sources. The traditional method of collecting evidence and finding facts of committed offences undoubtedly plays a critical role in the process financial investigations and may include the use of information already obtained in the course of interviews and interrogations, searches, forensic examinations, etc. Understanding the nature of information required for financial investigation allows investigators to determine where such information is stored and how to obtain it.
95. Financial investigators should have sufficient powers and skills for gathering information and evidence in appropriate manner and should cooperate with other competent authorities.
96. In the FATF FInv Guidance, information sources that can be used for conducting financial investigations are divided into six categories:
- Criminal records and intelligence;
  - AML/CFT disclosures;
  - Financial information;
  - Classified information;
  - Information from open sources;
  - Regulatory information.
97. With a view to further categorizing sources of information used in the financial investigation process (based on the list contained in the FATF FInv Guidance), it is expedient to additionally divide them into three global groups:
- Direct financial information sources;
  - Personal data sources;
  - Criminal intelligence sources.
98. The first group includes information about financial status of persons, funds owned by them, financial transactions carried out by them, registration and re-registration of ownership titles, notarial deeds with property and funds, cross-border declarations, information about sources and amount of income, information about loans and other financial and business relationships with credit institutions, information about possession of e-money and virtual assets, i.e. any information accessible by law enforcement and other competent authorities that allows them to examine financial transactions carried out by natural and legal persons, trace and evaluate

financial flows, detect changes of ownership and legal status of property and identify sources of funds used by terrorists.

99. Information from the sources included in the first group is obviously the most valuable for financial investigations as analysis of this information allows to achieve goals and objectives of such investigations.
100. The second group includes a wide range of information that allows financial investigators to comprehensively explore various circumstances of life of suspects in the course of investigations and to uncover facts that are important for determining the priority lines of financial inquiries and investigations.
101. The third group includes criminal intelligence and other confidential information that helps to inform initial lines of financial inquiries (investigative leads), but requires subsequent verification through the use of other investigative methods and techniques.
102. Based on the above categorization, it is obvious that not all sources of information used in the process of financial investigations have the same evidentiary effect. Financial information most accurately reflects the details of financial transactions as such information is contained in specific documents, electronic records, registers and information systems. But, criminal intelligence requires further verification through analysis of corresponding financial data since such intelligence is obtained in specific ways from confidential sources.

#### Financial information sources

103. Information technologies rapidly developed in the 21<sup>st</sup> century significantly simplify ways and methods of accumulation and storage of financial information. Gradual transition from paper documents to electronic files makes it much easier for financial institutions, DNFBPs and other entities to accumulate larger volumes of financial data and extend the period of their retention. At present, a significant portion of financial data is maintained in electronic form which also makes it easier to obtain such data within a shorter period of time.
104. In view of a broad range of financial information available for conducting financial investigations, it is necessary, first of all, to determine those data that are of the highest priority and emergency.
105. However, there are situations when it is necessary to obtain comprehensive information, for example, for examining financial status in order to identify property that is subject to confiscation or to detect instances of illicit enrichment. Information sources that will be used in the course of financial investigation should be determined at the investigation planning stage when investigation goals are defined.
106. Examples of financial information sources that can be used for conducting financial investigations include the following:
  - Information held by financial institutions (information on all types of accounts, account activity, deposits, loans, safe deposit boxes, transactions, foreign exchange transactions, money and value transfers, lease obligations, pledged assets, e-wallets and e-money, e-money transactions, beneficial owners and beneficiaries, etc.);
  - Information held by DNFBPs (information of registration of real estate property, land plots and other facilities and transactions therewith, notarial deeds, casino wins, etc.);
  - Information held by FIUs (transaction analysis findings, financial information about persons, suspicious transaction reports related to persons under investigation, international



requests and incoming information about persons of interest, information on financial transactions provided by reporting entities to the database as part of mandatory and internal control, etc.);

- Information held by depositories (securities registers, registers of securities holders and other information);
- Information held by tax authorities (information on declaration of income and payment of taxes and duties, tax returns, taxpayer identification data, information of higher risk entities included in registers, information about tax exemptions, foreign trade transactions, payment of taxes for the organisation by a third party (if legally authorised), etc.);
- Information held by customs authorities (customs declarations, information on payment of customs duties, information on declared cash and BNIs transported across the customs border, information on natural persons and transport vehicles crossing the border, information on goods declared by entities carrying out foreign trade transactions, etc.);
- Findings of various financial audits and reviews (findings of tax, accounting, customs and other audits, business entity audit and on-site inspection reports, etc.);
- Information held by registration and certification authorities and companies (information on registration of road, water and air transport vehicles and transactions therewith, registers of legal entities and individual entrepreneurs, registers of beneficial owners, information on amount of authorized capital and changes in authorized capital, information on shares/interest held in authorized capital of legal entities, registers of trusts (although legislation of most EAG Member States does not provide for establishment of trusts), information held by assay chambers, etc.);
- Information held by employers (amount of wages and other remunerations, amounts recovered in accordance of writs of execution, mandatory annual income declarations of public officials, etc.);
- Information held by companies rendering services that are subject to registration (information held by mobile communications service operators, toll road operators, Internet service providers, utility companies, railway and airline companies, tourist and travel agencies, brokerage firms, exchanges, insurance companies, pawnshops, dealers in precious metals (where such transactions are subject to registration), virtual asset service providers (information on cryptocurrency wallets, acquisition and storage of virtual assets, transactions with virtual assets, etc.);
- Information held by electronic trading and bidding platforms (information on bid prices, winners, property sold or tenders won);
- Information held by enforcement agencies (amounts of recovered and collected under writs of execution, enforcement methods, cost of property disposed of under writs of execution, data on the announcement of the search for the debtor, his property, etc.).

#### Personal information sources

107. Although information included in the second group (personal information) is not evidence in itself for the purposes of financial investigation, it enables to determine a range of circumstances to be explored in the course of financial investigation. This information also allows investigators to identify persons whose financial affairs are subject to investigation, establish links among both natural and legal persons, obtain information about of suspects,

their movements, contacts, etc. It should be noted that if a financial investigation is conducted in parallel with investigation into a predicate offence, the aforementioned information should be gathered by the predicate offence investigator. In this situation, it is inexpedient to repeatedly explore into the same circumstances and facts in the course of financial investigation, and financial investigator may rely on already collected information.

108. Information sources included in the second group include the following:

- Information publicly available through open sources (information on legal entities, notarial deeds, public procurement, court decisions and orders, national lists of persons linked to terrorist activity, lists of “suspicious” legal entities, information disclosed (published) by companies, etc.);
- Information held by law enforcement authorities (lists of persons linked to organized crime, drug trafficking, corruption, etc., lists of “suspicious” legal entities, dormant companies, etc.);
- Centralized databases containing information on recorded offences and crimes broken down by categories;
- Personal information about individuals (criminal records, marital and financial status, vital records, information about cross-border travel, purchase of railway and air tickets, mobile phone numbers and calls, information on committed administrative offences, information held by medical institutions, details of passports and other ID documents, etc.);
- Information on foreign citizens registered in jurisdiction;
- Registers of movable and immovable property (including land plots), information on motor vehicle inspections, toll road travel routes, etc.;
- Information held by border control authorities about cross-border movement of natural persons and transport vehicles, information on persons whose entry/exit is restricted or forbidden;
- Information held in public security surveillance systems;
- Information held by Interpol national central bureaus, and the main information and analysis center of the RF Interior Ministry about persons put on international and interstate wanted lists;
- Information on pending and completed court proceedings (criminal, civil, administrative proceedings);
- Information from international formal and informal sources: UN sanction lists, Interpol databases (nominal search, stolen works of art, stolen/lost travel documents, stolen motor vehicles, stolen fire arms), information held by CARIN, StAR, etc.;
- Registers of issued and cancelled licenses, product conformity certificates, etc.;
- Information on existing notary bureaus, lawyers and law firms, non-profit organizations, religious organizations, etc.;
- Information received from private companies and their databases.

109. Another source of information useful for financial investigations is publicly accessible data on the Internet. Such information allows investigators to determine lines of financial inquiries, financial profiles and possible evidence at the initial stage of financial investigations.

110. A separate group of publicly accessible online information includes information posted in social media (Facebook, Instagram, TikTok, LinkedIn, InContact, Classmates, etc.).

Examination of user accounts on social media sites in the course of financial investigations allows investigators to identify social circle of suspects, their contacts and places visited by them. Quite often, photos posted in social media may depict items obtained through crime or property purchased with laundered proceeds, including property that is not formally registered in the name of a suspect. However, as there are many fake and mirror accounts in social media, it is necessary to prove that account in question is held by a suspect if information posted in such account has a significant evidentiary value. In some cases, such proof may be obtained by requesting information from corporate social media owners (some of these companies directly cooperate with foreign LEAs) or through mutual legal assistance mechanisms.

111. Another important source of financial information available on the Internet includes consolidated registers of legal entities, their founders, beneficiaries (if such information is available), etc. One of the examples is the European Business Register. Such registers are typically commercial ones (i.e. provide fee-based services), but information maintained in them is sufficiently reliable and full. Besides that, information about countries that have undertaken the obligation to ensure transparency of beneficial ownership and created centralized or publicly accessible beneficial owners registers is available on websites that maintain consolidate information.<sup>4</sup> In order to search for legal entities registered in offshore jurisdictions, one can use the following publicly accessible databases: - <https://offshoreleaks.icij.org/>; - <https://investigativedashboard.org/>; - <https://opencorporates.com/>.
112. In 2017, the 26<sup>th</sup> EAG Plenary adopted the List of information that is of interest to financial intelligence units (FIU) and operational authorities in the course of joint (international) investigations ([WGTyp \(2017\) 7 rev.1](#)). Information contained in this list may also be useful for financial investigations.
113. It should also be noted that some types of financial and personal information may overlap and belong to both groups of information sources. For example, on the one hand, information on bank card transactions may serve as evidence of proceeds of crime or money laundering. On the other hand, such information may allow investigators to locate money laundering scene when they use information on bank card transactions for determining location of a suspect in certain periods of time. The same applies to information on registration of movable and immovable property, etc.
114. At the same time, clear separation of different sources of information and purpose of such information in the course of a particular financial investigation allows investigators to determine financial data that shall necessarily be collected and other required information. Thus, the volume of gathered information is limited to the important data only, which allows for proper allocation of resources and streamlining the work in the process of financial investigation.

#### *Criminal intelligence sources*

115. In the course of their operation, agencies responsible for criminal intelligence gathering may collect a significant volume of information that could be useful for conducting financial investigations.
116. Such information may include the entire range of the aforementioned financial and other data. However, the volume of information collected secretly is much larger as there are sources

---

<sup>4</sup> [https://en.wikipedia.org/wiki/List\\_of\\_official\\_business\\_registers](https://en.wikipedia.org/wiki/List_of_official_business_registers) or [www.openownership.org](http://www.openownership.org) and other.

(informants, undercover agents) that cannot be openly used in financial investigations. In some cases, information obtained through wiretapping and interception of communications allows financial investigators to identify place, method and amount of obtained criminal proceeds, location of hidden illegal property, money laundering methods and sources of terrorist financing without spending much resources (without need to examine a large volume of financial information, engagement of large number of experts, etc.).

117. In this context, in order to obtain information necessary for financial investigations, investigators may use any findings of criminal intelligence and detective activities provided for by the legislation as well as information received from whistleblowers and agencies responsible for criminal intelligence gathering.
118. At the same time, it should be noted that information collected secretly by law enforcement authorities cannot and should not be considered as predetermined. This is due to the specificities of the information gathering mechanism that requires verification and validation of collected data with the use of other data that can be obtained from objective sources, i.e. obviously reliable data. Information and data obtained in the criminal intelligence gathering process are rather assumptions based on subjective perceptions of persons who bear no responsibility for adequacy and reliability of such information.
119. Thus, information collected secretly and well as information gathered in the course of pre-trial criminal investigations and proceedings shall be verified and evaluated in order to determine its relevance (to conducted financial investigation), reliability and admissibility, i.e. whether or not it was obtained in lawful manner as prescribed by the legislation.
120. In certain cases, operational (field) officers may be engaged in financial investigations with responsibility to gather criminal intelligence for pursuing financial investigation goals. However, in view of the legal basis for and goals of conducting criminal intelligence gathering set out in the legislation of the EAG Member States (identifying, preventing, detecting and solving planned and/or committed crimes), such format of cooperation with the authorities responsible for gathering criminal intelligence is typically possible only in the course of parallel financial investigations.

*Specificities of the use of electronic databases and (electronic) registers as sources of financial information*

121. Electronic databases and electronic registers (hereinafter electronic databases) are very important information sources as they typically allow for obtaining information online, which gives a significant advantage to an agency conducting financial investigation.
122. Responses to the questionnaires received from the EAG Member States under this project show that competent authorities use a wide range of different electronic databases in the process of financial investigations. Typically, these are electronic registers of legal entities and individual entrepreneurs (containing information of founders, addresses, etc.), electronic databases containing information on recorded administrative offences and crimes, electronic databases containing information on registered property (real estate property, motor vehicles, land plots, etc.), electronic databases containing banking information (information on accounts, deposits, etc.), electronic KYC databases maintained by financial institutions, and electronic databases containing information on cross-border movement of persons, transport vehicles, goods, etc.

123. In view of rapid development of information technologies, almost all entities that maintain information that is of interest for financial investigations create their own information systems for keeping and using information. However, not all of them are accessible by law enforcement agencies online. Despite the fact that FIUs may have full access to such electronic databases and information systems, this cannot compensate lack of access by LEAs, as the FIU resources are significantly lower than the needs of the LEAs. FATF Recommendation 31 requires countries to ensure that when conducting investigations of money laundering, associated predicate offences and terrorist financing, competent authorities should be able to obtain access to all necessary documents and information for use in those investigations, and in prosecutions and related actions. Although the FATF Standards do not specify the exact form and method of providing access to information, it seems that if information necessary for financial investigations exists in form of electronic databases, countries should do their best to ensure that their law enforcement agencies have direct access to such databases without delay.
124. A positive example of access by the LEAs and FIU to the electronic databases and information systems is the mechanisms developed in Kazakhstan. The System of Information Exchange between law enforcement, special and other government authorities is integrated with 81 electronic databases of 26 designated and other government authorities and 21 second-tier banks.
125. In Belarus, banking information can be obtained by LEAs from the centralized database ABIS (automated banking information system) maintained by the National Bank of the Republic of Belarus.
126. In Uzbekistan, LEAs and FIU have access to information constituting bank secrets only upon approval by a public prosecutor, while information contained in the national bank depositors database can be accessed by LEAs and FIU without need to obtain prosecutor's approval. LEAs may access other databases directly by submitting electronic requests to the holders of such databases. The Department for Combating Economic Crime under the General Prosecutor's Office (FIU) also has direct access to electronic databases and can upload information contained in such databases into its own information system.
127. Similar mechanisms of obtaining information from electronic databases are also in place in some other EAG Member States.
128. Unlike pretrial investigations and proceedings, where the process of obtaining and documenting evidence is strictly regulated by the criminal procedure laws, the legislation of the EAG Member States contains no requirements for methods of obtaining and recording information from electronic databases in the course of financial investigations. This means that forms and contents of requests for information and the ways in which the received information is documented and presented are irrelevant for financial investigations, except when such procedure is defined in the regulations governing financial investigations.
129. Nevertheless, it should be noted that, in most EAG Member States, it is necessary to obtain court order or prosecutor's approval for accessing information that constitutes bank or official secrets. In this context, it seems that access to such information contained in electronic databases should also be subject to similar approval.
130. As mentioned above, one of the goals of financial investigations is to collect evidence that will be used in pretrial proceedings. Therefore, if financial investigation findings are supposed



to be used as evidence, the procedure of obtaining, documenting and presenting information from electronic databases should be the same as in pretrial proceedings in criminal cases.

131. When electronic databases are used for the purposes of financial investigations, the most common challenge faced by investigators is how to ensure that obtained information is reliable and admissible. The point is that information in electronic form is obtained by LEA or FIU directly from electronic database without any proof of accuracy of such information by third parties, *inter alia*, by holders of electronic databases. Therefore, it is important to ensure that obtained data include information on date, time and recipient so as to reduce the likelihood of collecting unreliable data.
132. Unfortunately, in the EAG region, the Member States still encounter difficulties in obtaining information from electronic databases of other Member States in a timely manner in the course of financial investigations. In most cases, such information can be obtained only at request for mutual legal assistance or under bilateral agreements between competent authorities. Lack of mechanisms for electronic exchange of information from databases negates the advantages and benefits of prompt information sharing. Development of mechanisms of electronic information exchange for the purposes of financial investigations under the relevant intergovernmental agreements could address this problem.

***Formalization and use of financial investigation findings***

133. As noted above, the way in which financial investigation findings are documented and presented depends to a large extent on a particular type of financial investigation and its goals and objectives.
134. The Interpretive Note to FATF Recommendation 30 defines financial investigation as enquiry into the financial affairs related to a criminal activity, with a view to: identifying the extent of criminal networks and/or the scale of criminality; identifying and tracing the proceeds of crime, terrorist funds or any other assets that are, or may become, subject to confiscation; and receiving evidence which can be used in criminal proceedings.
135. These goals are quite broad and include all range of possible aspects to be examined in the course of financial investigations.
136. Suppression of crime is one of the major goals of the domestic policies of countries. According to the FATF Standards identification, prevention, investigation and prosecution of ML and TF should be a priority of the domestic law enforcement policies of countries because it is these crimes that provide financial opportunities for criminals and criminal groups to continue and expand the activities. The anti-crime policies deprive criminals of financial gains and opportunity of their subsequent use making predicate offences unprofitable and uninteresting for criminals.
137. However, the fight against crime is not necessarily limited to criminal prosecution. A wide range of measures aimed at combating predicate crime are also regulated either by other branches of law or by other anti-crime regulations. For example, a number of the EAG Member States have adopted the crime prevention and public security laws that provide for the development of action plans and programs aimed at improvement of operation of government authorities, reduction of corruption risks, prevention of embezzlement and misappropriation and improvement of financial system.

138. The laws and regulations against corruption, organized crime and terrorisms adopted in the EAG Member States also provide for implementation of measures that are similar to financial investigations by nature, but are not directly related to criminal prosecution.
139. Thus, it can be stated that financial investigation may be conducted both in context of investigations into specific ML, TF and predicate offences (i.e. for criminal prosecution purposes) and outside the criminal prosecution process.
140. The goals of financial investigations conducted for criminal prosecution purposes are sufficiently enough understood by LEA and FIU officers. Typically, this includes a range of measures aimed at collecting and documenting evidence of committed crime.
141. The major goals of such financial investigations include the following:
- Estimating amount of proceeds and value of assets obtained through crime and identifying methods of legalization (laundering) of such proceeds/assets;
  - Estimating amount of funds intended for terrorist financing and identifying their sources, TF methods and mechanisms (schemes) of movement of fund intended for TF;
  - Identifying persons who obtained criminal proceeds and their accomplices;
  - Establishing facts of use of criminal property for deriving income, estimating amount of such income and value of criminal property and locating such property;
  - Identifying property of equivalent value possessed by persons who have committed criminal offences;
  - Identifying property owned by persons who have committed criminal offences that is subject to seizure and confiscation, including property formally owned by other persons;
  - Gathering evidence of proceeds obtained through crime for criminal prosecution purposes;
  - Identifying complex disguised ML schemes, parties involved and accomplices in the course of investigations into predicate offences;
  - Identifying earlier unknown criminal activities of suspects in the course of investigations into predicate offences;
  - Examining financial status of suspects for criminal prosecution purpose (finding out motivations, intent, etc.);
  - Executing international legal assistance request for helping foreign competent authorities in investigating into predicate offences and ML.
142. Most of the goals listed above are achieved in the course of parallel investigations, which is a form of financial investigation.
143. There is a somewhat different situation in case of financial investigations that are not related to criminal prosecution. The research conducted under this project shows that competent authorities of the Member States and representatives of scientific community not always treat such financial investigations as important and, in some cases, do not consider them necessary at all.
144. However, such approach is inconsistent with the FATF Standards. Financial investigations conducted outside the criminal prosecution process also help to achieve the goals set out in FATF Recommendation 30 related to developing evidence which can be used in possible criminal proceedings, identifying scale of criminality, identifying possible criminal proceeds and preventing criminals from obtaining such proceeds.

145. The major goals of financial investigations conducted outside the criminal prosecution process may include the following:
- Identifying indicators of illicit enrichment of public officials;
  - Identifying sources of funds, securities and other assets discovered through procedural actions (searches, seizures, etc.) that are unrelated to facts to be proven in criminal proceedings;
  - Establishing actual ownership and origin of property and legitimacy of its alienation;
  - Identifying sources of additional income of persons whose expenditures exceeds their official income;
  - Identifying origin and sources of undeclared income;
  - Verifying FIU reports about suspicious nature of transactions carried out by natural or legal persons;
  - Identifying vulnerable sectors and products that have been misused for obtaining criminal proceeds for subsequent assessment of risks of money laundering and/or terrorist financing through the use of such sectors and products;
  - Establishing facts and circumstances indicating potential receipt or laundering of criminal proceeds;
  - Establishing facts and circumstances indicating potential financing of terrorist activities.
146. Findings of financial investigations conducted outside the criminal prosecution process may constitute the grounds for taking the following actions:
- Recovery of taxes, levies (duties) and other mandatory charges upon identification of undeclared taxes and under-declared income;
  - Conducting administrative proceedings upon detection of administrative offences, e.g. misuse of a legal entity for ML or TF in countries where imposition of criminal liability on legal entities is inconsistent with fundamental principles of their domestic law;
  - Liquidation of legal entities and individual entrepreneurs for repeated breaches the AML/CFT legislation or their misuse for illicit enrichment or concealment (under-declaration) of income;
  - Recovery of property (expenses) which value (amount) exceeds income from legitimate sources (illicit enrichment);
  - Conducting further inquiries, in a manner provided for in the criminal procedure legislation, upon detection of indicators of ML/TF or predicate offences in the course of financial investigations;
  - Civil (non-conviction based) confiscation;
  - Designation of persons and their inclusion in lists of persons linked to terrorist activities.
147. The way in which financial investigation findings are documented and presented depends on a type of financial investigation and intended use of its findings.
148. Findings (results) of financial investigations conducted as part of criminal proceedings (i.e. parallel financial investigations) should be documented and presented in such way as to ensure that their further use in the criminal prosecution process does not require their repeated formalization as procedural documents. This means that, if it is possible to present all or part

of findings of a financial investigation in a manner established by the criminal procedure legislation for formalization of evidence, the financial investigation findings should be documented and presented in this way. Although the concept and mechanisms of financial investigation are not clearly defined in the criminal procedure legislation of most EAG Member States, there are the legislative provisions that allow financial investigators to document and present investigation findings in form of procedural documents. In particular, the criminal procedure laws of the EAG Member States empower persons carrying out pretrial and judicial proceedings to instruct officers of other law enforcement authorities (inquiry agencies, operational agencies, etc.) to take procedural actions for collecting evidence in the case. Given that most authorities empowered to conduct financial investigations are law enforcement agencies (except for FIUs of administrative type) involved in criminal intelligence gathering, inquiries or preliminary investigations, documenting and presenting financial investigation findings in form of procedural documents is fully compliant with the requirements of the criminal procedure law.

149. In other cases, findings of a parallel financial investigation may be documented and presented in accordance with the findings formalization procedure established in an agency that conducts such investigation, after which these findings can be obtained by a criminal prosecution authority or court through procedural actions (seizure, request, production order, etc.) and/ or when such findings are presented to the parties of court proceedings, for example at request of a public prosecutor, etc.
150. Findings of financial investigations conducted outside the criminal prosecution process are typically documented in accordance with the procedure of formalization and presentation of results of activities established in an agency that conducts such financial investigation. In some cases, the way in which results of such investigations are documented and presented depends on the intended use of investigation findings and the established procedure of documenting such information. One of the examples is the procedure of documenting and subsequent use of findings of financial investigations conducted upon identification of instances when expenditures of public officials exceed their income from legitimate sources (Russia, Belarus). In such cases, the procedure of conducting financial investigation and documenting and presenting its findings is separately defined in the relevant laws.
151. Findings of financial investigations conducted for purpose of administrative proceedings shall be presented in form of administrative offence reports in accordance with the codes of administrative offences and further submitted to competent authorities for consideration.
152. Findings of financial investigations conducted outside the criminal prosecution process may also constitute the grounds for initiation of criminal proceedings when indicators of potential predicate offences or ML are revealed as a result of financial investigation. In such situation, financial investigation findings may be presented as part of the outcomes of a pre-investigation review (where such review is part of the criminal proceedings), otherwise they are subject to evaluation and verification for relevance, reliability and admissibility in the course of preliminary (pretrial) investigations and court proceedings.
153. When financial investigations are conducted by agencies responsible for criminal intelligence gathering, findings of such investigations are documented and presented in accordance with the established requirements for criminal intelligence.
154. There are several specificities related to documenting and presenting results of such financial investigations.

155. Firstly, the gathered criminal intelligence is classified information (constituting the state or official secrets) and, therefore, requires security clearance. Such findings cannot be simply provided for their use to criminal prosecution, judicial or other competent authorities because they often contain information that is not subject to disclosure under any circumstances, e.g., information about sources (undercover agents, informants, etc.), technical equipment and methods used for gathering criminal intelligence and information, etc. In this context, in the EAG Member countries, the agencies tasked with criminal intelligence gathering developed internal instructions or interagency documents that regulate the procedure of documenting and legalization of gathered criminal intelligence.<sup>5</sup> As a result, the findings of financial investigations conducted with the use of criminal intelligence gathering methods are presented as a package of confidential information and analytical reports and documents (for official use only) compiled in accordance with the applicable legislation and document management regulations.
156. Secondly, findings of financial investigations do not have the predetermined legal force. This is due to the nature of criminal intelligence gathering – collected information is not considered fully reliable as sources and methods of obtaining such information are kept confidential. For this reason, findings of financial investigations conducted with the use of criminal intelligence gathering methods require further examination, evaluation and verification for reliability and admissibility (i.e. whether or not they have been obtained in a legitimate way) in the process of criminal prosecution. It should be noted that the criminal procedure laws of most EAG Member States allow criminal prosecutors and judges to review criminal intelligence gathered by the relevant agencies for verifying reliability and admissibility of presented findings.
157. Thirdly, the gathered criminal intelligence may not always be used for criminal prosecution, even if such information separated, legalized and presented in appropriate way. This may be due to difference in methods and procedures of obtaining information by criminal prosecution authorities and agencies responsible for criminal intelligence gathering. For example, in India, information obtained in a confidential manner from banks, mobile communication operators and other financial institutions may be used both as intelligence and evidence. But if information is to be used in any public hearing or trial, such information should be received through the appropriate legal channel provided for in the law. For example, in order to present information held by banks as a document that can be referred to in the court, such information shall be requested from banks in accordance with the Bankers' Book of Evidence Act.
158. The same applies to the use of findings of financial investigations conducted by financial intelligence units. Firstly, information received from foreign FIUs or via Egmont Secure Web is confidential and may not be disclosed and used in criminal proceedings without permission/approval of the FIU that provided such information. Secondly, such information is intelligence by its nature and, in some cases, is not official due to different mechanisms of its collection. For example, information constituting bank secrets may be obtained by some FIUs in a manner that differs from the information collection procedure established for criminal prosecution authorities and, therefore, courts may refuse to admit such information in criminal proceedings and require to repeatedly obtain it in accordance with the procedure established

---

<sup>5</sup> For example, Order No.776/703/509/507/1820/42/535/398/68 of the Russian Federation Interior Ministry, Defense Ministry, Federal Security Service, Federal Guard Service, Federal Customs Service, Foreign Intelligence Service, Federal Penitentiary Service, Federal Drug Control Service and Investigative Committee [on Adoption of Instruction on Presentation of Gathered Criminal Intelligence to Inquiry Agencies, Investigators or Courts](#) dated September 27, 2013



by the law for a given authority. On the other hand, data obtained from FIUs are typically an important source of information for initiating criminal proceedings, developing and checking investigative leads and collecting and documenting evidence. If information received from foreign FIUs or via Egmont Secure Web is relevant, it constitutes the grounds for subsequent formal request for mutual legal assistance in order to be able to use such information in public/court hearings and proceedings.

159. Thus, financial investigations findings should be documented and presented with due consideration for the objectives pursued by financial investigators and the intended use of such findings.

## **Chapter IV. Financial investigation subjects and mechanisms**

### ***Authorities (subjects) empowered to conduct financial investigations.***

160. Although financial investigations often involve a large number of participants, not all of them are financial investigation authorities. In many cases, financial investigations involve experts, auditors, employees of financial institutions and DNFBPs, such persons are not authorized to conduct financial investigations, as they are not entitled to conduct them independently, and do not decide on the results.
161. In general, an authority empowered to conduct financial investigations (a subject of financial investigations) should be understood as a competent public authority acting pursuant to the financial investigations rights and obligations granted to it, and authorized to decide on the conclusions and further use of the results of financial investigations.
162. In the relevant regulatory legal acts, a number of EAG Member States have identified authorities empowered to conduct financial investigations (Belarus, Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan). However, in general, the subjects of financial investigations can be divided into groups, based on the FATF standards:
- law enforcement agencies;
  - special government agencies, usually responsible for implementing the criminal intelligence;
  - financial intelligence unit;
  - asset disclosure and recovery units;
  - competent authorities that are not law enforcement (including supervisory ones), but responsible for conducting financial investigations of predicate crimes, or identifying crimes within their areas of responsibility (tax, customs, border control authorities, etc.).
163. The determination of the list of authorities empowered to conduct financial investigations should be based on whether this competent authority is a participant in the national AML/CFT/CPF system, whether it is one of the authorities that carry out, identify, suppress, and investigate predicate crimes, whether such an authority is empowered to decide on the materials of financial investigations independently, or it is to transfer them to the relevant law enforcement agency, and whether the competent authority has the powers required to conduct financial investigations.
164. In the course of the project, we obtained information on the competent authorities responsible for financial investigations in the area of AML/CFT/CPF, as listed in [Annex 2](#).

