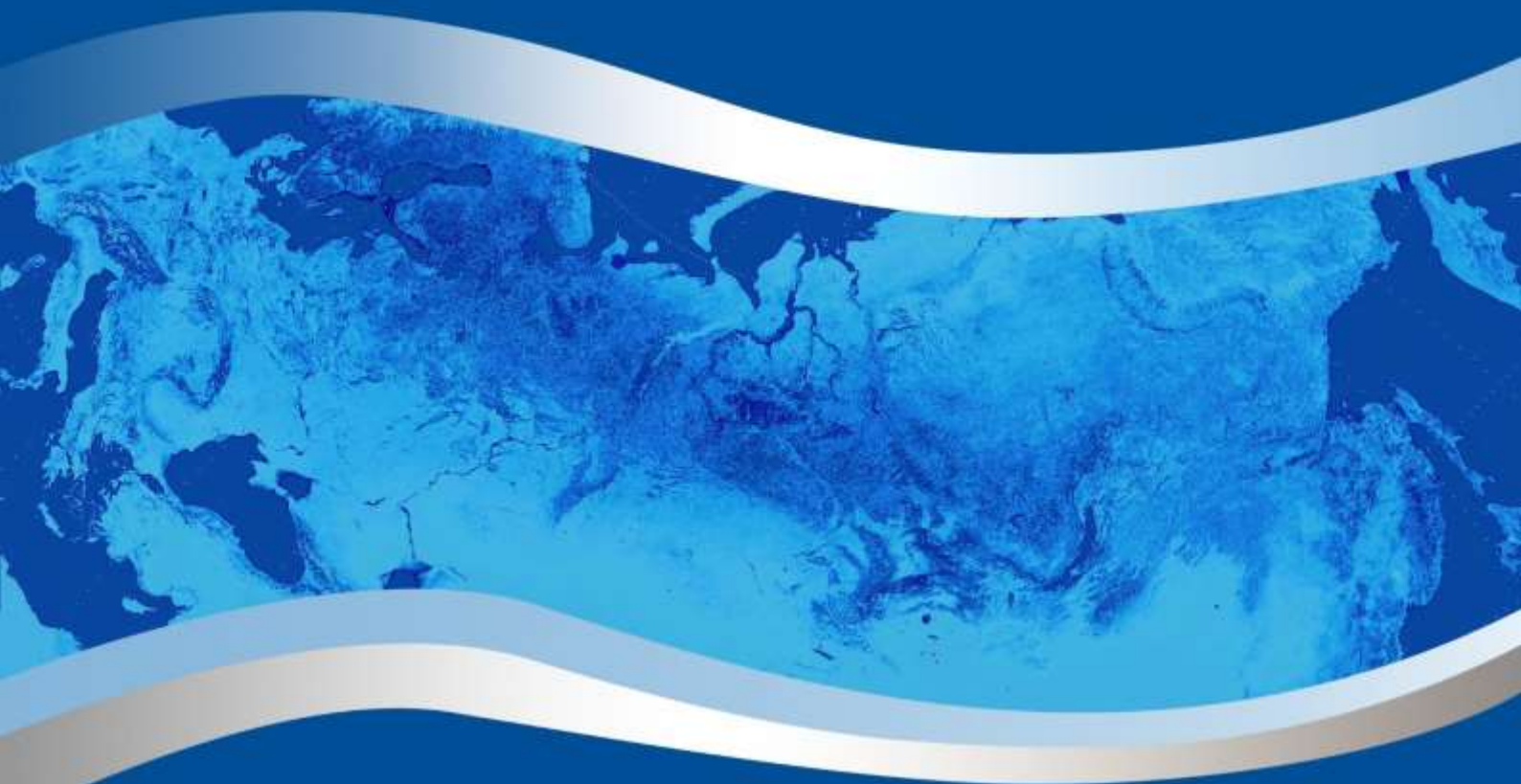**EAG**

ЕВРАЗИЙСКАЯ ГРУППА
по противодействию легализации преступных доходов
и финансированию терроризма

EURASIAN GROUP
on combating money laundering and financing of terrorism

ML/TF risk assessment in the Eurasian region

Conclusions of the first round
(assessment of observable ML/TF schemes (methods))

Conclusions of the first round of ML/TF risk assessment in the Eurasian region (assessment of observable ML/TF schemes (methods))

Introduction

1.	In accordance with the assignment of the 31st EAG Plenary Meeting the project team of ML/TF risk assessment in the Eurasian region (hereinafter - the Regional Risk Assessment, RRA) based on the Methodology for ML/TF risk assessment in the Eurasian region (hereinafter - the Methodology) carried out activities of the first round of RRA - assessment of observable ML/TF schemes (methods).

2.	According to the Methodology for the purposes of this round of the project (assessment of observable ML/TF schemes (methods)), the ML/TF risks with common features and characteristic for two or more EAG Member States, as well as those of cross-border nature, were considered as regional risks.

3.	However, ML/TF risks are certainly not identical across the entire territory of the Eurasian region. Therefore, the specificities typical for individual sub-regions of the Eurasian region (East European, EAEU, Central Asian) were taken into account, in particular when determining the nature of existing threats, vulnerabilities and risks.

4.	At the initial state, the following methods were used for identifying ML/TF threats, vulnerabilities and risks:

- Dissemination of questionnaires to the assessed countries;
- Review of mutual evaluation reports and unclassified versions of the NRAs of the assessed countries;
- Review of the NRAs of the neighboring countries;
- Open-source research (mass media, Internet, etc.);
- Other information gathering methods.

5.	The data obtained was subsequently compared with other information received from EAG member states[1] and observers[2], available credible information from other sources, as well as information received from private sector actors, including during information gathering meetings, and data provided by other jurisdictions involved in cross-border money laundering and terrorist financing schemes.

