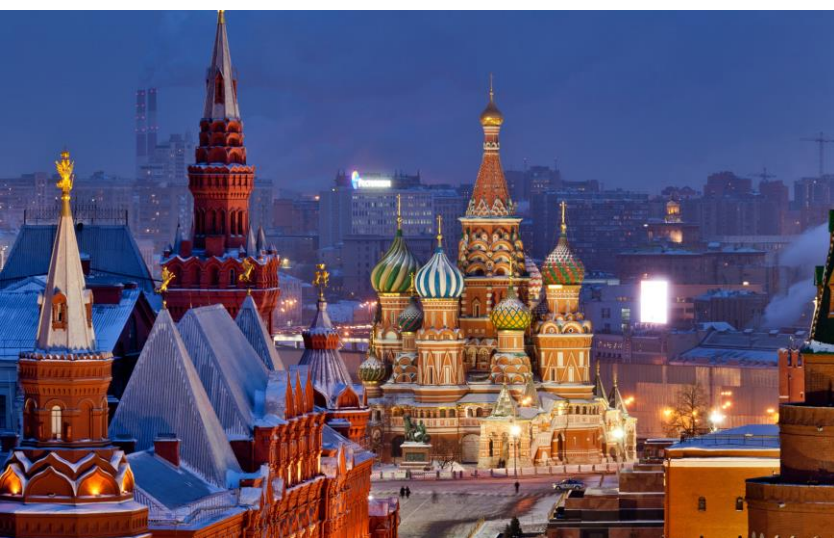


# EAG



## ANNUAL REPORT



# 2015

# EAG

ЕВРАЗИЙСКАЯ ГРУППА  
по противодействию легализации преступных доходов  
и финансированию терроризма

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EURASIAN GROUP  
on combating money laundering  
and financing of terrorism

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# Ajay Tyagi

## EAG Chairman



In November 2015, India completed its chairmanship in the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Due to our joint efforts, over the past two years, we achieved significant results.

During this period, we have been actively preparing for the 2nd round of mutual evaluations within EAG. The EAG has developed new evaluation procedures in line with the Universal procedures of FATF. One of our main tasks was to train professional evaluators in each EAG member-state and accordingly, we have conducted a range of training workshops in assistance with EAG and FATF.

Of great importance for the Group, however, remains the research on new ML/TF typologies. In the past year, work was conducted on the following topics: financial pyramids, and laundering of illicit corruption proceeds.

During the last two years, our international relations got further strengthened - CIS ATC became an Observer at the EAG. The EAG joined the Paris Pact Initiative as a partner. Also during this period, joint workshops with APG, UNODC and OSCE were held.

I would like to draw your attention to our joint workshops on strengthening the cooperation between Financial Intelligence Units and the Law Enforcement Agencies, which were jointly organized with ATC CIS and UNODC. These workshops, not only, allowed experts to share experiences but also brought about common understanding that would facilitate closer cooperation between the agencies.

I would like to especially note the work done by the EAG Secretariat given the limited human resource in the Secretariat. The Secretariat has done stupendous amount of high quality work year after year. I would, therefore, like to place on record my sincere appreciation and gratitude to all the staff of the Secretariat for their assistance during the period of the Indian chairmanship.

The 23rd EAG Plenary Meeting approved the initial tasks for the new leadership of the Group. On behalf of the Republic of India, I would like to thank all the EAG member states, observers and partners for their fruitful cooperation. I wish you all, success in all your endeavours in life.

I also take this opportunity to convey my best wishes to our new Chairman, Mr. Y.A. Chikhanchin.

# Vladimir Nechaev

## EAG Executive Secretary



Dear colleagues,

The past year saw the EAG continue its hard work to combat money laundering and terrorist financing and, importantly, to complete preparations for the 2nd round of mutual evaluations.

To this end, we conducted additional trainings for assessors and a workshop for representatives of the state bodies of the Kyrgyz Republic to prepare them for the upcoming mutual evaluation.

We also expanded our cooperation with the MONEYVAL and APG in order to gain practical experience of participation in the mutual evaluations conducted by them. A representative of the EAG Secretariat participated in the evaluation of Armenia as an observer. A similar arrangement for the participation of a Secretariat staff member in the assessment of Mongolia, scheduled for the second half of 2016, was agreed upon with the APG. This should improve the quality of our assessments and, above all, preparations for mutual evaluation reports.

In 2015, we held two successful Plenary meetings in Tashkent and Moscow, and, in November, elected a new Chairman and Vice-Chairman of the EAG for 2016-2017.

I would like to express my solidarity with Mr. A. Tyagi's comments in the introductory section of this report regarding the two successful practical inter-regional workshops:

- a joint EAG/UNODC/ITMCFM workshop on strengthening cooperation between the FIUs and law enforcement agencies in combating drug-related money laundering, held in Moscow in September 2015 with the assistance of the Regional UNODC Program for Afghanistan and Neighbouring Countries; and
- a joint EAG/CIS ATC on strengthening cooperation between the FIUs and law enforcement agencies in investigating terrorist financing crimes, held in Moscow in November 2015.

I hope that both EAG members and its observers from among international organizations will be keen to continue work in this format. Participation in practical workshops facilitates experience sharing and improves cooperation between law enforcement authorities and the FIUs in conducting financial investigations.

# 1. About the EAG

## ***1.1. History***

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

The Moscow Declaration on the Establishment of the EAG and the Terms of Reference of the Eurasian Group formed the basis for the Agreement on the Eurasian Group on Combating Money Laundering and Financing of Terrorism, signed on June 16, 2011 and constituting part of the legal framework of EAG member states and the basis for their cooperation. The Agreement defined the EAG as an intergovernmental organization with its own budget that functions on the basis of equal participation by members states in its activities.

The creation of the EAG contributed to the consolidation of efforts towards reducing the threat of terrorism, ensuring transparency, reliability and security of financial systems of the region's countries, and their integration into the international AML/CFT system. Among the tasks assigned to the newly created organization was the provision of technical assistance to EAG member states in the establishment of national AML/CFT systems.

## ***1.2. Goals and objectives***

According to the EAG Agreement, the main goal of the Eurasian Group is to ensure effective communication and cooperation at the regional level as well as the integration of EAG member states into the international anti-money laundering and terrorist financing system, in line with the FATF recommendations and AML/CFT standards of other international organizations in which EAG member states participate.