***Financial investigation mechanisms.***

165. Conducting financial investigations is often quite a complicated and time-consuming process that requires careful planning of research directions, establishing possible versions of the way the final result of a financial investigation will be obtained, significant labour inputs of employees, as well as proper training of persons conducting financial investigations.
166. As a rule, parallel financial investigations in the course of criminal prosecution are carried out by the investigating or other employee of the law enforcement agency in charge of the criminal case. This approach has both positive and negative aspects. On the one hand, the investigating officer in charge of the criminal case is quite familiar with the circumstances of the predicate crime or ML; due to the establishment of psychological contact with the suspect and participants of the criminal process, he can sometimes own a much larger amount of confidential information than contained in the case file. Such awareness and deep immersion in the investigation allows him to put forward more substantive and factually related versions of the location of criminal property, possible schemes for conducting financial transactions in order to make the illegal income appear being obtained from a legal source, persons who nominally own property that is actually the property of the suspect, the alleged possession of suspected legal entities abroad, or acquaintance with persons providing services for cashing out funds or laundering them, etc. Provided that the investigating officer is properly trained in conducting parallel financial investigations, all of the above mentioned allows to reduce the resources for their implementation and to achieve a positive result.
167. However, this is not always possible. The number of investigators in the Member States is quite high. Mutual evaluations show that the training of investigative officers is usually carried out in the framework of general education programs and the issues of financial investigations are rarely discussed as a separate topic. Targeted training of investigators and operatives to specialize in financial investigations is generally lacking. In general, taking into account the existing number of investigative and operational officers in Member States (in some countries, there are tens of thousands of such personnel), additional training and advanced training of all employees will take years and is unlikely to be completed. As a result, placing the burden of financial investigations on all investigative and operational officers may not be effective and may lead to superficial, formal financial investigations.
168. A number of EAG Member States have attempted to determine employees or establish units responsible only for conducting parallel financial investigations. The positive experience of the Republic of Kazakhstan is particularly noteworthy in this regard: two law enforcement agencies – the Economic Investigation Service of the Financial Monitoring Agency and the Anti-Corruption Agency – have been established specialized units that are exclusively responsible for conducting parallel financial investigations. Employees of these units are included in departmental investigative and operational groups and carry out investigative actions in order to identify the facts of ML, determine the amount of criminal income received, establish the location of property and seize it for further confiscation, and other investigative actions conducted to study the financial side of the crime.
169. Such an approach makes it possible to optimize the costs of employees training in financial investigations, to ensure their ability to analyze and identify complex schemes of capital movements, financial transactions, as well as veiled or intricate schemes for committing predicate economic and corruption-related crimes and ML. Due to the exemption of such officers from the routine work of collecting and processing other evidence in a criminal case,

as well as the completion of other formalities provided for in the Criminal Procedure Law and related to the formalization of the procedural status of participants in criminal proceedings, ensuring their right to participate and defend themselves in criminal proceedings, investigative and operational personnel can conduct parallel financial investigations at a higher level of performance. For countries with a large number of personnel involved in the detection and investigation of predicate offenses and ML, this approach appears to be more successful.

170. Another way to ensure the conduct of parallel financial investigations during pre-trial proceedings for predicate offenses may be to entrust them to agencies conducting initial inquiries or operational search activities. In this case, the officers of such agencies, who usually participate in the initial detection of the crime, may conduct a parallel financial investigation on behalf of the body conducting the preliminary investigation or the court. Such a mechanism is well established in a number of EAG Member States. In parallel financial investigations, it combines the possibility of obtaining information as a means available to criminal prosecution authorities, since the person carrying out the investigator's task is entitled to carry out the necessary investigative and procedural actions, as well as the methods and means of operational and investigative activities, which in some cases is a more effective way of obtaining meaningful information.
171. However, as practice shows, such a mechanism has its shortcomings, including those described above. First of all, the inadequate conduct of parallel financial investigations can place a significant burden on operational officers and investigators. In most cases, it is not their immediate responsibility to conduct financial investigations on behalf, but they perform it alongside with their core functions. At the same time, the level of workload of operational officers and investigators in the Member States is quite high. As a result, neither employee themselves, by virtue of evaluating their performance according to other criteria and results, nor their supervisors consider the financial investigation a priority. Secondly, procedural actions in the criminal process and criminal intelligence is regulated by various regulatory legal acts and differs significantly in the way of obtaining and documenting information. As noted above, criminal intelligence is conducted secretly and does not require compliance with formalities to such an extent as procedural documentation and evaluation of evidence in a criminal case. In this regard, it is not uncommon for a parallel financial investigation to be conducted on behalf of a criminal prosecution authority or a court and to violate the criminal procedure law, making the evidence and data obtained inadmissible and impossible to use for arraignment and sentencing.
172. However, if the concept of the subject of financial investigation in criminal proceedings is mostly clear, the issue of bodies authorized to conduct financial investigations not related to pre-trial proceedings is more complicated, since the relevant legal provisions governing the powers of competent authorities in a particular area of financial investigations, as a rule, do not provide for the obligation to conduct them by such authorities. For example, tax authorities are in general responsible for monitoring the payment of taxes, identifying tax evaders or unscrupulous taxpayers. At the same time, the identification of tax evaders does not fully align with the goal of financial investigations to determine whether undeclared property or income is obtained legally, since in order to achieve the goals of taxation in this case it is sufficient to simply calculate of the amounts of taxes due and to force the entity to

pay them. Nevertheless, the legality of obtaining such property and its sources remains beyond the functions of taxation.

173. The same is true for other types of financial investigations that do not involve criminal proceedings.
174. In conducting parallel financial investigations, the types of verification actions used tend to coincide more closely with the basic tools available to the criminal prosecution authorities provided for by the criminal procedure law. Given that in many cases parallel financial investigations are carried out on behalf of the prosecution authority, the results of such investigations will in fact be part of the preliminary investigation. Accordingly, they will be subject to all the requirements provided for in the criminal procedure law. Such actions include: obtaining explanations and conducting interrogations, examination of the places of occurrence, area, premises or vehicles, inspections of objects and documents, sending requests for information, conducting seizures, searches, obtaining samples for comparative study, gathering the results of examinations, documentary checks, audits, expert opinions, requesting declarations (tax, property, customs, etc.), obtaining information from electronic databases, conducting criminal intelligence, etc. These measures are generally established for all parallel financial investigations.
175. However, the possibilities of parallel financial investigations are much broader than the powers of the criminal prosecution authorities. The clear advantage of conducting parallel financial investigations is that, along with publicly available mechanisms, the authorities conducting parallel financial investigations can also perform specific actions possible solely because of their status among government agencies and the rights and obligations granted to them. For example, in the case FIU is commissioned to conduct a parallel financial investigation, it can perform analytical activities aimed at tracking financial flows, receive information from foreign FIUs, as well as information from within the state which may be inaccessible to law enforcement agencies. Some agencies conducting parallel financial investigations may be given the opportunity to obtain financial information more quickly and in a special procedure. They may also be given the right to freeze operations and transactions with property according to the legislation on AML/CFT/CPF, combating corruption, terrorism, etc.
176. In some cases, authorities conducting parallel financial investigations may conduct a procedure for gathering information that is significantly different from that provided for by the criminal procedure law, for example, it may not require authorization. In such a situation, there is a conflict between legal regulatory frameworks, both of which are provided for by law and do not constitute a violation. Moreover, the procedure provided for in the criminal procedure law is often more stringent and requires that the rights of the accused be observed. In this case, it seems that when choosing the method of obtaining information during a parallel investigation, it is necessary to consider the promptness of obtaining information and the possibility of its subsequent use in criminal proceedings. In the case when the criminal procedure law prohibits the use of data obtained in accordance with other legislative acts, but in violation of the procedure established by the criminal procedure law, other methods of gathering information available to authorities conducting parallel investigations cannot be used, as this will lead to this data being considered inadmissible by the court, and, consequently, it will not be used in the process of proof. Otherwise, it is necessary to assess which procedure for obtaining data can be more prompt and thorough. In this case, it should

be borne in mind that when receiving information in the manner prescribed by the criminal procedure law, such data, as a rule, do not require additional registration and verification (for example, conducting inspections of documents, obtaining information containing bank secrecy, minutes of interviews, etc.) and are in themselves evidence in criminal proceedings. Data obtained by bodies conducting parallel financial investigations (including FIU), as a result of their use of specific powers, require verification and assessment of their relevance, admissibility and reliability.

177. It should be also noted that actions that affect or restrict the constitutional rights of citizens can be carried out in the framework of parallel financial investigations. In all EAG Member States, there is a special procedure for their conduct which provides for obtaining the appropriate permission (a prosecution warrant, a court ruling or order, etc.). This is done in order to observe the fundamental and constitutional rights of citizens to protect their privacy, property, and individual integrity. Criminal procedural laws impose sufficiently stringent requirements for recognizing the results of such actions as legitimate and justified. At the same time, the specific powers of public authorities conducting parallel financial investigations may have softer forms of control and conditions for conducting similar procedures. Given the primacy of the obligations of states to protect the fundamental and constitutional rights of citizens due to their assumption of international obligations to protect individuals from unjustified persecution and interference, it seems that the requirements of the criminal procedure law in parallel financial investigations, in particular the conduct of actions affecting or restricting the constitutional rights of citizens, are mandatory and must be observed.
178. The existence of special financial investigation units should be highlighted separately. Such a mechanism certainly has significant positive aspects in the prevention of ML, as well as in the suppression and investigation of predicate crimes. As noted earlier, they can be created by allocating employees in investigative units for conducting financial investigations, creating separate financial investigation units in investigative agencies, as well as creating separate law enforcement agencies. The financial investigation mechanisms will also differ depending on the organization structure.
179. Allocated officers and separate units in law enforcement agencies, as a rule, carry out parallel financial investigations on behalf of the relevant investigators and their area of competence and responsibilities are generally described above.
180. As for individual units and individual law enforcement agencies created to conduct investigations in cases of ML and financial investigations, their competence may depend not only on the decision of the investigator in charge for the predicate crime concerning the need to conduct a financial investigation for ML or CFT, but also by a certain independence in making decisions and initiating a financial investigation. In such units, there may be analytics whose task will be to monitor all investigated predicate crimes for the fact of ML or CFT and decide whether it is reasonable to conduct a financial investigation.
181. The Directorate of Enforcement of the Ministry of Finance of the Republic of India is an example of such structure. The Directorate has access to the Crime Registration Network (CCTNS) where there are details of cases registered by state police. Employees of territorial divisions/zones of the Directorate have access to the CCTNS database to identify cases related to predicate crimes which are defined as crimes included on the list in accordance with the AML Law (PMLA) and potentially related to money laundering. The special unit in the



central office receives information from the LEA. The information received is reviewed and then forwarded to the relevant field offices for further action. In addition, the Directorate considers the information available in the public domain. The reliability of information on ML activities coming from open sources is verified and the necessary measures are taken in accordance with the provisions of the PMLA. The Directorate has a special department of criminal intelligence gathering, which collects information from open sources and hidden sources of information about potential cases of ML.

182. Thus, the tasks of specialized financial investigation units in countries where the exclusive jurisdiction of cases of ML or CFT is granted to one prosecuting authority may include not only conducting parallel financial investigations in the cases of investigators of such authorities, but also identifying and receiving materials about possible cases of ML or TF for crimes handled by other investigative units. Such approach allows to optimize the use of resources for conducting parallel financial investigations by all investigative authorities, as well as to provide a more qualified consideration of the circumstances of predicate crimes for possible ML or CFT. Moreover, this approach allows not to delay the investigation of predicate crimes, since the conduct of financial investigations may go beyond the proof of the predicate act and is much longer in time, and to investigate the ML case independently without reference to the predicate crime.
183. The mechanisms for conducting financial investigations in this case can either be regulated by the criminal procedure law, when the financial investigation is conducted as a form of preliminary investigation of ML or CFT crimes, or be regulated by separate provisions and based on the relevant powers of the competent authority or financial investigation units, or be specified in a single regulatory legal act. A positive effect can also be achieved when creating such units in FIUs the capabilities of which will obviously be used in financial investigations.
184. As for the financial investigations without criminal prosecution, the mechanisms for their conduct primarily depend on the powers of the relevant authorities. In the case when the subjects of financial investigation outside the framework of criminal proceedings are law enforcement agencies, they can use the tools provided for them by the relevant regulatory legal acts or the legislation on the criminal intelligence, if they have the right to conduct it. In other cases, mechanisms may be determined by other legislative acts, for example, anti-corruption legislation when a financial investigation is conducted to establish the facts of excess of income or value of property of an official in comparison with their expenses (Russia, Belarus).
185. In a situation where a financial investigation without criminal prosecution is conducted by an authority that is not a law enforcement agency, the requirements of criterion 30.4 of FATF Recommendation 30 should be taken into account. They oblige states to grant such authorities the corresponding rights and obligations (to conduct investigations independently or transfer the results to another authority for investigation, to have the right to identify and track criminal property, etc.). It seems that in such a situation, the powers and jurisdiction of authorities conducting financial investigations without criminal prosecution and which are not law enforcement agencies should be regulated by a special regulatory legal act. At the same time, such bodies should be at least given the right to conduct generally established actions for financial investigations (surveys, receipt and study of documents, implementation or commissioning of audits, audits, documentary checks, obtaining information constituting bank secrecy, analysis of financial data, obtaining expert opinions, etc.). It is, however,

impossible to conduct actions restricting the constitutional rights of citizens in the framework of financial investigations without criminal prosecution; in such cases, the financial investigation shall be referred to law enforcement agencies.

186. In this regard, it seems that it is the procedure for conducting financial investigations outside the framework of the criminal process and the duties and powers of the competent authorities that require detailed reflection in the legal acts regulating the scope of financial investigations of AML/CFT/CPF. As the study of the existing legal acts regulating financial investigations in Member States, as well as the results of the study within the framework of this project show, the issues of regulating financial investigations outside the framework of the criminal process remain neglected, their legal regulation is essentially absent.
187. The issues of respecting and ensuring the rights of citizens when carrying out financial investigations outside the framework of the criminal process are of significant importance, since they (their volume, method of ensuring) are practically not regulated by any other regulatory legal acts. It seems that during such financial investigations, the protection of citizens' rights should be ensured at a level consistent with criminal proceedings, with the exception of secret actions, as well as the absence of the duty to prove the legality of the acquisition of property. The principles of natural justice should be an important and integral part of all financial investigation procedures. Persons participating in a financial investigation, for example, when giving explanations, providing documents, etc., should be aware of their rights and obligations, the possibility of using the constitutional right to refuse to give explanations concerning themselves and their loved ones, the assistance of a lawyer, the possibility of acquainting themselves with the materials of a financial investigation at a certain stage, etc. However, it should be noted that since a financial investigation without criminal prosecution is usually aimed at revealing facts of illegal enrichment, excess of expenses over income, and is not part of criminal proceedings, it may not comply with the principle of imposing the burden of proof on the authority conducting the investigation. In this case, the obligation to provide evidence and documents may be imposed on persons in respect of whom a financial investigation is conducted.
188. In case an employee of a financial investigations authority violates the rights and legitimate interests of citizens or organizations, if their actions (omissions) are recognized as illegal in the manner prescribed by law, the relevant authority is obliged to take measures to restore them. Damage caused to a citizen or organization as a result of illegal actions (omission) of financial investigation authorities (their employees) shall be refundable in the manner prescribed by law.
189. With regard to the timing of financial investigations, it should be noted that, as indicated above, they generally have a greater subject of study and, by their nature, take much longer than criminal prosecution. In some cases, parallel financial investigations in the EAG Member States have established time frames corresponding to the overall time frames of the preliminary investigation. However, this is not always reasonable, as it may affect the efficiency and quality of financial investigations, as well as lead to investigators losing interest in conducting proper financial investigations in cases where the assessment of their performance depends on the number and timing of investigations of criminal cases. In other cases, the time frames of financial investigations are regulated in the relevant departmental legal acts. For example, in the Federal Financial Monitoring Service (Russian Federation), the procedure for conducting financial investigations and the timing of their conduct is

regulated by the Methodological Recommendations on the Organization of Financial Investigations. The period for conducting verification activities is 30 calendar days, starting from the date of commencement (registration) of verification activities; for in-depth financial investigation, 6 months, starting from the date of commencement (registration) which can be extended to one year. Moreover, the period for conducting a financial investigation may be extended for more than one year by the decision of the Deputy Director of the Federal Financial Monitoring Service.

190. It appears that financial investigations should be conducted within a reasonable time to make efforts to complete the investigation, while ensuring that proceeds of crime are available to seizure and that further money-laundering or terrorist financing is prevented.
191. In view of the foregoing, in order to clearly distinguish between authorities and mechanisms for conducting various types of financial investigations, it is recommended to adopt an appropriate regulatory legal act at the national level.

## **Chapter V. Specific Features of Certain Types of Financial Investigations**

192. In the process of financial investigations, law enforcement authorities mainly use the standard approaches and techniques for investigating into certain types of criminal offences. This includes the following:
193. Review and examination of initial case files: This procedure enables to identify preliminary goals of financial investigation and prioritize initial and subsequent actions.
194. Preliminary categorization of criminal offence: Initial case files enable to suggest a type (category) of a criminal offence and help to understand subject of investigation and identify information to be collected.
195. Development of investigative leads: The investigation process is guided by investigative leads, i.e. assumptions on possible ML/TF scheme or absence of such scheme. Correct investigative leads help to streamline the investigation process.
196. Selection of a priority line of investigation: Selection of a priority line is a sensitive stage of financial investigation, as it can either expedite the crime proofing process or lead to useless waste of resources.
197. Investigation planning: Many simple financial investigations are conducted without any planning. However, with the increase of complexity of information gathering process, planning becomes critically important. Planning is not limited to the development of a general plan, but may also include registration of collected information and seized items, assignment and division of responsibilities within an investigation team, etc.
198. Search and collection of financial information: This process involves implementation of actions set out in the financial investigation plan and use of other capabilities for obtaining information as described above.
199. Analysis of information on persons and facts: Data on relations, links, business contacts and transactions of investigation targets are an important source of information. Aggregation and analysis of this information enables to reconstruct a supposed picture of financial transactions. The best way to get a clear picture is to visualize the analysis results, *inter alia*, in form of diagrams, tables, etc.

200. Analysis of financial information: Analysis of financial information involves data standardization, alignment and cleaning processes. Of no less importance is the algorithm of analysis and description of analysis results. For example, in case of tabular analysis of movement of funds through a bank account, it is important to identify criteria for distinguishing those transactions that are of interest for investigation.
201. Evidence compiling: This process involves registration and maintenance of gathered evidence (in form of list, table, etc.). Such approach enables to identify contradictory or insufficient evidence at early stages.
202. Analysis and evaluation of evidence: This is ongoing process pursued alongside the investigation. Gathered evidence should be supported by analysis and convincingly presented.
203. Knowledge and understanding of the elements of a criminal offence in the course of financial investigation allows for structuring the financial investigation goal by way of consistent presentation of actual elements of offence, links between them, events, implications and specificities of criminal conduct. The use of characteristics of a crime as a theoretical framework enables to model the most probable financial schemes and consequences of a criminal offence. Such theoretical framework may include typologies of ML and TF related to different types of predicate offences. The most effective way of demonstrating a hypothetical financial scheme of a committed criminal offence is to present it in form of a diagram.
204. The use of matrices plays important role in developing financial investigative leads when it is done by way of comparing essential characteristics of offences with the use of typical leads. A typical lead is a result of building a matrix with the use of initial information about mechanism of similar criminal offences based on their characteristics. It is a model of a group of similar criminal offences, while a specific lead is a logic model of a particular criminal offence under investigation.
205. However, in view of the specific goals and objectives of financial investigations, such investigations may go beyond mere crime proofing and may differ to a certain extent depending on types of detected criminal offences, identified property, analyzed financial transactions, etc. Criminals gradually elaborate more sophisticated techniques, and different criminals, especially criminal groups, may utilize deferent (specific) methods. Therefore, financial investigators should deeply understand the examined events and criminal schemes and employ investigative mechanisms specifically intended for a given financial investigation. In this context, it is critically important to thoroughly plan financial investigations and their expected outcomes. Although each financial investigation is unique for a given case, the final goals and objectives of financial investigations are generally the same irrespective of the used methods/ approaches, i.e. to identify and document proceeds of crime, financial aspects of criminal activity, location of criminal assets or property of equivalent value and to gather the relevant evidence and information. Therefore, some investigative mechanisms will be common for certain types of financial investigations.

***Financial investigation techniques for combating money laundering***

***Specificities of financial investigations into money laundering***

206. Money laundering instances can be successfully identified through financial investigations.

207. Given that assets targeted by criminals are continuously transformed in the process of multiple transactions carried out for money laundering purposes, a single approach to conducting all financial investigations of this type is unlikely to be clearly defined.
208. It is more expedient to determine categories of data that can (should) be examined/ analyzed in the course of AML financial investigations. The first group includes funds, property and other tangible assets directly involved in financial transactions carried out for the money laundering purposes. The second group includes ownership and associated documents indicating series of transactions and transfers of ownership titles for ML purposes. The third group includes primary accounting documents related to specific financial transactions. These documents contain information on transaction date and time, transaction parties, transacted assets and other terms and conditions that (if inconsistent with the real terms and conditions) allow to reasonably suggest that such transaction is a fake one. The fourth group includes other accounting records and reports which analysis (along with the primary accounting documents, if necessary) allows to determine when and how unaccounted funds or other assets appeared and to trace movement of such unaccounted assets/funds through accounts. The fifth group includes information from databases (files). And, finally, the sixth group includes non-financial (non-banking) documents and other information.
209. When conducting ML financial investigations, one should keep in mind that such investigations correlate, in terms of their nature and information gathering mechanisms, with the aforementioned general approaches to arranging and conducting investigations on predicate offences. The range of specific schemes, transactions and suspicious indicators identified in the course of ML financial investigations is broad enough and, therefore, requires careful modeling and planning of investigation into each specific case. The specificities of ML financial investigations are partly addressed by typology studies conducted by the EAG and detailed clarification of ways and method of identification of ML in specific areas. The aforementioned typology reports are posted on the EAG website<sup>6</sup> and, therefore, are not discussed in detail in this document. Some of the examples include the following typology reports: *Money Laundering and Terrorist Financing with the Use of Cash and Monetary Instruments*, *Money Laundering through Securities Market*, *Laundering of Ponzi Scheme Proceeds*, *Money Laundering through Insurance Companies*, *Laundering of Proceeds of Tax and Economic Crimes*, etc.
210. Besides that, there are specific goals of financial investigations the focus and mechanisms of which are typical for ML financial investigations.
211. First of all, it is necessary to determine the type of financial investigation and its goal, i.e. is it a parallel financial investigation conducted in context of investigation into a predicate offence or is it a financial investigation conducted outside the criminal prosecution process. This allows for identifying an agency empowered to conduct investigation and determining the investigation procedure and timelines. A parallel financial investigation takes place when the criminal prosecution authorities have already initiated criminal proceedings for ML, and the goal of such investigation is to uncover money laundering scheme, locate laundered proceeds and determine their amount, and identify property of equivalent value or property derived from the use of criminal proceeds.

|            |
|------------|
| Case Study |
|------------|

<sup>6</sup> <https://eurasiangroup.org/en/eag-typology-projects>



In the course of pretrial investigation into embezzlement of the state budget funds in exceptionally large scale, the law enforcement authority of a member state conducted a parallel financial investigation and discovered that the suspect laundered the criminal proceeds by acquiring real estate property (two residential houses, retail facility and production facility) and two cars disguised as apparently legitimate transactions.

The proceeds of crime were seized, and the defendant was found by the court guilty of misappropriation, embezzlement and fraud in exceptionally large scale and money laundering and was sentenced to imprisonment. The over USD 150,000 worth property purchased with the proceeds of crime was confiscated and appropriated by the state.

212. The main burden of collecting and analyzing information in the course of such parallel financial investigations should be borne by operational units of the LEAs. At the crime identification stage, it is necessary to arrange for collection of initial information and indicators of potential money laundering (complex and unusual financial transactions that have no apparent economic or lawful purpose; transactions that are inconsistent with business goals of an entity set out in its constituent documents (when criminal proceeds are integrated (comingled) with legitimate funds); repeated transactions which nature gives reasonable grounds to suspect that they are carried out for avoiding mandatory controls). Financial investigation findings may be used for ML proofing as evidence and/or as expert opinion and testimony at the pretrial criminal investigation stage.

#### Case Study

In the course of pretrial investigation into embezzlement of assets through misappropriation and fraud, the LEAs conducted parallel financial investigation and discovered that the suspect used criminal proceeds for purchasing the residential house with support structures and land plot and the retail store.

In order to conceal the criminal origin of this property, the suspect registered it in the name of his wife, after which the ownership title to the property was transferred to her close relative under the fake sale and purchase contract without actual alienation of the property.

The financial investigation proved that the property was purchased with criminal proceeds and fictitiously registered in the name of third party.

The court convicted the defendant for embezzlement of assets and money laundering. The real estate property (the residential house, retail store and land plot) was confiscated and appropriated by the state.

213. In most cases, ML-related financial investigation initiated in connection with seizure of property unrelated to investigated crime, or property which value exceeds the legitimate income of a person, or property which true ownership is doubtful or concealed, or in connection with misuse of legal entities for ML purposes (in countries where legal entities cannot be held criminally liable) are aimed at examination of the such circumstances and are conducted outside the criminal prosecution process, as the goals of such investigations go beyond ML proofing or do not involve ML investigation at all.

#### Case Study

The LEA received the report concerning the politically exposed person (PEP) and several other unidentified persons who obtained assets which value was inconsistent with their known sources of income.

The financial investigation was launched in respect of the PEP, his family members and other persons to discover the sources of their unexplained income. The PEP, being the government minister, acquired over USD 750,000 worth assets, which was obviously inconsistent with his official income, and attempted to present these assets as revenues from the agricultural business. The major portion of assets was invested into purchase of insurance policies in the name of PEP

and his family members. Payment for those policies was made in cash. The PEP and his wife regularly filed the income tax returns. In order to present cash invested into purchase of insurance policies as legitimate income, the PEP attached cash receipts related to revenues from the agricultural business to the tax returns. However, the tax returns filed earlier showed only official income of the PEP as the public official, and when the tax authorities identified inconsistencies, the PEP repeatedly filed the amended tax returns that included information on investments into insurance policies. The revenues from insurance policies were declared as legitimate income. The single premium term insurance policies were acquired for receiving annual payments from the insurance company under the annuity contract for the benefit of the PEP and his family members. Revenues received as payments upon expiration of insurance policies and under the annuity contract were transferred through different bank accounts held by the PEP's family members, and after that were used for acquisition of assets and purchase of the residential house.

In the course of investigation, the LEAs seized the valid insurance policies and the purchased assets and residential house.

214. Law enforcement authorities also conduct ML financial investigations alongside with investigations into predicate offences. Such financial investigations may be conducted as parallel investigations when the legislation permits to take procedural actions that go beyond the predicate crime proofing, or when a criminal prosecution authority deems it expedient to pursue financial investigation in context of a predicate offence and is empowered to conduct financial investigations. Where a financial investigation takes a significantly longer time or does not fall within the purview of a given authority, it is permissible to conduct AML financial investigation for securing non-conviction based confiscation or extended confiscation of property provided that such financial investigation does not compromise the integrity and completeness of investigation into predicate offence.
215. It is noteworthy that, in the EAG Member States, money laundering instances are typically identified in the process of investigation into criminal offences that have been committed before the ML occurred, for example, in the course of investigation into tax crimes or as part of the criminal intelligence gathering process. ML information gathering methods include interception of communications, wiretapping, searches of premises and sting operations. Persons assigned with the oversight and supervisory functions examine and verify all dubious financial transactions and disseminate the findings to the law enforcement authorities.
216. The financial investigation tactics and planned actions also depend on the types of investigated money laundering offences, i.e. self-money laundering, third-party money laundering, stand-alone money laundering, laundering of proceeds of predicate offences committed abroad, and laundering of proceeds of domestic predicate offence abroad (movement of stolen asset abroad and their laundering).
217. In case of self-money laundering, a financial investigation is usually conducted simultaneously with investigation into a predicate offence, except for the situation when a predicate offender is already prosecuted and convicted by court and financial investigation for ML proofing purpose does not fall within the purview of a criminal prosecution authority.
218. In general, planning and conducting financial investigation into self-money laundering cases present no serious difficulties, as a significant portion of information required for financial investigation is already conducted by investigator in the course of pretrial criminal investigation.
219. In such cases, the main goals of financial investigations typically include the following:

- Determining the amount of laundered criminal proceeds and identifying ML instrumentalities;
  - Identifying the scheme of financial transactions carried out for conversion of criminal assets in order to conceal their legal status;
  - Identifying location and methods of disposal of assets obtained through crime;
  - Identifying proceeds derived from the use of criminal assets and determining the amount of such proceeds;
  - Identifying property (assets) of equivalent value.
220. When determining the amount of laundered criminal proceeds and identifying ML instrumentalities, it is expedient to focus on examination of whether or not the value of identified laundered assets corresponds to the amount of proceeds obtained through the commission of a predicate offence, as it enables investigators to determine whether or not all criminal proceeds are identified and seized. Although not all criminal proceeds are necessarily laundered by offenders, investigations into predicate offences and ML should seek to ensure that all proceeds obtained through crime are seized and confiscated. The best way of starting such financial investigation is to examine financial status and sources of income of a suspect before the commission of a predicate offence using all financial information sources available to and accessible by a financial investigation agency. These include information on various movable and immovable property, bank accounts, deposits, loans, etc. If a suspect has earlier filed tax returns, such returns should also be used in the investigation process.
221. Similar actions may be taken in respect of relatives and close associates of a suspect if there are reasonable grounds to believe (suspect) that they could be involved in assets/ property laundering process.
222. After that, it is necessary to determine the most probable actions that could be taken by a suspect for laundering the illegally obtained assets, taking into account the established circumstances of the crime, the level of education and financial capabilities of the suspect and the gathered criminal intelligence on his/her involvement into dubious transactions and contacts with other persons during the period when criminal proceeds have been laundered.
223. Next, it is necessary to examine any changes in the financial status of a suspect (and his/her associates, if necessary) in the period when criminal proceeds have been laundered, identify any new assets got by the suspect and establish whether or not the suspect continuously used assets that in fact belonged to other persons during that period of time. It is also necessary to find out what financial transactions have been carried out by the suspect in that period of time and whether or not he/she has purchased luxury goods, securities and expensive services. If a conversion of criminal assets has taken place, it is necessary to trace movement of both criminal assets (until they were withdrawn from the formal economy) and newly acquired assets in order to identify potential link between them.
224. In the course of investigations into cases related to laundering of proceeds of economic crimes, it is necessary to deeply inquire into activities and operations of the relevant legal entities in the period when criminal proceeds have been laundered. Such thorough examination should be conducted with engagement of the relevant experts to assess fairness of business and contractual relationships with other business entities. It is expedient to focus on the period when criminal funds are laundered and identify and analyze the received loans, fairness of the repayment terms and conditions and the lenders to uncover a potential

conspiracy with the suspect and possible contacts with legal entities that are suspected of being fake companies or otherwise meet the suspicious criteria.

225. It is critically important to clearly differentiate between the moment of completion of a predicate offence and the moment of subsequent start of money laundering. Quite often, criminal investigators and prosecutors consider the sequence of actions involving predicate offence and money laundering as a single intent to commit predicate offence and use the obtained criminal proceeds. In doing this, they do not take into account the fact that a predicate offence has occurred at an earlier stage and subsequent actions involve not mere disposal of criminal proceeds, but a series of steps aimed at conversion of criminal assets or making them appear to have come from legitimate sources. This frequently takes place in the process of laundering of tax crime proceeds, when after evasion of taxes (e.g. through attaching false documents to the accounting records), the excess revenues from sale of goods, services and work are transferred under false documents through the chain of other business entities (including suspicious ones) and returned back as investment into the authorized capital, loans, repayment of non-existing loans, etc.

