

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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Annual Report 2011
**of the Eurasian Group on Combating Money Laundering and
Financing of Terrorism**

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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.

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 countries in the region, and their integration into the international AML/CFT system. Among the first initiatives implemented by the newly created organization was to organize the provision of technical assistance to EAG member states in establishing national AML/CFT systems.

Following its establishment, the Eurasian Group sought to build strong relations with the FATF, World Bank and IMF, as well as with other international and regional organizations which expressed interest in developing mutual cooperation.

The EAG's work is carried out in three main areas: mutual evaluations of national AML/CFT systems of countries members of the EAG, typological studies of criminal money laundering or terrorist financing schemes, and provision of technical assistance to countries members of the EAG, including training of personnel.

The work carried out by the EAG has enabled its members, without exception, to successfully establish institutional and legislative components of national AML/CFT systems in line with international standards in this area.

In 2010, the EAG was granted associate member status in the FATF and observer status in the Asia-Pacific Group. In 2011, it also received observer status in the Middle East and North Africa Financial Action Task Force.

June 2011 saw the signing of the Eurasian Group on Combating Money Laundering and Financing of Terrorism Agreement, which defined the EAG's status as an intergovernmental organization functioning on the basis of equal participation of member states in its activities.

1.2. Goals and objectives

Under the EAG Agreement, the main goal of the Eurasian Group is to ensure effective communication and cooperation at the regional level, as well as integration of states members of the EAG into the international system of anti-money laundering and counter-terrorist financing 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:

- assist member states in implementing the FATF 40 Recommendations on Money Laundering and the 9 Special Recommendations on Terrorism Financing (FATF 40+9 Recommendations);
- develop and implement joint activities aimed at combating money laundering and financing of terrorism;
- implement a program of mutual evaluation of member countries in line with the FATF Recommendations and study the effectiveness of the newly adopted legislative and other measures on combating money laundering and terrorist financing;
- coordinate programs of international cooperation and technical assistance with specialized international organizations, agencies and countries concerned;
- carry out an analysis of money laundering and terrorist financing typologies and share experience in combating such crimes with account for regional specifics.

The implementation of these objectives is aimed at increasing the effectiveness of AML/CFT regimes in each EAG member country in order to:

- reduce the threat of terrorism;

- ensure transparency, reliability and security of national financial systems;
- ensure the safety of residents of the region by creating conditions for combating major economic crimes, including at the cross-border level;
- reduce the size of the shadow economy and create the favorable conditions for legitimate business growth.

1.3. Eurasian Group structure

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

- Plenary Session;
- Chairman;
- Deputy Chairman;
- Working Groups;
- Secretariat.

The supreme decision-making body of the Eurasian Group is the Plenary Session, which is typically held twice a year, but not less than once a year. The Plenary Session is attended by the delegations of countries members of the Eurasian Group. The Plenary Session examines key issues related to the common interests of states members of the Eurasian Group, determines the strategy and directions of its work, and adopts decisions of a recommendatory nature aimed at fulfilling the goals and objectives of the Eurasian Group.

The Eurasian Group Chairman (hereinafter the "Chairman"), who is elected by the Plenary Session for a 2-year period, is responsible for organizing the work of Plenary Sessions and representing the Eurasian Group in its relations with the outside world. The Plenary Session also elects the Deputy Chairman.

Since November 2001, the post of EAG Chairman has been occupied by Mr. Yury Chikhanchin (Russia), who succeeded in this post Mr. Oleg Markov.

Since December 2010, the post of Deputy Chairman of the EAG has been occupied by Mr. Liu Zhengming (China).

A total of 4 EAG working groups carried out work in the key areas of the Group's activities during 2011:

- Working Group on Mutual Evaluations and Legal Issues (WGEL);
- Working Group on Technical Assistance (WGTA);
- Working Group on Typologies (WGTYP);
- Working Group on Assessment and Prevention of Risks of Money Laundering and Financing of Terrorism in International Financial Relations (WGAR);

The November 2011 decision of the 15th Plenary Session of the EAG terminated the activities of the Working Group on Assessment and Prevention of Risks of Money Laundering and Financing of Terrorism in International Financial Relations (WGAR) due to the fulfillment by the group of its objectives.

In 2011, the EAG working groups were headed by:

- WGEL – Liu Zheng Ming (China) and Pavel Livadniy (Russia);
- WGTA - Ardagh Igembaev (Kazakhstan) and Stanislav Smolyar (Russia);
- WGTYP – Igor Voluevich (Russia) and Alexey Feshchenko (Ukraine);
- WGAR – Edgar Sargsyan (Armenia) and Alexander Shavlovsky (Russia).