The main objectives of the EAG are:

- to assist member states in implementing the FATF Standards on Combating Money Laundering and the Financing of Terrorism;
- to develop and implement joint activities aimed at combating money laundering and the financing of terrorism;
- to conduct mutual evaluations of member states in line with the FATF Recommendations, including to study the effectiveness of the newly adopted anti-money laundering and terrorist financing legislative and other measures;
- to coordinate international cooperation and technical assistance programs with the relevant international organizations, agencies and countries; and



- to conduct an analysis of money laundering and terrorist financing typologies and share experience in combating these crimes with account for regional specifics.

### 1.3. Member states

The EAG comprises of 9 member countries: Belarus, India, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan.

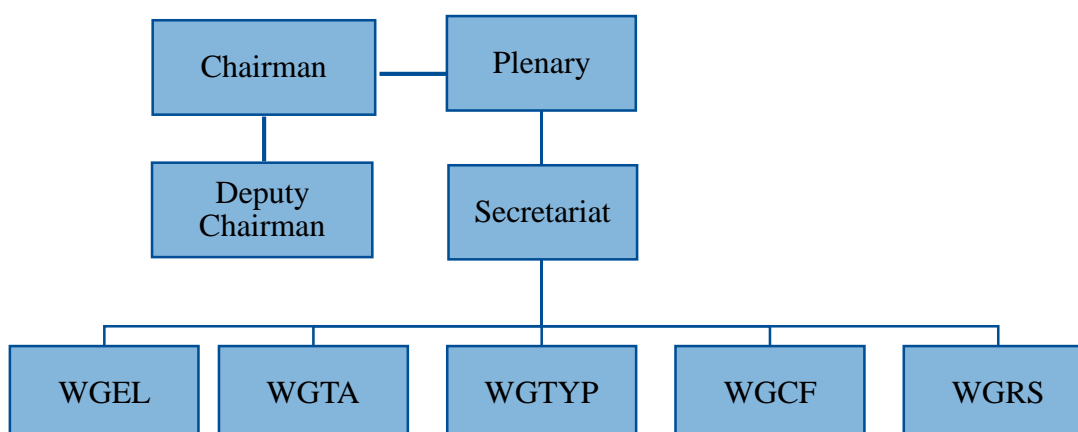
EAG membership is open to other counties in the region who:

- take active steps to draft and enforce AML/CFT legislation consistent with the FATF Recommendations;
- undertake themselves to participate in EAG mutual evaluation programs;
- undertake themselves to actively participate in Plenary meetings and other EAG activities and events.

### 1.4. Organizational structure

The structure of the management and working bodies of the EAG:

The supreme decision-making body of the Eurasian Group is the Plenary meeting, which is typically convened twice a year, but not less than once a year. The Plenary considers



the fundamental issues of EAG member states' common interest, defines the strategy and directions of activity, and takes decisions aimed at fulfilling the goals and objectives of the Eurasian Group.

The Chairman of the Eurasian Group is elected by the Plenary for a 2-year term. The Chairman chairs the Plenary meetings and represents the Eurasian Group in its contacts with the foreign relations. All decisions of the Plenary are also approved by the Deputy Chairman.

#### History of the EAG Presidency

Viktor A. Zubkov	2004 – 2007
Oleg A. Markov	2007 – 2011
Yury A. Chikhanchin	2011 – 2013
Kodumudi Krishnan	2013 – 2014

Ajay Tyagi

2014 – 2015

Yury A. Chikhanchin

2015 -

In November 2014, the Plenary appointed A. Tyagi as EAG Chairman to continue the implementation of the Action Plan of the EAG Chairman as defined by the Indian delegation until November 2015. In November 2015, the post of the EAG Chairman went to Yury Chikhanchin.

Mr. B. Tajiyakov (Kazakhstan) served as EAG Deputy Chairman from June 2014 to November 2015. In November 2015, the Plenary elected Mr. M. Mambetzhannov to the post of EAG Deputy Chairman until November 2017.

A total of 5 EAG working groups carried out work in the key areas of the Group's activities during 2015:

▪ **Working Group on Mutual Evaluations and Legal Issues (WGEL)**

WGEL's objectives:

- managing and monitoring the EAG mutual evaluation and follow-up processes, including cooperation with the FATF and FATF-style regional bodies, the IMF and the World Bank on mutual evaluation issues;
- conducting preliminary discussions of the Mutual Evaluation Reports (MERs);
- identifying priority issues to be discussed by the Plenary, as well as any possible issues of interpretation or inconsistency with other MERs adopted by the EAG, FATF or other assessment bodies (FSRBs/IMF/WB);
- discussion of follow-up reports and preparation of recommendations to the Plenary on further measures to be taken in respect of the member states;
- monitoring MER quality and compliance with applicable regulations;
- organizing and monitoring assessor trainings on the use of the 2013 AML/CFT Methodology and Methodologies for Assessing Compliance with the FATF 2012 Recommendations, including cooperation with the relevant countries and international organizations on the issue of personnel selection for participation in trainings;
- analysis of VTC programs in EAG member states;
- drafting regulations governing EAG's activities (except for financial regulations);
- addressing any other tasks and fulfilling instructions assigned/issued by the EAG Planetary.

*Group co-chairs:*

- Liu Xiang Min (China)
- Dmitry Kostin (Russia)

▪ **Working Group on Technical Assistance (WGTA)**

WGTA's objectives:

- in conjunction with other EAG Working Groups and international organizations, 7

conducting an assessment of the EAG member countries' needs for technical assistance;

- cooperating with EAG observers (countries and international organizations) and organizations forming part of the EAG supporting infrastructure, including ITMCFM, in coordinating the provision of TA to EAG member states;
- cooperating with other relevant countries and international organizations in coordinating the provision of TA to EAG member states;
- at the Plenary's request, developing proposals for conducting trainings on the basis of the assessment of training needs;
- coordinating and facilitating the provision of trainings based on the needs identified in the course of TANA missions and MERs;
- coordinating the placement of TA data from EAG member states and donors on the websites of the EAG and other relevant international organizations;
- coordinating the organization of other educational activities, preparation of teaching aids and provision of basic AML/CFT trainings;
- considering steps aimed at promoting information sharing among the FIUs of EAG member states;
- coordinating the activities of the EAG Budget Expert Group and considering the decisions adopted and proposals made by it.