#### Case Study

The LEA initiated ML criminal proceedings against several persons who laundered proceeds of tax evasion offences.

The parallel financial investigation revealed that legal entities registered both inside and outside the country were involved in the criminal scheme.

The criminal proceeds (nearly USD 17.5 million) were transferred, under the fake loan and consultancy agreements, to the accounts of companies controlled by criminals, after which they were integrated into formal economy.

226. Besides that, instances have been recorded when criminals transferred illegally obtained funds through accounts opened with financial institutions and used banking products with a view to ensuring latency of money laundering.

#### Case Study

The FIU identified suspicious procurement contracts awarded by a large government-owned hospital. The financial investigation uncovered that the owners of companies participating in the tender were the same persons, which was carefully hidden. The deputy director of the hospital abused his power and created a criminal group for bidding for the lucrative contracts he was responsible for, and this group won the tenders at inflated prices.

As a result, nearly RUR 1.35 billion (EURO 18.4 million) were misappropriated and subsequently laundered through accounts of shell companies.

Four offenders were charged with fraud and self-money laundering.

227. One of schemes that are difficult to identify involves the use of fiduciary loan, i.e. loan made in the name of financial institution, but at the expense and risk of customer, for money laundering purposes. In such cases, it is very difficult to identify links between a legal entity that acts as the guarantor under the loan agreement and a recipient of the loan without deep analysis of transactions and documents. Financial investigation enables to compare time and directions of financial transactions and identify companies controlled by suspects that receive loans against guarantees of a legal entity involved in the ML scheme in the capacity of the guarantor under the loan agreement.

228. Trade-based schemes are often enough used for money laundering purposes. The detailed examples of such schemes and methods of their use are provided in the FATF typology report

*Trade-Based Money Laundering* available on the website.<sup>7</sup> Trade is inherently complex and complicated, reflecting the nature of interconnected supply chains stretching around the world. Trade-based money laundering schemes are exploited by both ordinary criminals that launder their own criminal proceeds and organized criminal groups and professional money launderers.

#### Case Study

The director of a private company “T” fraudulently received over 231 tons of flour worth USD 120,000 from the state-owned company without intention to pay for the delivered products.

The parallel financial investigation discovered that in order to give a lawful appearance to the possession, use and disposal of the stolen products and with a view to distorting the origin of the products, the director forged documents according to which the flour belonged to the private company “A”, in which he was a commercial director. After that, the flour was sold on behalf of company “A” to other business entities. The funds received into account of company “A” were integrated by the director into formal economy by investing them into business operations of companies “T” and “A”.

The director was convicted by court for multiple offences (fraud and money laundering) and sentenced to imprisonment with confiscation of property and deprivation of the right to hold certain positions.

229. In the process of financial investigations into trade-based money laundering, investigators should understand that the main goal of transactions carried out by offenders is not movement of goods (quite often there are no goods at all as in case of fictitious transactions), but movement of illegally obtained funds and making them appear to have come from legitimate source or obtaining documents certifying the “legitimate” origin of funds.
230. In view of potentially complicated, complex and secretive nature of money laundering, three basic stages of ML are identified in practice, namely: placement, layering and integration. In the course of financial investigations into comprehensive and complex money laundering schemes, investigation planning should include actions aimed at identifying and tracing each stage of ML and establishing links between them.
231. Where criminal proceeds are laundered through financial transactions with movable and immovable property, the priority objective of a financial investigation is to trace multiple transfers of ownership title and possession of such property in the period when criminal proceeds are obtained and disposed of. Not all property is subject to registration with the relevant government authorities and, therefore, tracing the changes of property ownership through examination of the registration databases is not the only possible way of verifying true ownership of property and possible substitution of criminal proceeds by such property. In such situation, criminal intelligence gathering may significantly contribute to parallel financial investigations. These measures enable to identify nominal and actual owners of property and establish links between them even when such persons are not formally connected with each other. Covert criminal intelligence gathering also enables to uncover continuous use of property by a ML suspect, disguised payments and settlements between persons and reregistration or resale of property for making it appear to have come from other sources or as a result of discharging lawful obligations. Quite often, interception of communications of suspects makes it possible to record agreements between them to fictitiously register property in the name of third parties or to fictitiously alienate property.

<sup>7</sup> <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Trade-based-money-laundering-trends-and-developments.html>



232. Property transactions may also be used by offenders for justifying the “legitimate” origin of laundered funds and obtaining document certifying the “legitimate” sources of such funds.

**Case Study**

Financial investigation triggered by FIU dissemination revealed that the relative (brother) of a person suspected of committing the crime physically transported USD 2 million cash to the other country and applied to the registration authority and the bank for acquiring a share (interest) in the resident company of that country. When asked about origin of cash, he presented the letter, in which his mother stated that she provided cash received from the sale of real estate property, and the documents certifying the sale of property (agreement, title registration certificate, etc.). Inquiry into the property transaction showed that the mother of the suspect in fact sold the house and the land plot for nearly USD 2 million to the acquaintance of the suspect. The transaction was officially registered along with the supporting documents.

Within a short period of time, the buyer sold the bought real estate property at a price that exceeded the purchase price by 1 percent to the wife the relative of the suspect.

Thus, the real estate property, in fact, remained in the ownership of the family of the person suspected of committing the predicate offence, and the family obtained legal documents certifying the “legitimate” origin of funds.

233. The EAG Member States that contributed to the FATF typology study *Money Laundering from Environmental Crime*<sup>8</sup> indicated that that schemes of money laundering from environmental crime are used very rarely and are not identified in practice. However, it seems that this is explained not by a small number of committed environment crimes, but by lack of parallel financial investigations into such criminal cases. Environmental crimes, primarily poaching, are identified upon detection of illegally harvested or poached wildlife. Investigations into poaching and illegal exploitation of forest, water and other resources are typically limited to detention of offenders caught “red-handed”. In this context, it is important to pursue financial investigations for identifying proceeds and assets obtained as a result of subsequent disposal of illicit wildlife and natural resources. Persons suspected of poaching and other environmental crimes and their family members often do not have legitimate sources of income, but enjoy a lavish lifestyle and own expensive property. In such situation, financial investigations should be aimed not just at exploring the circumstances of a particular offence, but at examining financial activities of suspects during a certain period of time before their criminal activity was disrupted. The goal of such financial investigations is to identify and document schemes continuously used by offenders for a long period of time for conversion of assets obtained through environmental crime into financial resources by way of selling illicit wildlife and natural resources and subsequent conversion of these funds into movable and immovable property by purchasing (including in the name of third parties), constructing, fictitiously buying on credit, etc. of such property. It is impossible to pursue such financial investigations aimed at identification of proceeds derived from the use of criminal assets without utilizing secret sources of financial and other meaningful information. Therefore, the best option is to conduct such financial investigations alongside with criminal intelligence gathering.

234. Property of equivalent value is typically identified and seized in the course of parallel financial investigation if direct proceeds of crime are not discovered. As such investigations are aimed at identification of tangible assets and funds, the information sources most frequently used for this purpose are various databases that enable financial investigators to

<sup>8</sup> <https://www.fatf-gafi.org/content/dam/fatf-gafi/brochures/Money-laundering-from-environmental-crime-handout%20-env-crime-authorities.pdf>

identify property owned by suspects and secure recovery of proceeds of crime by seizure of such property which value corresponds to the amount of criminal proceeds. However, it should be noted that, in the course of financial investigations aimed at identification of property of equivalent value, apart for identification of such property, financial investigators should also verify the legitimate origin of this property. It is unacceptable when property identified in the process of financial investigation that has been obtained through the commission of other unrelated and, possibly, undetected offence is treated as the property of equivalent value. If there are suspicions that property identified in the course of financial investigation has illegal or unknown origin, further inquiries should be conducted for confirming or disconfirming the illegal origin of this property and making decision on possible confiscation such property, if permitted by the legislation (non-conviction based confiscation, extended confiscation, etc.). Another goal of financial investigation is to determine the actual value of property that is subject to confiscation as property of equivalent value.

235. Search for property of equivalent value should not be limited to the place of residence of a suspect and premises belonging to him/her. A plan of a financial investigation pursued for identification of property of equivalent value should include actions aimed at obtaining information from financial institutions about existing accounts and deposits, money transfers (including transfers without opening bank account) and other financial (banking) transactions. In the course of such investigations, it is expedient to use the criminal intelligence gathering techniques for identifying concealed property and/or property held by persons controlled by and affiliated with a suspect. Information on travel of a suspect abroad allows for developing leads and assumption on possible movement and subsequent laundering of criminal funds abroad, while analysis of financial transactions enables to develop leads and assumptions on possible use of legal entities for concealment of proceeds of crime.
236. Financial investigations into third-party money laundering are primarily featured by less need to focus on examination of financial aspects of activities of persons suspected of committing predicate offences. Financial status of persons suspected of committing predicate offences should be examined in the process of investigation into predicate offences with the goal to recover criminal proceeds or its value, secure other types of confiscation, determine the amount of inflicted damage etc. In contrast, the objectives of financial investigation into third-party money laundering are to establish financial links between actions of an offender who has committed a predicate offence and money launderers, analyze ML scheme used by them, examine their financial status (including legitimacy of other property which origin raises doubts), and identify property possessed by such persons that is subject to seizure and confiscation. In the process of financial investigation, it is also very important to establish the fact of receipt of remuneration for money laundering services and determine its amount as such remuneration is the proceeds from ML offence and, therefore, is subject to confiscation.
237. Another objective of financial investigation into third-party money laundering is to identify instrumentalities of crime for their confiscation. It should be noted that, so far, there have been no instances of confiscation of instrumentalities of third-party ML offences in the EAG Member States. No mutual evaluation reports contain case studies and examples where legal entities which accounts were used for money laundering were recognized as the instrumentalities of ML offence in the course of financial and pretrial investigations. It could be argued that such actions are not taken because legal entities are held criminally liable

separately, but the fundamental principles of the domestic law of the EAG Member States (except for India) do not provide for criminal liability of legal entities. The mutual evaluation reports also show that legal entities have almost not been held administratively liable for ML or for being used for ML purposes even when such sanctions are provided for in the legislation. The same applies to liquidation of legal entities as a form of civil liability for serious breaches of the legislation. As a result, there are instances in practice when legal entities used for ML purposes are transferred or resold to other parties involved in money laundering and are used repeatedly. In this context, the outcomes of financial investigations into third-party money laundering with the use of legal entities should include not only financial information necessary for prosecuting suspects and securing confiscation of laundered funds and personal criminal income of the suspects, but should also entail actions in respect of legal entities used for the commission of ML offences.

238. Quite often, third parties, including organized criminal groups, provide “professional” money laundering services. Professional money laundering services may be the only activity and source of income of organized groups, but also may be provided along with legal activities (typically related to financial sector and legal services). Professional ML service providers are not involved in the commission of predicate offences. Their role is to conceal the source or the destination of funds obtained through crime. They provide expertise to disguise the nature, source, location, ownership, control, origin and/or destination of funds to avoid detection. Typically, they don’t care about criminal activities of their clients who include drug traffickers, fraudsters, human traffickers or any other criminals.
239. Professional money launderers can be involved in one, or all, stages of the ML cycle (i.e. placement, layering and integration), and can provide specialized services to either manage, collect or move funds. Professional money laundering organizations act in a more sophisticated manner and may provide the entire infrastructure for complex ML schemes or construct a unique scheme, tailored to the specific needs of a client. There are many specialized services that professional money launderers may provide. These include the following: consulting and advising; registering and maintaining companies or other legal entities; serving as nominees for companies and accounts; providing false documentation; comingling legal and illegal proceeds; placing and moving illicit cash; purchasing assets; obtaining financing; identifying investment opportunities; indirectly purchasing and holding assets; orchestrating lawsuits; and recruiting and managing money mules.
240. When conducting financial investigations into professional money laundering, it is necessary to develop a separate investigation strategy and plan for each individual case with due consideration for the specific activities and services provided by professional money launderers and, therefore, specific financial investigation mechanism will differ in each case. Activities of professional money launderers are discussed in detail in the FATF typology report *Professional Money Laundering*,<sup>9</sup> that can be used for determining strategies of financial investigations into this category of ML. In view of comprehensive and complex ML schemes used by professional money laundering, a priority should be given to creation of multi-disciplinary groups comprising of FIU specialists, officers of operational authorities, accounting and banking experts and specialists of tax, audit and customs authorities in the process of financial investigation planning. Besides that, the territory of the EAG Member States is to a large extent used for committing predicate offences and obtaining criminal

---

<sup>9</sup> <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Professional-money-laundering.html>

proceeds, while professional laundering of such proceeds is typically carried out with the use of non-resident legal entities or offshore companies. In view of this, timely international cooperation for tracing and identifying assets, back accounts and transactions and obtaining witness testimonies and documents also plays significant and important role in financial investigations.

241. Due to the need to obtain results of international legal cooperation both as part of MLA and through other forms of interaction, the investigation of ML related to foreign predicate offenses and financial investigation of foreign ML when predicate offense is committed within the country (siphoning off assets abroad and their laundering) present significant difficulties. In practice, it takes a long time to examine MLA requests since it is difficult to determine in advance which foreign jurisdictions would be required and what financial footprints and information are available in other countries. Financial investigations to address the problems of identifying and proving money laundering with an international component should be arranged with the proper allocation of resources and taking into consideration the time needed to take action. Data on the accused's and their associates' international travels, information from national processing centers on the use of credit cards issued by foreign banks by the accused, data on sending and receiving transfers, cross-border payments, and payments to non-residents, information on whether the relevant legal entities have accounts with financial institutions, and if so, movement of funds on them, particularly, transactions with off-shore companies and non-residents may help to generate leads and examine them. Analysis of the accused's phone conversations, the potential registration of mobile numbers by foreign mobile operators through the accused's phone's IMEI, and a review of the accused's connections and acquaintances—especially those who live abroad—can all yield a significant amount of useful information. Utilizing public and private sources of data on the beneficiary owners of legal entities' owners is also crucial. The establishment of joint investigative teams, including to conduct financial investigations, with foreign law enforcement authorities that are supposed to obtain the largest volume of MLA and other cooperation play an important role when financial investigation is conducted concurrently with ML investigation.
242. When a ML-related financial investigation is conducted without a concurrent investigation of the predicate offense, a unique circumstance arises. When there is no prior court order establishing the criminal nature of the acquired assets, financial investigations may also reveal that these proceeds were obtained through a crime in addition to exploring the financial aspects of the committed laundering of illegal proceeds. According to the results of mutual evaluations in the second round (4th FATF round), the EAG Member States do not require a mandatory conviction for the predicate offense in order to conduct ML investigations. The unlawful origin of the assets, however, must be shown before it can be said that illegal proceeds were laundered. When predicate offence-related proceedings are terminated for a variety of reasons, a criminal case is refused to be initiated, an investigation is suspended, a predicate offence is committed in another jurisdiction but is not investigated there, among other situations, ML investigation is conducted independently from predicate offence investigation and without conviction for it.
243. As was mentioned, financial investigations to find the laundering of illicit funds may also look into the financial implications of asset seizures that have nothing to do with the crime under investigation. This circumstance is not uncommon; frequently, when procedural steps are taken in criminal cases, a variety of assets of different values are seized, or cash, real

estate, or other valuables are discovered, the identification of the source of their acquisition has no bearing on the offense under investigation. However, determining whether the accused or other individuals legitimately own these assets is a crucial part of promptly identifying the acquisition of unlawful funds and their laundering. Financial investigation, though it is sometimes undertaken concurrently with the investigation of a criminal case, in reality has no bearing on the specific action under investigation. This is one of the key characteristics of these financial investigations. The unlawful origin of these assets is not clearly visible in this case; it is only hinted at during the financial investigation. In general, it should be assumed that this financial investigation has nothing to do with the prosecution before trial.

244. These financial investigations have the additional characteristic that, while the aforementioned types of parallel financial investigations (related to self-laundering, third-party money laundering, etc.) generate leads and plan actions based on the general knowledge of the predicate offense or money laundering and, typically, the specific illegal proceeds, the context of the seized assets whose legality is not confirmed results in the generation of leads for financial investigations based on indirect signs of potential illegal origin of the assets. As a result, the goal of these financial investigations is to create a general picture of the origin and possession of the assets, schemes and circumstances surrounding their ownership by the accused or any other person, and evaluate whether these assets were obtained from legitimate sources. As a result, the investigations are designed to determine whether financial transactions involving the seized assets are legal or not and whether they are being used to commit illegal acts.
245. If the results of a financial investigation show indicators of the laundering of illegal proceeds or the commission of predicate offenses, then those findings typically constitute grounds for a subsequent pre-trial investigation relating to the seized assets that have no relation to the crime under investigation.
246. It is typically difficult to study the financial aspects of the legality of gaining assets that are unrelated to the offence under investigation because there are so many different factors to take into account. An investigator conducting a financial investigation should look into a significant amount of time before the assets were discovered to determine the circumstances of their occurrence or registration in the name of the accused or any other person because even the approximate circumstances of how these assets were acquired are not clear. To deploy resources as effectively as feasible, it may be necessary in some circumstances to narrow the scope of the factors that need to be researched. The circumstances and information that were already established during the pre-trial investigation when the assets were discovered should be used for this purpose. A case might, for instance, include information about an individual's income sources, such as a declaration if the person engaged in entrepreneurial activities or held a position that necessitated the submission of an asset and income declaration. The type of the offence under investigation allows for a proposal of the circumstance that led to the person acquiring the assets. Support from intelligence operations is crucial while conducting this financial investigation.
247. Establishing a connection between these assets and their potential acquisition through the commission of an offense or through the conversion of illegal proceeds to launder them is another goal of financial investigations related to assets whose value exceeds the individual's legitimate income, credibility of ownership of the assets, or identification of concealment of their true ownership. Since the legitimacy of their acquisition was not established and their



value greatly exceeded the individual's total income from legal sources, a number of Member States use the findings of financial investigations relating to these assets to seize/confiscate them to the budget.

248. This method (the confiscation of unexplained proceeds) is used differently in different nations, but it is nonetheless a useful instrument in the fight against corruption, laundering of illegal proceeds, and other economic crimes. When it comes to enshrining this mechanism in national laws, two options exist: criminal liability (offense of unjustified enrichment, extended confiscation), or the seizure of unconfirmed income under anti-corruption and economic activity laws (in countries where fundamental legal provisions allow for the seizure of assets without a court order). The scope of the financial investigation in this case is typically restricted to determining the individual's legal sources of income, their size, and comparing those figures to the worth of their unexplained assets. A secondary objective of the investigation is to gather financial information to support any allegations that assets were obtained illegally or as part of the proceeds of crime.
249. The authorized responsible authority should conduct financial investigations outside of criminal proceedings in the manner prescribed for its operation because there aren't enough details about the committed offense at the time when these investigations are conducted.
250. The prosecution authority that conducts the proceedings against the individual holds files that are the basis for financial investigations into the misuse of legal entities for money laundering (ML) (in countries where criminal liability of legal entities is not envisaged). This financial investigation's goal is to determine the extent of legal entities' misuse in money laundering schemes and the legal entity's role in those schemes (such as whether the legal entity was intentionally exploited or was a link in a chain of legal entities that participated in the scheme). Legal entities may be held administratively or civilly liable for their roles in the laundering of illicit money as a result of financial investigations involving them. The appropriate competent authorities qualified to document (make a report or a claim) the ML offense committed by the legal entity should conduct these financial investigations.

*Financial investigations into economic and tax offences*

251. The majority of illegal activities that generate income for later ML involve predicate actions that are related to tax and economic offenses. The threat of ML posed by these kinds of offenses was determined to be high or substantial during national risk assessments.
252. The results of the ML/FT risk assessment conducted in 2022 in the Eurasian region (the regional risk assessment) demonstrate that the largest threat at supranational (regional) level was tax and other mandatory payments evasion, as well as other tax offenses, including VAT manipulation/fraud. Fraud, including unlawful acts with public finances, tax evasion and other tax offenses, Ponzi schemes, and unethical business practices are among the most pressing ML threats. However, the list of economic offenses is rather extensive; it comprises criminal acts with quite varied natures but that share a common illegal intrusion - social regulations that control business operations, payment of debts, and the operation of the national economy.
253. The main regional ML risks that result from tax and economic offenses are the misuse of shell and affiliated companies or individual entrepreneurs, the investment of illegal proceeds into economic activities of legal entities, including those located in third countries, the use of schemes, including fictitious ones, of purchasing and selling movable and immovable assets inside and outside of the country, transactions involving "transit" bank accounts, and

- transactions involving cashing-out, misuse of off-shore companies, misuse of the securities market, including through transactions involving sale and purchase of securities.
254. In the EAG's typology report on the findings of the first round of ML/FT risk assessment in the Eurasian region and subregions, schemes of probable illegal proceeds laundering through economic offenses are described in details.<sup>10</sup>
255. The EAG's typology report *Laundering of Illegal Proceeds Gained through Tax and Business Offences* details differences related to the classification of economic offences (offences related to entrepreneurial activities), identification of government authorities that should control and investigate economic activities, widespread/large-scale typologies/schemes of these offences, and sources of information.<sup>11</sup> The procedures involved in conducting financial investigations into economic offenses vary depending on the specifics of each case, including the defendant's course of action, the key evidence in the case file, the money trail, the way that illegal proceeds were concealed, the number of suspects and witnesses, etc.
256. Tax and economic crimes are very difficult to prove as they are often committed by a group of persons and sometimes involve officials. Moreover, the investigation of these offences additionally requires economic (accounting) knowledge as well as the examination of a large amount of financial information.
257. High-quality information sources, high-quality and swift inter-agency and international cooperation, prompt acquisition of financial data, the use of sophisticated investigative techniques, and the availability of structured datasets from a variety of data sources are all factors that impact how effectively financial investigations into such offenses are conducted.
258. Offences involving tax evasion. Financial investigations into tax evasion cases should be conducted with the direct participation of qualified specialists, particularly auditors, or authorities. Three different types of goals should be specified while planning the financial investigation into such case.
259. The first objective is to calculate the amount of underpaid taxes and duties and the hidden revenue, or to calculate the actual direct damage. In this case, it should be remembered that a tax evasion scheme may involve a significant amount of legal entities that display characteristics of shell companies that engaged in fictitious transactions, overestimate the taxation basis by including fictitious intermediaries, obtain fictitious rights to tax credits, divert money to jurisdictions with low tax burdens when they obviously perform activities in the jurisdiction of incorporation, and provide the impression that they are insolvent and unprofitable by creating the illusion that they have loan commitments to other legal entities or by spinning off a legal company. In this case, the financial investigation should establish the moment when a tax offense was finished in order to evaluate the acts that followed. Information in this situation may come from tax declarations issued by the legal company and its counterparties, from primary accounting documents, and from cash flow data, including data collected through MLA. It may be possible to determine whether the legal entities in question are under the control of the suspects and who their beneficiary owners are by using the information that those involved in the offense provided when opening bank accounts.

#### Case study

The FIU has discovered suspicious activity involving a business that cashed out 99% of the

<sup>10</sup> <https://eurasiangroup.org/d.php?doc=20783a9ed2efcaea28031095e5d9af2e>

<sup>11</sup> [https://eurasiangroup.org/files/uploads/files/other\\_docs/Typologies/WGTYP\\_\(2022\)\\_11\\_rev\\_1\\_eng.pdf](https://eurasiangroup.org/files/uploads/files/other_docs/Typologies/WGTYP_(2022)_11_rev_1_eng.pdf)

money transferred to its account. Bank transactions have been suspended by the FIU, and information has been submitted to law enforcement.

It was discovered during pre-trial procedures that an organized criminal group made up of 7 people misused 16 shell companies, created false invoices, avoided paying taxes, and caused the government damage totaling more than 110 million US Dollars. Through a complex procedure involving transfers among affiliated companies, the unlawful money have been cashed out.

A parallel financial investigation revealed that the organized criminal group purchased 123 pieces of immovable property (land plots, homes, and business premises) and 43 pieces of cargo equipment that were fictitiously registered in the name of a third party for the purpose of laundering illegal assets and hiding their true origin.

Over 6.4 million US dollars worth of the aforementioned assets have been seized. By court order, the assets that had been laundered were confiscated and transferred to the state budget.

260. The second objective is to locate assets held by a legal entity that was involved in a tax offense, the suspect, and his or her associates during a financial investigation in order to track the future use of funds acquired through a tax offense. The aforementioned actions will make it clear if any additional funds were acquired through the use of illicit assets (indirect proceeds); tracing the assets of the suspect, as well as those of individuals and entities connected to him or her, will provide information on potential actions intended to hide the source of the illicit proceeds and establish assets with a value equal to that of assets acquired through tax evasion.
261. It may be difficult to determine how much revenue was earned using illegal assets during this phase of the financial investigation. Criminal income in tax offenses is typically defined as money on the suspect's or his or her associates' accounts that was prevented from being remitted to the budget due to hiding or distorting the tax base. In this instance, the funds are combined with revenue from other sources and used for business operations, the purchase of assets, siphoned off abroad, etc. The commission of the tax offense consists in the non-payment or non-transfer of these funds from the total available funds acquired, among other things, during legal activities. The funds obtained from the offence are not specified, and the suspect may not even pursue a special objective to mix them with other funds that were obtained from legitimate sources. Then, illegal funds are used along with other funds. As a result, it may be difficult to determine how much of the increased revenues came from legal sources and how much from the use of unlawful proceeds. The application of judicial and accounting expert studies during financial investigations, including methods of comparative calculation of the gained proceeds, appears to be the way countries that do not have extended confiscation and may only seize confirmed indirect proceeds, i.e. proceeds gained exclusively from illegal funds, may resolve this issue.
262. Data from bank institutions on individuals' accounts and cash flows, comparison of cash flows with counterparties' data, information on beneficiary owners of counterparties, data from different asset registers and their value, expert appraisals of the value of assets, reports of judicial and accounting and other financial analyses, and information on tax authorities, tax calculations and declarations, findings of intelligence operations to locate the potential assets and funds of the defendants are typically sources of information to solve the second objective of financial investigations into tax offenses.
263. Establishing the scope of the current system of tax offenses, additional elements of non-payment of tax duties, and the employment of professional intermediaries or shell or front companies for this purpose are the third objective of financial investigations. This objective

is a crucial part of the financial investigation into tax evasion, although it could go beyond proof in a particular case. In order to pursue the third objective, it is typically necessary to conduct a more thorough analysis of the circumstances in order to pinpoint individuals whose intention was to support the commission of tax offenses through the submission of fictitious documents, information about affiliated legal entities, and use of shell companies and offshore company bank accounts.

**Case study**

LEAs have conducted financial investigations and special operations to dismantle an international organized criminal group that supported officials from more than 2,000 legal entities in tax evasion, asset laundering, and other economic offenses in the EAG Member States and the EU using settlement accounts and information from more than 60 shell companies incorporated in one of the Member States,.

The group's illicit proceeds totaled more than 54 million US Dollars.

Following financial investigations conducted as part of intelligence operations, criminal cases involving unlawful acts, the laundering of illegal funds, and tax evasion against officials of legal entities have been initiated against the criminal group's organizer and active members.

264. The results of financial investigations into tax offenses may be used not only as proof of a specific offence but also as a basis for criminal proceedings against other suspects and for alerting international counterparts to the location of criminal activity carried out by identified assisting offenders or other people.
265. Offences involving unpaid customs charges. Financial investigations into the non-payment of customs taxes typically follow techniques that are similar to tax investigations. The distinction is that financial investigations necessitate extensive time and money for international cooperation.
266. One of the main objectives of financial investigations is to determine the actual cost of items moved across the border because customs duty evasion typically relates to underestimation of the cost of products subject to duties. These objectives may be accomplished through tracking the chain of payments for goods to find shady business practices and customs credit schemes (such as paying back import VAT when the goods are exported, etc.). Financial investigations may in this case make use of the expertise of specialists in valuation (for instance, the importation of a luxury car at an implausibly cheap cost) and accounting, as well as to determine the country of origin of items that were exempt from customs charges.
267. International cooperation procedures may be employed through MLA (where parallel investigations are being conducted) and through other available channels to track the flow of payments.

**Case study**

FIU has launched a financial investigation against domestic and international legal entities that could be related to tax and antidumping customs payments evasion when they import and sell car tires and alloy wheels on the domestic market, in response to a request from tax authorities. It was discovered that the owners and managers of a collection of businesses controlled and managed the legal entities and their accounts. In order to acquire information on cash flows and beneficiary owners of legal entities that were involved in the supply chain of financial and goods delivery activities, the FIU also sent requests to foreign FIUs. After reviewing the data, it was discovered that the owners and management of the company group had developed and run a plan to evade taxes and customs duties when car

tires and alloy wheels were imported and sold on the domestic market. Law enforcement and tax authorities received the findings of the financial investigation from the FIU; these findings are used to justify levying additional taxes. Law enforcement authorities have initiated criminal cases related to fraud-related offenses.

268. The following financial information may also be utilized to conduct financial investigations into tax and customs offenses:

- Information on cash flows for the examined period obtained from banks;
- Comparing information collected from tax/customs authorities about issued invoices with cash flows and identifying inconsistencies;
- An analysis of the buyers and sellers of tax-paying legal entities;
- Identification of counterparties who are suppliers and purchasers, as well as the estimated amount of tax and duty evasion by counterparties, and the total damaged caused by the entity under review;
- Registration information for the legal entity under review, as well as its counterparties-suppliers and counterparties-purchasers (to determine addresses of the registered offices of companies, bank accounts, details of founders, managers, accountants or persons responsible for accounting and submission of tax forms etc.);
- Information on the legal entity's founders, managers, and other participants (beneficiaries), including their addresses, location, criminal records, and whether they are subject to both civil and criminal liability;
- Data on conducted tax inspections and their findings;
- Information describing the financial and economic activities of the legal entity (movable and immovable assets, special machines and equipment, pension and social security contributions, licenses or authorizations to conduct specific types of activities, pledges, possible leasing and execution of government contracts, etc.);
- Data indicating whether counterparties are payees and whether the legal entities under examination still operate (if they were reorganized, liquidated, or became bankrupt, etc.);
- Data on the property status of people who are defendants in financial investigations,
- Financial records that have been publicly released, and
- Information on legal actions.

269. Financial investigations may qualify as such reasons for Member States whose laws stipulate that there must be enough information to initiate criminal proceedings. A tax authority's inspections or preliminary reports from experts qualified to determine the amounts due (tax, customs, government monitoring, audit, financial and other authorities) can be used to determine generated illicit proceeds or damage brought on by failure to pay taxes, duties, and levies.

270. Based on the established practices of financial investigations, it may be noticed that legal entities are actively misused to commit tax, economic and customs offences. Given simplifying the procedure for establishment and registration of legal entities in some EAG Member States, this issue became even more pressing. Shell companies are established to commit offences such as evasion of taxes, customs duties and issue of fictitious primary accounting documents; their objective is not to conduct entrepreneurial activities. Currently, fictitious establishment of a legal entity to be misused in criminal activities is quite rapidly



identified by fiscal authorities. A number of Member States employ relevant indicators of suspicion regarding the actions of legal entities; some of these might be made public. Signs of a shell company include the absence of an office, a lack of employees, a low authorized capital, and the "migration" of a legal entity inside the country. The majority of EAG Member States do not impose criminal liability on legal entities, but gathering evidence of an offense committed by a legal entity and placing it under administrative or civil responsibility may also be an objective of financial investigations.