In November 2011, with the goal of improving the practice of supervisory authorities and private sector in the states members of the EAG in the area of AML/CFT, the EAG 15th Plenary Session voted for the establishment of the Working Group on Supervision (WGOS), determined its mandate and selected the co-chairs: Sherzod Hazhimuratov (Uzbekistan) and Tatiana Artamonova (Russia).

In November 2011, Boris Toropov (Russia) replaced Galina Bobrysheva (Russia) as the Acting Executive Secretary of the EAG.

1.4. Member states

Under the EAG Agreement, the following countries have a membership status in the EAG:

	Belarus
	India*
	Kazakhstan
	China*
	Kyrgyzstan
	Russia**
	Tajikistan
	Turkmenistan
	Uzbekistan

Note: * – also a member of the FATF and APG; ** - also a member of the FATF and MONEYVAL.

1.5. Observers

A total of 16 countries and 16 international and regional organizations held observer status in the EAG at the time of signing of the EAG Agreement in June 2011.

Pursuant to the decision of the 14th Plenary Session, a mutual observer status was granted to the MENAFATF. During the inter-session period, under the instruction of the same session and as part of the strategy for the transformation of the EAG into an international organization, the Secretariat took the necessary steps to confirm the status of the current EAG observers.

In November 2011, the 15th Plenary Session voted to retain observer status for countries and organizations which confirmed in writing their intention to continue their work with the EAG.

Thus, in 2011, a total of 17 international and regional organizations and 12 countries held observer status in the EAG.

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

Changes in EAG observer numbers								
Year	2004	2005	2006	2007	2008	2009	2010	2011
Organization	9	10	11	12	14	15	16	17

Country	10	10	13	16	16	18	16*	12**
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Note: * In 2010, the observer status of India and Turkmenistan was changed to EAG members.

** The UK, Georgia, France and Japan did not confirm their interest in retaining observer status in the EAG. Britain, France and Japan were offered, in case of their interest, to continue their participation in the EAG activities as members of the FATF delegation.

2. STRATEGIC ACTIONS AND INITIATIVES

2.1. Development of national AML/CFT systems

In 2010, the EAG actively supported the integration of member states into the international system for combating money laundering and financing of terrorism, including through assistance in building their national AML/CFT systems in line with the international standards.

Particular attention was paid to the provision of assistance to Turkmenistan, Tajikistan and Kyrgyzstan in the establishment of national AML/CFT systems.

Turkmenistan

In February 2010, Turkmenistan, which at that time held observer status in the EAG, was included by the FATF in the list of countries with high risk of money laundering and terrorist financing.

In April 2010, the EAG and FATF conducted a joint high-level field mission to examine this country's national AML/CFT system and to provide recommendations for its development.

The mission was made up of representatives from Russia, USA, China and Switzerland. Meetings were held with the leading figures of the Cabinet of Ministers, Parliament, Central Bank, Prosecutor General's Office and the Ministry of Finance of Turkmenistan.

Tajikistan

Special attention was paid to the situation in Tajikistan, the only EAG member state still without the basic AML/CFT law by the start of 2010. Technical assistance provided by the EAG and individual observers, in particular the World Bank, in drafting the country's AML/CFT legislation allowed Tajikistan to complete the building of its legal and institutional AML/CFT framework.

Kyrgyzstan

Due to the inclusion of Kyrgyzstan into the list of countries subject to monitoring by the FATF, the 15th EAG Plenary Session, held in November 2011, instructed Kyrgyzstan to present an unscheduled progress report to the 16th Plenary Session in May 2012.

Despite some challenges, 2011 was the year when Kyrgyzstan's national AML/CFT system was considerably strengthened through the drafting of numerous AML/CFT-related laws and regulations. The Kyrgyz Financial Intelligence Service (SFIS KR) and its national AML/CFT system as a whole went through a difficult period of reforms carried out against the backdrop of important political transitions.

EAG's new working bodies

Given the increased importance attached to the assessment of the effectiveness of implementation of international AML/CFT standards and the amount of attention expected to be given to this subject at the upcoming 4th round of FATF mutual evaluations, a decision was taken to create a new EAG *Working Group on Supervision* and three *Expert Groups*.