*Group co-chairs:*

- Arda Igembayev (Kazakhstan)
- Stanislav Smolyar (Russia)

#### ▪ **Working Group on Typologies (WGTYP)**

WGTYP's objectives:

- in accordance with the decisions of the EAG Plenary, collecting, processing, analysing, preparing and publishing materials on typologies and information pertaining to the Group's activities;
- assisting EAG member states and coordinating their work during the preparation of materials and typological research;
- cooperating with other FATF-style regional bodies, observers and other international organizations on typological research;
- participating in the preparation and conduct of typology workshops;
- facilitating cooperation with the competent authorities of EAG member states, the private sector and typology research experts;
- carrying out other instructions of the Plenary related to its activities.

*Group co-chairs:*

- Igor Voluevich (Russia)
- Zohid Khatamov (Uzbekistan)

#### ▪ **Working Group on Combating the Financing of Drug Trafficking Crime and Terrorism (WGCF)**

This Group consists of two subgroups: on combating the financing of drug trafficking and crime (CFDC) and on combating the financing of terrorism (CFT).



## Subgroups' objectives:

- summarizing the relevant information exchange practice and facilitating its utilization within the EAG;
- assisting within its competence in organizing and conducting operational and preventive measures to combat the financing of drug trafficking, crime and terrorism;
- studying the experience and summarizing best practices of the fight against the financing of drug trafficking, crime and terrorism;
- participating in the drafting of recommendations for the FIUs and competent authorities of EAG member states for improving the mechanisms for combating the financing of drug trafficking, crime and terrorism;
- participating in the development of criteria for assessing the effectiveness of the Group's activities in combating the financing of drug trafficking, crime and terrorism;
- organizing and conducting consultations and other awareness building activities related to the fight against the financing of drug trafficking, crime and terrorism;
- participating in field missions dedicated to the sharing of experience in combating the financing of drug trafficking, crime and terrorism;
- cooperating with the representatives of other international organizations and individual countries in combating the financing of drug trafficking, crime and terrorism;
- participating in the review of regulations of EAG member states and international organizations on combating the financing of drug trafficking, crime and terrorism.

*Sub-group co-chairs*

## CFDC

- Esendik Musabekov (Kyrgyzstan)
- Elena Tikhonova (Russia)

## CFT

- Evgeny Mozgov (Russia)
- Kemalettin Kolutek (Turkey)

▪ **Working Group on Risks and Supervision (WGRS)**

## WGRS's objectives:

- promoting understanding of a risk-based approach (RBA) among EAG member states in line with the FATF Standards, including by reviewing the experience of EAG supervisors;
- assisting supervisors by developing guidelines on NRA-based sector risk assessment and their implementation in accordance with the FATF Standards;
- participating in mutual evaluation procedures related to risk assessment and RBA implementation and assessment of its effectiveness;
- assisting in the adoption of a risk-based approach for supervisory activities;
- identifying regional specifics of ML/FT risks;
- disseminating best RBA and risk assessment practices in Eurasia;

- exchanging experience in conducting AML/CFT supervision and RBA implementation by facilitating the sharing of experience of effective cooperation between the EAG supervisors and other competent authorities;
- conducting an on-going review of the regulatory framework of EAG member countries in the field of supervision;
- studying the experience of application by EAG reporting entities of CDD measures in the context of national legislation;
- promoting understanding of the regulatory and enforcement mechanism by EAG supervisors and other competent authorities;
- exchanging views on ways and means of achieving the requisite level in terms of the Immediate Outcomes 3 & 4 of the FATF Effectiveness Methodology;
- participating in field missions dedicated to the sharing of experience on AML/CFT supervision;
- engaging in group-wide studies of ML/TF risks in the RBA context at the international level (Recommendation 18) and sharing experience with supervisors;
- other objectives that the Working Group may set itself.

*Group co-chairs:*

- Pankaj K. Mishra (India)
- Andrey Gasanov (Russia)

### **1.5. EAG Secretariat**

The EAG Secretariat was established by the decision of the Founding Conference on October 6, 2004 and tasked with coordinating the activities under its purview. The Agreement on the Conditions of Stay of the EAG Secretariat in the Territory of the Russian Federation was signed on February 14, 2012. Later that year, the newly formed Secretariat, whose staff comprised nationals of EAG member states, began its work in Moscow.



EAG Secretariat

As of 2015, the Secretariat staff comprised 8 persons, including representatives of Belarus, Kazakhstan, Kyrgyzstan, Russian and Tajikistan. Vladimir Nechaev (Russia) was elected as EAG Executive Secretary on January 1, 2015.

The EAG Secretariat is responsible for the following:

- ensuring the proper functioning of the EAG Plenary and Working Groups, as well as organizing and holding other activities carried out at the EAG and preparing materials for them;
- implementing the decisions of the EAG Plenary and instructions of the EAG Chairman;
- providing informational, legal, organizational and logistical support for the EAG's activities;
- facilitating cooperation with EAG member states, observers, other countries and international organizations;
- coordinating the preparation of the EAG Annual Report and its submission to the EAG Chairman for presentation to the EAG Plenary;
- safekeeping of documents deposited with the EAG;
- preparing a draft EAG budget for the upcoming calendar year;
- ensuring the implementation of the EAG budget and preparation of a draft report on its implementation;
- interacting with the representatives of the media on issues related to the media coverage of the EAG's activities;
- managing EAG records and archives;
- publication and distribution of printed materials approved for publication by the EAG Plenary;
- carrying out financial and economic activities necessary for the fulfilment of the EAG's goals;
- appearing as a plaintiff or defendant in courts of the host country;
- entering into civil contracts required for its proper functioning;
- submitting for approval by the EAG Plenary a draft EAG Secretariat organizational structure and staffing schedule;
- in compliance with the decisions of the EAG Plenary and the instructions of the EAG Chairman, participating in and representing the interests of the EAG Plenary at meetings of the working groups and other activities organized by the Financial Action Task Force on Money Laundering (FATF), FATF-style regional bodies and other international organizations and groups;
- informing EAG member states on a regular basis of the activities conducted by the Financial Action Task Force on Money Laundering (FATF);
- performing other functions under its purview.

### ***1.6. Observers***

As of the end of 2015, 18 international and regional organizations and 15 countries held observer status in the EAG.

The 22nd Plenary revoked observer status of the EuroAsian Economic Community (EurAsEC) due to its dissolution on January 1, 2015.

The 23rd Plenary granted observer status to South Korea.