**Case study**

In order to help fraudulent entrepreneurs avoid paying taxes to the government, Mr. K. issued fictitious invoices in the names of legal entities without actually performing the works, providing the services, or shipping the goods in exchange for payment. He knew that these people would demand his services to issue fictitious invoices without actual delivery of goods, completion of work, and provision of services.

In three cities between 2017 and 2018, Mr. K. established 17 companies for fronts that were actually owned and controlled by Mr. K. He did this with the help of Mr. N and Mr. Zh, two members of the organized criminal group.

271. Based on the specifics of the offense that was committed, the features of the relevant offense elements, the potential existence or absence of the laundering of unlawful proceeds, etc., the goals of financial investigations connected to different forms of economic offenses are determined.

*Specifics of financial investigations on offences of illicit trafficking of narcotic and psychotropic substances.*

272. Illicit drug trafficking is, first of all, a hundred million dollar worth criminal business which includes commodity flows, transport logistics and financial infrastructure and poses increasing threat to stability and security.
273. Criminal offences related to illicit trafficking of narcotic drugs, psychotropic substances and their precursors are one of the most serious types of predicate offences committed in the Eurasian region. Risk of legalization (laundering) of drug trafficking proceeds through the use of different schemes is assessed as high by almost all EAG member states. It should be noted that illicit trafficking of drugs on exceptionally large scale is often carried out by members of organized criminal groups, especially in case of illegal cross-border movement/smuggling of drugs. Typically, members of drug trafficking organizations have clearly defined roles and most of them even do not know other members of the organization, except for contact persons.
274. In this context, parallel financial investigations, along with criminal intelligence gathering and financial flow analysis, enable to establish links among different parties involved in drug trafficking business, identify all members of a criminal group, estimate criminal proceeds obtained by the group and trace further movement and subsequent use of these proceeds.
275. Unfortunately, in case of drug-related crimes, financial investigations conducted by officers of investigative agencies are often limited to inquiry into financial status of persons caught in the act (i.e. in process of selling or buying narcotic drugs), as a result of which financial element of a crime remains unascertained despite the clear evidence of crime.
276. With the development of non-face-to-face drug sale methods (through the Internet, messaging apps, etc.) and widespread use of electronic payment systems, virtual currencies, etc., financial investigations are becoming the key tool not only for locating and confiscating

criminal proceeds, but also for identifying perpetrators and facilitators of crimes. The use of virtual currencies, gaming crypto currencies, e-money and other similar means of payment makes it possible to break the link between drug dealers and drug buyers, which not only enhances secrecy and anonymity, but also makes funds appear to have come from a legitimate source. It is often difficult or even impossible to determine the exact moment when illicit funds obtain legitimate status. Funds paid for narcotic drugs, before they come into possession of a criminal, may remain in the official financial system, flowing through the network of financial intermediaries without any direct link to a particular drug deal.

277. Criminal groups can use several hundreds and even thousands of electronic means of payment that allow for multiple forms of payment. The range of the used means of payment constantly evolves – some means of payment may be used during a short period of time, while others may be used just occasionally. Evolution of financial systems and payment instruments in the member states makes it possible to make payment and receive drugs simultaneously, but in different places.
278. New schemes have been repeatedly detected where payment for narcotic drugs is made in crypto currencies which are sometimes hard to trace. Nevertheless, some mechanisms for identification of such transactions and application of provisional measures have been already developed and are used by the member states' law enforcement authorities. The most commonly used services include the following: Coinmarketcap explorer; Blockchain.com; Etherscan.io; Tronscan; CardanoScan; and Solscan.io. The EAG member states also use the Transparent Blockchain service for analyzing crypto currency transactions. This service is owned by the Russian Federation (Rosfinmonitoring) and is provided free of charge to the government authorities and law enforcement agencies of the partner countries.
279. In some cases involving very simple drug sale and payment schemes, money mules can be employed, whose accounts are used for accumulating funds and transferring money allegedly for other purposes, etc.
280. At present, a fairly large number of mechanisms are used for making payments for narcotic drugs, some of which are described in the EAG reports: [Features of Cross-Border Drug Trafficking Schemes and Legalization of Drug Proceeds with the Use of Electronic Payment Instruments](#)<sup>12</sup>, [Problem of Disclosing the Financial Element of Drug Trafficking Business](#)<sup>13</sup>, and [Laundering of Proceeds from Drugs and their Precursors Trafficking](#).
281. Financial investigation into each specific case definitely requires thorough planning with due consideration for the circumstances of a particular case. At the same time, it is possible to outline the main global components of examination of financial elements of illicit drug trafficking offences and identify the priority financial information sources used for this purpose.
282. The main components of financial investigations into this type of criminal offences may include the following:
- Examination of sources of funds used for acquisition of narcotic drugs by drug dealers;
  - Examination of financial status of drug dealers, their suppliers and intermediaries;
  - Examination of financial status of drug buyers;

<sup>12</sup> <https://eurasiangroup.org/d.php?doc=ac93ae6e3f242d1577577d257403aee1>

<sup>13</sup> <https://eurasiangroup.org/d.php?doc=7239312c0470d9fa162a04a1c785adec>

- Tracing further movement of funds (assets) received as payment for narcotic drugs;
- Identification of property purchased with the use of criminal funds;
- Identification of property of corresponding value in situations when drug proceeds are not found and seized;
- Identification of financial links of drug traffickers for assessing the scale of drug trafficking and distribution network and identifying facilitators and accomplices of drug dealers;
- Identification of property held by family members and other persons associated with a financial investigation target, that was purchased with drug trafficking proceeds or as a result of legalization of criminal proceeds;
- Identification of reverse flow of funds from sale of narcotic drugs that were illegally imported from abroad, including e-money and crypto currency transactions, physical transportation on money by cash couriers and hawala remittances;
- Identification of instrumentalities of crime (transport vehicles, etc.) and other property that is subject to confiscation.

283. Examination of sources of funds used for acquisition of narcotic drugs is very important for assessing the scope of activities of a group involved in illicit trafficking and sale of narcotic drugs (the group to which suspects belong) and for determining the organized nature and profitability of this criminal business. In many cases, narcotic drugs are transported from the place of their production to the final destination place before they are delivered directly to a distributor. Sometimes, narcotic drugs are produced in the same country where they are sold, while in other cases they are illegally imported from abroad. Examination and tracing of sources of funds used for acquisition of narcotic drugs and psychotropic substances by a drug dealer is not subject to proof in criminal proceedings, as it is sufficient to prove that drugs were handed over by a dealer to a consumer. However, examination and documenting of sources of funds allow for determining whether a dealer is an independent (lone) distributor or he/she is part of an organized group.

284. In the first case, understanding of sources of funds used for acquisition of narcotic drugs allows for identifying other potential criminal activity of a suspect. A distributor can use his/her own legitimate funds for acquisition of narcotic drugs for further sale, but he/she can also use funds obtained as a result of previous sale of drugs or proceeds of other criminal activity for this purpose. In view of this, a financial investigator can collect information on bank accounts, e-wallets and virtual currency wallets held by a suspect, determine the official income of the suspect and his/her family members and compare this income with the price of narcotic drugs and expenditures of the suspect in the investigated period. Analysis of transactions, remittances and property deals carried out by a suspect may allow a financial investigator to identify persons who supplied narcotic drugs to the suspect and determine the price at which they were acquired by the suspect. However, it should be noted that covert methods and schemes used for transferring funds for narcotic drugs are typically not directly associated with the supply of drugs. Funds transferred or handed over by an independent (lone) drug dealer for the supplied narcotic drugs can be disguised as payment for other goods, work and services, provision of financial support (donation), repayment of fictitious loans, paying off non-existing debts, etc. Tracing the reverse flow of funds from sale of narcotic drugs may enable investigators to locate the place of drug production (drugs labs) and, thus, confirm or disprove the existence of a drug importation channel.

285. Assessment and comparison of income and expenditures of a suspect may indicate that he/she is continuously involved in criminal activity, if the suspect obviously has no legitimate sources of income. In countries where the extended confiscation mechanisms are used, this component of financial investigation is very important for substantiating the need for extended confiscation in the course of criminal proceedings.
286. In the second case (where a suspect is part of a criminal group), a “reverse” financial investigation enables to determine the scale of a drug trafficking and distribution network and identify not only financial instruments used by drug traffickers, but also legal and natural persons employed for moving funds to a drug producer or organizer of a drug distribution channel. Where an organizer is not personally involved in production and transportation of narcotic drugs, detection of financial elements of this criminal activity may allow for identifying “shadow” owners and beneficiaries of this criminal business. Examination of cash flowing through accounts of money mules (“drops”) helps to reveal the scheme of integration of funds after they are received by different dealers/ distributors from drug buyers.
287. In the course of financial investigation into sources of funds used for acquisition of narcotic drugs, the investigators should keep in mind that funds may be transported and transferred through informal money transfer systems, which presents a particular challenge for investigation, along with difficulties in tracing virtual currency transactions. In such situation, criminal intelligence gathering, like eavesdropping, examination of phone contacts of suspects, interception of electronic (computer) communications, covert surveillance, may help to detect links and establish chains of connections among criminals. In order to identify couriers used for physical transportation of cash received from sale of narcotic drugs, customs officers should pay enhanced attention to persons who repeatedly transport large amount of cash typically in one direction within a short period of time. Such persons (cash couriers) often declare cash as their personal money, but have no sufficient sources of income.
288. A large number of legal entities, including those registered abroad, in jurisdictions with insufficient AML/CFT/CPF requirements, in offshore zones, etc., may be involved in a chain of financial transactions related to acquisition and trafficking of narcotic drugs. Usually, it is quite difficult to reveal links between financial transactions carried out by such legal entities and the drug trafficking and distribution channel, as all communications go through one or two individuals who personally contact both drug couriers and dealers and owners of companies that facilitate movement of funds.
289. Examination of financial status of drug dealers, their suppliers and intermediaries allows financial investigators to determine whether such persons are able to independently select drug trafficking and sale schemes and dispose of drug proceeds. When acquiring narcotic drugs for further distribution, large dealers often pay large amounts of cash that should be further moved and (or) integrated into the formal financial system in order to make these funds appear to have come from a legitimate source so that they can be used for enjoying a lavish lifestyle and financing other legitimate business activities. Thorough examination of schemes used for making payments for narcotic drugs enables investigators to identify intermediaries involved in the drug distribution chains and assess the scale of existing criminal group or organization.
290. There were instances in the international practice when the identified criminal groups included lawyers, financial experts, bank managers and dozens of natural and legal persons.

291. Further movement of funds (assets) received as payment for narcotic drugs may be traced in situations when funds paid for narcotic drugs are not seized and suspects are not caught in the act. Most often, such situations happen in process of criminal intelligence gathering with the use of such methods as controlled purchase, controlled delivery and sting operations aimed at identification of criminal groups that supply narcotic drugs to dealers.
292. This is due to the fact that it is these persons who derive significant criminal proceeds that could be used not only for satisfying personal needs, but also for financing extremist and terrorist organizations. In such situations, investigation includes examination of suspect's income, funds credited/ deposited into his/her bank and other accounts, sources of such funds and their legitimate origin. Financial investigators also examine and trace further movement of such funds with the help of international financial institutions, where necessary. Financial investigation may also identify property acquired with the use of criminal proceeds and secure confiscation of such property.
293. For this purpose, financial investigators not only examine and trace financial flows, but also analyze information on property registered by a suspect in the investigated period that could potentially be purchased with the use of criminal proceeds, scrutinize bank account activity of the suspect and his/her family members, and examine information on travels abroad, virtual asset transactions (where possible) and other financial information.
294. Like examination of sources of funds used for acquisition of narcotic drugs, tracing of criminal proceeds makes it possible to uncover criminal links of suspects and assess the scale of operations of criminal drug supply groups. In this context, financial investigation with the use of criminal intelligence gathering methods allows for revealing possible engagement of legal entities in drug supply and payment schemes.
295. Identification of property purchased with the use of criminal funds is an important element of financial investigations into illicit drug trafficking cases. It should be admitted that indirect proceeds of crime are seized just occasionally. For this purpose, it is not sufficient to simply examine financial status of a suspect and seize property belonging to the suspect and persons associated with him/ her. It is also necessary to identify sources of funds used for acquisition of such property and prove its link with criminal proceeds. Given that criminal proceeds are often used for deriving further profits/ benefits and purchasing property abroad, financial investigation aimed at identification of property acquired with the use of criminal proceeds takes long enough time and requires cooperation with foreign LEAs and FIUs. In the course of such financial investigations, it is also necessary to consider whether attempts have been made to conceal the origin of indirect proceeds, as such attempts may indicate potential money laundering.
296. In the process of financial investigation aimed at identification of indirect proceeds, it is also expedient to consider the purpose for which such indirect proceeds (assets) are spent, as illicit drug trafficking is one of the main sources of funding used by terrorists and terrorist organizations. There are cases recorded when indirect proceeds were further used for purchasing firearms, terrorist training and ideological propaganda. As mentioned above, transactions with funds and assets obtained as a result of illicit drug trafficking are not necessarily directly linked to this criminal activity and may be disguised as payment for other goods, work and services, delivery of humanitarian aid, provision of fictitious loans, etc. In view of significant difficulties in proving the entire cash flow used for acquisition of narcotic



drugs, funds generated by such financial transactions (when it is impossible to further trace them) may be qualified as indirect proceeds and confiscated.

297. In the course of financial investigations, special attention should be paid to legal entities (companies, foundations, etc.) used by criminals for co-mingling the proceeds of crime with the proceeds of legitimate business and further funneling them into the formal economy.

#### Case Study

Company A produced methamphetamine (psychotropic substance) at its production facility for the defendant - foreign citizen X. This was uncovered after interception (based on the received intelligence) of the car in which were defendant X, two foreign citizens Y and Z and the local driver. The police officers inspected the car and found nearly 1.566 kilograms of methamphetamine. Defendant X said that the methamphetamine was produced at the factory of company A. Subsequent search of the factory resulted in seizure 30 liters of liquid methamphetamine.

The parallel financial investigation established that company A was owned by defendant A, who was responsible for financial operations of the company. Another defendant B was responsible for blending and production of chemicals, including this psychotropic substance.

Defendant X paid remuneration to individuals A and B. Company A was originally created for production of hydroxylamine hydrochloride, hippuric acid and glycine. For this purpose, the loan was taken in bank A secured by the property of defendant A. But after the import duties were officially reduced, they could not compete with the Chinese products. With no production orders placed with their company which resulted in increasing financial losses, they decided to produce methamphetamine.

Proceeds from supply of narcotic drugs to foreign jurisdictions were transferred through non-bank channels and invested into different real estate property. It was also found out that the defendants were directly involved in sale of narcotic drugs in foreign jurisdictions.

The persons involved in this business made a fortune through this illegal activity and invested the obtained criminal funds into real estate property, including abroad. Criminal proceeds were transferred to foreign jurisdictions through shell companies as well as with the help of the defendants' family members and third parties. The investigators identified funds, bank accounts and other assets located in foreign jurisdictions that were subsequently seized.

The financial investigation also revealed that bank accounts of shell companies were used for converting cash into cashless funds that were subsequently cashed out from the accounts of these shell companies. The criminal proceeds were ultimately integrated by way investment into real estate property.

298. In such cases, the financial investigation findings may form the basis either for holding legal entities liable in those countries that impose criminal or other liability on legal entities for money laundering or drug trafficking, or may be treated as instrumentalities used for pre-agreed facilitation of concealment of criminal proceeds (aids in crime) or as instrumentalities of money laundering. The reviewed mutual evaluation reports of the EAG member states show that, in practice, no instances were recorded when legal entities were confiscated from their owners or liquidated for breaches of the legislation. In this case, insufficient understanding of the financial investigation goals may be one of the reasons of such situation.
299. Identification of property of corresponding value in situations when drug proceeds are not found and seized is the direct requirement set out in the FATF Recommendations. Any predicate offences as well as criminal activities in general are aimed at deriving material benefit. Creating the environment where a socially dangerous act committed by a criminal for financial gain will necessarily entail legal consequences in form of deprivation of criminal proceeds or if the criminal proceeds are lost or not identified – confiscation of the equivalent

value, will make predicate offences unprofitable. Drug traffickers obviously seek to conceal their criminal proceeds as soon as possible so that they cannot be found and seized. For this purpose, they launder and/or simply hide their criminal proceeds making them inaccessible by law enforcement and judicial authorities.

300. In this context, identification and seizure of property which value corresponds to criminal proceeds is an important tool for accomplishing the financial investigation goals.
301. Financial investigators should keep in mind that criminals typically do not register property in their own names and do not hold funds in their personal bank accounts. In such situation, financial investigation should seek to: identify persons who are associated with suspected criminals (relatives, friends, close associates, etc.) or whose financial activity is effectively controlled by suspected criminals (affiliated legal entities, money mules, socially disadvantaged individuals, cash couriers, businessmen and entrepreneurs dependent on drug dealers, etc.); identify property and funds in their possession that could be related to criminal activities of suspects; prove that such property is in fact managed by suspects; ascertain actual ownership of such property and funds by suspects; and secure its confiscation as property of corresponding value.
302. For this purposes, financial investigators can use accessible sources of financial information (information from banks, registration authorities, etc.) as well as other information that enables to uncover links between criminals and third parties (information on mobile phone contacts and location in areas covered by basic mobile communication stations; travel information, including information on cross-border movements; information from financial institutions, notaries, government authorities and other organizations on persons who were present at the time of financial transactions, registration of property, issuance of powers of attorney, etc.; information from databases on citizens, their registration, employment and relatives; intelligence concerning associates of suspects and other intelligence findings, information on registration of legal entities and their beneficiaries, etc.).
303. Identification of financial links of drug traffickers for assessing the scale of drug trafficking and distribution network and identifying facilitators and accomplices of drug dealers is generally performed by way of establishing all aforementioned facts and circumstances. Most actions undertaken in the course of a financial investigation for identifying sources of funds used for acquisition of narcotic drugs, cash flows and property purchased with the use of criminal proceeds create prerequisites for identification of drug trafficking beneficiaries and other persons involved in drug trafficking process (producers, couriers, retailers, transporters, supervisors, accountants, lawyers, corrupt officials, leaders of criminal groups and organizations, etc.).
304. At the same time, certain actions in the course of a financial investigation should be planned and taken for verifying the existence of an organized drug supply channel and a system of drug distribution, money laundering and subsequent use of laundered drug proceeds.
305. With the development of modern technologies, drug distribution methods gradually evolve into non-face-to-face schemes with the use of e-money and virtual assets as means of payment for narcotic drugs and in creation of online stores that sell narcotic drugs in the Darknet. At present, identification and investigation, including financial investigation, into illicit drug trafficking with the use of modern technologies is of the top priority.

306. There are many documents and events related to investigations into activities of organized criminal groups and operation of large-scale online drug distribution networks. The FATF issued a separate guidance on financial investigations in virtual asset sector. As this issue (financial investigations related to virtual assets) is a separate one, this document does not seek to present a detailed analysis of this issue. However, irrespective of methods and mechanisms of use of e-money and virtual assets in context of financial investigations, they generally pursue the same goals and objectives in context of drug trafficking investigations.

#### Case Study

The court found six persons guilty, four of whom were the members of the criminal groups involved in illegal sales of narcotic drugs in one of the member states.

The criminal group had the hierarchical structure and consisted of several interrelated units. The criminal group was headed by the “leader” known under the nickname. The “regional supervisors” helped the “leader” in arranging channels of distribution of narcotic drugs and psychotropic substances (one of the “regional supervisors” also used the nickname for additional secrecy), while the “interregional couriers” delivered narcotic drugs and psychotropic substance to particular cities. The criminal group had several regional units. The group employed the so-called “storekeepers”, whose role was to receive large shipments of narcotic drugs and psychotropic substances from senior members of the group (drugs were hidden in certain places), store them, make new types of narcotic drugs of them, pack and place drugs in “wholesale stashes”, and provide description of location of these stashes to the “regional assistants”. The group also included “wholesale stashes” and “retail stashes”. The “wholesale stashes” received wholesale quantities of narcotic drugs and psychotropic substances (drugs were hidden in certain places), split them into smaller batches and placed these batches in “wholesale stashes”. The “retail stashes” sold packed batches of narcotic drugs and psychotropic substances to consumers by placing them in “stashes”.

Heads of the regional units of the criminal group used the Telegram messenger to covertly run the criminal business. The regional units also had their own “wholesale stashes” and “retail stashes”. Since the members of the criminal group sold narcotic drugs and psychotropic substances with the use of remote technologies, drug buyers made payments to accounts opened with one of the payment service systems communicated to them by the “customer service operator”.

Part of the funds accumulated in these accounts were used for payment of regular remuneration to the criminal group members by way of wire transfers to their accounts registered with the payment service system or by way of cashless transfer of funds into Bitcoin-wallets. Some of the criminal group members exchanged the received bitcoins for the fiat currency through the cryptocurrency exchange for giving the appearance of legitimate possession of these funds.

307. Identification of financial links of drug traffickers for assessing the scale of drug distribution network and identifying facilitators and accomplices of drug dealers requires thorough examination and analysis of transactions carried out by suspected (natural and legal) persons involved in collection of funds received from sales of drugs or in movement and laundering of such funds. The important role in such investigations is played by the FIU as it is capable of analyzing a large number of transactions carried out by different persons for identifying common indicators (the same recipients of payments; the same amounts of funds received from the same person during a certain period of time; use of payment terminals for depositing funds into e-wallets; transfer of funds from “accumulating” e-wallets to bank cards and e-wallets on websites of cryptocurrency exchanges, and many other indicators).

308. With the extension of scope of financial analysis from money mules to non-resident natural and legal persons that receive funds in the period of operation of existing drug distribution network, the analysis conducted as part of a financial investigation covers increasing number of transactions. This includes not only financial transactions, but also information on registration of property in the investigated period, criminal intelligence provided by the relevant authorities, findings of criminal investigation and (which is no less important) information received from foreign partners.
309. In certain cases, analysis of these data in aggregate allows for drawing a conclusion about existence of transnational drug trafficking and distribution networks. In these circumstances, financial investigations should be extended and be conducted jointly with foreign partners at the international level. The experience of joint international operations with involvement of Interpol, Europol and the EAG member states and with the use of LEA cooperation mechanisms of CARICC and other regional and international organizations shows that successful disruption of drug trafficking-related financial flows requires concerted efforts of financial investigation agencies of different countries.
310. Identification of instrumentalities of crime (transport vehicles, etc.) and other property that is subject to confiscation is primarily the responsibility of preliminary investigation authorities. It is the criminal prosecution authorities that are responsible for documenting traces and instrumentalities of crime. Nevertheless, in case of complex investigations into drug trafficking cases, financial investigations may help criminal investigators to identify and detect items and documents used as instrumentalities of crime. For example, analysis of commercial and financial documents of legal entities involved in trade in medicines containing drug or psychotropic substances may indicate possible illegal sale of such medicines, identify transport vehicles used for transportation of these medicines, uncover documents issued for cross-border shipment of the medicines and reveal other instrumentalities that facilitated criminal activities.

Specificities of financial investigations into criminal offences committed by organized groups

311. A distinctive feature of organised groups and criminal organisations is the active introduction and use of new technologies for the purposes of criminal activity.
312. Besides that, new technologies have become the main durable tools exploited by organized criminal groups. Document forgery, money laundering, online sales of prohibited goods and services and bank fraud are among their main drivers. Sometimes they disguise themselves as cooperative credit associations exploiting, *inter alia*, imperfect regulatory framework for this purpose.
313. Organized groups and criminal organizations illegally derive income from legitimate sources and also obtain criminal proceeds from illegal sources. They often co-mingle criminal proceeds with income from legitimate business/ sources in order to conceal origin of criminal proceeds so that they looked taintless. They use wire transfers and hawala channels to move their funds to offshore zones.
314. In process of financial investigations into criminal offences committed by organized groups and criminal organizations, investigators, apart from using the existing financial investigation mechanisms and tools, also collect information on the use of information technologies, accounting data, information on bank accounts, investments and property of founders, companies, firms and individuals and conduct inspections in any place where criminal proceeds were moved and funds were diverted. Financial investigators also follow the money

trail where monies are laundered, invested or converted into new high-tech instruments, such as digital currency, as organized groups and criminal organizations often launder their criminal proceeds abroad disguised as trade income, loans, etc.

***Financial investigations for the purposes of countering the financing of terrorism.***

315. Detection and investigation of crimes related to financing of terrorism—a reasonably sensitive information for the EAG Member States which affects the information on the financial investigations procedure accordingly.
316. Financial investigations in the area of combating the financing of terrorism are conducted primarily for achievement of the following objectives:
- To establish the amount of funds allocated or intended for financing of terrorism, to locate and ensure seizure of the funds and their equivalent;
  - To identify sources of funds for financing of terrorist activities;
  - To identify the ways of funds raising for the purposes of terrorist activities associated with financial area;
  - To detect and track financial flows of international terrorist organizations;
  - To establish facts of financing of individual terrorists, including foreign terrorist fighters (FTF);
  - To identify associates and sponsors of terrorist activities, including those who provide financial support to terrorists and terrorist organizations.
317. Financial investigations in the area of combating the financing of terrorism can be conducted for other purposes too, including those aimed at assisting investigation into terrorist activity cases, for example, for establishing involvement of terrorists and their associates in committing other predicate crimes.
318. The main goal of financial investigations related to the terrorism financing crimes is to study the mechanisms of raising, moving, and using funds for terrorist activities. Furthermore, such financial investigations make it possible to establish lawfulness of the sources of acquisition of funds allocated to TF, gaps in control of financial products and information technologies being used for raising and moving funds, financial interrelations between participants of terrorist organizations and their associates, as well as interrelations with lawfully operating legal entities and non-profit organizations.
319. In addition, financial investigations make it possible to detect schemes for avoiding the implementation of targeted financial sanctions against persons on the sanction lists of the UN Security Council and national lists of persons involved in terrorist activities. It should also be stated that financial investigations related to financing of proliferation of weapons of mass destruction can be conducted according to similar procedures and for the above mentioned purpose.

***Specific features of financial investigations for detecting the ways of funds raising for the purposes of terrorist activities***

320. One of the common ways of funds raising for accomplishment of terrorist activity purposes is resorting to close relatives and friends of members of a terrorist organization. Therefore, a mandatory requirement is to establish a circle of relatives and friends of every subject of the terrorist organization in order to track money flows.



321. Currently, funds from external (outside the jurisdiction) and internal sources are used for financial and material and technical support of terrorist groups and individual terrorists. In the presence of facts of financing from relatives and friends, financial investigations should involve collection and analysis of movement of funds from relatives and close ones (friends) of terrorists, both within and outside the country. In case suspects have funds in bank accounts and cards, it is necessary to obtain information on account and card activity. In some cases, persons who provide assistance to terrorists make transfers using cards registered in other countries or through various payment systems as a means of partial confidentiality or payment facilitation. In such cases, persons conducting financial investigations should obtain information on transactions performed by suspects and on the financial instruments they use from national or foreign payment systems.
322. The most challenging task here is to track transactions conducted in virtual currencies. In this case, apart from establishing the available data on whether a person who transferred funds for terrorists' needs had a crypto wallet, financial investigations must focus on joint efforts in cooperation with foreign colleagues aimed at collecting data on crypto wallets being used by terrorists and their associates, bank accounts, electronic wallets, corporate affiliates, etc.
323. Examination of mobile devices, computer equipment of suspects and their affiliates concurrently with the financial investigation during the preliminary inquiry allows detection of social network and post service accounts on the Internet, while comparison of information therein with financial data allows tracking the financial sources and resources that were used for funds raising purposes.
324. Funds raising can also be performed through controlled legal entities or non-profit organizations. In this case, a careful examination of financial transactions of such subjects and of other data is necessary (registration time, declared activity, actual performance of entrepreneurial activity, etc.). Examination of such issues usually requires engagement of the relevant specialists and experts in documentary due diligence and audit.

**Case Study**

In April 2018, the court examined a criminal case against individual "T" who, acting in a group of persons in collusion, performed provision, raising of money and financing of persons carrying out terrorist activities. While staying in a zone of enhanced terrorist activity, a spouse of a member of "armed jihad" carried on correspondence with a spouse of individual "T" through a social network on the Internet and asked for financial assistance to be transferred to recipient "O" against details. Individual "T" had sympathized with the members of Da'esh international terrorist organization and, having colluded with individual "Sh", replenished the card account of the latter with about USD 230 via a payment terminal. Individual "Sh" cashed out the said amount using his bank card. For fear of criminal prosecution, individual "Sh" asked an unknown individual "D" to transfer funds against the details to recipient "O" and offered about USD 5 for this service. Individual "D" agreed and made a transfer of about USD 210 via a payment system against the said details and received for this about USD 5. Actions of individual "T" were qualified as "raising money and financing persons who carry out terrorist activities by a group of persons in collusion", with imposition of imprisonment for six (6) years. Case files with regard to individual "Sh" were severed from other charges.

325. For better understanding of detailed methods of terrorism financing, in October 2023, the FATF adopted a typologies report Crowdfunding for Terrorism Financing. This document covers risks associated with crowdfunding, including donation based crowdfunding, which is the most vulnerable method in terms of TF abuses according to the global Internet.

Crowdfunding activities have been on the upgrade and are expected to grow further and develop in the coming years.

326. A person carrying out financial investigation of the sources of funds raising and transfer of funds for terrorist activities must pay attention to the actual usage of funds so as to build up an overall picture of raising and moving funds for terrorist activities.

*Specific features of financial investigations for detecting and tracking financial flows of international terrorist organizations*

327. Activities of international terrorist organizations are most hazardous in terms of terrorist activity and challenging in terms of identification of their financial standing and support. Major terrorist organizations have a significant number of dummy individuals and legal entities for disguising their financial activities for terrorist purposes. Many studies at the FATF site (for example, regular updates of examination into sources of financing ISIL, Al-Qaida and affiliated terrorist groups, the report Financing of the Terrorist Organization Islamic State in Iraq and the Levant (ISIL) (2015)<sup>14</sup>) show that terrorist organizations have a wide range of financing: from criminal proceeds of human trafficking, prostitution, extortion, kidnaping, and drug traffic to trade in various products, including mineral resources.
328. Therefore, financial investigations of financing of terrorism should involve application of all the procedures previously referred to herein and all available sources. This and the information on financial transactions and on contacts of persons (individuals and legal entities), tracking the acquisition and movement of assets, identification of financial contacts of members of terrorist organizations and persons controlled by them with corrupt officials in various jurisdictions. Financial investigations with regard to terrorist organizations must include testing them for cooperation with the best known professional money laundering systems, offshore agents and intermediaries.
329. These financial investigations face a problem of tracking the cross-border transfer of funds by various means, such as trade, trust, payment for products and dummy services. Therefore, it is necessary to track cross-border flows of money sent to dummy persons, organizations, charitable organizations, non-profit organizations for the purpose of tracking financial flows to international terrorist organizations. Moreover, it is necessary to track an informal network Hawala since it remains among the most popular illegal systems of money / values transferring.