The first meeting of the Working Group on Supervision (WGOS) took place during the 15th Plenary Session of the EAG. Under its mandate, which was approved by the Plenary Session, the WGOS will:

- conduct real-time monitoring of the regulatory and legal frameworks of EAG member states in the field of supervisory activities in line with the best AML/CFT practices;
- consolidate the AML/CFT experience of supervisory bodies in the field of information exchange in line with the best practices;
- take part in the development of ML/FT risks assessment techniques and criteria for the evaluation of AML/CFT activities in the financial and non-financial sectors;

- assist in the adoption of a risk-based approach for supervisory activities;
- take part in the development of recommendations for supervisory authorities and the private sector aimed at improving AML/CFT mechanisms;
- study and consolidate the best experience in the area of AML/CFT inspections of financial and non-financial institutions' activities;
- study and consolidate the experience of application of AML/CFT-related sanctions against financial and non-financial institutions;
- participate in the development of criteria for the assessment of supervisory activities in the field of AML/CFT;
- provide advisory support and other outreach services to the private sector regarding compliance with AML/CFT requirements;
- participate in field trips in order to share experience on supervisory activities in the field of AML/CFT.

Participants of the first WGOS meeting noted the relevance of this working body, whose activities will contribute to the development of national AML/CFT systems of EAG member states in the context of tougher international standards.

For a more detailed discussion of issues related to practical implementation of international standards, participants of the 15th Plenary Session voted to convene experts for participation in Expert Groups. The following Expert Groups (EG) were established:

- on strategic planning (EG 1), within the structure of the WGEL;
- on national risks assessment (EG 2), within the structure of the WGTYP;
- on the assessment of the effectiveness of implementation of international AML/CFT standards (EG 3), within the structures of the WGEL and WGOS.

The work of all EGs will primarily be dedicated to the professional execution of assignments in specific areas and provision of expert information for the meetings of relevant Working Groups.

2.2. Information and communications strategy

Successful informational coverage of the activities of the EAG member states in the field of AML/CFT and the level of their perception by experts depend, to a large extent, on the proper functioning of public relations.

One of the EAG's strategic initiatives was the launch of an awareness-raising campaign designed to strengthen the reputation of the EAG: the number of new members and observers was increased, a status of an associate member of the FATF and observer in the APG were granted, a significant progress in developing national AML/CFT systems in the Eurasian region was achieved. The International Training and Methodology Center for Financial Monitoring acted as the organizer and coordinator of information and communications activities of the EAG.

The EAG's integrated Information and Communications Strategy, which focuses on the main areas and topics of the Group's interaction with partners, experts and the media, was approved at the 13th Plenary Session of the EAG in December 2010.

This strategy is designed to enhance the informational influence of the EAG as an organization that helps improve transparency of the economies in the region and their integration into the global financial system, and aims to:

- strengthen the reputation of the EAG and FATF in the Eurasian region, as well as of international and regional partner organizations involved in the formation and development of AML/CFT regimes;
- improve the efficiency of interaction between the public and private sectors in the area of AML/CFT;
- gather broad public support for the activities of the EAG and national systems of countries members of the EAG.

Information activities

One of the key directions of the information and communications activities was the work dedicated to the structural and technological optimization of the EAG website (www.eurasiangroup.org) as a key information medium that allows a rapid exchange of information among group members and observers, as well as among other concerned participants of the global AML/CFT network.

The hands-on activities conducted as part of the information and communications policy were used to highlight the participation of the Eurasian Group and EAG member states in the activities of the FATF and FATF-style regional groups, thus contributing to the formation of a positive image of the EAG and its members.

2010-2011 saw the launch of 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 national AML/CFT systems within the EAG, as well as information on the key events of the international AML/CFT system.

A successful implementation of the Information and Communications Strategy is very important in terms of both the organization's ability to shape the public opinion and involve the public in addressing the challenges posed by ML/FT, and with regard to the feedback from the AML/CFT system participants and dissemination of information about changes to the FATF standards.

2.3. Single information space

In 2010, the development of national AML/CFT systems in most of EAG member states reached a level at which their integration and merger within the framework of a single informational space (SIS) of the EAG, whose concept was adopted in 2009, could be greatly accelerated.