Observer organizations	Observer countries
<ul style="list-style-type: none"> <li>▪ Asian Development Bank (ADB)</li> <li>▪ Asia-Pacific Group on Money Laundering (APG)</li> <li>▪ World Bank (WB)</li> <li>▪ Financial Action Task Force on Money Laundering (FATF)</li> <li>▪ Middle East &amp; North Africa Financial Action Task Force (MENAFATF)</li> <li>▪ Egmont Group</li> <li>▪ Eurasian Development Bank (EDB)</li> <li>▪ European Bank for Reconstruction and Development (EBRD)</li> <li>▪ Interpol</li> <li>▪ Executive Committee of the Commonwealth of Independent States (CIS)</li> <li>▪ CIS Anti-Terrorism Centre (CIS ATC)</li> <li>▪ UN Counter-Terrorism Committee (UNCTC)</li> <li>▪ International Monetary Fund (IMF)</li> <li>▪ Collective Security Treaty Organization (CSTO)</li> <li>▪ Organization for Security and Cooperation in Europe (OSCE)</li> <li>▪ Council of Europe Committee of Experts (MONEYVAL)</li> <li>▪ The United Nations Office on Drugs and Crime (UNODC)</li> <li>▪ Shanghai Cooperation Organization (SCO)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Armenia</li> <li>▪ Afghanistan</li> <li>▪ Germany</li> <li>▪ Italy</li> <li>▪ Lithuania</li> <li>▪ Moldova</li> <li>▪ Mongolia</li> <li>▪ Poland</li> <li>▪ Serbia</li> <li>▪ USA</li> <li>▪ Turkey</li> <li>▪ Ukraine</li> <li>▪ France</li> <li>▪ Montenegro</li> <li>▪ South Korea</li> </ul>

### ***1.7. Financial supervision***

In accordance with the Agreement on the EAG and the Regulations on the Formation and Implementation of the EAG Budget, which is an integral part of the Agreement, financial supervision over the EAG's activities is carried out by means of an internal and external audit.

In accordance with a decision of the 22th EAG Plenary and the Regulations on External Audit of the EAG Secretariat, an external audit of the EAG Secretariat's financial and economic activities for 2012-2014 was conducted in 2015. Following the conclusion of the audit, the 23rd EAG Plenary approved the submitted Audit Report, which rated the Secretariat's financial and economic performance during the audited period as satisfactory and offered suggestions for its further improvement and harmonization.

#### *2015 EAG Budget:*

Line items	Amount (Russian rubles)
Payroll expenses	21,136,250
Travel expenses	4,473,352
Purchase of services	4,420,650
Miscellaneous expenses	140,000
Acquisition of non-financial assets	428,446
Incidental expenses	244,192
Savings for 2013	1,479,651
<b>TOTAL including savings</b>	<b>29,363,239</b>

## 2. STRATEGIC ACTIONS AND INITIATIVES

### *2.1. Development of national AML/CFT systems*

In 2015, EAG continued to support the integration of member states into the international AML/CFT system, including through assistance in building their national AML/CFT systems in line with the international standards. In early 2015, the EAG Secretariat began active preparations for the new round of mutual evaluations, including by organizing trainings for assessors and workshops for the countries to be assessed.

The updated FATF Methodology provides for the use of a two-tiered approach to mutual evaluations, whereby the verification of effectiveness and technical compliance is carried out at the same time. Each country is required to implement the technical requirements of each of the 40 FATF Recommendations needed for building a robust AML/CFT system. However, what is even more important is a close integration between the regulatory and operational mechanisms of this system as a key element for the prevention of the financial system abuse.

Special attention was devoted last year to the preparation of Kyrgyzstan for a mutual evaluation, given that this country will be the first EAG member to undergo a mutual evaluation under the updated FATF Methodology. In August 2015, Kyrgyzstan hosted a workshop designed to prepare this country for the upcoming evaluation. The purpose of the workshop was to provide understanding of the evaluation process and the country's role in it, as well as to boost performance of the assessed country's team. The EAG Secretariat will continue to organize such workshops, given that the preparation of EAG member states for the upcoming new round of mutual evaluations is its top priority.

As part of the preparations for the 2nd round of EAG mutual evaluations, EAG assessors attended in August 2015 a joint EAG/Kyrgyzstan's FIU/ITMCFM workshop. The purpose of the workshop was to provide training for the representatives of EAG member states' delegations selected to participate in the upcoming EAG mutual evaluation as assessors and experts. As a result of this event, the EAG Secretariat, jointly with the representatives of the Council of Europe, provided training to a total of 30 assessors, who not only attended a course on the theory of the updated FATF Recommendations and Methodology but also gained practical experience in conducting mutual evaluations by participating in a simulation exercise.

For 2015, the EAG Secretariat, jointly with experts from MONEYVAL, has trained about 30 experts among representatives of EAG member states to work as assessors during the new round of mutual evaluations.



## ***2.2. Information and communication strategy***

Successful media coverage of the EAG member states' AML/CFT efforts, as well as the way they are viewed by experts and the public at large, depends, to a large extent, on the proper functioning of the media relations department.

One of the key areas of the information and communication work during the period under review was the structural and technological optimization of the EAG website ([www.eurasiangroup.org](http://www.eurasiangroup.org)) as one of the key information portals used for a rapid exchange of information among Group members and observers, as well as among other concerned participants of the global AML/CFT network.

Another important source of information about the EAG is the Information Bulletin, an editorial project published by the EAG and distributed among its main partners. The bulletin contains up-to-date information on the development of the national AML/CFT systems within the EAG and the key events of the international AML/CFT schedule.

In addition, the EAG is involved in the publication in Russia of the quarterly magazine *Financial Security*, whose editorial board includes the EAG Executive Secretary among its members. The magazine, available in Russian and English languages, regularly features articles on the EAG's activities.

The implementation of the EAG's information and communication strategy promotes public interest and involvement of civil society in the AML/CFT issues, as well as contributing to public awareness of the new FATF standards.

## ***2.3. Single information space***

The development of the national AML/CFT system in the majority of EAG member countries has reached a level that allows their much faster integration and unification within the framework of the EAG single informational space (SIS), whose concept was adopted back in 2009.

The concept defines the basic principles of the EAG SIS formation and structure, its technical support mechanisms and stages of development.