**Case Study**

K had actively made himself familiar with materials of terrorist organizations on the Internet since January 2018. Subsequently, he joined one of the terrorist organizations and met with opinion allies, including Z. In May 2019, K arranged with Z the financing of a terrorist organization having raised USD 1 thousand. They delivered the funds to Kh “bayt al-mal” (an informal “treasurer” of the terrorist organization), but he was arrested by law enforcement authorities and the funds were taken from him. In 2020, K and Z were found guilty of terrorism financing and other crimes. K was sentenced to imprisonment of 11 years and 6 months, Z was sentenced to imprisonment of 7 years and 6 months.

330. Financial investigations should pay individual attention to detection of methods and mechanisms of financing of ideologic training and recruiting for participation in activities of

<sup>14</sup> FATF documents related to countering TF are subject to restricted access policy and can be obtained by officials of competent authorities conducting financial investigations through the relevant delegations of member states.

terrorist organizations. In many cases, such propaganda and ideology are disguised as charity work that involves raising funds from ordinary nationals and philanthropists. Investigations must detect a clear structure of building and using the capital of terrorist organizations in a given jurisdiction as a minimum. In case a cross-border component is detected during the financial investigation, joint international financial investigations must be initiated.

#### Case Study

Being an associate of Hayat Tahrir al-Sham group, which was headed by fighters of Jabhat al-Nusra international terrorist organization, and an adherer of radical religious views and “armed jihad” ideology, K exercised terrorism propaganda in his inner circle through Facebook social network. Using Facebook social network, K entered into correspondence with an unknown fighter (religious name Abdulloh) of Hayat Tahrir al-Sham group in the Syrian Arab Republic (hereinafter referred to as SAR) and communicated to him ideas about departure to SAR, approval of fighters’ actions involved in the so-called “armed jihad” and offered material assistance for support of the “brothers”. Being aware of the terrorist activities of some fighter named Abdulloh, K transferred money through mobile application of a bank to a foreign bank card in the name of individual B. In doing so, K financed terrorism through provision of money to an individual or to a group of persons while being aware of the terroristic or extremist nature of their activities. The court found K guilty and sentenced him to imprisonment for 5 years and 3 months.

331. During financial investigations into using non-profit organizations for the needs of terrorist organizations, one should take into account that the greatest risk is faced by those non-profit organizations that provide services and operate in the locations under an active terrorism threat. This can cover non-profit organizations operating in zones of conflict under an active terrorism threat. However, this can also be applied to non-profit organizations operating at home but working with population groups that are actively involved by terrorists into provision of support and cover. Diversion of money is one of the key ways of unlawful use of significant financial resources available in the sector of non-profit organizations. These organizations can also be used for interfacing with terrorists, financing (assisting) recruitment or as misguided parties for the purposes of financing terrorist organizations. In these cases, financial investigations must focus on examination of financial activities and flows of a non-profit organization, financial standing and contacts of its members and directors, identification of persons who received material assistance in order to detect terrorists and their associates and verify philanthropists of the non-profit organization and financial transactions performed by them. Rich donors, if any, close to the terrorist group must be examined for establishing the amount of funds allocated to financing terrorism. In June 2014, the FATF issued a report Risk of Terrorist Abuse in Non-Profit Organizations which can be used during financial investigations.

#### Specific features of financial investigations for establishing facts of financing individual terrorists, including foreign terrorist fighters (FTF)

332. UN Security Council Resolution 2178 (2014) defines FTF as individuals who travel to a state other than their states of residence or nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training, including in connection with armed conflict.
333. In 2023, the EAG published an updated report on the FTF financial profile.<sup>15</sup> According to the demographic characteristic, these are mainly males at the age ranging from 20 to 40 (in

<sup>15</sup> <https://eurasiangroup.org/d.php?doc=e269f8aac9efb2bc9f1b7df87a5645ff>

- certain cases, under 60 years of age) having secondary (incomplete secondary) or secondary vocational education, unemployed or without a full-time job, and typically in financial straits.
334. This knowledge of the demographic and social portrait of FTF allows the person conducting the financial investigation to develop and verify the most probable and unbiased versions of financing specific FTFs. An unemployed person facing social problems is unlikely to have a range of (dummy) legal entities or individual business for financing one's terrorist activities. Such persons usually receive financing from their own relatives and friends who may or may not be aware of real essence of their actions or from third-party associates of terrorist groups and organizations that transfer money to support FTFs and their family members.
335. Based on the developed versions, one should plan the relevant actions aimed at collecting financial traces and evidence.
336. For example, in order to establish the connection of terrorist groups and their associates with financing individual terrorists, including foreign terrorist fighters (FTF), one should establish that the funds provided are associated with such organization / persons / their accomplices. Bank accounts of individual terrorists and their accomplices / family members must be closely examined for determining the scale of financing. In case of FTF financing by terrorist groups, they open cards with banks shortly before the beginning of money receipt. In many cases, terrorists advise FTFs on the banks for opening accounts based on the existing practices of concealing the true goals of money transfer and information on the gaps in the compliance services' work. In addition, it is necessary to track financial flows of local Hawal dealers in order to find out the ways of financing individual terrorists. An important tool is application of secret controls and information collecting media.
337. FTF recruitment builds on radicalization, while the main channels for spreading the ideas of violent extremism actively used by leaders, ideologists and followers of international terrorist organizations for attracting FTFs are social networks, messengers and other media resources on the Internet. All these sources and means of propaganda must be examined as part of financial investigations.
338. According to the conclusions of the report on assessment of TF risks in the Eurasian region, funds for the above purposes can also be obtained from ethnic diasporas living abroad. The Internet functionalities are also actively used for funds raising. More common are fund raising efforts by deceiving the world network users (under the guise of charitable assistance, support to wrongfully convicted, etc.). Illegal ways of funds raising are dominated by earnings from illegal drug trafficking, property crimes, as well as smuggled foreign cash and cash instruments payable to bearer.<sup>16</sup>
339. The indicators of suspicious transactions stated in the above mentioned study of FTF financial profile can be useful to the persons conducting financial investigations for identifying associations with terrorism manifestations at the time of analysis of suspects' bank card transactions, electronic transfers, transactions in virtual assets, remote banking, etc. Through detection of suspicious operations in the financial transactions of persons during such analysis, the subjects of financial investigations can draw an independent inference about connection of these financial flows with terrorists or their associates.
340. Financial investigations should not ignore the contacts of FTFs because apart from being actively involved in terrorist activities, such persons often involve in them people from their

---

<sup>16</sup> [https://eurasiangroup.org/files/uploads/files/Summary\\_RRA.pdf](https://eurasiangroup.org/files/uploads/files/Summary_RRA.pdf)

circle. Therefore, analysis of financial transactions of FTFs and persons associated with them can allow, for example, detection of facts of receiving money from the same subjects, which can be indicative of identifying a person financing the activities of FTF and individuals involved by them, including the so-called sponsors of terrorist groups and organizations.

*Specific features of financial investigations for detecting associates and sponsors of terrorist activities*

341. In most cases, detection of associates and sponsors of terrorist activities by means of financial investigations is a logical parallel result of examination of financial activities and aspects in all of the above listed situations. Examination of the ways of raising and transferring money can involve identification of persons investing financial resources into propaganda, alleged charity work, direct terrorist financing. Investigation into the FTF financing scheme can allow establishing persons who provide support to terrorists and their family members. While examination of financial aspects of activities of terrorist groups and organizations allows detection of entire “financial systems” built up by terrorist organizations to support their welfare, carry out and develop terrorist activities.
342. However, there are independent lines of financial investigations aimed at identifying associates and persons sympathizing with terrorists. Such verification actions of financial investigations usually focus on examining financial transactions of persons whose involvement in terrorist activities has not been directly proven and when examination of transactions or operations pursues goals other than checking the connection with specific terrorist acts or organizations. For example, examination of information on persons who register in their names many mobile operator numbers can result in detecting persons who provide terrorists with confidential communication means.

**Case Study**

Operational and search actions resulted in establishing individual A who was an adherer of a radical religious ideology and provided services to individual N, a member of Da'esh international terrorist organization (put on the international wanted list for commission of a crime of terrorism) through purchase of mobile operator numbers for use in Internet messengers. According to the court verdict, individual A was found guilty of providing services to an individual while being aware of the terroristic nature of his activities and sentenced to imprisonment for 4 years and 6 months and confiscation of property.

343. During such financial investigations, one should pay attention to details of payments to religious centers and non-profit organizations, analyze financial transactions of persons put on the UN sanction lists and national jurisdictions' lists.
344. For the purpose of detecting associates and sponsors of terrorists, financial investigations can focus on financial transactions of individual categories of persons: involved in illegal trafficking of explosives and explosive devices; persons whose production or official activities were associated with manufacture, storage, transportation and usage of weapons, ammunition or explosives; leaders and fighters of organized groups, criminal communities (criminal organizations); ex-servicemen found to be connected with criminal structures; persons having experience of warfare; mentally sick persons (including pyromaniacs) stating aggressive intentions; participants of conflicting or vandal groups of teenagers and youth; members of informal extremist groups that repeatedly violate public order, etc. Financial transactions of such categories of persons are usually analyzed during financial investigations by officials of authorities carrying out operational and search activities as part of operational and search actions for the purposes of FI.



345. Other non-financial sources of information acquisition can be used for collection of evidence of financial support to terrorists during financial investigations, including secret sources with regard to all accomplices and adherers if any are established. Bank accounts of adherers, brothers-in-arms and their family members must be closely examined for determining the amount and sources of financing.
346. Persons carrying out preliminary investigation or operational and search activities can facilitate achievement of the objectives of the financial investigation in detecting the associates and sponsors of terrorists by performing a list of operational and search actions aimed at monitoring the Internet, social networks and messengers, various social groups, etc. In many cases, proper interaction of the subjects of financial investigations, law-enforcement officers and investigative officers has crucial importance.
347. In general, terrorists use the methods similar to money laundering for disguising their activities in order to avoid attention of regulatory and investigative authorities and to protect the identity of sponsors and the final recipient of funds. They also use various new technologies for movement of illegal money, including trade-based money laundering, electronic commerce, trade in products, precious metals, virtual currency. Old methods of physical assets movement are still wide-spread, including transportation of cash, gold and other values via smuggling routes.
348. A financial investigation should find out the source of funds, the way they came to banking channels and if not through banking channels, whether they were received through informal payment systems, barter trade or money laundering. It is necessary to establish how and to whom the funds were allocated and if the funds have been invested into any property, whether this property still exists or has been lost.
349. Considering that the funds for terrorism financing shall be subject to confiscation, a parallel financial investigation should also focus on locating, seizing them and ensuring subsequent confiscation. In case of loss of property or funds for terrorism financing, the parallel financial investigation must ensure seizure and withdrawal of the relevant equivalent of such funds.
350. Some of the methods used by terrorists for financing are banking channels for receiving foreign money transfers, authorized money transfers services. Such funds arrive to saving accounts in small amounts from different locations and are cashed out via ATMs. Accordingly, a financial investigation should also involve the analysis of cash withdraws from ATMs by specific persons within national or international payment systems.
351. The said lines of financial investigations for the purposes of terrorism financing combating are not exhaustive. The persons conducting financial investigations should take into account specific details and facts of circumstances examined by them and develop on their basis complicated versions of possible use of financial assets for performing and supporting terrorist activities and carry out measures aimed at verification thereof.

## **Chapter VI. Peculiarities of financial investigations in relation to their subjects. Private sector involvement in financial investigations**

### ***Specifics of financial investigations by financial intelligence units (FIUs).***

352. As noted in the FATF Financial Investigations Guidance, FIUs are among competent authorities (along with intelligence units of law enforcement authorities or other competent

authorities) which can initiate or facilitate improvement of quality of financial investigations. The main function of FIU is analysis of collected information and transfer of the analysis results. The analytical potential of the FIU allows it to create various intelligence software products that can be useful for investigative authorities.

353. Specific features of financial investigations conducted by the FIU and results strengthening depend on several factors and, primarily, on the organizational and legal status of the FIU. Law enforcement FIUs are provided with operational or investigative units and can concurrently perform the tasks of financial investigations inherent in the FIU as a financial intelligence authority, as well as handle or participate in handling the tasks of financial investigations of the law enforcement unit.
354. A financial investigation conducted by the FIU is a process of collecting, processing and analyzing information and other materials for the purpose of discovering and documenting the facts that serve as reasonable grounds evidencing that transactions and deals are associated with money laundering or terrorism financing or circumstances of a predicate crime. The main stages of such investigation: “initial analysis” (information search, analysis, assessment and selection of data from databases and external information resources), “initial inspection”, and “in-depth financial investigation”. The latter is aimed at additional collection of data (including submission of written requests to public authorities, credit and non-credit organizations and financial intelligence units of foreign states), analytical processing and assessment of obtained information for sufficiency of grounds evidencing that transactions (deals) are associated with money laundering or terrorism financing.
355. While performing financial investigations as one of the functions of financial intelligence, the FIU pursues the preventive function—to identify risks of possible performance of financial transactions (deals) for the purposes of committing predicate crimes and money laundering—as well as the law enforcement function—to assist competent authorities in discovering, suppressing, investigating and legal prosecution of laundering the proceeds of crime and terrorism financing, predicate crimes, including the identification of the facts of association of financial transactions with proceeds of crime, money laundering, interaction with law enforcement and tax authorities for the purpose of discovering property and other assets obtained by criminal means or belonging to persons involved in investigations for the purpose of seizure and confiscation thereof.
356. Financial intelligence units initiate financial investigations and criminal proceedings through transferring the materials of the analysis of financial operations and transactions, verification of suspicious transaction reports, and information received from the foreign partners to prosecuting authorities and operational and search authorities. However, the information is not necessarily related to new crimes investigation into which is still underway. The FIU can provide new analytical data to the financial investigation being conducted so as to support the versions and lines of the financial investigation, as well as to define new examination tasks, to reveal previously unknown property, to obtain critical financial information from abroad for preparation of the relevant requests for mutual legal assistance.
357. When submitting requests for assistance in the financial investigation to the FIU, the authority conducting this investigation should remember that due to the specifics of the FIU activities, the final decision on whether to provide the information is taken by the FIU at its sole discretion. This is conditional on several factors. First, activities of the FIU are confidential, i. e. analysis of financial transactions is performed without notice to the person in question

and predominantly without any restrictions on obtaining bank or other secrets. Second, the FIU's information does not have any predetermined evidentiary effect and requires assessment and verification like other evidence. Third, information obtained from foreign partners of the FIU can only be used by other authorities and for the purposes other than those for which it was requested with the consent of partner who provided such information. However, this should not deprive competent authorities of their right to submit requests for financial information to the FIU, as specified in the FATF Recommendations.

358. Effective financial investigations are characterized by heavy use of the FIU information by the law enforcement authority, information sharing and engagement of experts. To conduct a successful and effective financial investigations, one may need to obtain and use results of financial analysis performed by the FIU, as well as to ensure a proactive information sharing between the FIU and prosecuting authorities.
359. The FIUs have quite large capacities in the states: from obtaining a comprehensive range of financial information to availability of various software suites that allow on-line analysis and comparison of data on transactions, property registration, personal relations, affiliation of legal entities, movement of persons, etc. Results of this analysis are an essential component of financial investigations.
360. Analysis of data from suspicious transaction reports is also an important data source created by the FIU during its financial investigations. This line of financial investigations conducted by the FIU is quite specific. As a rule, STR analysis data cannot be entirely used as evidence in court. However, it seems that in cases where STR analysis is carried out using other resources and mechanisms of the FIU, including analytical software suites, feasibility of its findings can be quite high, which should be taken into account during the financial investigation.
361. Information contained in the STR at the time of check across the FIU databases can supplement the cases of money laundering and terrorism financing under investigation, help in localization of laundered proceeds and money intended for use by terrorists, assist investigators in gathering other pieces of information, provide information on the location of criminal money intended for use by terrorists, as well as information on when and where this money was transferred and what methods were used for this purpose.
362. In particular, it is necessary to mention applicability of information that constitutes bank secrets or other legally protected secrets and that is obtained by the FIU during the investigation which is generally provided by the FIU, as mentioned above, without any restrictions. Such information should be used in subsequent investigations (financial or criminal) with due account for the fact of non-compliance with the procedure for obtaining such information as applied to the criminal prosecution purposes.
363. Despite the fact that usually, the FIUs do not directly conduct parallel financial investigations, their information provided upon requests of law enforcement authorities can have a significant impact on the quality of the conducted investigation.

***Specifics of financial investigations by preliminary investigation and inquest bodies.***

364. Prosecuting authorities are the main subjects of financial investigations. They are responsible for investigating predicate offences and ML. As a result, in practice, in most cases they either conduct parallel financial investigations themselves or initiate FInv.

365. The specificity of financial investigations by prosecuting authorities is mainly due to their scope of powers in criminal proceedings and their obligation to comply with the procedure for gathering and preserving evidence.
366. In the first place, prosecuting authorities aim at the detection and suppression of criminal offences by conducting an objective and comprehensive investigation of the circumstances of the act under investigation. In this respect, the main task of prosecuting authorities in the field of financial investigation is to conduct parallel investigations aimed at gathering evidence of criminal proceeds, establishing their amount, ensuring the seizure of such proceeds and other property subject to confiscation, as well as property of equivalent value. The subject matter of research in financial investigations coincides with the subject matter and limits of proof in a criminal case and is the direct responsibility of the investigation and inquiry authorities.
367. The peculiarity of financial investigations in this part lies in the fact that the prosecuting authorities use the investigation methods and types of investigation and other procedural actions provided for by the criminal procedure laws to conduct parallel financial investigations. Prosecuting authorities are obliged to strictly and diligently respect the rights and legitimate interests of persons under investigation or whose interests are affected by procedural actions. In this case, the conduct of parallel financial investigations is public in most of them, and deviation from the requirements of the law is inadmissible. Violation of constitutional rights and procedural norms in the conduct of parallel financial investigations leads to the inadmissibility of the evidence obtained and, as a consequence, becomes an obstacle to the achievement of the objectives of the investigation, including the seizure of criminal proceeds.
368. The range of mechanisms available to prosecuting authorities to achieve the above-mentioned objectives of parallel financial investigations is quite wide, including the possibility to involve other competent authorities in the FInv and to carry out some covert activities, which, however, do not change the public nature of the whole investigation. Compared to the authorities carrying out OIA (operational and investigative activities), financial investigations of prosecuting authorities are more of an analytical process of studying documents and comparing facts in order to better understand the crime and the movement of financial flows, criminal assets, etc. The activities of the authorities carrying out OIA are usually aimed at collecting such documents and establishing facts and are carried out in a covert manner.
369. In this regard, it seems that when deciding whether to conduct financial investigations by investigation or operational authorities, attention should be paid to the possible positive and negative aspects of conducting financial investigations by overt and covert means.
370. However, the aims and objectives of financial investigations conducted by the prosecuting authorities are not limited to investigating the circumstances that form part of the subject matter of the evidence. As already mentioned, the subject matter of financial investigations goes beyond that; financial investigations should also investigate the financial circumstances of the activity preceding the offence, such as the source of funds for the commission of the offence, the means and instrumentalities of the offence and the sources of funds for the financing of terrorism. In order to investigate these circumstances, there are two approaches to financial investigation that can be used in relation to the direct investigation of a criminal case.
371. The first approach is to investigate these issues in parallel with the investigation of the ongoing criminal case, in cases where conducting a parallel financial investigation separately

- could significantly affect the objectivity of the main investigation of the criminal case, or where the preliminary investigation authorities have sufficient time to conduct a financial investigation in this part. For example, investigating the sources of terrorist financing during the course of the TF investigation itself may provide the prosecuting authority with evidence of a sustained and organized scheme to raise funds to support terrorists, which is an aggravating circumstance as compared to simply obtaining evidence of the transfer of property to terrorists or their accomplices, which is sufficient for a formal TF conviction.
372. The study of the financial component of the activity preceding the commission of the predicate offence, ML or TF, in some cases makes it possible to obtain an explanation and link between the participants in the financial investigation in the subsequent criminal activity of a given person and to establish the motives for the commission of the offence, facts of deliberate facilitation by persons who are not accused suspects in a criminal case, commission of a criminal act by the direct perpetrator, reasons for the transfer of criminal property to third parties, involvement of third parties in money laundering schemes.
373. The second option of investigating the above-mentioned circumstances beyond the fact of proof is the initiation (allocation, transfer) of financial investigation in a separate proceeding. Such proceedings may be conducted by the prosecuting authority itself outside the scope of the original criminal case, as a parallel financial investigation of a new criminal case, initiated in the presence of grounds and reasons on the fact of circumstances preceding the investigated offence, or within the framework of ongoing pre-investigation checks or independent financial investigations. Such financial investigations may be delegated to another prosecuting authority or to an authority carrying out OIA. In this case, it is very important that there are legal provisions obliging other authorities to carry out financial investigations on assignment and prohibiting unjustified refusal to carry out financial investigations within their competence.
374. During the preliminary investigation, the prosecuting authorities have the right to carry out searches, seizures and other confiscations of objects, documents and property in criminal cases. At the same time, such investigation measures are not normally limited to the seizure of objects solely connected with the act under investigation. The legislation of a number of EAG Member States provides for the possibility of carrying out compulsory inspections (searches, etc.), including for the purpose of discovering other illegally obtained property, documents evidencing other criminal activities of the accused (suspect) or other persons. This distinguishes the procedural activity of the prosecuting authorities from the operational and investigative activity of the authorities carrying out OIA, which is aimed at solving a specific crime, where the purpose of the covert inspection and obtaining of documents and objects is to obtain data on the commission of a specific crime.
375. As a result, such investigations often lead to the seizure of significant quantities of various types of other property, the legitimacy of which is in question and which may indicate the commission of other criminal acts. Financial investigations by prosecuting authorities into such property are also important for tracing the extent of criminal networks, patterns of illicit financial flows, methods of laundering the proceeds of crime and the involvement of third parties in ML, including professional launderers. In such cases, financial investigations are most often segregated and conducted separately to achieve these objectives.
376. In such cases, the investigation authority is obliged to establish the origin of such property and valuables and, if it is established that such property and valuables were acquired illegally



or with illegally obtained funds, to take measures to preserve them in order to ensure possible confiscation in future investigations and judicial proceedings.

377. The subject matter of financial investigations by prosecuting authorities also includes the tracing of criminal property and proceeds of crime after the commission of the predicate offence or ML. The main foreseeable outcome of such investigations is the detection of possible laundering of criminal assets or their sale to third parties. The peculiarity of the financial investigation carried out by the prosecuting authorities for these purposes is the search for a connection between the crime already investigated and the criminal income established, as well as the appearance in the legal turnover of expensive property, significant sums of money, other high-value property of the accused (suspect) or persons associated with him/her.
378. During the investigation of a criminal case, it is not uncommon to discover data on the existence of property formally belonging to third parties, but actually under the effective control, management and possession of the suspect (accused). Usually, such property is owned by relatives of the parties involved or persons associated with them. In some cases, the property is transferred to third parties under conditions that obviously do not correspond to the real value of the property (sale for next to nothing, transfer for gratuitous use, etc.), while effective control over it is retained. In these cases, the purpose of financial investigations is to establish the circumstances and financial data indicating the actual possession of the property in question by the party involved, as well as to establish the motives for its transfer to third parties (concealment of its criminal origin, actual ownership, etc.). Parallel financial investigations in such a situation should, as far as possible, be conducted in conjunction with the ongoing criminal investigation, as such property may be the result of the conversion of criminal proceeds into other types of property with a lawful status. In order to obtain the results of such financial investigations, it is necessary to actively involve the bodies carrying out the OIA, because in many cases, after the start of a financial investigation, the parties involved and persons associated with them begin to take measures to discuss the actions being carried out and to increase the confidentiality of the property (its resale, transfer to other persons, concealment from the prosecuting authorities). Since property resulting from the conversion of criminal proceeds is subject to confiscation, the results of a financial investigation can be critical to a criminal investigation in terms of the recovery of criminal proceeds and subsequent indirect benefit.
379. Financial investigations by the prosecuting authorities may also be conducted, if consistent with the fundamental rules of law, to identify property that is subject to extended confiscation. Extended confiscation implies the possibility for the court, when sentencing for ML or a predicate offence, to confiscate not only property derived from the conduct in question, but also other property believed to have been derived from other criminal activities of the suspect (accused). Enforcement of extended confiscation, although beyond the scope of proof in a criminal case, should be carried out as part of a parallel criminal investigation, as the decision to apply extended confiscation is usually taken by the court at the time of sentencing for a predicate offence or ML. The main task of the financial investigation for the enforcement of extended confiscation is to establish the entire list of the accused's (suspect's) property for which there is sufficient evidence that it was obtained as a result of other criminal activity of the person, which allows the court to draw a firm conclusion that such property could not have been obtained as a result of lawful activity or from lawful sources. This usually requires

an examination of the financial situation of the party involved over a certain period of time, the facts of his/her involvement in illegal activities during that period, as well as the absence of legitimate sources of income or their disproportionality to the value of the property. Accordingly, the issue of valuation of property subject to extended confiscation is of significant importance.

380. The financial investigation methodology for extended confiscation should be distinguished from non-conviction based confiscation. Non-conviction based confiscation is a measure that is applied in the absence of a court verdict that the accused is guilty, and this is its main difference from extended confiscation, which is confiscation that is not limited to the proceeds of the offence that is the subject of the criminal proceedings, but only if the accused has been convicted.
381. The purpose of financial investigations for non-conviction based confiscation under the FATF standards is at least to identify and take provisional measures in cases where the offender is absconding, unavailable, deceased or unidentified. In most EAG Member States, non-conviction based confiscation is to some extent covered by fundamental rules of law, such as, for example, the recovery of instruments and instrumentalities of crime, as well as criminally derived property, upon termination of criminal proceedings for reasons other than exoneration (death of the suspect, amnesty, expiration of the statute of limitations, etc.). The fact that such a seizure is not referred to in the law as non-conviction-based confiscation does not deprive it of the basic characteristics of such confiscation. In regulating non-conviction confiscation, a number of EAG Member States have taken steps to reform the fundamental rules of law and have introduced pre-trial confiscation in other mandatory situations.

#### Case Study

In accordance with article 667 of the CPC of the Republic of Kazakhstan, in cases where a suspect or accused person is on an international wanted list or the criminal proceedings against him/her have been terminated for reasons other than exoneration (as a result of an amnesty act, expiry of the statute of limitations for criminal liability or death), the person conducting the pre-trial investigation, if there is information about property obtained by criminal means, initiates proceedings for confiscation of property. In pre-trial confiscation proceedings, it is necessary to prove that there are grounds for confiscation. A prosecutor files a motion for confiscation with the court, and the court takes a procedural decision on whether to grant or dismiss the motion.

382. In financial investigations for non-conviction-based confiscation purposes, it is necessary to use the criminal case files already available to the investigation; these will usually already identify the nature and amount of criminal property obtained, and in some cases such property has already been identified and seized.
383. If the proceeds of crime, instruments and instrumentalities of the ML or predicate offence have not been identified, it is the financial investigation, in conjunction with criminal prosecution, that makes it possible to locate the property to be confiscated and, in cases where the accused has absconded or his/her location is unknown, to identify his/her location. Investigation of the criminal's financial transactions during and after the commission of the offence, identification of the banking products used by the criminal, affiliated legal entities in the country and abroad, investigation of the transactions made by such entities after the commission of the offence, identification of the suspect's (accused) assets outside the country most often allow to identify the mechanisms of laundering the proceeds of crime, identification of the means of committing the offence (e.g. legal entities used in the ML

scheme), to impose provisional measures, as well as to locate the criminal, in cases where the basis for non-conviction-based confiscation is the absence of the person from the place of prosecution due to evasion of appearance or failure to communicate his/her location. Such financial investigations may be carried out either in parallel with ongoing criminal proceedings or independently where the investigation has already been closed (due to death, amnesty, etc.) or suspended.

384. Another type of financial investigation carried out by the prosecuting authorities is the investigation of illicit enrichment. Illicit enrichment may take the form of a person's possession of property that appears to be substantially in excess of his/her lawful income for a certain period of time, or a significant excess of a person's expenses over his/her lawful income, or other similar facts.
385. This type of financial investigation is the rarest of all in the practice of the prosecuting authorities. This is mainly due to the fact that this type of offence is largely absent from the criminal law of the Member States because the standard of proof for such an offence is inconsistent with the fundamental rules of law of the States, in particular the absence of an obligation for the accused to prove his/her innocence. In the most Member States, it is the responsibility of the prosecuting authority to prove the innocence of a person as well as his/her involvement in a criminal offence.
386. In cases where responsibility for illicit enrichment is established by criminal law, financial investigations for this purpose are conducted in parallel with criminal prosecutions and are characterized by the use of the usual techniques described above. However, the mere absence of criminalization of illicit enrichment does not in itself mean that such financial investigations cannot generally be carried out. As it was mentioned a number of EAG Member States have established mechanisms within the framework of anti-corruption legislation to carry out checks on the illicit enrichment of public officials and public servants. The obligation to carry out such checks is assigned either to the public prosecutor's office or to the prosecuting authorities. Financial investigations in this case are conducted outside the scope of criminal prosecution.
387. The States determine on their own the mechanism of financial investigation of illicit enrichment by prosecuting authorities, depending on existing criminal procedural institutions and powers. The most common mechanism used in the Member States is the mechanism of pre-investigation check (check to establish the signs of an offence and initiate criminal proceedings). In this case, the prosecuting authorities may use the powers granted to them when conducting pre-investigation checks (obtaining explanations, making enquiries, conducting expert examinations, etc.). In other cases, the powers to conduct such financial investigations are specified in the relevant legal acts.

#### Case Study

In accordance with paragraph 16 of the Instruction "On Conducting Property (Parallel Financial) Investigation" approved by the Prosecutor General of the Republic of Tajikistan, in the course of property (parallel financial) investigation without criminal prosecuting the following actions may be carried out: requesting explanations from citizens, officials and representatives of legal entities; conducting tax and other inspections of state authorities, other legal entities and individual entrepreneurs, other citizens, monitoring and other control activities; obtaining information from information systems (databases and databanks) of state authorities, other state organizations and audited subjects; obtaining and analyzing

documents on the declaration of property and income of public servants and legal entities; obtaining reporting, accounting and statistical information, information on financial and other transactions, the state of accounts, deposits, including the existence of an account with credit financial institutions, as well as information and copies of documents relating to the abovementioned transactions; to obtain from the authorized authority in the field of anti-money laundering, countering the financing of terrorism and the financing of the proliferation of weapons of mass destruction, information on suspicious transactions and operations, as well as on those subject to mandatory control in relation to individuals and legal entities; obtaining and analyzing information on transactions and operations with property (acquisition or alienation of property, financial instruments, etc.); seizure of property of individuals and legal entities in accordance with the procedure established by the tax legislation; suspension of transactions on accounts in credit financial institutions where and as provided for by the legislation of the Republic of Tajikistan; other actions relevant to the results of the property investigation.