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

Information resources

As part of its strategy for the EAG SIS development, the Group created a number of proprietary databases designed to assist FIUs in their work. Among them are:

- a database of typological studies conducted by the FATF and MONEYVAL (in the official languages of the EAG). It comprises about 40 studies and can be used by FIU analysts to monitor the most important trends and ML/FT risk areas determined by the international community;
- an online database of legislations of the EAG member states containing a total of 160 regulations and accessible via the EAG official website;

In 2011, the EAG worked on the creation of information resources aimed at improving and harmonizing AML/CFT legislations of countries members of the EAG.

Videoconferencing

Videoconferencing (VC) is an essential component of the SIS that can be used to increase the intensity and effectiveness of cooperation between countries members of the EAG. In 2011, it connected Russia, Belarus, Kazakhstan, the EAG Secretariat and the ITMCFM.

VC is actively used for both multi-party consultations and training activities. The advantages of using modern communication channels are obvious. They range from a more effective interaction within the EAG and better distance learning opportunities for FIU staff, law enforcement and supervisory bodies, to the potential offered by joint workshops and conferences in terms of cost savings and customer base expansion.

During the year, steps were taken to expand the operation of the VC system in the direction of China, with arrangements for similar steps completed with Uzbekistan and Tajikistan and started with India. This kind of work was also carried out with Kyrgyzstan.

Feasibility studies are currently being conducted into the possible use of secure VC communication channels in international financial investigations.

Expert community

In 2010, on the initiative of EAG Chairman Oleg Markov, work began on the formation of the EAG Expert Community, made up of the leading experts in the field of AML/CFT from international organizations, government agencies, private, scientific and educational sectors.

In 2011, the EAG website became home to an interactive EC forum, intended as a venue for experience sharing and AML/CFT-related discussions.

Members of the EAG Expert Community are among regular participants in various consulting sessions with the EAG private sector, typological studies, and education and lecturing activities organized by the EAG and ITMCFM.

2.4. EAG transformation into an international organization

In 2011, further progress was made in reforming the legal and institutional foundations of the EAG and helping it to acquire the status of an intergovernmental organization.

This involved the development and adoption by Plenary Meetings of the basic documents necessary for the functioning of the EAG on the basis of shared participation by its members in the formation of the organization's budget.

The year saw the signing of the EAG Agreement, which defines the goals, objectives and structure of the Group, the functions of the EAG Secretariat, as well as the organization's funding mechanism and rules for its members and observers.

Also successful was the organization's work on a draft Agreement between Russia and the EAG on the conditions of presence of the EAG Secretariat on the

territory of Russia, as well as on other documents which had to undergo domestic approval procedures in member states in 2011.

The Working Group on Mutual Evaluations and Legal Issues, the Working Group on Technical Assistance and the EAG Secretariat all played an active role in preparing documents and their approval.

3. INTERNATIONAL COOPERATION

3.1. EAG in the international AML/CFT system

The EAG works closely with many international and regional organizations and entities involved in AML/CFT.

In February 2005, the EAG was granted observer status in the FATF, and in June 2010, it became its Associate Member. The new status allowed the group's members, including those that are not members of the FATF, to participate in FATF activities on a mutual basis on behalf of the EAG already in 2011. For their part, countries members of the FATF play an active role in the work carried out by the EAG.

In 2011, the EAG participated on a permanent basis in the work of the FATF International Cooperation Review Group dedicated to the identification and elimination of shortcomings in the national AML/CFT systems of Eurasian countries.

In 2010, the EAG was granted observer status in the APG, and already in June 2010 and June 2011, the EAG representatives took part in the Annual (Plenary) Meetings of this organization. As part of their joint cooperation strategy, the two regional groups have made plans to carry out several joint projects and initiatives, with a typologies workshop in 2013 being among them.

In 2010, the EAG was granted observer status in the MENAFATF. Given the growing level of financial and economic cooperation between the two regions,

closer relations between the EAG and MENAFATF are expected to help coordinate efforts in the fight against common threats and risks.

Opportunities to improve cooperation were also explored with regard to another important regional player – the MONEVAL. These included plans to hold in joint workshop on the implementation of the revised FATF Recommendations in 2012 and participation by the EAG experts in the activities organized by the MONEYVAL.

Experience sharing opportunities and implementation of joint projects in the priority areas of AML/CFT will not only contribute to the development of the regional groups, but will also allow them to make a significant contribution to the global AML/CFT system.

3.2. EAG's role in the region

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, SCO and EurAsEC.

In 2010, the EAG took steps aimed at substantially increasing the level of regional cooperation, and also held a number of joint activities with these organizations based on the bilateral agreements signed earlier.