## ***2.4. Information resources***

There are a number of proprietary databases that were created within the EAG SIS structure and designed to assist FIUs in their work. Among them are:

- a database of typology research conducted by the FATF and MONEYVAL (in the official languages of the EAG), which contains about 40 studies and allows FIU analysts to

monitor the current trends and ML/FT risk areas defined by the international community;

- an online database of EAG member states' legislation containing a total of 160 regulations accessible via the EAG official website.

## ***2.5. Videoconferencing***

Videoconferencing (VC) is an essential component of the SIS capable of increasing the intensity and effectiveness of cooperation between countries members of the EAG. As of late 2015, it connected Belarus, Kazakhstan (with hubs in Astana and Almaty), Kyrgyzstan, Russia, Tajikistan, Uzbekistan, EAG Secretariat, ITMCFM, Armenia and the Institute of Financial and Economic Security MEPhI.

The videoconferencing system (VCS) is actively used for both multi-party consultations and training events. Besides the traditional experience sharing activities conducted after the completion of the current and before the commencement of the new round of FATF and EAG mutual evaluations, VCS participants attended various trainings and workshops. They covered a wide range of topics and attracted many participants, while allowing EAG member countries to share best experiences in implementing international AML/CFT standards. The benefits of using modern communication channels are obvious. They range from a more efficient interaction within the EAG to the availability of distance learning opportunities for FIU law enforcement and supervisory personnel to the potential offered by joint online workshops and conferences in terms of cost savings and stakeholder appeal.

The trainings and experience sharing sessions were attended by more than a thousand representatives of the government authorities, the private sector and educational and scientific institutions of the EAG.

Among the topics covered during the workshops were:

- Issues of classification of and criminal liability for the legalization (laundering) of monetary proceeds or other property acquired by criminal means;
- Conceptual approaches to the development of a system of state control over compliance with anti-money laundering legislation, with account for the EU and Eurasia experience;
- The role of financial monitoring in the search for and repatriation of criminal assets: a review of international experience and the possibility of its use in the law enforcement practice of Eurasia;
- Strengthening cooperation among the FIUs of EAG member states involved in the anti-drug operation Channel;
- Indicators of shell companies and the practice of their detection;
- Exchange of experience on the inclusion of microfinance organizations, non-bank operators of electronic money systems and accounting firms in the list of entities covered by the AML/CFT regime;

- FIUs' scope for obtaining the information necessary to gather evidence in investigations of criminal cases related to the detection, seizure, confiscation and return of criminal proceeds (assets) to the country of their origin;
- Experience of targeted financial sanctions against the financing of terrorism and proliferation of WMD;
- Countries' experience in improving the regulatory framework and developing mechanisms for combating ML/FT through the use of cash couriers, cross-border movement of cash and negotiable instruments;
- EAG FIUs' experience in conducting strategic analysis;
- Basic indicators of money laundering through the use of the existing Customs Union procedures and foreign trade transactions in the CIS and Latvia;
- Exercising control over postal operators' activities;
- Cryptocurrencies and new payment methods;
- Conducting a national risk assessment and application of a risk-based approach. The study of international experience;
- Visual analysis tools in the FIU's work.

The VCS was also regularly used for the following activities: working meetings, training of personnel for the national AML/CFT systems, intersessional meetings of the EAG, discussions of follow-up reports of EAG member states and working meetings of the Council of Heads of CIS FIUs.

### 3. KEY EAG EVENTS

In 2015, the EAG held two Plenary meetings, in Tashkent (Uzbekistan) and Moscow (Russia).

A consultative forum with the private sector titled "Risk Assessment and the Role of the Private Sector. Guiding Principles and Feedback" was held during the 22nd EAG Plenary week. The forum was held with the organizational support of the International Training Centre for Financial Monitoring (Russia), the OSCE and the FIU of Uzbekistan, with the participation of the EAG Secretariat, Rosfinmonitoring and Russian non-commercial partnership "National Financial Market Council".

The Plenary approved the EAG Work Plan 2015-2018, EAG Activity Report 2014, EAG Schedule of Events 2H2015, WGEL Action Plan, and WGEL and WGTYP mandates.

The Plenary called on member states to intensify efforts to combat the financing of ISIL and speed up the implementation of the relevant UN Security Council Resolutions.

The focus of the meeting was on the monitoring work following the completion of the first round and preparations for the second round of mutual evaluations of the national anti-money laundering systems of EAG member states. Participants also reviewed an extended follow-up report of Belarus as part of this country's removal from the EAG follow-up process.

The Plenary took note of the additional information on the implementation of the voluntary tax compliance program in Kazakhstan.



22nd EAG Plenary and Working Groups Meeting

A joint EAG/CIS ATC workshop on strengthening cooperation between financial intelligence units and law enforcement agencies in investigating crimes related to the financing of terrorism was held during the 23rd Plenary week. At the end of the workshop, its participants signed an outcome document.





Joint EAG/ATC CIS Seminar

The Plenary elected Yuri Chikhanchin, the Director of the Russian Federal Financial Monitoring Service, to the post of EAG Chairman, with the position of Deputy EAG Chairman going to Melis Mambetzhannov, the Chairman of the State Financial Intelligence Service under the Government of the Kyrgyz Republic.

The Plenary approved the EAG Work Plan 2016, Schedule of Events 2016, 2nd Round of EAG Mutual Evaluations Schedule and the EAG Plenary Meetings Schedule.

The Plenary considered issues related to ISIL and called on member states to intensify efforts to combat the financing of ISIL and speed up the implementation of the relevant UN Security Council Resolutions.

23<sup>rd</sup> EAG Plenary and Working Groups Meeting

The Plenary removed Turkmenistan from the EAG follow-up process and urged Belarus, Kazakhstan and Uzbekistan to continue to work to address the shortcomings identified in the MER.

The Plenary reviewed the implementation of voluntary tax compliance programs in Kazakhstan. A review conducted in respect of Russia by the FATF Secretariat, and in respect of Kazakhstan by the EAG Secretariat, did not reveal any violations of the FATF's four basic principles in the implementation of voluntary tax compliance programs.

## 4. MUTUAL EVALUATIONS

### 4.1. EAG mutual evaluations

The EAG completed the 1st round of mutual evaluations of compliance of the national AML/CFT systems of its member states with international standards in 2011.

The FATF 2004 Methodology for assessing compliance with the AML/CFT standards was used as a basis for mutual evaluations.

In 2015, the EAG adopted the Evaluated States and Expert Manual (questionnaires for assessing technical compliance and effectiveness as part of the 2nd round of EAG mutual evaluations).