6.	In this regard, the conclusions in the report made by the project team are a reflection and consequence of the analysis of all the information received and their expert assessment, and in some cases may go beyond the information provided by the EAG Member States.

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[1] The EAG member states that participated in the study were: Republic of Belarus, Republic of Kazakhstan, People's Republic of China, Kyrgyz Republic, Russian Federation, Republic of Tajikistan, Turkmenistan, Republic of Uzbekistan.

2 EEC, BCFAOC CIS, CIS ATC, Republic of Armenia Mongolia, Montenegro, Korea, Poland, EDB, Philippines (APG member-state)), Panama (GAFILAT member-state)

7.   Given that for the purpose of this report only regional risks have been considered and ranked based on each EAG Member State's assessment of such risks, the final regional risk rankings may differ from the degree of risk in each individual EAG Member State. Therefore, the degrees assigned to regional risks and their ranking in the regional risk assessment is not fundamental and determinative element for national risk assessments and mutual assessments of Member States.

8.   A detailed description of the process of identifying, analyzing and assessing ML/TF risks can be found in the full version of the report. Due to the need for confidentiality, this brief summary contains only the results of the analysis.

9.   While the regional risk assessment covers the period since 2017 through 2020, presented in the report are also certain ML/TF trends observed by the countries later, e.g. as a result of deterioration of the situation in Afghanistan in 2021.

Regional money laundering risks

Money laundering threats

10.   Money laundering threat is a person or group of people, object or activity with the potential to cause harm (to the state, society, the economy, etc.). In the context of the Methodology, the ML threat refers to the criminal activities of individuals that generate criminal proceeds that are involved in money laundering processes. An increased level of threat is posed by such criminal activities carried out by organized criminal groups and criminal organizations.

11.   According to the information received, the sources of proceeds of crime that may be subject to legalization at the regional level have been identified by the project team.

12.   Given that the FATF categories of predicate offences identify a separate category of offences committed by organized criminals (organized groups and criminal organizations), and that the criminal laws of the EAG Member States contain offences committed by such actors both as separate offences (criminal organization, banditry, etc.) and as aggravating features (increasing the criminal liability of other acts classified as predicate offences), the project team separately assessed the threat levels for predicate offences when such acts are committed by organized crime.

13.   As a result, the following most relevant threats have been identified at the level of the Eurasian region.

№ п/п	Type of threats
1.	Tax and other mandatory payment evasion[3] and other tax crimes (including VAT manipulation (fraud))
2.	Bribery and other corruption-related offences (including misuse of the state budget funds)
3.	Fraud (including misuse of the state budget funds)
4.	Illicit trafficking in narcotic drugs, psychotropic substances and their precursors[4]
5.	Evasion of customs duties and fees and other customs offences
6.	Pyramid scheme activities
7.	llegal business activity
8.	Organization of illegal migrant smuggling

14.   The project team additionally conducted a survey among the private sector entities of the EAG Member States with the aim to assess to what extent the perceptions of private sector entities based on their daily activities and professional experience of existing ML risks correspond to the conclusions made by the competent authorities of the EAG Member States and the project team based on the available objective information.

15.   The results concluded that, in general, the private sector's understanding of the ML threats was consistent with the findings of the competent authorities in Member States.

Money laundering risks

16.   Collation of threats, vulnerabilities and institutional factors affecting them resulted in the identification of the flowing regional ML risks or their key elements in complex schemes of ML:

Table 2. Regional ML risks

Regional risks requiring significant attention and enhanced risk mitigation measures	
1.1	Using nominee[5]/controlled companies or individual entrepreneurs
1.2	Investment of proceeds of crime in the economic activity of legal entities, including those located in third countries
1.3	Using schemes (including fictitious ones) for the acquisition/sale of the real estate and other property in/out of the country
1.4	Conducting "transit"[6] operations involving bank accounts
1.5	Conducting cash-out operations

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[3] Except for evasion of customs duties and charges (listed in the table below)

[4] Hereinafter referred to as "drug trafficking"

[5] Given the considerable number of terms used for nominee companies, for the purposes of this report various formulations (shell companies, nominee companies, fictitious companies, bogus companies) will be used along with the term nominee companies in the same sense as an inactive company used as a tool for various financial frauds or inactive for future use in some other capacity or to conceal the true beneficiary.

[6] In context of this document, "transit" transactions mean receipt of significant amount of transfers to accounts of a company (natural person) from multiple persons with prompt subsequent transfer of these funds to third parties, with payment of minimum or no taxes. Such transactions may be carried out repeatedly

1.6	Withdrawal of criminal proceeds outside the region with subsequent return to the region in the form of investments in legitimate business activities
1.7	Using offshore companies
Regional risks requiring on-going monitoring and enhanced risk mitigation measures	
2.1	Through misuse of the securities market, including through transactions involving the purchase and sale of securities
2.2	Using electronic payment instruments and of virtual assets
2.3	Using money transfer systems without opening an account
Regional risks requiring standard risk mitigation measures	
3.1	Withdrawal of funds abroad using enforcement instruments

Regional terrorist financing risks

17.   The project team's analysis identified the following terrorist financing risks specific to the region:

- online fundraising in the Internet;

- fund raising and movement of funds by relatives of terrorists to meet their basic needs;

- movement of funds using bank accounts and cards;

- physical movement of cash;

- movement of funds by way of transferring money without opening bank accounts (money transfer systems and electronic means of payment);

- use of funds to finance members of terrorist organizations by providing material assets, goods, uniform and services to them.

Conclusion

18.   Based on the results of the first round of ML/TF risk assessment in the Eurasian region the project team proposes to develop measures of a regional nature aimed at mitigating the identified ML/TF risks.