January 2010 saw the signing of a Memorandum of Understanding between the EAG and the Coordinating Council of heads of the competent authorities to counter drug traffic (KSOPN) of member nations of the Collective Security Treaty Organization (CSTO), which provides for a mechanism of interaction between FIUs of EAG member states and the competent authorities of the CSTO member states in combating illicit drug trafficking. This mechanism is aimed at improving the effectiveness of the fight against legalization of proceeds from drug trafficking in the Eurasian region.

The experience gained by the 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.

In December 2010, the EAG signed a cooperation agreement with the Inter-Parliamentary Assembly of CIS member states, which, among others, provides for joint work towards harmonizing national AML/CFT legislations of states members of the EAG, cooperation on drafting model laws, and information exchange. The Agreement paves the way for the creation of an electronic database of legislations and other regulations of countries members of the EAG and CIS.

In 2011, the EAG also worked on the signing of a memorandum of understanding with the RATS SCO and improving cooperation with the CIS Anti-Terrorism Centre (ATC).

4. MUTUAL EVALUATIONS

4.1. EAG mutual evaluations

The EAG carries out mutual evaluations of national AML/CFT systems of its member states for compliance with international standards, which, on the one hand, is one of the EAG's key tasks and, on the other, an important mechanism for developing national AML/CFT systems.

The FATF methodology for assessing compliance with AML/CFT standards is used as a basis for mutual evaluations.

The Working Group on Mutual Evaluations and Legal Issues (WGEL) plays a leading role in organizing mutual evaluations of EAG member states.

The next round of EAG mutual evaluations is scheduled to begin once the FATF standards and methodology for assessing national AML/CFT systems have been revised.

Mutual evaluations of EAG member countries: first-round schedule

Evaluated country	Evaluating organization	Field mission	Discussion of the report at EAG Plenary Session
China	FATF/EAG	November 2006	December 2007
Kyrgyzstan	EAG	January-February 2007	June 2007
Tajikistan	World Bank/EAG	June 2007	December 2008
Russia	FATF/MONEYVAL/EAG	September, November 2007	June 2008
Belarus	EAG	July-August 2008	December 2008
Uzbekistan	EAG	November 2009	June 2010
Kazakhstan	EAG	October 2010	June 2011
Turkmenistan	EAG	November 2010	June 2011

In 2011, the EAG participated in the FATF work dedicated to finding preliminary solutions concerning the methodological foundations of the 4th round of evaluations in the context of the revised FATF Recommendations, including with respect to effectiveness assessment.

The 1st round of EAG mutual evaluations, which lasted 4 years, from June 2007, ended in 2011 with the approval of mutual evaluations of Turkmenistan and Kazakhstan.

4.2. Results of the mutual evaluation of Kazakhstan

In accordance with the EAG mutual evaluations schedule, a field mission to Kazakhstan took place in October 2010. The team of expert was made up of representatives of Armenia, Belarus, Russia and Uzbekistan.

The experts studied the institutional structure of the national AML/CFT system of Kazakhstan, met representatives of the country's FIU, law enforcement,

supervisory and other public bodies, examined the activities of financial and non-financial organizations, and evaluated the effectiveness of AML/CFT measures.

A report on the mutual evaluation of Kazakhstan was approved at the 14th Plenary Session of the EAG in June 2011.

The EAG noted a sufficient level of implementation by Kazakhstan of the key FATF requirements with regard to the functioning of the financial intelligence unit. The country successfully established institutional and regulatory mechanisms in the area of monitoring and supervision, as well as within the framework of its law enforcement system.

After considering the results of the report, and pursuant to the procedure for mutual evaluations, Kazakhstan will be expected to present its next progress report in June 2013.

4.3. Results of the mutual evaluation of Turkmenistan

In accordance with the EAG mutual evaluations schedule, a field mission to Turkmenistan took place in November 2010. The team of experts was made up of representatives of Kazakhstan, Kyrgyzstan, Russia and Ukraine.

The experts studied the institutional structure of the national AML/CFT system of Turkmenistan, met representatives of the country's FIU, law enforcement, supervisory and other public bodies, examined the activities of financial and non-financial organizations, and evaluated the effectiveness of AML/CFT measures.

A report on the mutual evaluation of Turkmenistan was approved at the 14th Plenary Session of the EAG in June 2011.

The results of the mutual evaluation of Turkmenistan reflected the substantial progress achieved by this country in addressing deficiencies in the implementation of a number of key recommendations concerning the AML/CFT system of this country.