The next round of EAG mutual evaluations on the basis of the new 2013 Methodology will begin in 2016.

### 4.2. Follow-up reports

EAG's current activities include monitoring progress achieved by member states in implementing mutual evaluation recommendations and eliminating the identified deficiencies.

Following the approval of its mutual evaluation report, each EAG member state shall present its follow-up report for consideration by the EAG Plenary, setting out the measures taken by the country since the approval of its mutual evaluation report.

The frequency of reporting depends on the progress achieved by each country in implementing the international AML/CFT standards.

The 22nd and 23rd EAG Plenaries, held in May and November 2015, reviewed the follow-up reports of EAG member states as part of the procedure for their removal from the EAG follow-up process.

#### Follow-Up Reports of EAG Member States in 2015

22nd EAG Plenary (May)	23rd EAG Plenary (November)
<ul style="list-style-type: none"> <li>▪ Belarus</li> </ul>	<ul style="list-style-type: none"> <li>▪ Belarus</li> <li>▪ Turkmenistan</li> <li>▪ Uzbekistan</li> <li>▪ Kazakhstan</li> </ul>

The 22nd EAG Plenary reviewed a follow-up report of Belarus as part of the country's



removal from the EAG follow-up process.

The Plenary noted the progress achieved by Belarus with respect to the key and core recommendations R.5, R.10, R.13, R.23, SR.II, SR.IV, as well as with respect to a number of other recommendations.

At the same time, Belarus was urged to continue to work on addressing the shortcomings related to SR.III and SR.V.

The 23rd EAG Plenary reviewed the follow-up reports of Belarus, Kazakhstan, Turkmenistan and Uzbekistan.

In connection with the progress made by these countries in addressing the shortcomings related to the key and core recommendations, the Plenary decided to remove Turkmenistan from the EAG follow-up process.

The Plenary noted significant progress achieved by Kazakhstan in addressing the existing weaknesses in the key and core recommendations, in particular R. 13, R. 35, SR. II and SR. IV.

However, a review of progress made with respect to the remaining core and key recommendations, namely, R.1, R.5, R.23, SR.I and SR. III, did not allow the Plenary to conclude that ratings LC or C had been achieved. Kazakhstan was encouraged to continue the work to improve its national AML/CFT system and address the shortcoming identified in the MER.

The Plenary also noted significant progress achieved by Uzbekistan in addressing the existing weaknesses in the key and core recommendations, in particular R.5, R.10, R.23 and R.40.

However, a review of progress made with respect to key recommendations SR.I and SR.III. did not allow the Plenary to conclude that ratings LC or C had been achieved. Uzbekistan was encouraged to continue to work on improving its national AML/CFT system by addressing the existing shortcoming in SR.I and SR.III.

All EAG member states who presented their follow-up reports during 2015 showed steady progress in improving their national AML/CFT systems.

## 5. INTERNATIONAL COOPERATION

The existing international financial system implies the free movement of funds between countries and continents, creating a common global environment for international capital. This approach provides a convenient and effective environment for businesses, while requiring extra effort by states to control it. Prevention of money laundering and terrorist financing crimes is the primary task of the FATF, FATF-style regional bodies, including the EAG, and other international organizations involved in the fight against ML/FT. An effective response to financial crimes can be provided only through close and effective international cooperation between all global AML/CFT system participants. To this end, the EAG works closely with many international and regional organizations and institutions, holds joint workshops and trainings, and provides technical assistance to countries both within the EAG and beyond.

The Eurasian Group is a FATF's style regional body, an associate member of the FATF and an observer in the following FATF-style regional bodies: the Asia-Pacific Group on Money Laundering (APG), the Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), and the Middle East and North Africa Financial Action Task Force (MENAFATF). The Group also holds observer status in the Egmont Group, Warsaw Convention and, since 2015, a partner status in the Paris Pact.

As of 2015, the Eurasian Group has signed, and continues to abide by, agreements, memoranda and treaties with the Coordinating Council of Heads of the Competent Authorities on Counteracting Drug Traffic of Member Nations of the Collective Security Treaty Organization, the Interparliamentary Assembly of Member Nations of the Commonwealth of Independent States, the Regional Anti-Terrorist Structure of the Shanghai Cooperation Organization, and the Antiterrorist Centre of the Commonwealth of Independent States.

Given the Associate Member status in the FATF, all EAG member states, regardless of their status in this organization, participate in its work within the EAG delegation. In turn, many FATF member states take an active part in the EAG's activities.

In addition, EAG representatives take part in the Plenary meetings and other activities of the APG, MENAFATF and MONEYVAL. As part of horizontal exchanges of experience between FSRBs, a representative of the EAG Secretariat took part in May 2015 in the evaluation of Armenia as part of a new round of MONEYVAL mutual evaluations, with a further arrangement for the EAG's participation in the mutual evaluation of Mongolia in 2016 agreed upon with the APG Secretariat.

In 2015, the EAG continued to participate in the FATF-initiated process for the

strengthening of the global AML/CFT system. One of the components of this process are regular Consultative Meetings between FSRB secretariats, which are conducted within the framework of the FATF Plenary Weeks and dedicated to the sharing of experience in conducting typological research and identifying promising areas for future work, as well as to the exchange of past study results. All participants in such meetings, including members of the EAG, regularly call for the intensification of experience sharing with FSRBs in all areas of work.

One of the EAG's priorities in the Eurasian region is the development of cooperation with institutions whose scope of jurisdiction covers the issues of regional integration and security. The most prominent among them are the CIS, CSTO and the SCO.

The experience gained by EAG member countries from their participation in the anti-drug operation "Channel", organized under the auspices of the CSTO, highlighted the great potential of FIUs for detecting and blocking illicit drug trafficking channels and for significantly improving the effectiveness of anti-drug operations in the Eurasian region.