388. In the course of a financial investigation, the prosecuting authorities may seek the assistance of the authorities conducting the criminal investigation, but the decision on the data obtained remains with the person conducting the financial investigation. As a result of a financial investigation into illicit enrichment, the prosecuting authorities may take two types of decision. The first is the initiation of criminal proceedings and investigations when, in the course of a financial investigation into illicit enrichment, it is established that the property in the person's possession was obtained through the commission of a predicate offence or ML. The second is the application of other measures against the objects of illicit enrichment and the perpetrators of illicit enrichment, including confiscation measures provided for in other laws and regulations. In some cases, such a decision takes the form of a refusal to initiate criminal proceedings.

#### Case Study (Republic of Tajikistan)

In accordance with paragraph 17 of the Instruction "On Conducting Property (Parallel Financial) Investigation", based on the results of the property investigation, preventive measures may be taken without criminal prosecution, as well as measures to combat the legalization (laundering) of the proceeds of crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction, including: collection of taxes, levies and duties and other obligatory payments to the state budget upon establishment of relevant violations of tax legislation, as well as legislation in the area of declaration of income and property by public servants and legal entities; conducting administrative proceedings in the presence of signs of administrative offences; measures on liquidation of a legal entity on the grounds stipulated by Article 62 of the Civil Code and the Law of the Republic of Tajikistan "On State Registration of Legal Entities and Individual Entrepreneurs" in case of gross violation of the rules of the legislation of the Republic of Tajikistan, including in the field of combating the legalization (laundering) of the proceeds of crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction; applying disciplinary measures in accordance with the provisions of the Labour Code of the Republic of Tajikistan and the Law of the Republic of Tajikistan "On Public Service" in case of establishing facts of violation on the part of public servants.

389. All the data obtained in the course of financial investigation by the prosecuting authorities are, as a rule, attached to the materials of the criminal case (with the exception of financial investigation outside the criminal process) and are evaluated in accordance with the rules of evaluation of evidence in criminal proceedings, which is mandatory for their use, unlike the results of financial investigation by the authorities carrying out operational search actions, which in themselves serve only as a source for making versions about the method of

committing the offence, the basis for starting the preliminary investigation, but they do not independently determine a person's guilt, confiscation of property and punishment without being combined with other evidence.

***Specifics of financial investigations by bodies authorised to carry out operational and investigative activities.***

390. Unlike the prosecuting authorities, financial investigations carried out by them tend to be of a more secret or confidential nature, due to the secrecy of certain operational and investigative activities. Clearly, OIA authorities are entitled to carry out public operational and investigative activities, but their number is not predominant in the volume of actions. The purpose of the activities of the authorities carrying out OIA is to establish, by means of covert measures, circumstances and facts that are unlikely to be obtained by the prosecuting authorities if all the requirements of criminal procedural legislation are met.
391. Operational and investigative activities are less focused on the procedural preservation of evidence, but rather on identifying its existence and transmitting the relevant data to the prosecuting authority for collection, evaluation and verification of its reliability. Since the unclassified nature of the activities of the OIA authorities and the sources used to obtain information cannot guarantee the reliability of the facts established and the data obtained, the results of the financial investigations of the authorities carrying out the OIA cannot be recognized as objective and reliable without their verification and evaluation.
392. However, it should be noted that in the EAG Member States it is the results of operational and investigative activities that are usually the predominant mechanism for detecting and suppressing crime, identifying criminal proceeds and their location.
393. Financial investigations by the authorities carrying out the OIA may be carried out independently, within the limits of the powers granted to them by the legislation, or on behalf of other authorities authorized to carry out financial investigations. In this case, the purpose of the involvement of OIA authorities in financial investigations is precisely to obtain the opportunity to use the broad powers granted to them to conduct covert operational and investigative activities.
394. The list of types of financial investigations conducted by the authorities carrying out OIA is quite broad and practically coincides with financial investigations conducted by prosecuting authorities. The only significant difference is the fact that, when conducting parallel financial investigations, the authorities carrying out OIA, as a rule, act as participants in joint groups for conducting financial investigations or conduct them on behalf of the person conducting the proceedings on the offence.
395. The peculiarity of preserving and providing the results of financial investigations conducted by the authorities carrying out OIA is that they, being in possession of much more valuable financial and other important information, cannot, as a rule, provide it in full in order to exclude the disclosure of forms and methods of operational and investigative measures, persons assisting them on a confidential basis. In deciding on the scope of information to be disclosed, an official of the authority carrying out OIA shall proceed from the maximum limitation of any information that may be used to disclose the method of obtaining intelligence.
396. The lack of a proper level of interaction and mutual understanding between the person carrying out OIM and the person conducting the financial investigation leads to the fact that



the information obtained in the framework of the financial investigation remains unknown and unidentified, which reduces the effectiveness of the ongoing financial investigation and often fails to achieve its objective. It appears that if such information is available (which cannot be provided to the financial investigator), the authority carrying out OIA may, instead of providing the data, guide the financial investigator on what actions to take that may result in obtaining information that cannot be provided. It is not uncommon for OIA authorities to be instructed to carry out such actions by the person conducting the financial investigation. As a result, under the guise of conducting a public action and obtaining the results, they not only help to achieve the objective of the financial investigation, but also ensure the additional creation of the appearance that the result of the financial investigation was achieved spontaneously in the course of the public actions.

397. Interaction between authorities conducting or participating in financial investigations is also important in financial investigations. The availability of sensitive (secret) data held by each authority can often reduce the effectiveness of their cooperation in financial investigations. However, there are numerous positive examples, both in Member States' mutual evaluation reports and in other publicly available sources, where the global results of joint operations, including financial investigations, have uncovered large-scale ML/TF and predicate offence schemes. A prime example of such coordinated action is the joint operations conducted with the participation and coordination of INTERPOL.
398. As a general rule, the results of financial investigations conducted by the authorities carrying out OIA are recorded in operational and service documents, which are regulated by local internal acts with the appropriate secrecy status. As already mentioned in other chapters of this guide, these documents cannot be used as procedural evidence in criminal proceedings (in cases of parallel financial investigations), as their form and substance cannot be recognized as admissible without verification and evaluation

***The role and scope of private sector involvement in financial investigations.***

399. The involvement of the private sector in financial investigations is an important aspect of achieving positive investigative results. It is information from banks, other credit institutions, DNFBPs, and virtual asset providers that provide the basic data to identify criminal assets and where they are stored.
400. As part of this project, a survey (questionnaire) of the private sector on the extent of their involvement in financial investigations was conducted. The majority of respondents indicated that, as a rule, the private sector entities in the Member States are involved in providing financial information on bank accounts, deposits, property, and account movements, in the form of documents, etc. as part of requests by public authorities.
401. However, narrowing the understanding of the capacity and effectiveness of financial investigations involving the private sector directly is a common problem. The functions of the private sector cannot be reduced to merely providing information on the financial situation of the individuals involved. The private sector is an important source of information that triggers financial investigations, both within and outside of criminal proceedings. Financial institutions, through the implementation of CDD measures, obtain meaningful customer information, often which can significantly assist in identifying the beneficial ownership of legal persons, establishing the business and other relationships of a subject of financial

investigations, and identifying assets that are not available in the jurisdiction's information resources.

402. STRs sent in connection with the establishment of suspicious transactions, if properly investigated, can become a full-fledged detector, on par with OIA sources, for the detection of disguised and clandestine schemes for the movement of funds.
403. Information received from DNFBPs (e.g. notaries, etc.) about transactions by public officials is a means of detecting illicit enrichment by high-level public officials and PEPs and, in some cases, the commission of corruption, tax and economic crimes.
404. One element of private sector involvement in financial investigations could be the involvement of specialist economists in the analysis of audit and investigation material received by operational and investigative units. The results of such actions, documented in accordance with national legislation, should be included in criminal cases and be considered as evidence.
405. In some cases, the private sector can also provide substantial assistance in the search for the proceeds of crime, as well as property subject to confiscation.

#### Case study

In the course of a parallel financial investigation into a criminal case involving large-scale embezzlement of budgetary funds by an ex-head of a national company, the investigation team included employees of the company in question, who were exclusively engaged in the search for criminally obtained property. As a result, property purchased with criminally obtained money was found and seized, including flats, land plots, shares in the authorized capital of enterprises, cash in bank accounts, and 6 vehicles.

The total value of the seized property was over USD 56 million. A court verdict confiscated the property as compensation for the damage caused by the crimes.

406. In this context, the independent checks carried out by the special compliance services of private sector entities should not be underestimated, nor should those carried out by property registration and record-keeping organisations.
407. In general, the private sector may be the subject of a wide variety of information relevant to financial investigations, both financial and general. This can be anything from contracts/contracts/invoices/identity documents to video evidence of a transaction:
- on transactions - transaction number, transaction date, type of transaction, suspicious transaction indication, transaction status, information on the participants in the transaction (full name, organisation name, taxpayer identification numbers, location addresses in different periods);
  - information obtained as part of the AML/CFT internal control procedures;
  - on transactions of purchase and sale of movable and immovable property;
  - licenses issued to carry out activities in the sphere of gambling, reports of the organizers of gambling business;
  - copies of primary documents provided - invoices, State Customs Cargo Declaration, Customs Cargo Customs Declaration, financial reports, etc;
  - Information and statements of current and card accounts;
  - information on transactions without opening an account through international and domestic electronic money transfer systems;

- information on currency exchange transactions in foreign currency cash;
- data on e-wallet transactions;
- registration information;
- information on third parties authorised to dispose of the accounts;
- details of safety deposit boxes, safety deposit boxes and other deposits;
- information on obtaining a loan, purpose and collateral;
- copies of identification documents, questionnaires, powers of attorney, founding documents, contracts, and agreements;
- risk assessment and analysis of client operations;
- information on the founders, managers, accountants;
- seizure/blocking of client's accounts, based on court decisions;
- any other information available to a private sector entity.

408. Large international private sector entities (e.g. in the financial services sector) have their professional units to conduct independent financial investigations.

#### Case Study

Conducting complex financial crime investigations is the responsibility of Citi Global Financial Crimes Investigations & Intelligence (GFCII), part of Citi's independent compliance risk management function.

GFCII conducts complex investigations, which may involve clients who have accounts in one jurisdiction, accounts in more than one jurisdiction, or may have account activity that has a significant link to multiple jurisdictions. In addition to the characteristics of multiple jurisdictions, factors such as risk indicators, presence of high-risk products, material adverse news, and other unusual indications for AML/CFT purposes will influence whether an investigation is considered comprehensive.

GFCII specialists work in various countries where Citi has a presence.

Examples of key GFCII functions include:

Initiate comprehensive investigations based on current trends, typologies and intelligence from internal and external sources, including but not limited to law enforcement, media and Citi Corporation recommendations;

conduct global investigations into Citi's highest-risk customers;

file or recommend suspicious activity reports by relevant regulatory legal requirements in the jurisdiction in which Citi is present and internal policy requirements;

recommend, where appropriate, termination of customer relationships based on the results of an investigation and use a consistent approach to closing different types of customer accounts;

provide feedback on investigations to relevant stakeholders where legally permissible;

Maintain internal negative lists following financial investigations to prevent these customers from re-entering Citi globally.

409. Given that employees of private sector institutions are persons with specialist knowledge and significant professional experience in their field, their expertise may be used quite extensively in financial investigations as specialist, expert explanations. This could, for example, be the use of compliance officers of a bank as experts in the examination of banking transactions. Employees of real estate or land registration organisations have considerable practical experience in identifying property sold for a significantly lower price and identifying possible changes in ownership to disguise the actual ownership or origin of the property.

410. The main problematic issue raised by the competent authorities in the involvement of the private sector in financial investigations is the problem of the timing of inspections by the private sector, which negatively affects the quality and timeliness of investigative actions in criminal cases. However, it should be noted that financial investigations themselves are often time-consuming. However, the time required to carry out financial investigations in cooperation with the private sector can significantly reduce the time required to complete them. In such cases, however, the private sector should have sufficient information to complete the tasks. In practice, this is rarely the case. However, it is not always the case that the financial investigative authorities justifiably limit the amount of information that the private sector can provide to them, often limitations may be based on far-fetched reasons for maintaining confidentiality, distrust of private sector representatives, or doubts about the expertise of the private sector.
411. Financial investigators and regulators, when making enquiries to credit institutions, do not share with them available information on the inquirers (which offences they are suspected of having committed), on the grounds of confidentiality. At the same time, the availability of such information may allow the relevant compliance services to analyse the existing transactions of the subjects and provide more relevant information identified for the investigation, which may not have been known or given due consideration by the authority conducting the investigation.
412. Informing the private sector about the results of ongoing financial investigations is an important aspect. The availability of such information can serve as an indicator to assess the risks of further customer service/acceptance. Forms of sharing the results of competent authorities' financial investigations could include letters of information, participation in forums for the private sector, public-private partnerships or other means. A positive example could be joint research with credit institutions and the development of a "profile" of the offender in a particular category of cases.
413. To improve information exchange with the private sector, EAG Member States are taking several measures, such as the establishment of compliance boards, and private sector personal accounts on the websites of FIUs and other bodies. Private sector institutions have formed associations to ensure constructive interaction of their members with public authorities in solving problematic issues, on the development of the relevant area in general, and other issues.
414. Improved engagement with the private sector in financial investigations can also be achieved through
- regular feedback;
  - training on new schemes/trends/types;
  - establishing closer contacts between law enforcement agencies and the private sector to raise awareness of newly discovered (disrupted) money laundering schemes, of detected suspicious activities of persons operating in the area of law enforcement and vice versa, receiving similar information from the private sector;
  - conducting training, seminars and conferences for the private sector at the national and supranational levels;

- the possible establishment of a *Fusion Centre*<sup>17</sup> with the participation of the private sector.
415. There should be no prohibition on receiving services or professional assistance from the private sector, such as financial audits, forensic audits, expert opinions, technical reports, forensic analyses, etc., including from audit firms, bank specialists, valuers, inspection agencies and technical experts. However, the extent of their assistance may depend on the specific case and the services required of them.
416. Information received from the private sector on a proactive basis should be subject to serious scrutiny for potential money laundering. It appears that legal requirements restricting the use of private sector information to initiate criminal prosecutions where there is sufficient evidence of an offence, for example by requiring such information to be provided by public authorities, is a clear obstacle to an effective and comprehensive system of financial investigations. Where there is insufficient information to decide whether to initiate criminal proceedings, financial investigations based on information provided by the private sector can be conducted outside the framework of criminal proceedings.

## **Chapter VII. National and international cooperation of actors in financial investigations, group (integrated) financial investigations**

### ***Interaction between law enforcement agencies and financial intelligence units (FIUs) in financial investigations.***

417. According to paragraph 4 of Interpretive Note to FATF Recommendation 29, FIU should be able to disseminate, spontaneously and upon request, information and the results of its analysis to relevant competent authorities. Dedicated, secure and protected channels should be used for the dissemination. FIU should be able to disseminate information and the results of its analysis to competent authorities when there are grounds to suspect money laundering, predicate offences or terrorist financing.
418. FIU should also be able to respond to information requests from competent authorities pursuant to Recommendation 31.
419. As stated in the FATF Financial Investigation Guidance, effective financial investigations are characterized by extensive law enforcement use of FIU information and exchanges of information and personnel. Investigative authorities should be able to ask the FIU for relevant information they may hold when conducting lawful investigations. FIUs should be able to respond to information requests from competent authorities pursuant to Recommendation 31. The overarching aim of both FIU and investigative authorities should seek to work as a virtual team, sharing information in appropriate circumstances to support effective financial investigations. Successful and effective financial investigations can be achieved through obtaining and using the outcomes of FIU financial analysis, as well as proactive sharing of information between the FIU and investigating authorities.

---

<sup>17</sup> Fusion Centres are designed to facilitate the exchange of information between law enforcement and other competent state agencies and, where appropriate, non-state agencies (private sector) to respond to criminal and terrorist activity. The goal is to bring together the information available to each agency to address security gaps due to a lack of cooperation. A centre is usually organised by bringing together representatives from various federal, state, local law enforcement and other competent agencies in one physical location. Some centres gather information not only from government sources but also from their partners in the private sector. Each representative is required to report information from his or her agency to contribute to the group's collective analysis.



420. According to the International AML/CFT/CPF Standards, cooperation between FIUs and law enforcement authorities should be carried out, as minimum, based on initiative of a FIU or upon request of a law enforcement agency. These grounds should necessarily be set out in the legislation. However, in reality, there are much more grounds for cooperation between FIUs and LEAs depending on what agency pursues financial investigation and what type of financial investigation is conducted (e.g. parallel investigation or investigation not related to criminal prosecution).
421. Cooperation between national law enforcement authorities and FIU is typically carried out based on existing interagency agreements. This practice is reasonable as FIU, being the financial monitoring agency, does not fall into the category of authorities involved in the criminal prosecution process and, therefore, no formal grounds for cooperation between FIUs and LEAs are set out in the criminal procedure legislation. Although the criminal procedure legislation allows investigative authorities to request information from institutions, organizations, etc., FIU is exception to this rule due to its specific legal status. According to the International AML/CFT/CPF Standards, it is FIU that should be able to make decision on conducting investigation and/or disseminating information to the requesting authority. One should also keep in mind that information received from a foreign FIU may be disseminated to other competent authorities only upon consent of such foreign FIU.
422. In some cases, law enforcement authorities second their officers to FIU on a temporary or permanent basis which is also a good practice for facilitating appropriate cooperation between FIU and law enforcement authorities.
423. In order to conduct financial investigations independently, the FIU should have access to a wide range of relevant information collected and/or maintained by, or on behalf of, other authorities and, where appropriate, commercially held data.
424. In process of financial investigations conducted by FIU, its cooperation with law enforcement authorities may include the following joint actions or assistance by LEAs, in particular:
- Sharing inspection reports, criminal intelligence or criminal case files that are handled by LEAs and are relevant to ongoing financial investigation;
  - Identifying persons involved in criminal activities and assessing inflicted losses (amount of proceeds obtained through crime);
  - Gathering criminal intelligence and taking investigative actions with participation of a financial investigation target, which may contribute to financial investigation;
  - Providing information from LEA internal databases, when FIU has no direct access to such databases;
  - Providing copies of declarations of imported/exported cash and BNIs and copies of documents maintained by the customs authorities;
  - Sharing information contained in criminal files about identified beneficial owners of legal entities;
  - Suspending transactions by LEAs in accordance with the legislation;
  - Informing about terminated criminal proceedings or refusal to initiate criminal proceedings which are relevant to ongoing financial investigation;

- Providing assistance by LEAs in establishing circumstances and identifying persons targeted by financing investigation, including their location, actual possession of property, expert examination of items, documents, etc.;
- Establishing joint teams for conducting financial investigation;
- Disseminating financial investigation findings or operational analysis results for further investigation or making relevant decision under the criminal procedure or other applicable legislation.

#### Case Study

The FIU conducted financial investigation in respect of the politically exposed person (PEP) suspected of obtaining criminal proceeds through illegal involvement in business activities. Despite the strict prohibition set out in the legislation, the suspect was actively engaged in management and controlled operation of a number legal entities affiliated with him and otherwise extended patronage to them, which constituted the criminal offence related to illegal participation in business activities. The court found the suspect guilty of committing this criminal offence.

After the PEP was convicted by the court, the FIU continued financial investigation and the LEA gathered additional ML evidence which revealed instances of money laundering not only by the PEP, but also by other natural persons associated with him. The financial investigation findings disseminated to the LEAs not just triggered additional criminal proceedings, but also helped to identify assets owned by the suspects (including interest in authorized capital of a number of legal entities), which were seized in the course of preliminary investigation. The court satisfied the prosecutor's demand and appropriated USD 520 million worth assets to the benefit of the state. The suspects were convicted of money laundering.

425. The grounds for providing law enforcement information to financial intelligence unit for the purpose of financial investigations may include both requests by FIU and also instances specified in interagency agreements or legislative acts where law enforcement authorities are obliged to share information with FIU. In case of dissemination of a large volume of information related to financial investigations (e.g. electronic files containing analysis results), it is necessary to ensure compatibility of software used by competent authorities and FIU.
426. In the course of financial investigations conducted by LEAs, information held by FIU is typically used for establishing factual circumstances under investigation and other related facts and events. In process of most financial investigations conducted by LEAs, they receive information from FIU upon request. However, some countries grant investigative authorities a limited access to the FIU database. Investigators may directly request information from the FIU database in the established and agreed manner. Arrangement of access by investigators to the FIU database should ensure appropriate handling of information, including confidentiality, respect of human rights, privacy and data protection.
427. Typically, law enforcement authorities can obtain the following information from FIU:
- Information on nature, volume, value and parties of financial transactions;
  - Information on suspicious financial transactions;
  - Information on money laundering suspicions;
  - Information on potential links of natural and legal persons to ML/TF;
  - Information on assets owned by investigation targets, including assets located abroad;

- Information on founders and beneficial owners of companies, including those located abroad;
- Findings of analysis of transactions carried out by suspects in the investigated period;
- Information on affiliation of transaction parties;
- Information on identified property, including property located abroad;
- Information from foreign FIUs related to conducted financial investigation.

Case Study

The accused person fled to one of the European countries, and the LEA requested his extradition.

Meanwhile, information was received from the FIU indicating that funds were transferred from the account held by the accused person. This account was opened in the USA and it was established that the funds were transferred from that account to the account held by the attorney in Vanuatu. Further investigation revealed that the accused person planned to acquire Vanuatu citizenship by donating the transferred funds and hide in that country. This fact was used by the investigator and presented in the UK court for extradition of the accused persons proving that he intentionally fled from justice.

428. Law enforcement authorities may initiate establishment of joint teams for conducting financial investigations when it is necessary for accomplishing of investigation goals.
429. In some cases, FIU and LEAs appoint liaison officers responsible for maintaining operational and confidential communication between them.
430. However, cooperation between FIU and LEAs may be limited by a number of restrictions related to the institutional status of FIU and the need to meet the requirements of the FATF Recommendations concerning confidentiality of FIU information. If a FIU is not authorized to conduct criminal intelligence and detective operations, criminal intelligence agencies not always can provide full information held by them to FIU indicating possible criminal origin of funds or other assets used in transactions under review and also information on persons, their representatives and (or) beneficiaries and beneficial owners under investigation. Similar applies to the provisions of the criminal procedure legislation that require to maintain confidentiality (secrecy) of investigation in the process of cooperation of investigation authorities with FIU.
431. However, it seems that such differences in the institutional and legal status should not impede information sharing and cooperation. Given that both FIU and LEAs are competent authorities and stakeholders of the national AML/CFT/CPF systems, the relevant agreements (memoranda) of cooperation signed between them may include mutual obligations to maintain state and official secrets, use the official or classified document management systems and provide access to shared data only to vetted officers authorized to process information constituting state or other secrets protected by the law.
432. Although information received from FIU is reliable, it is often cannot be used as evidence since information provided by FIU is pure intelligence. Therefore, the required information is requested from such institutions as banks, non-credit financial institutions, etc. based on the relevance of FIU disseminations. If relevant information is received from the Egmont Group, such information is officially requested through the relevant MLA channels so that it can be used in court proceedings.

433. On the other hand, LEAs are typically not authorized to receive information from FIU that constitutes banking secrecy without sufficient grounds indicating that a transaction is related to money laundering or terrorist financing. And the authorization-based procedure of accessing bank secrets by law enforcement authorities (i.e. by way of obtaining approval or court order) requires them to register and document information received from FIU in a manner prescribed by the law or to use such information only for making investigative hypotheses and checking investigative leads.

***Interaction of preliminary investigation and enquiry bodies with bodies carrying out police and intelligence activities in financial investigations.***

434. Preliminary investigation authorities typically cooperate with agencies involved in criminal intelligence gathering (criminal intelligence agencies) in the course of parallel financial investigations, along with collecting general evidence. Usually, criminal intelligence is not gathered separately for the purpose of a parallel financial investigation. In most cases this is due to the fact that financial investigations are conducted in parallel and no procedural registration of financial investigation findings is required for recognizing them as evidence in criminal proceedings.

435. The specificity of this cooperation is that officers of a criminal intelligence agency can be engaged in investigative actions or take such actions independently at the instruction of an investigator. On the other hand, an investigator is not authorized to gather criminal intelligence or participate in the criminal intelligence gathering process. The criminal procedure legislation of most EAG Member countries empowers an investigator or an inquirer to instruct a criminal intelligence agency to take certain investigative, verification and detective actions. The practice of giving instructions to such agencies is widespread and, in general, has proven itself as good.

436. When instructions are given to a criminal intelligence agency, its officers are typically tasked with taking the following procedural and verification actions:

- Covert and overt gathering of criminal intelligence to verify facts and suspects under financial investigation;
- Identifying assets (property) owned by financial investigation targets;
- Interrogating persons, conducting searches and seizures, wiretapping;
- Collecting documented facts related to financial investigation;
- Obtaining data from financial institutions and other organizations;
- Searching and locating persons and assets (property) owned by suspects;
- Establishing links between assets (property) and financial investigation target;
- Assessing amount of obtained criminal and indirect proceeds, identifying money laundering methods and locating places where these proceeds are hidden;
- Detecting money laundering instrumentalities;
- Identifying property (assets) that is subject to seizure and property (assets) of corresponding value;
- Identifying persons who assisted in disposal and laundering of criminal proceeds as well as companies used for these purposes, including those located abroad;

- Identifying sources (amount) of additional income of a person whose expenditures are inconsistent with the official income;
  - Identifying sources and origin (value/ amount) of declarable property and income that have not been indicated in income and property declaration;
  - Identifying sources of funds, securities and other valuables found in the course of procedural actions (search, seizure, etc.);
  - Analyzing financial (bank) and other transactions carried out by a suspect, accused person, their close family members and associates in the period when criminal offence was committed for identifying potentially suspicious transactions.
437. When instructing a criminal intelligence agency to take certain actions as part of a financial investigation, the officer of a preliminary investigation authority (who gives the instructions) typically carries out the most complex and important verification measures himself and monitors quality and timeliness of completion of the assigned tasks.
438. Another form of cooperation between criminal prosecution authorities and criminal intelligence agencies in some of the EAG Member States involves assignment of operations officers to provide operational support to preliminary investigation conducted by an investigative authority. This cooperation procedure is usually set out in interagency orders or in procedural orders of investigators if permitted by the legislation. In this case, officer of a criminal intelligence agency is not authorized to independently conduct investigation or take certain investigative actions – he still needs to receive instructions from an investigator. But assignment of a particular specialist to support ongoing financial investigation allows for adequate allocation of resources and helps to improve quality of taken actions. Permanently assigned officer is deeper involved in the financial investigation process, possesses larger volume of information, analyzes this information and, therefore, is able to more thoroughly plan inspection and verification measures. Such form of cooperation also allows for keeping higher confidentiality of ongoing financial investigation.
439. Financial investigations may involve complex situations where multiple actions should be taken within a short period of time, i.e. almost in parallel. Such investigations may be featured by a very large scope of criminal intelligence gathering and investigative activities. In these circumstances, an investigator may give directions and instructions to a criminal intelligence agency on a systematic basis, and cooperation may take form of a continuous interaction and engagement. Therefore, there is obvious need to conduct investigation in part or in full by a single team composed of officers of criminal prosecution authority(s) and officers of criminal intelligence agency(s). In this context, the third form of cooperation between criminal prosecution authorities and criminal intelligence agencies in process of parallel financial investigation is the establishment of joint investigative teams.

***Specifics of interaction between the bodies involved in police intelligence activities when carrying out financial investigations.***

440. Agencies responsible for criminal intelligence gathering (criminal intelligence agencies) are the most specific parties to financial investigations in terms of both goals and objectives pursued and methods used for their achievement due to the fact that they are mainly involved in confidential and covert operations and activities.
441. In general, cooperation among these agencies in gathering criminal intelligence in the course of financial investigations may be carried out for the following purposes:



- Detecting, disrupting and solving predicate offences as well as money laundering and terrorist financing offences;
  - Uncovering financial links among persons, inter alia, links between heads and members of organized criminal groups;
  - Identifying financial sources of criminal groups and gangs;
  - Locating places where assets obtained through crime are sold or otherwise disposed of;
  - Reviewing financial status of certain persons and analyzing instances of concealment of illegally obtained proceeds and assets;
  - Identifying property/ assets that are subject to seizure or confiscation;
  - Revealing complex schemes used for committing financial and economic crimes and money laundering;
  - Identifying terrorist financing sources;
  - Detecting and disrupting channels and instances of illegal cross-border movement of cash;
  - Verifying possible inconsistencies between income and expenditures of public officials.
442. Although the confidentiality and secrecy requirements established for different national criminal intelligence agencies are generally the same, exchange of sensitive information in process of financial investigations as well as other forms of cooperation is often extremely difficult. Nevertheless, cooperation among criminal intelligence agencies is still possible.
443. It seems that the following forms of cooperation are feasible:
- Sharing (exchange) of information required for the financial investigation purposes, including exchange of covertly obtained information;
  - Gathering criminal intelligence by agencies within their respective purview at request of other criminal intelligence agency in charge of financial investigation;
  - Taking certain joint actions for gathering required criminal intelligence;
  - Assisting an agency responsible for financial investigation in obtaining information from abroad through international interagency cooperation channels;
  - Conducting joint financial investigations.
444. In some EAG Member States, criminal intelligence agencies are also authorized to assess and estimate inflicted losses, unpaid taxes, duties, etc. In such cases, they can facilitate financial investigations by providing the relevant assessment and calculation reports. Besides that, information contained in the intelligence databases or special registers held by the relevant agencies may also be provided for the financial investigation purposes.
445. Information may also be shared through different informal cooperation channels.
446. Cooperation among criminal intelligence agencies is typically regulated by bilateral interagency agreements (memoranda). This option is deemed optimal as the relevant agreements should also cover such issues as confidentiality of shared information, possibility of its use for further preliminary investigation (if initiated), vetting requirements for accessing the shared information, etc.
447. For the confidentiality purposes, special coordination officers may be appointed in the relevant units and departments. Where separate coordination mechanisms (coordination

centers, fusion centers) are created, they can also be used for cooperation in process of financial investigations.

#### Case Study

The government of the EAG Member State established the Narco Coordination Center (NCORD) mechanism subordinated to the General Director of Narcotics Control Bureau (NCB) for effective coordination of efforts of all law enforcement authorities dealing with narcotic drugs and other stakeholders and providing a common platform for discussion on drug-trafficking-related issues.

448. However, the main impediment is sharing information is its sensitive nature, especially when requested information may affect the national or state security.

#### ***Conducting complex financial investigations by inter-agency teams.***

449. It is often impossible to conduct complex comprehensive financial investigations without engagement of specialists of other competent authorities and experts with special knowledge and skills (specialists, experts, auditors, etc.).