### 5.1 2015 Key Event Schedule

FATF activities	EAG activities	Activities of FSRBs and international organizations
<ul style="list-style-type: none"> <li>FATF Plenary and working group meetings (France, February);</li> <li>FATF Plenary and working group meetings (France, June);</li> <li>FATF Typology Workshop (Mexico, September);</li> <li>FATF Plenary and working group meetings (France, October);</li> <li>FATF Extraordinary Plenary Session (France, December)</li> </ul>	<ul style="list-style-type: none"> <li>Preparatory mission to Uzbekistan (Uzbekistan, March);</li> <li>Meeting of the Expert Group for the Preparation of the EAG 2014 Budget, chaired by WGTA co-chairs (Russia, April);</li> <li>22nd EAG Plenary and working group meetings (Uzbekistan, May);</li> <li>EAG consultations with the private sector "Risk Assessment and the Role of the Private Sector. Guiding Principles and Feedback" (Uzbekistan, May);</li> <li>EAG Assessor Workshop to Prepare for Mutual Evaluations (Kyrgyzstan, August);</li> <li>Assessed EAG Member State Workshop (Kyrgyzstan, August);</li> <li>Joint EAG/UNODC Workshop to Strengthen Cooperation between Financial Intelligence Units and Law Enforcement Authorities in Combating Money Laundering and Drug Trafficking (Russia, September);</li> <li>23rd EAG Plenary and working group meetings (Russia, November);</li> <li>Joint EAG/CIS ATC Workshop to Strengthen Cooperation between Financial Intelligence Units and Law Enforcement Authorities in Investigating Terrorist Financing Crimes (Russia, November)</li> </ul>	<ul style="list-style-type: none"> <li>Egmont Group working group meetings (Germany, January);</li> <li>47th MONEYVAL Plenary Meeting (France, April);</li> <li>UNCTC mission (Uzbekistan, April);</li> <li>21st MENAFATF Plenary Meeting (Oman, April);</li> <li>MONEYVAL Expert Meeting (France, May);</li> <li>UNODC Workshop on Developing Opportunities for Financial Investigations of National Law Enforcement Authorities to Ensure Successful Investigations into Money Laundering and to Combat Illicit Fund Flows (Uzbekistan, May);</li> <li>Mutual Evaluation Mission to Armenia (Armenia, May);</li> <li>Paris Pact Expert Group Meeting (Kazakhstan, June);</li> <li>23rd Egmont Plenary Meeting (Barbados, June);</li> <li>18th APG Annual Meeting (New Zealand, June);</li> <li>Conference on Combating PWMD (Austria, July);</li> <li>APG Workshop on MA and NRA (South Korea, August);</li> <li>48th MONEYVAL Plenary Meeting (France, September);</li> <li>UNODC Training on Financial Investigations (Kazakhstan, September);</li> <li>MONEYVAL Regional Workshop "Combating the Laundering of Corruption Proceeds" (Poland, November);</li> <li>Workshop on Typologies and Capacity Building (Nepal, November);</li> <li>22nd MENAFATF Plenary Meeting (Bahrain, November);</li> <li>UNODC Workshop on Combating Financial Flows from Drug Trafficking and Organized Crime (Belarus, December);</li> <li>APG Assessor Training Workshop (India, December);</li> <li>49th MONEYVAL Plenary Meeting (France, December);</li> <li>Paris Pact Expert Meeting (Austria, December)</li> </ul>

## 6. TECHNICAL ASSISTANCE

### *6.1 Technical assistance system*

One of the key areas of the Eurasian Group's activities is the provision of technical assistance in the areas of FIU establishment and development and improving national AML/CFT regimes in EAG member states.

The EAG coordinates its international cooperation and technical assistance measures with the relevant international organizations, agencies and concerned countries.

The main goals of technical assistance are:

- to summarize and disseminate best practices in the Eurasian region;
- to assist in the process of establishment and development of national AML/CFT systems in the Eurasian countries;
- to assist member states in building their talent pools and integration into the EAG common system of information exchange.

Technical assistance was discussed in the format of bilateral meetings of EAG member states with donors. The purpose of the meetings was to identify the needs of EAG member states and agree on the plans for future cooperation. The World Bank, UNODC, IMF, International Training and Methodology Centre for Financial Monitoring, USA, other organizations and donor states were actively involved in the provision of technical assistance.

Consultations with the private sector and joint EAG/UNODC and EAG/CIS ATC workshop were held in 2015 for the purpose of best practice dissemination and development of national AML/CFT systems in EAG member states.

In 2014, the Eurasian Group, working jointly with ITMCFM, translated and prepared for publication the following documents:

- International Best Practices: Combating the Abuse of Non-Profit Organizations;
- FATF Guidance on a Risk-Based Approach to Virtual Currencies;
- FATF Report on Financing of the Terrorist Organization Islamic State in Iraq and the Levant (ISIL);
- Joint FATF/MENAFATF Report on Money Laundering Through the Physical Transportation of Cash;
- FATF Guidance on Effective Supervision and Enforcement by AML/CFT Supervisors of the Financial Sector and Law Enforcement;
- FATF Report on Emerging Terrorist Financing Risks;
- FATF Guidance on AML/CFT-related Data and Statistics;

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- Terrorist Financing: FATF Report to G20 Leaders;
  - Mutual Evaluation Reports of Australia, Belgium and Italy;
  - FATF FT questionnaire and FATF information request related to the fight against terrorist financing;

*Egmont Group's documents:*

- Global Financial Typologies of Foreign Terrorist Fighters (FTF);
- ISIL Project Findings: A Report for the Heads of FIUs on Problems Related to Multilateral Information Sharing.

National Risk Assessment Guidelines and other documents:

- Cuban FIU's Methodology for the Prevention and Detection of Transactions Linked to ML/FT and the Illegal Flow of Capital, and for the Assessment and Application of the National RBA;
- FinCEN (US FIU) documents on national assessment of ML/FT risks;
- UNODC Manual on International Cooperation for the Purposes of Confiscation of Proceeds of Crime.



## 7. ML/FT TYPOLOGIES RESEARCH

One of the EAG's main tasks is to analyse money laundering and terrorist financing typologies. It carries it out by organizing international events and conducting typologies research. EAG member states are interested in conducting and participating in various research projects. A list of the projects initiated in 2015 includes the following:

- **Typology of Money Laundering Related to Pyramid Schemes** (led by Tajikistan);
- **Typology of Corruption Crimes and Money Laundering and Typology of Illegal Asset Stripping in the Financial Sector** (led by Russia);
- **Structural Analysis of the Financial Flows Linked to Encashment Transactions Used in the Commission of Crimes and Money Laundering** (led by Kazakhstan).

The EAG carries out its work in close cooperation with the FATF, FATF-style regional bodies, observers and other international organizations.

At the invitation of the regional group for combating money laundering in Latin America, a representative of the EAG Secretariat took part in the annual Expert Meeting on Typologies, attended by 200 delegates from a total of 47 delegations, including 5 private sector representatives.