450. Establishment of task forces and multidisciplinary teams for conducting financial investigations enables to share the investigation burden in the optimal way, avoid overburdening of officers responsible for financial investigation and distribute responsibilities among the relevant specialists in particular areas. It is obvious that an officer who investigates a crime, and often conducts a parallel financial investigation, is in no way the specialist in all issues under investigation. In this context, establishment of joint financial investigation teams allows not to overlook important issues that otherwise could be ignored or missed due to their vague nature.

451. In general, joint financial investigation teams can be categorized similar to joint investigative teams created for conducting preliminary investigations. The categorization criteria include their mandate and period of existence.

452. Task forces (temporary teams) are established for conducting parallel financial investigations. Task forces are the most commonly created teams, especially for investigating cases related to laundering proceeds of tax, customs and other economic crimes, corruption and crimes committed by organized criminal groups. It is very important to assemble a task force at the initial stage of criminal prosecution in order to reduce the burden on investigators conducting investigation by assigning the urgent tasks and actions to members of the task force. Such decisions also help to prevent dissipation of criminal proceeds and property (assets) that is subject to confiscation. Establishment of a financial investigation task force is also useful in a situation when investigation is conducted by one of several competent authorities typically located in same or neighboring territories, as the temporary task force is featured by simple management and reporting mechanism. Such taskforces are also created for conducting parallel financial investigations in complex criminal cases, investigating multiple aspects of criminal activity and reviewing activities of multiple persons.

453. It is expedient to assemble taskforces composed of different specialists to ensure effective investigations, refer cases to court and, ultimately, secure confiscation.

454. Joint financial investigation teams may comprise of officers from different competent authorities located both in the same territory or different regions.

455. Unlike a (temporary) task force, the mandate of a joint team is not limited solely to criminal investigation. A joint team may be created for conducting a parallel financial investigation,

but also for conducting investigation unrelated to criminal prosecution. Sometimes, such joint teams may be established before initiation of criminal proceedings based on received information on potentially committed offences related to deriving criminal proceeds, money laundering or terrorist financing, and the work conducted by the joint team allows for obtaining information sufficient for launching criminal proceedings or helps to prevent the crime. Joint teams are not necessarily composed of officers of criminal intelligence agencies. Joint financial investigation teams may include tax specialists, accountants and other economic experts who conduct simultaneous cross-audits of business entities that are counterparties or operate in one sector or are part of the same group, etc.

456. The efforts of such joint teams are typically focused on revealing complex thoroughly disguised schemes used for deriving and laundering criminal proceeds or subtle schemes utilized for collecting and moving funds for terrorist purposes. Financial activities of organized criminal groups and communities are also in the focus of joint financial investigation teams, as tracing of financial flows of organized crime takes long enough time. However, such teams still have clearly defined objects of investigation related to particular persons, groups and organizations.
457. Specialized (permanent) investigative teams are established for monitoring situation in certain sectors of the economy or certain types of business activities as well as for detecting and solving certain categories of financial crimes or ML/TF offences, inter alia, by conducting ongoing analysis of financial information in particular areas.

**Case Study**

With a view to improving the effectiveness of work of the law enforcement agencies in Turkmenistan, the joint order of the Ministry for National Security, the Interior Ministry and the General Prosecutor's Office established the standing investigation commission tasked with detecting and investigating serious and exceptionally serious crimes which is also authorized to conduct financial investigations.

458. Special investigative teams may also be created in certain units and departments of competent authorities for detecting and investigating economic crimes. Such teams may include not only investigators and inquirers, but also accounting experts, auditors, forensic experts and other specialists.
459. Establishment of specialized (permanent) financial investigation teams is of great practical importance, but, in many cases, actual operation of such teams leaves much to be desired. The main problems in operation of specialized teams are related to difficulties in management and distribution of functions and responsibilities within these teams. Members of specialized teams are typically officers of different competent authorities who are not released from performing their core functions and directly report to senior managers of their respective competent authorities. Furthermore, officers appointed as heads of specialized teams lack actual resources to effectively manage activities of team members. Although a head of a high level competent authority is often appointed as the head of specialized team to give more weight and authority, this practice not always yields the desired result. In these circumstances, a number of cases have been observed in practice where the activities of specialized teams became less intensive and efficient with time.
460. In this context, it is necessary to develop a strategic approach to inter-agency and intra-agency coordination within specialized (permanent) teams to ensure proper exchange of information within and between different agencies as well as with foreign partners.

461. In terms of mandate, financial investigation teams can be divided into mono-disciplinary (composed of specialists in one area) and multi-disciplinary teams.
462. Multi-disciplinary teams may comprise a range of individuals, including specialized financial investigators, experts in financial analysis, forensic accountants, forensic computer specialists, prosecutors, and asset managers. Experts may be appointed or seconded from other agencies, such as regulatory authorities, FIU, tax authorities, auditing agencies, the general prosecutor's office, or even drawn from the private sector on an as-needed basis.

#### Case Study

Section 54 of the Prevention of Money Laundering Act (PMLA) of the Republic of India empowers and requires officers of the customs and central excise departments, officers of the income-tax authorities, officers appointed under NDPS Act, members of the recognized stock exchange, officers of the Reserve Bank of India (RBI), officers of Police, officers of the Securities and Exchange Board of India (SEBI), officers of the Insurance Regulatory and Development Authority (IRDA), officers of the Pension Fund Regulatory and Development Authority (PFRDA), officers of the Forward Markets Commission, officers of the Department of Posts, registrars or sub-registrars, officers of the registering authority empowered to register motor vehicles, officers and members of the Institute of Chartered Accountants of India, officers and members of the Institute of Cost and Works Accountants of India, officers and members of the Institute of Company Secretaries of India, etc. to assist the authorities in the enforcement of the PLMA (2002). Engagement of the government authorities is the honorary duty, but in case of expert assessments conducted by private sector entities, a certain fee/remuneration fixed by the Government of India from time to time is paid to private experts depending on need for their services and extent of their involvement in projects.

Besides that, there is a range of other specialists, such as real estate property valuers, brokers, financial analysts, etc., who are also engaged in financial investigations depending on circumstances of particular cases. For example, if an investigated case involves property of certain value, such property is appraised by valuers approved by the government. Similarly, cost of precious stones and jewelry is also valued by valuers approved by the government.

Valuation reports prepared and provided by valuers are used in further proceedings. Valuers are engaged in cases only at the investigation stage for a particular purpose.

Some examples include MSTC Ltd., which is the online auction platform for sale of transport vehicles; specialized certified accountants engaged for conducting financial analysis, Central Forensic Laboratory used for expert examination and analysis of digital evidence, documents, etc.

463. It is expedient to ensure that establishment of joint teams for conducting financial investigations as well as the most important aspects of their assembly, management and coordination are regulated by the national or joint interagency regulations. This will help to avoid lengthy discussions and formalities in process of creation of such teams and distribution of responsibilities within them, which will inevitably improve efficiency of their work.

#### Case Study

According to paragraphs 19-21 of the Instruction on Property (Parallel Financial) Investigations (adopted by Order of the General Prosecutor of the Republic of Tajikistan), a property (parallel financial) investigation is conducted in the course of criminal prosecution by preliminary investigation authorities and also by authorities empowered to collect criminal intelligence at the request of preliminary investigation authorities, which includes establishment of investigative teams.

Where necessary, commissions composed of competent financial, amounting, IT and other specialists may be created for conducting property (parallel financial) investigations that require

knowledge and skills in different areas.

When conducting a property (parallel financial) investigation, a criminal prosecution authority can, acting within the scope of powers vested in it, require other authority also involved in this property (parallel financial) investigation to provide information or take certain actions.

464. It is important to note that, in case of parallel financial investigation conducted by an investigative team, all members of the team should be “procedurally” subordinated to the appointed head of the team in terms of strict obedience with oral or written orders and instructions routinely issued by the team head in the course of investigation. However, officers of criminal intelligence agencies included in a team may have some independence in choosing forms and methods of gathering criminal intelligence for accomplishing the investigation goals. Nevertheless, certain independence of criminal intelligence officers does not empower them to go beyond the scope of investigation pursued by the team without direct instruction of the team head when further criminal intelligence gathering is required for tracing criminal flows and activities of criminal groups, terrorist and terrorism organization (this does not apply to operation of specialized financial investigation teams).
465. Coordinated planning should cover all stages of a financial investigation conducted by a team. The team head should be responsible for quality and continuity of the work. It is also important to allocate adequate resources, including financial resources, to ensure proper work of investigative team.
466. As stated in the FATF Financial Investigations Guidance, some mechanisms that promote intra-agency and inter-agency cooperation include the following:
- Establishing information sharing systems whereby all investigative services would be aware of previous or on-going investigations made on the same persons and/or legal entities so as to avoid replication; conducting conflict resolution discussions and promoting cross-fertilization;
  - Establishing policies and procedures that promote the sharing of information/intelligence within the existing intra-agency and inter-agency co-operative frameworks;
  - Establishing a process whereby intra-agency or inter-agency disputes are resolved in the best interest of the investigation;
  - Competent authorities should consider establishing written agreements such as MoUs or similar agreements to formalize these cooperation processes.<sup>18</sup>
467. FIU officers may be included in financial investigation teams.
468. When discharging the assigned obligations as part of a financial investigation team, officers typically use powers vested in them in accordance with their functional authority. In the course of financial investigation, the team members should seek to use the procedural powers provided for in the criminal procedure legislation and, where such powers do not exist, they should use their direct functional authority. This will make it much easier to use the obtained findings and evidence as proof in criminal proceedings.
469. Participation of private sector entities in financial investigation teams is not widespread in most EAG Member States, except for India, where representatives of private sector may be engaged in complex financial investigations in accordance with a court order. Despite absence of such practice in other countries, it seems that the fundamental provisions of the national

<sup>18</sup> FATF: Operational Issues – Financial Investigations Guidance



legislations do not prevent the implementation of such mechanism for improving effectiveness of financial investigations. Representatives of private sector may be included in investigative teams in the capacity of independent specialists or experts other than staff members of official expert, auditing, etc. institutions. Confidentiality can be ensured by applying the existing procedural regulations related to secrecy of investigation or other national laws.

***International cooperation and coordination in financial investigations***

470. Recommendation 40 states that countries should ensure that their competent authorities can rapidly, constructively and effectively provide the widest range of international cooperation in relation to money laundering, associated predicate offences and terrorist financing.
471. Cross-border criminal activities also require international cooperation in process of financial investigations aimed at identifying and freezing criminal proceeds, property of corresponding value and proceeds obtained through the use of criminal property, gathering evidence, applying provisional measures and possible confiscation.
472. Financial investigations often reach beyond domestic borders; therefore, it is important that competent authorities are able to focus on both formal and informal international cooperation efforts and ensure they are maintained for the duration of the case.
473. International cooperation in process of financial investigations should cover all forms of obtaining a wide variety of information for the purpose of investigation (collecting financial and other data, locating persons and assets etc.) and assistance in freezing assets (suspension of transactions), while in the course of parallel financial investigations, international cooperation should also include mutual legal assistance in collecting evidence, applying provisional measures and confiscation.
474. FATF Recommendations 37 and 40 require countries to have an adequate legal basis for providing assistance and, where appropriate, countries should have in place treaties, arrangements or other mechanisms to enhance cooperation. Law enforcement authorities should be able to form joint investigative teams to conduct cooperative investigations, and, when necessary, countries should establish bilateral or multilateral arrangements to enable such joint investigations. It seems that the aforementioned provisions should also apply to international cooperation in process of financial investigations.
475. A significant volume of information for financial investigation purposes can be obtained through joining and supporting by countries the existing AML/CFT law enforcement networks and informal asset recovery networks, and also by developing bilateral contacts with foreign competent authorities in order to facilitate timely and effective cooperation.

**Case Study**

The Enforcement Directorate (ED) receives requests for cooperation from foreign jurisdictions through such channels as Camden Asset Recovery Interagency Network (CARIN), Asset Recovery Interagency Network Asia Pacific (ARIN-AP), NCB-India (Interpol channels), UK National Crime Agency (NCA – liaison officer of British High Commission in India), HMRC, etc.

476. Informal cooperation is a key tool than enable to promptly obtain information, trace/ verify assets and collect information for making MLA requests. Timely and accurate collection of information in the course of informal cooperation is critical for effective completion of a financial investigation.

- 
477. Informal international cooperation in process of financial investigations should seek to obtain all necessary information required for financial investigation if such information requests are within the scope of the national legislation, i.e. as if such information is exchanged by competent authorities at the national level.
478. Financial investigations may also involve the use of mechanism of international information exchange through the national FIU which has a possibility to contact its foreign counterparts and collect further intelligence through the Egmont Secure Web or by other means.
479. International cooperation of customs authorities in process of financial investigations into predicate offences and ML may be carried out through the WCO regional intelligence liaison officers (e.g. RILO-Moscow).
480. In the course of parallel financial investigations, international cooperation may be pursued under the mutual legal assistance framework by way of sending relevant requests related to criminal investigations as well as through other channels of cooperation among competent authorities. It has to be noted that, in some countries, documents and information obtained with the use of other forms of international cooperation does not have the same legal force as information and documents received through the formal mutual legal assistance channels and, therefore, such documents and information require procedural registration and assessment of their relevance and admissibility in court proceedings.
481. Information and documents obtained in process of financial investigations from foreign partners through the FIU channels can be used in criminal and court proceedings as evidence subject to approval by the requested party (i.e. foreign FIU).
482. The situation with the use of criminal intelligence obtained from foreign partners in process of financial investigations is somewhat mixed. If criminal intelligence is gathered upon a formal request for mutual legal assistance, no major issues and problems arise. But if criminal intelligence is gathered upon request for other international cooperation or is provided spontaneously by a foreign competent authority, possibility of dissemination of such criminal intelligence to a criminal prosecution authority and its use as proof in criminal proceedings should be considered with due consideration of the applicable legislation that defines sources of evidence used as proof in court proceedings and regulates the criminal intelligence gathering process.
483. In case of financial investigations unrelated to criminal prosecution, the existing bilateral agreements and memoranda between competent authorities should be used for pursuing international cooperation.
484. The summarized information shows that, in the EAG Member countries, there is no practice of sending MLA requests directly to a competent authority that holds the required information with or without notification of the central authority. Therefore, such practice is not used in process of parallel financial investigations.
485. The most effective way of expediting the execution of request for international cooperation is to establish informal contacts with competent authorities. Existence of contact persons (liaison officers) not only expedites execution of specific assistance requests, but also contributes to strengthening general trust between parties and helps to improve the effectiveness of international information exchange.
486. Establishment of international (inter-state) investigative teams is no less important for facilitating international cooperation in process of financial investigations. In general, the
-

existing international treaties and agreements of the EAG Member States do not regulate the detailed process of international cooperative financial investigations. There are only few statutory provisions that allow the establishing joint investigative teams for conducting preliminary investigations.<sup>19</sup> Most mutual evaluation reports (MERs) of the EAG Member countries state that joint investigative teams for the purposes of ML/TF investigations were not created or were established just sporadically. The MERs contain no information on joint financial investigations conducted in the EAG Member States.

487. In this context, it is deemed relevant and important to develop a methodological guidance (a model document) detailing the mechanisms of establishment of joint international teams for conducting financial investigations, the procedure of cooperation among the team members, the proposed requirements for format of documents generated as a result of financial investigations, and the procedure of their exchange.

## **Chapter VIII. Review of the results of financial investigations. Concerns and recommended actions**

### ***Statistics of financial investigations and their types. Collection, review and use of statistics.***

488. An essential part of evaluating the effectiveness of financial investigations is the analysis of statistics regarding the findings of those investigations. Properly gathered statistics enable competent authorities and countries to determine whether financial investigations related to a particular area of criminal activity are efficient tools to identify and disrupt offenses, whether there are any gaps in financial investigations in that area, and how the findings of those investigations impact the prevention of the growth of both the predicate offenses to which they are related as well as the detection of stable ML schemes and systems. Effective financial investigations that are unrelated to criminal proceedings allow for the early identification of illegal assets and the implementation of confiscation measures. This helps to effectively combat corruption in the country, particularly in government authorities. One method for demonstrating the effectiveness of taken actions in light of the findings of financial investigations is statistics. Statistics make it possible to analyze the status and progress of financial investigations conducted by lower-level units, which helps identify the relevant authority's strengths and capabilities. Statistics also show the financial investigation unit's capabilities and personnel requirements, which improves the efficiency of human resources and may have an impact on future planning.
489. Recommendation 33 does not specify the details of the financial investigation statistics that AML/CFT/CPF competent agencies should collect and compile. However, this standard requires that countries keep detailed statistics on the problems pertaining to the effectiveness and efficiency of their AML/CFT systems. This should, among other things, include data on ML/FT-related investigations, prosecutions, and convictions; frozen, seized, and confiscated assets; and MLA and other requests for international cooperation.
490. Since financial investigations are conducted by government authorities as part of their mandate and are not a distinct category of law enforcement activity, the majority of EAG Member States do not keep separate statistics of their findings. To evaluate the effectiveness

---

<sup>19</sup> For example, the Agreement of Procedure of Establishment and Operation of Joint Investigative Teams in the Territory of the CIS Member Countries dated October 16, 2015.

of the appropriate units, a number of FIUs keep internal statistics on the outcomes of their financial investigations.

#### Case study

The internal statistics of Rosfinmonitoring include information on the outcomes of financial investigations, in particular, the quantity of requests, responses, and risk information reports sent and received by the FIU, as well as the outcomes of financial investigations that were used by Russian LEAs to initiate criminal proceedings, render convictions, impose asset freezes, seizures and confiscations, among other actions.

Statistics are kept, among other things, to document the outcomes of Rosfinmonitoring's efforts to identify and stop illicit activity and guarantee the repatriation of budget funds.

491. The EAG Member States do not have any integrated centralized systems that allow for the collecting and keeping of statistical information on financial investigations because there are no data on their outcomes.
492. However, it seems like this problem might be easily remedied in regards to a number of financial investigations, particularly those related to prosecution. For instance, almost all EAG Member States have centralized databases that collect data on offenses (offenses, pre-trial investigations, etc.), which contain a considerable amount of data pertaining to pre-trial procedures. These centralized systems can readily be expanded with the necessary information for parallel financial investigations.
493. It can be a little more difficult to gather information on the outcomes of financial investigations that are unrelated to pre-trial procedures.
494. Therefore, the type of investigation (parallel financial investigation or investigation unrelated to pre-trial proceedings) is a key component of statistics on financial investigations. These data will make it possible to determine the extent to which financial investigations are initiated for various reasons, as well as the role that data supporting financial investigations that are independent of previously detected and investigated offenses play. When financial investigation is conducted as part of intelligence activities, it may be said that parallel financial investigation is a tool that is exclusively aimed at defining the conditions of an offense that has already been committed or on which LEAs have knowledge. Its main goal is to locate, quantify, and ensure the confiscation of unlawful proceeds, their equivalents, and funds obtained via the use of illegal assets, along with any schemes of their laundering.
495. A preventive role for financial investigations that are unrelated to pre-trial proceedings is also apparent. It makes it possible to spot different kinds of illicit and unexplained proceeds with dubious origins before someone takes steps to make it appear as though they came from legitimate sources. Confiscation of untaxed/undeclared proceeds, typically derived from unofficial, even illegal, activities, and shielded from taxation and disclosure of government officials' and PEPs' income, ensures that people will think that these actions will unavoidably be discovered and that ownership of these assets has no long-term prospects. Financial investigation not related to pre-trial procedures also seems to play a preventive role. It enables to identify various types of illegal and unexplained proceeds that have suspicious origin before an individual takes measures to create a false appearance that they were generated from legitimate sources. Seizure of untaxed/undeclared proceeds that were typically generated through unofficial, including illegal, activities and hidden from taxation and transparency of government officials' and PEPs' income make people think that these actions will be inevitably detected and that ownership of these assets has no long-term perspective. The

AML/CFT/PF Standards set forth a similar objective, identical in terms of the anticipated outcome, with regard to the effectiveness of confiscation procedures, which is to make committing crimes financially unfeasible due to the inevitable confiscation of illegal proceeds.

496. Therefore, accumulating data on various financial investigation types permits analysis of their contribution to the overall system of early detection and suppression of ML/FT/PF.
497. Information on which offenses parallel financial investigations pertain, whether they relate to the identification of organized criminal groups and criminal organizations, and whether they are conducted to identify ML/FT/PF are all important data indicators. The collection of statistics on the offenses to which they relate is of utmost importance to analyze the application of risk-based approach to scheduling and conduct of financial investigations since a large number of Member States have adopted financial investigation regulations that define the circumstances in which these investigations should be conducted. Financial investigations should be conducted more thoroughly and frequently for offenses that present the highest ML/FT threat. The effectiveness of these financial investigations should, in conjunction with other law enforcement actions, lead to a future decrease in the frequency of these offenses and the volume of illegal proceeds generated. Therefore, a re-evaluation of the national ML/FT threats, a revision of the relevant national policies, and the development of additional mitigation measures should follow analysis of the effectiveness of financial investigations during particular periods in terms of the number of conducted financial investigations, amount of illegal proceeds, and scope of related illegal financial activities. Supervisory agencies may also use these findings from the examination of financial investigations to identify vulnerabilities that encourage and facilitate higher ML/FT threat offenses.
498. As was noted above, statistics regarding the relationship between financial investigations and specific offenses may be gathered by adding information to the centralized databases on offenses already in existence. Statistics regarding the outcomes of financial investigations may be gathered through the available agency statistical registries when they are conducted as a part of intelligence activities.
499. The effectiveness of financial investigations, including the types of illegal proceeds or assets, the amount of money generated from illegal proceeds, the value of the established equivalent of illegal proceeds, and the volume of seized assets discovered through financial investigation, is the following significant statistic indicator. These statistics may also be gathered in offense databases, although there is a problem with effective laws' technical compliance with Recommendation 33, as seen during mutual evaluations of the EAG Member States. For instance, rather than keeping statistics regarding illicit proceeds, the majority of EAG Member States instead keep track of damage caused by offenses and recovered damages. The terms "damage from offense" and "illegal proceeds" are not synonymous. In circumstances involving bribery or the sale of drugs, there is no pecuniary damage caused by the relevant action, but there are illicit proceeds in the form of bribes that were received or provided, or payments for drugs that were sold. Statistics for Member States do not include the aforementioned illicit proceeds, therefore they do not accurately depict the volume of illicit proceeds generated or the effectiveness of financial investigations for these objectives. On the other hand, damage caused by improperly fulfilling contractual obligations does not always match the proceeds that criminals actually gained from the offense in cases of fraud and other offenses related to economic relations of legal entities, such as when they supply goods,



works, and services. For instance, funds received from investors in Ponzi schemes represent a real damage caused to those people. However, these funds are not always used entirely at the personal disposal of the scheme's organizers; they may also be used to make insignificant payments, draw in new investors, maintain the security of the scheme, engage in bribery, etc. In this regard, Member States' deficiencies of technical compliance with Recommendation 33 with respect to the collection of statistics on illegal proceeds generated through predicate offenses and ML should be eliminated in order to resolve the issue on the comprehensive nature of collected statistics on financial investigations with regard to detection of illegal proceeds, their equivalent, and funds generated through use of illegal assets, as well as seized assets.

500. Reviewing the analytical data of the findings of financial investigations enables understand in detail the areas, schemes, and amounts of illegal proceeds generated from particular predicate offenses. It also enables to analyze in detail the effectiveness of financial investigations by identifying their effectiveness and any gaps in their methods in various areas and to take action to enhance their practical aspects.
501. Separately, it should be emphasized that the absence of non-aggregated statistics on financial investigations by the goals of their implementation to combat money laundering, terrorist financing, or tax evasion prevents a complete evaluation of the effectiveness of the measures taken for each of these areas. Particularly, the majority of EAG Member States do not investigate PF-related criminal cases. As a result, no parallel financial investigations are made in this area. The effectiveness of national AML/CFT/CPF frameworks' use of various mechanisms to not only collect body of evidence on specific PF offence but also as a system to prevent these offences, identify end recipients of dual-use goods, ways to circumvent targeted financial sanctions and track cash flows for the purpose of PF is, however, impossible to assess due to the lack of statistics on these types of financial investigations (parallel investigations or investigation not related to criminal proceedings) and their objectives (to combat ML/FT/PF).
502. The gathering of information on the methods and outcomes of international cooperation during financial investigations permits analysis and evaluation of the effectiveness of the actions taken by national competent authorities to locate, seize, and freeze unlawful assets abroad. Since the majority of the predicate offenses do not include siphoning off unlawful assets abroad, the mutual evaluations of the EAG Member States currently do not contain any objective criteria to draw a conclusion on the effectiveness of these actions. Statistics on financial investigations will enable countries to objectively evaluate the effectiveness of LEAs in this area and improve these activities if they are maintained to specify the objectives (to identify illegal assets abroad), instances of international cooperation (sent requests and their justifications), and results (amount of arrested and repatriated assets).
503. Maintaining and preserving statistics on financial investigations conducted by specialized teams and using expertise in particular fields (economy, finance, real estate, banking, accounting, legal services, etc.) is also beneficial.
504. Data on the private sector's participation in financial investigations is also crucial. It is useful in this situation for the general public to have access to statistics and examples of the private sector's engagement in financial investigations. This will increase people's awareness of how the private sector affects the detection and combating of illicit revenues, concealed illicit assets, and the determination of their genuine value. These types of public-private

partnerships will boost public confidence in government institutions, make it possible to attract more funding for AML/FT/PF efforts without incurring additional costs, guarantee effective public oversight of the transparency of proceeds received by both public officials and common citizens, and generally improve the overall effectiveness of the AML/CFT/CPF framework.

505. Regarding the current state of mechanisms for gathering and accumulating statistics in the EAG Member States generally, the provision of comprehensive statistics on financial investigations may be accomplished through the available tools without requiring the establishment of particular centralized systems to keep statistics or incurring significant additional costs.

***Compliance practices in ML/FT financial investigations***

506. According to reports of mutual evaluations conducted by EAG Member States, all assessed countries conduct parallel financial investigations to investigate ML and FT to varying degrees. Despite the fact that the extent of their use in criminal procedures varies, it is possible to draw the general conclusion that financial investigations have not evolved into a crucial mechanism for guaranteeing the accuracy of ML/FT detection and investigation. These investigations are not frequently conducted regarding PF. Statistics show that neither criminal law measures that have been enacted nor financial investigations generally permit the achievement of such a level of confiscation of illicit proceeds that would materially affect the deprivation of the subject of criminal intrusion for financial offenses. Negative ratings are assigned to both Immediate Outcome 7 (ML Investigation and Prosecution) and Immediate Outcome 8 (Confiscation)<sup>20</sup> due to the continued medium level of confiscation of unlawful proceeds that have been laundered, tools of FT, and proceeds from predicate offenses.
507. The implementation of efficient ML investigations is a critical problem across the majority of the countries that make up the Global Network, not just in the Eurasian region. Prioritization at the operational and political levels, local and international cooperation and coordination, government support for resource allocation, and adequate knowledge of ML schemes and techniques for financial investigations are all necessary for this. As of January 2023, 68 countries, or 48.6% had a moderate rating on IO.7, 59 countries, or 42.1%, had a low rating, and 13 countries, or 9.3%, had a substantial rating. No country is highly effective.<sup>21</sup> The global efficiency ratings on IO.7, according to the MER results, are among the weakest of all the Immediate Outcomes.
508. The FATF concludes in its study that the absence of concurrent incentives and ML priorities may lead to problems with ML investigation and prosecution. Law enforcement and prosecution authorities are subject to requirements, and their effectiveness may even be evaluated by the number of successfully resolved criminal cases, the speed of their investigations, or the number of convictions. Given these circumstances, attention may be drawn to the predicate offenses, as noted in 60% of reports. Due to the ease with which investigators and judges can understand them, predicate offenses may be thought of as being easier to investigate, as well as easier to prosecute. Contrarily, ML cases, particularly complex ones, are challenging to examine; these investigations can last years without obvious indications of success. In order to avoid cross-border ML, third-party ML, professional ML,

<sup>20</sup> Only Russia, Turkmenistan and China have positive ratings on IO.8. Other EAG Member States that have been assessed have moderate or low ratings on IO.7 (except Kazakhstan) and IO.8

<sup>21</sup> Document of FATF-RTMG (2023) , 6, [https://fact.fatf-gafi.org/official-document/FATF/RTMG\(2023\)6/en](https://fact.fatf-gafi.org/official-document/FATF/RTMG(2023)6/en)

as well as other complex ML cases, law enforcement and prosecuting authorities may be given incentives.

509. This situation is typical of the EAG Member countries as well. As was noted above, financial investigations frequently run longer than the time frame allowed by criminal procedure regulations for preliminary investigations, and their goals go beyond establishing the guilt of the alleged offender.
510. As the FATF notes in its analysis, several countries have set explicit incentives for law enforcement and prosecution authorities to conduct financial investigations and/or combat money laundering in order to address this issue. These incentives may take many different forms. ML investigations that are complex or cross-border may be identified as a team or separate officer's specific objective. Key performance indicators related to ML or financial investigations for specific officers or groups may be adopted. Agency or individual objectives may also be adopted that will be communicated to particular authorities and officers. Special teams or positions that conduct complex financial investigations and subsequent prosecution, including ML investigations and prosecution, may be established.
511. At the same time, financial investigations are often treated separately from other criminal investigations by EAG Member States. Financial investigations without criminal procedures are only conducted in extraordinary circumstances, and the development of special financial investigative units and interagency teams to conduct them out are almost nonexistent. The private sector contributes little, typically simply providing information on accounts, deposits, assets, etc.
512. This is further supported by the fact that LEAs lack a shared understanding of the techniques and resources available for conducting financial investigations into the same categories of crimes and common investigative techniques.
513. The following categories can be used to categorize contemporary financial investigative issues:
- Fundamental and methodological issues;
  - Institutional and legal issues;
  - Resource and technological issues;
  - Communication issues, including those related to international communication; and
  - International legal issues.
514. Fundamental methodical issues with the compliance procedures for financial investigations are related to the absence of a clearly defined position in the AML/CFT/CPF policies to acknowledge financial investigations as a potential tool for combating crime, especially economic crime. Law enforcement lacks knowledge of the need of using the institution of financial investigations in its actions since national AML/CFT/CPF systems do not prioritize financial investigations as a major activity. As a result, only a small percentage of officers of competent authorities who are authorized to conduct financial investigations view them as a crucial and essential aspect of the criminal procedure. According to research done for this project, financial investigations are not seen as an effective instrument to fight ML, FT, PF, and predicate offenses because of the ambiguous status they have in some Member States.
515. The lack of adequate and comprehensive legal regulation of the goals, activities, and processes of financial investigations, as well as the use of their findings, is one of the

institutional and legal issues. Only lately have uniform regulations among EAG Member States been developed, frequently immediately before or after mutual evaluations to address any deficiencies that were found. Interviews with competent authorities during on-site missions demonstrated that they did not always share the same understanding of the information that can be obtained during financial investigations, the conclusions that can be drawn from it, the scope of actions taken in regard to the same category, the capabilities to conduct financial investigations outside of criminal proceedings, and the procedural aspects of acknowledging the results of financial investigations during legal proceedings as proofs.