Participants of the Plenary meetings examined the link between terrorism, corruption and organized crime; reviewed reports by the leading international organizations such as the UN, Egmont Group and the Counter-ISIL Financing Group on initiatives to counter the financing of terrorism; and attended meetings of public and private sectors where these issues were discussed.

Representatives of the EAG Secretariat participated in the Asia-Pacific Group on Money Laundering (APG) workshop on typologies and capacity building. The event was attended by 230 delegates from 38 APG and FATF member states and international organizations. The agenda also included three parallel sections dedicated to the assessment of the regional fight against terrorist financing, FIU security and the financial flows from crimes against wildlife.

In accordance with the decision of the 21st EAG Plenary, a third contest for the best example of AML/CFT cooperation between EAG government agencies titled "Interagency Cooperation in Detecting Laundering Schemes Involving the Proceeds of Corruption" was held in 2015. The contest was won by Uzbekistan.

In addition, EAG member states supported the initiative to hold in 2016 a joint FATF/EAG/UNODC international forum as part of the Expert Meeting on Typologies.

## 8. COMBATING THE FINANCING OF DRUG TRAFFICKING, CRIME AND TERRORISM

The Working Group on Counteraction of Financing Drug Business, Crime and Terrorism (WGCF) was established in 2012 in accordance with the decision of EAG member states.

### ***8.1. Combating the financing of drug trafficking and crime***

In 2015, WGCF completed its research into the financial component of the drug trade, whose contributors included both EAG members and observers: Belarus, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, Armenia, Turkey and Ukraine. The adoption of the report by the EAG Plenary is scheduled for June 2016.

The purpose of this research was to develop country-specific measures necessary for the effective detection of financial transactions related to drug trafficking, instances of drug-related money laundering as well as credit institutions and countries acting as "financial drug centres".

The relevance of this topic is due to the expansion of drug trafficking networks across the globe. Producing, transit and consumer countries act as links of a single chain that threatens the economic and political stability of the majority of the world's countries, strengthens the positions of international organized criminal groups and criminal networks whose activities are transnational in nature, contributes to the increase in the number of drug addicts, and results in the involvement in the trade in the capacity of drug smugglers and small-scale drug dealers of millions of citizens of different countries.

The report contains a general list of criteria of suspicious financial transactions allegedly connected with drug trafficking, as well as the geography of financial flows related to drug trafficking.

The purpose of this study is to develop country-specific measures needed for successful identification of offshore jurisdictions and companies that are used for redistribution and laundering of drug money.

In 2015, WGCF continued its research into the involvement of companies registered in offshore jurisdictions in the redistribution and laundering of drug proceeds.

### ***8.2. Combating the financing of terrorism***

With an eye to developing a common methodology for compiling national lists of terrorists and extremists, as well as to establishing a universal mechanism for freezing

(blocking) assets of persons involved in terrorist activities, EAG member states continued their work in 2015 to find ways to improve these mechanisms in order to increase effectiveness and improve cooperation between the financial intelligence units of EAG member states.

EAG member states regularly participate in best practice exchanges, during which representatives of the delegations share details of the best case studies related to the financing of terrorism.

In order to develop a common strategy for combating cash couriers in the EAG countries, as well as to increase effectiveness and improve cooperation between the FIUs, the EAG completed in 2015 a study entitled "Possible Ways to Improve the Methods for Combating the Use of Cash Couriers in the EAG Countries for Terrorist or Extremist Financing Purposes".

This study helped accumulate experience in combating all existing schemes involving the use of cash couriers. This experience will be used in the future to improve the effectiveness of countermeasures and establish common standards of work in this area.

Delegation participants expressed particular interest for the Egmont Group research into combating the financing of terrorism, namely, a study dedicated to the region-specific financial profile of foreign terrorist fighters, with additional financial indicators of FTFs expected to be added in 2016 based on the materials submitted by EAG member states.

As part of the global fight against the financing of terrorism, FATF initiated and sent to 194 countries a questionnaire on the implementation of recommendations 5 and 6 and the relevant UN Security Council resolutions. EAG, given its associate membership in the FATF, took an active part in this work.

## 9. KEY OBJECTIVES FOR 2016

In 2016, the Eurasian Group plans to continue the work to ensure effective collaboration and integration of EAG member states into the international AML/CFT system. In this regard, the main objectives of the Group for 2016 are:

- conduct a mutual evaluation of Kyrgyzstan as part of the second round of mutual evaluations;
- carry out preparatory and awareness building work related to the preparation of Kyrgyzstan and Tajikistan for the next round of mutual evaluations (consultations with the EAG private sector, theme-based expert research work, information publication, etc.);
- monitor the progress of national systems in the EAG countries;
- develop and mobilize the informational, analytical and expert potential of the member states in order to reduce the risks and threats of ML/FT in the Eurasian region;
- hold the following trainings and workshops:
  - FATF/EAG/UNODC Expert Meeting on Typologies
  - Assessor Training Workshop
  - Joint EAG/ITMCFM Workshop on the Preparation of EAG Member States for National Risk Assessment and Mutual Evaluations, to be held with technical assistance of the Kazakhstan's Financial Monitoring Committee.

## ACRONYMS

- APG – Asia-Pacific Group on Money Laundering
- WB – World Bank
- Egmont Group – international association of financial intelligence units
- EurAsEC – Eurasian Economic Community
- MONEYVAL - Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism of the Council of Europe
- IMF –International Monetary Fund
- MENAFATF – Financial Action Task Force against money-laundering in the Middle East and North Africa
- ITMCFM - International Training and Methodology Centre for Financial Monitoring
- ML – money laundering
- CSTO – Collective Security Treaty Organization
- AML/CFT – anti-money laundering and combating the financing of terrorism
- FIU – Financial Intelligence Unit
- WGEL – Working Group on Mutual Evaluations and Legal Issues
- WGTYP – Working Group on Typologies
- WGTA – EAG Working Group on Technical Assistance
- WGOS – Working Group on Supervision
- FSRB – a FATF-style regional body
- CIS – Commonwealth of Independent States
- FATF – Financial Action Task Force on Money Laundering
- FT – financing of terrorism
- SCO – Shanghai Cooperation Organization



ЕВРАЗИЙСКАЯ ГРУППА  
по противодействию легализации преступных доходов  
и финансированию терроризма

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EURASIAN GROUP  
on combating money laundering  
and financing of terrorism