516. Lack at centralized level clear distribution of responsibilities for financial investigations developed and communicated to competent authorities, including through separation of this institution or units that conduct financial investigations and non-recognition of equality of financial investigations with other procedural institutions, their non-inclusion in the system of assessment of efficiency of appropriate officers of competent authorities resulted in abstracting of investigators and operation officers from the need to conduct financial investigations to ensure prompt timeframes of investigations and completion of criminal cases and increased focus on achieving of other objectives of their professional activities.
517. Efficiency of financial investigations first of all logically with principle of certainty of punishment for these offences. In practice, bringing legal entities to liability following financial investigations remains challenging.
518. Resource and technological issues are frequently connected to giving officers the tools they need to perform financial investigations. This primarily has to do with easy direct access to several databases and information sources that include financial and other data in them. The promptness of these investigations is largely dependent on how quickly the necessary data is collected. Officers who conducted financial investigations commonly stated that while criminals took steps to siphon off unlawful assets, there was no way to freeze or arrest them because there was no online access to bank data. Although access under a written procedure is not a deficiency, it obviously does not meet the goal of financial investigations.
519. Another vulnerability of financial investigations is the absence of mechanisms for complete analysis of financial data using cutting-edge technology and potential predictions.
520. Insufficient trained employees and advanced training are two more problems that are related to resource and technological issues. Countries do not always have the time or money for training, which takes a lot of both. As a result, poorly qualified workers are unable to conduct comprehensive financial investigations.
521. Issues with interagency and international information sharing, as well as with its duration and level of mutual trust, are related to communication issues, particularly international communication issues. It is not always possible to get information of interest within suitable timescales, which allow facilitating attachment of the specified objectives, due to the fact that various national competent authorities that conduct financial investigations have different levels of authority. When working across agencies, there may be a number of obstacles connected to the actual and imagined observance of professional secrecy, as well as competition amongst competent authorities when they pursue the same goals in relation to fighting crime.
522. Due to a lack of confidence in the private sector and civil control, they are unjustifiably less involved in financial investigations, their value as subject matter experts is downplayed; this

also results in less faith in compliance control services, and lack of meaningful cooperation with competent authorities.

523. Cross-border financial investigations are the primary focus of international legal issues relating to the practical aspects of financial investigations. The MLA procedures in place were created in the last century; therefore they do not take into account the rapid increase in society's access to information. Mutual legal assistance nevertheless takes time and money. Due to the lack of regulation in international treaties, conventions, and agreements, electronic forms of coordination are hardly ever employed; this also applies to the use of electronic proofs. Virtually all attempts made as part of financial investigations to find assets abroad are rendered useless by the absence of clear and appropriate channels for asset repatriation and separation. The majority of international MLA treaties that the EAG Member States have ratified lack particular provisions relating to the execution of confiscation court orders. Even when there is a clear need for such cooperation, filing of requests may be delayed or prevented altogether due to a lack of visible prospects for such cooperation and lengthy review times.
524. In similar fashion, only regional international organizations perform collaborative complex international financial investigations.

***Improvement of financial investigative methods and effectiveness, as well as officers' skill development***

525. When discussing how financial investigation techniques might be improved, it is crucial to recognize and comprehend their function in the AML/CFT/CPF system that fights and prevents crime. Financial investigations have only recently been discussed as a crucial institution in the fight against financial crime. According to experts' conclusions during the mutual evaluations of national AML/CFT/CPF systems, LEAs do not have a common concept of the significance of financial investigations for law enforcement actions.
526. Financial investigations are frequently seen as a related activity of LEAs and FIUs to gather evidence of offence and as a way to employ specialized expertise to support the body of evidence in suspects' conduct in criminal cases. This limited comprehension of the goals and significance of financial investigations makes it impossible to expedite application procedures and utilize all of their potential.
527. As with intelligence operations, financial investigations appear to have already stopped being a crucial component of pre-trial procedures and turned into a stand-alone tool to combat financial and economic crime.
528. First, the goal of financial investigations is to not only find evidence in a specific case and present it to the prosecution, but also to investigate the wider financial aspect of the offence and determine whether the particular offense was the result of specific mechanisms and schemes used by different people in connection with other offenses of a similar nature and which were developed by those who commit these criminal schemes.
529. Second, financial investigations offer unique strategies for preventing criminality, first of all, ML and unexplained riches. Financial investigations outside of prosecution enable them to play a preventive role in regards to the occurrence of proceeds generated through illegal, unrecorded, or untaxed funds in the legal framework and subsequently giving them the appearance of legality and their involvement in legal circulation, provided they are properly institutionalized. The actions taken to seize unexplained proceeds from PEPs and other public officials generate a social demand for transparency of public officials' earnings, their



accountability, integrity, and incorruptibility, as well as awareness of the lack of opportunities for illegal enrichment and concealment of proceeds among PEPs and public officials.

530. Third, financial investigations have unique processes and information sources. Additionally, they are free to make use of the evidence collection and preservation techniques currently in use by law enforcement and intelligence authorities. The fact that they comply with this form of action, i.e., without repeated examination of submitted data and expenditure of resources, highlights their flexibility in using the methods of collecting financial information and its analysis that may be accepted as admissible evidence without their examination in procedural order. The variety of financial investigation mechanisms, however, is wider; they may use both the procedural powers of LEAs and the techniques used by tax and other competent authorities when they conduct these investigations. Additionally, for separate financial investigations, particular procedures may be established, as in the case of investigating of the excess of public officials' income over their expenditures.
531. In light of the fact that the FATF Standards do not contain a comprehensive list of goals for which financial investigation institution may or should be used, countries should first independently specify a list of goals and a range of tasks to be pursued by financial investigations; however, the number should not be less than that specified in the Standards (parallel financial investigations). This will make it possible to identify where financial investigations fall within the framework of the law enforcement system. Since financial investigations are a powerful tool for ensuring the financial transparency of cash flows and asset circulation in a country, it would seem necessary to work toward making sure that financial investigations offer a broad coverage of areas and goals within the fundamental legal framework. It is evident that financial investigations will not be able to resolve issues to identify and ensure extended confiscation or criminal liability of legal entities provided that these legal institutions are stipulated by fundamental provisions of national law. In this regard, it is not necessary to prematurely determine objectives of financial investigations that cannot be achieved due to regulatory bans before they are revised since this will raise doubts on the efficiency of entire institution of financial investigations in general. Financial investigations clearly cannot uncover legal entities that are subject to extended confiscation or criminal liability if these legal institutions are not covered by fundamental national laws. In this regard, it is not necessary to predict financial investigations' goals in advance before they are amended because doing so will cast doubt on the effectiveness of the entire institution of financial investigations as a whole.
532. The next stage in streamlining financial investigation processes and improving their effectiveness is to identify the competent authorities that will conduct the investigations and specify their mandate based on the specific goals of those investigations. At this point, the applicable legal document that governs financial investigations may also start to be developed. It appears to be a separate legal document that will at least identify a list of authorities responsible for conducting financial investigations, as well as their mandate, authority, and process for coordinating, documenting, and using those investigations.
533. The establishment of a separate AML/CFT/CPF unit, whose mandate will include all financial investigations, the vesting of these obligations in a specific competent authority, the assignment of financial investigation functions to a number of authorities, including law enforcement, the establishment of special units in these authorities, or the allocation of separate officers are all issues that the government should address as part of the proper law

enforcement system. It is also important to emphasize the unqualified advantages of creating specialized units to conduct financial investigations.

534. The primary benefit of creating a special unit is the ability to combine the knowledge and efforts of other competent authorities to ensure the success of financial investigations. It appears difficult to teach every member of law enforcement, as well as those who are not law enforcement but are in charge of financial investigations, how to conduct them efficiently and how to keep or develop their professional abilities. Along with the requirement to advance their professional abilities, this takes a lot of time and resources, particularly financial ones. This calls for a significant amount of time and resources, particularly financial resources, in addition to the requirement to enhance one's professional skills. A much more manageable goal would be to teach a certain number of officers from a special unit; in this instance, funds that would otherwise be utilized to train all officers from the relevant authorities might be diverted to training special unit officers abroad in the best practices of international financial investigation.
535. The establishment of a distinct unit to conduct financial investigations clearly benefits global cooperation. MLA measures severely restrict the prosecution authorities' abilities during an international investigation of an offense. These processes take a lot of time and money. Additionally, they are linked to unresolved concerns like the acceptance of electronic evidence, providing legal help in VA cases, asset confiscation, repatriation, and splitting, among other things. The methods used in conducting financial investigations are more adaptable; they make it possible to gather information for these investigations considerably more quickly and efficiently. For instance, the Egmont Group may provide information to FIUs during financial investigations, which takes much less time and effort. The discussion about subsequent acceptance of usage of this information already took place.
536. Establishing a special unit to conduct financial investigations also enables to partially resolve issues of AML/CFT/CPF prioritization since in this case, identifying ML offenses becomes one of the main objectives of this unit while currently, based on MERs, the effectiveness of ML identification and investigation is not a criterion of the efficiency of their activities for the majority of LEAS since perception of ML identification and investigation stems from their efforts to identify, disrupt, and investigate some categories of predicate offenses that are under their authority.
537. It's important to identify any potential drawbacks of the establishment of these units. They mostly concern the creation of specific authorities or divisions to detect financial or economic crimes or corruption. The bulk of EAG Member States share a common history. Special units that had been established had to be disbanded due to inefficiency in achieving desired objectives and, in some cases, corruption practices. The lack of outcomes from other authorities in these activities for comparison and lack of self-control appear to be the main causes of these repercussions, not the unique mandate of these units in the domain of their activities. The failure to establish an effective system to oversee the activities of these units both in terms of compliance with the law (or, for example, through the general prosecutor's supervision) and in terms of anti-corruption measures and criteria for evaluating the effectiveness and validity of results in this case could also impact (and possibly has impacted) the failure to achieve the desired goals. In any instance, previous negative experiences might not and should not stop someone from revisiting the problem and trying to make improvements in this area. The experience of some EAG Member States demonstrates that

they attempted to improve their law enforcement systems at various times, often without immediate success.

538. When it is decided that various competent authorities should conduct financial investigations, it is necessary to take into account the assignment of special officers or the creation of financial investigation units within these authorities and use evaluation of their effectiveness and efficiency to assess the activities of the appropriate authority.
539. Progressive and coordinated efforts to digitize financial and other information should be made, and authorities conducting financial investigations should have direct and easy access to it. This would increase the effectiveness of financial investigations. Government initiatives to combat crime should involve measures to create and use analytical tools that enable moving away from "paper" analysis. Advanced information technologies enable quick comparisons of data from financial and other registers in terms of matches against predetermined parameters and criteria, identification of transactions of a single type, analysis of legal entities' activities during predetermined periods, etc. It is important to try to devote as much resources as you can to effective digital transformation.
540. Specific competent authorities' methods and powers for conducting financial investigations, the authority and scope of the private sector's involvement in financial investigations, the protection of entities whose rights are subject to financial investigations, the procedure for protecting those rights and compliance with it, and the acknowledgment and use of the findings of financial investigations in the procedural activities of law enforcement authorities will all be stipulated in legal documents and will all help to increase the efficiency of financial investigations. To help the officers conducting them understand their course of action once the investigation is through, it is essential to list all actions that have been performed as a result of financial investigations. For instance, the majority of MERs in EAG Member States that do not impose criminal liability on legal entities draw the conclusion that such involvement or use in ML, FT, or PF is not subject to administrative liability. Similar to this, under civil law, legal entities are not liquidated for severe violations of ML, FT, or PF legislation. The inclusion of these measures in financial investigation legislation will permit the improvement of work quality and guarantee the preventative effects of administrative and civil liability actions.
541. It has a good chance of resolving issues related to further enhancing the fight against financial crime to establish a permanent system to share information obtained during financial investigations (for example, a register or database of the results of financial investigations that can be accessed by all authorities empowered to conduct financial investigations).
542. Regulation of financial investigation procedures and training of qualified officers is a crucial and essential tool to improve the quality and effectiveness of financial investigations outside of prosecution given their generally low efficiency (it could be argued that there are no financial investigations to combat PF).
543. As previously mentioned, it's equally necessary for officers who conduct financial investigations to receive ongoing, targeted training. As part of officers' expertise in financial investigations, this training and skill development should be undertaken in a variety of formats:

- At national level (trainings, skills development at special educational institutions, dissemination of analytical products and guidance, reviews of practical aspects of judicial and investigative activities and reviews of financial investigations, etc.);
  - trainings to use information technologies, development and implementation of advanced systems of analysis of financial and other information (refresher courses at special higher educational institutions and research institutes, etc);
  - at intergovernmental level under treaties in force (the International Training and Methodology Centre for Financial Monitoring and other organizations);
  - as part of exchange of best practices among countries;
  - events conducted by international and regional organizations (by OECD Academy for Tax and Financial Crime Investigation, forums, training programs, workshops, etc);
  - as part of research work to search for new and enhance the efficiency of the existing techniques of financial investigations (research-to-practice conference, meetings, workshops, round table discussions in scientific and educational institutions).
544. Additionally, authorities that undertake financial investigations should adopt better hiring and operational procedures. One of the EAG Member States' competitive and examination selection processes for LEA and FIU positions, including those in special government or other institutions, may be used as an example.
545. The MERs from the EAG Member States demonstrate that competent authorities that detect and investigate ML/FT/PF often lack a thorough understanding of global issues pertaining to AML/CFT/CPF national policies, as well as the relationship between their activity and the evaluation of risks, threats, and vulnerabilities, as well as the development of national policies to combat these offenses. Due to the use of various tools and mechanisms to obtain and analyze financial information, extensive capabilities to assess the actions taken to mitigate ML/FT/PF risks and, consequently, impact the results of subsequent NRAs, and encouragement and assurance of compliance of LEAs' activities to identify laundering of illegal proceeds from predicate offences, financial investigations, as part of current AML/CFT/CPF national systems, connect LEAs, FIUs, and supervisory authorities with the private sector.
546. Financial investigations thus have the prospect of becoming a key instrument in combating money laundering, financial (economic) and corruption crimes, as well as the financing of terrorism and the proliferation of weapons of mass destruction.

**Basic legislative acts, containing provisions on the regulation of financial investigations in EAG Member States (references are to the text in the original language)**

Republic of Belarus

- [Criminal Code of the Republic of Belarus](#);
- [Criminal Procedure Code of the Republic of Belarus](#);
- [Law No. 165-3 of 30.06.2014 "On Measures to Prevent the Legalisation of Proceeds of Crime, Financing of Terrorist Activities and Financing the Proliferation of Weapons of Mass Destruction"](#);
- [Law of the Republic of Belarus of 15.07.2015 No. 307-3 "On operative search activities"](#);
- [Law of the Republic of Belarus of 10.01.2014 No. 129-Z \(ed. of 18.12.2019, amended on 19.07.2021\) "On Customs Regulation in the Republic of Belarus"](#);
- [Law of the Republic of Belarus No. 226-Z of 22.07.2003 "On Currency Regulation and Currency Control"](#);
- [Decree of the President of the Republic of Belarus No. 48 of 14.02.2022 "On the register of addresses \(identifiers\) of virtual wallets and peculiarities of cryptocurrency circulation"](#);
- [Resolution of the Plenum of the Supreme Court of the Republic of Belarus No. 8 of 24.06.2004 "On the Practice of Consideration by the Courts of Civil Suit in Criminal Proceedings"](#);
- Resolution of the General Prosecutor's Office, the Investigative Committee, the Ministry of Internal Affairs, the Ministry of Emergency Situations, the Ministry of Defence, the State Control Committee, the State Security Committee, the State Border Committee, the State Customs Committee and the State Committee of Forensic Expertise of 26.12.2016 No. 36/278/338/77/42/7/32/17/28/24 "On Approval of the Instruction on the Procedure of Interaction of the Bodies of the Prosecutor's Office, Preliminary Investigation, Inquiry and the State Committee of Forensic Expertise in the Criminal Proceedings of the Republic of Belarus";
- Decree of the Prosecutor General's Office, State Control Committee, Investigative Committee, State Security Committee, State Border Committee, State Committee of Forensic Expertise, State Customs Committee, Ministry of Internal Affairs, Ministry of Health, Ministry of Defence, Ministry of Emergency Situations and Ministry of Finance of 13.09.2016 No. 26/4/200/19/11/18/21/261/104/21/57/84 "On Approval of the Instruction on Interaction of State Bodies in the Seizure, Accounting, Storage and Transfer of Physical Evidence, Objects Prohibited from Circulation, Money, Valuables, Securities, Awards, Documents and Other Property in Materials and Criminal Cases";
- Order of the Prosecutor General of the Republic of Belarus No. 6 of 28.02.2019 "On Organisation of Prosecutor's Supervision over the Execution of Legislation in the Field of Counteraction to Legalisation of Proceeds of Crime, Financing of Terrorist Activities and Financing of Proliferation of Weapons of Mass Destruction";
- Decree of the Prosecutor General of the Republic of Belarus No. 16 of 06 June 2014 "On Additional Measures on Compensation of Property Damage Caused by Crimes";



- Methodological Recommendations on the Identification by State Bodies of Property Obtained by Criminal Means or Obtained in Violation of the Anti-Corruption Legislation, approved by resolution of the Prosecutor General's Office, the Investigative Committee, the State Control Committee, the State Border Committee, the State Customs Committee, the State Security Committee, the Ministry of Internal Affairs, the Ministry of Defence, the Ministry of Taxes and Duties, the Operational and Analytical Centre under the President of the Republic of Belarus, Presidential Security Service of 30.06.2022 No. 2/160/3/2/64/10/159/27/26/2/47 "On improvement of counteraction to legalisation (laundering) of proceeds of crime or in violation of anti-corruption legislation";
- Algorithm of actions of officials of customs authorities, bodies of internal affairs and the Investigative Committee when carrying out verification measures on the facts of revealing certain types of offences (crimes). Letter of the General Prosecutor's Office of the Republic of Belarus out. № 3000-11d/138 of 09.04.2018.

#### Republic of India

- [Prevention of Money Laundering Act, 2002 \(PMLA\)](#)
- [Foreign Exchange Management Act, 1999 \(FEMA\)](#)
- [The Fugitive Economic Offenders Act, 2018 \(FEOA\)](#)
- [Narcotic Drugs and Psychotropic Substances Act, 1985 \(NDPS\)](#)
- [Black Money \(Undisclosed Foreign Income and Assets\) and Imposition of Tax Act, 2015;](#)
- [Prevention of Corruption \(PC\) Act, 1988](#)
- [The Smugglers and Foreign Exchange Manipulators \(Forfeiture of Property\) Act, 1976 \(SAFEMA\)](#)
- [Unlawful Activities Prevention Act, 1967 \(UAPA\)](#)
- [Code of Criminal Procedure, 1973 \(Cr. PC\) and PMLA, 2002](#)
- RBI master circular no. RBI/2015 – 16/42DBR.AML.BC.No.15/14.01.001/2015-16dated 01.07.2015 regarding Know Your Customer norms/Anti-Money Laundering Standards/Combating of Financing of Terrorism/Obligation of banks under PMLA, 2002
- RBI master circular no. RBI/2015-16/108 DNBR (PD) CC No. 051/03.10.119/2015-16 dated 01.07.2015 regarding Know Your Customer (KYC) Guidelines – Anti-MoneyLaundering Standards(AML) – Prevention of Money Laundering Act, 2002- Obligation of NBFCs in terms of Rules notified thereunder
- SEBI master circular no. SEBI/HO/MIRSD/DOP/CIR/P/2019/113 dated 15.10.2019 regarding Guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT)/Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under

#### Republic of Kazakhstan

- [Criminal Code of the Republic of Kazakhstan](#)
- [Code of Criminal Procedure of the Republic of Kazakhstan](#)
- [Law of the Republic of Kazakhstan dated 28 August 2009 No. 191-IV "On Combating Legalisation \(Laundering\) of Proceeds of Crime and the Financing of Terrorism"](#)

- [Regulatory Resolution of the Supreme Court of the Republic of Kazakhstan dated 24.01.2020 No. 3 "On some issues of qualification of criminal offences in the sphere of economic activity"](#)
- [Law of the Republic of Kazakhstan of 15 September 1994 No. 154-XIII "On Operative Investigative Activity"](#)

#### Kyrgyz Republic

- [Criminal Code of the Kyrgyz Republic](#)
- [Code of Criminal Procedure of the Kyrgyz Republic](#)
- [Law of the Kyrgyz Republic "On Combating the Financing of Terrorist Activities and Legalisation \(Laundering\) of Criminal Proceeds"](#)
- [Law of the Kyrgyz Republic "On Operative Investigative Activity"](#)
- Guidelines for Financial Investigations approved by Joint Order of the Prosecutor General's Office, State Committee for National Security, Ministry of Internal Affairs, State Financial Intelligence Service

#### Russian Federation

- [Criminal Code of the Russian Federation](#)
- [Criminal Procedure Code of the Russian Federation](#)
- [Federal Law No. 115-FZ of 7 August 2001 "On Combating the Legalisation \(Laundering\) of Proceeds of Crime and the Financing of Terrorism"](#)
- [Federal Law dated 03.12.2012 N 230-FZ \(ed. 28.12.2022\) "On control over the compliance of expenditures of persons holding public office and other persons with their income"](#)
- [Order of the Prosecutor General's Office of the Russian Federation, Rosfinmonitoring, the Ministry of Internal Affairs of Russia, the Federal Security Service of Russia, the Federal Customs Service of Russia, the Investigative Committee of the Russian Federation No. 511/244/541/433/1313/80 dated 21.08.2018 "On Approval of the Instruction on Organisation of Information Interaction in the Field of Counteraction to Legalisation \(Laundering\) of Money or Other Property Obtained by Criminal Means"](#)
- [Order of the General Prosecutor's Office of the Russian Federation, the Ministry of Internal Affairs of the Russian Federation, the Ministry of Emergency Situations of the Russian Federation, the Federal Security Service of the Russian Federation, the Investigative Committee of the Russian Federation, the Federal Drug Control Service of the Russian Federation, the Federal Customs Service of the Russian Federation, the Federal Service for the Prevention of Crime, and Rosfinmonitoring of 29.03.2016 No. 182/189/153/243/33/129/800/220/105 "On the procedure for interaction between law enforcement and other state bodies at the pre-trial stage of criminal proceedings in the field of compensation for damage caused to the state by crimes"](#)
- [Order of the Prosecutor General of the Russian Federation of 08.02.2017 No. 87 "On the organisation of prosecutorial oversight of the enforcement of laws in the area of combating the legalisation \(laundering\) of proceeds of crime, the financing of extremist activities and terrorism"](#)

#### Republic of Tajikistan

- [Criminal Code of the Republic of Tajikistan](#)
- [Criminal Procedure Code of the Republic of Tajikistan](#)
- [Law of the Republic of Tajikistan "On Combating the Legalisation \(Laundering\) of Proceeds of Crime, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction](#)
- [Law of the Republic of Tajikistan "On Operative Investigative Activity"](#)
- Instruction "On conducting property (parallel financial) investigation", approved by the Order of the Prosecutor General of the Republic of Tajikistan from 20.04.2021 № 5-39

#### *Turkmenistan*

- [Criminal Code, adopted by Act No. 104-IV of 10.05.2010](#)
- [Criminal Procedure Code, adopted by Act No. 28-IV of 18.04.2009](#)
- [Law No. 335-VI of 13.03.2021 on combating money-laundering, the financing of terrorism and the financing of proliferation of weapons of mass destruction](#)
- [Law No. 136-V of 08.11.014 on operational and investigative activities](#)

#### *Republic of Uzbekistan*

- [Criminal Code of the Republic of Uzbekistan](#)
- [Code of Criminal Procedure of the Republic of Uzbekistan](#)
- [Law of the Republic of Uzbekistan of 26.08.2004 No. 660-II "On countering legalisation of proceeds of crime, financing of terrorism and financing of proliferation of weapons of mass destruction"](#)
- [Law No. ZRU-344 of the Republic of Uzbekistan of 25.12.2012 "On operative-search activity"](#)
- Joint Instruction of the General Prosecutor's Office, State Security Service, Ministry of Internal Affairs, State Customs Committee of the Republic of Uzbekistan "On the procedure for studying financial aspects of criminal activity in the course of operational-search activity, pre-investigation, enquiry and preliminary investigation" dated 20.05.2021

**List of government bodies (entities) authorised to conduct AML/CFT financial investigations in the EAG Member States***Republic of Belarus*

- Financial Monitoring Department of the State Control Committee (FIU).
- Bodies involved in police and intelligence activities:
  - Ministry of Internal Affairs;
  - Committee for State Security;
  - State Border Committee;
  - Security Service of the President of the Republic of Belarus;
  - Operative-analytical centre under the President of the Republic of Belarus;
  - Financial Investigation Department of the State Control Committee;
  - The State Customs Committee;
  - Intelligence services of the Armed Forces.
- Bodies of enquiry (except those mentioned above):
  - State fire supervision bodies and other officials authorised to conduct enquiries.
- Pre-trial investigation bodies:
  - Investigative Committee;
  - Investigative units of the State Security Committee;
  - Prosecutor General's Office (in case of investigation of criminal cases they independently use the powers of preliminary investigation bodies).
- Bodies that are not law enforcement agencies:
  - Prosecutor General's Office;
  - Ministry of Taxes and Duties according to its competence;
  - The General Department for Compulsory Enforcement of the Ministry of Justice according to its competence.
- Courts.

*Republic of India*

- Law enforcement agencies:
  - Enforcement Directorate (ED) (on ML/TF offences and offences relating to violation of provisions of FEMA Act;
  - National Investigation Agency (NIA) and State Police (terrorism financing);
  - Narcotics Control Bureau (NCB) (drug trafficking offences);
  - Central Bureau of Investigation (CBI) (corruption offences involving public officials);

- Department of Revenue Intelligence (DRI) (crimes related to smuggling of goods, including drugs, gold, diamonds, electronics, foreign exchange and counterfeit Indian currency)<sup>22</sup>.
- Non-law enforcement agencies:
  - Income Tax Department (issues relating to tax evasion);
  - Securities and Exchange Board of India (SEBI) (offences relating to securities transactions prejudicial to investors or the securities market);
  - DGGST (issues relating to Goods and Services Tax (GST) irregularities);
  - SFIO (offences relating to violations of the Companies Act, 2013);
  - Other ad hoc committees/commissions set up by the courts.

#### Republic of Kazakhstan

- Financial Monitoring Agency (FIU).
- Law enforcement and special state bodies:
  - Economic Investigation Service of the Financial Monitoring Agency;
  - Agency for Counteracting Corruption (Anti-Corruption Service);
  - Ministry of Internal Affairs;
  - Ministry of Internal Affairs; o General Prosecutor's Office;
  - Ministry of Internal Affairs; o Prosecutor General's Office; o National Security Committee.
- Competent authorities other than law enforcement:
  - Customs Service of the State Revenue Committee.

#### Kyrgyz Republic

- State Financial Intelligence Service under the Ministry of Finance (FIU).
- Law enforcement agencies:
  - Ministry of Internal Affairs;
  - State Committee for National Security;
  - State Customs Service;
  - State Tax Service;
  - Penitentiary Service under the Ministry of Justice;

#### Russian Federation

- Federal Financial Monitoring Service (FIU).
- Law enforcement agencies:
  - Ministry of Internal Affairs;
  - Federal Security Service;
  - Investigation Committee;
  - Federal Customs Service;
- Competent authorities other than law enforcement agencies:

<sup>22</sup> The police and other law enforcement agencies authorised to investigate predicate offences also conduct financial investigations depending on the nature of the predicate offence, as well as the involvement of finance in the predicate offence. However, the above-mentioned authorities and law enforcement agencies are not authorised to investigate money laundering offences, which are investigated by the Enforcement Directorate.



- Prosecutor General's Office;
- Federal Tax Service.

#### Republic of Tajikistan

- Law-enforcement bodies:
  - Ministry of Internal Affairs;
  - State Committee for National Security;
  - Agencies for State Financial Control and Struggle against Corruption;
  - Agency for Drugs Control;
  - Customs Service under the Government of Tajikistan
- Competent authorities other than law enforcement (involved in financial investigations)
  - Financial Monitoring Department under the National Bank of Tajikistan (FIU);
  - Ministry of Justice;
  - Tax Committee under the Government of the Republic of Tajikistan;
  - Accounts Chamber of the Republic of Tajikistan;
  - The Execution Service under the Government of the Republic of Tajikistan; o The Ministry of Justice;
  - The Tax Committee of the Government of the Republic of Tajikistan;
  - The Audit Chamber of the Republic of Tajikistan;
  - The Execution Service under the Government of the Republic of Tajikistan.

#### Turkmenistan

- Financial Monitoring Service under the Ministry of Finance and Economy (FIU);
- Law enforcement agencies:
  - Prosecutor General's Office;
  - Ministry of Internal Affairs; o Ministry of National Security;
  - Ministry of National Security;
  - State Customs Service;
  - State Migration Service;
- Competent authorities other than law enforcement agencies:
  - Tax Department Ministry of Finance and Economy of Turkmenistan

#### Republic of Uzbekistan

- Department for Combating Economic Crimes under the General Prosecutor's Office (FIU).
- Law enforcement institutions:
  - Prosecutor General's Office;
  - Ministry of Internal Affairs;
  - State Security Service;
  - State Customs Committee.
- Competent authorities other than law enforcement agencies:
  - State Tax Committee;
  - General Directorate of State Financial Control of the Ministry of Finance.

**List of participants of the project team on development of EAG Methodological Guidelines on Organising and Conducting Financial Investigations in the AML/CFT Sphere**

- EAG Secretariat;
- FATF Secretariat;

**From EAG Member States:**

- Department of Financial Monitoring of the State Control Committee of the Republic of Belarus;
- Department of Financial Investigations of the State Control Committee of the Republic of Belarus;
- Enforcement Directorate of the Republic of India;
- National Investigation Agency of the Republic of India;
- Financial Monitoring Agency of the Republic of Kazakhstan;
- People's Bank of China;
- State Financial Intelligence Service under the Ministry of Finance of the Kyrgyz Republic;
- Federal Financial Monitoring Service (Rosfinmonitoring);
- Financial Monitoring Department under the National Bank of Tajikistan;
- Financial Monitoring Service under the Ministry of Finance and Economy of Turkmenistan;
- Department for Combating Economic Crimes under the General Prosecutor's Office of the Republic of Uzbekistan;

**From EAG Observers:**

- Financial Intelligence Unit of Mongolia;
- Anti-Money Laundering Council (AMLC) of the Republic of the Philippines (Asia-Pacific Group on Money Laundering);
- Anti-Terrorism Centre of the Commonwealth of Independent States (CIS ATC);
- Bureau for the Coordination of Combating Organised Crime and Other Dangerous Types of Crime (BKBOP);
- Eurasian Economic Commission (EEC);
- Collective Security Treaty Organisation (CSTO);
- Regional Anti-Terrorist Structure of the Shanghai Cooperation Organisation (SCO RATS);
- Central Asian Regional Information and Coordination Centre for Combating Illicit Trafficking in Narcotic Drugs, Psychotropic Substances and their Precursors (CARICC).