4.4. Progress reports

EAG's current activities include monitoring the progress achieved by its members in implementing recommendations of mutual evaluations and eliminating the identified deficiencies.

Following the approval of its mutual evaluation report, each country member of the Eurasian Group must present a progress report to the EAG Plenary Session, describing 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 14th and 15th EAG Plenary Sessions, held in June and November 2011, examined the progress reports of those member countries whose national AML/CFT systems had been already evaluated by that time.

2011 Progress Reports of EAG Member States

14th EAG Plenary Session (June)	15th EAG Plenary Session (December)
<ul style="list-style-type: none"> ▪ Tajikistan ▪ Turkmenistan 	<ul style="list-style-type: none"> ▪ Tajikistan ▪ Turkmenistan

Turkmenistan's progress report was heard at the 14th Plenary Session. Its results allowed the EAG to point at the progress achieved by this country in eliminating deficiencies with regard to customer due diligence, criminalization of money laundering and activities of financial intelligence units. The EAG urged Turkmenistan to continue its work towards further improvement of its national AML/CFT system.

The 15th Plenary Session of the EAG saw Turkmenistan, which is subject to the EAG's enhanced monitoring regime, present its regular progress report. During

the period starting June 2011, the country's success in adopting new regulations allowed it to achieve significant progress in respect of a large number of recommendations. Especially, this applies to legal Recommendations (R. 1, 35, SR. I, II, III), as well as supervision (R.23) and international cooperation (R.40).

The 14th Plenary Session of the EAG noted the substantial progress achieved by **Tajikistan** in improving the national AML/CFT regime, as well as in displaying the political will to further reform the institutions and legislation involved in AML/CFT. Above all, the EAG welcomes the country's adoption of the basic AML/CFT law, which goes a long way towards addressing the EAG's concern regarding the legal framework of AML/CFT in Tajikistan. At the same time, Tajikistan should continue its work towards improving the national AML/CFT regime, including the mechanisms of interagency coordination.

Following the presentation of a progress report by Tajikistan, the 15th Plenary Session participants confirmed that the country was taking steps to improve its national AML/CFT system, including by following the FATF Action Plan, approved by the country's Prime Minister. At the same time, Tajikistan is recommended to intensify efforts towards eliminating deficiencies with regard to the FATF Recommendations (R1 and SR.II), as well as with respect to the mechanisms for freezing terrorist assets (SR.III).

All EAG member states who presented progress reports during 2011 have shown steady progress in improving their national AML/CFT systems. Despite this, it was decided to leave the enhanced monitoring regime in respect of Tajikistan and Turkmenistan unchanged. Both countries are due to present their next progress reports at the 16th Plenary Session of the EAG in May 2012.

Additionally, due to the inclusion of Kyrgyzstan into the list of countries subject to monitoring by the FATF, the 15th EAG Plenary Session instructed Kyrgyzstan to present its unscheduled progress report also at the 16th Plenary Session.

5. TECHNICAL ASSISTANCE

5.1. System of technical assistance

One of the key areas of activities of the Eurasian Group is the provision of technical assistance in the areas of FIU establishment and redevelopment, as well improvement of national AML/CFT regimes in EAG member states, including with regard to personnel training.

Technical assistance is a set of measures aimed at facilitating AML/CFT experience and best practice sharing in order to create conditions for the integration of national AML/CFT systems of EAG member states into the global AML/CFT system.

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

The goals of technical assistance are:

- to consolidate 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 in integration into the unified system of information exchange of states members of the EAG.

In 2011, the EAG's work on the provision of technical assistance was carried out in accordance with the EAG Technical Assistance Development Concept, approved by the 11th Plenary Session of the EAG in December 2009, with all discussions on the matter taking place in the form of bilateral meetings between EAG member states and donors. The purpose of these discussions was to identify the needs of the EAG member states and to coordinate plans for further cooperation. The 2011 list of most prominent providers of technical assistance included: the World Bank, UNODC, IMF, International Training and Methodology Center for Financial Monitoring, USA and other organizations and donor states.

5.2. AML/CFT training for personnel

Provision of adequate personnel training opportunities to the countries members of the Group, which is an important element of the EAG's concept for technical assistance, is essential to the successful development of national AML/CFT systems.

The role of the initiator of training programs is traditionally played by the International Training and Methodology Center for Financial Monitoring, as well as other donors of the EAG, especially the World Bank, UNODC and IMF.

The use of videoconferencing in the training programs organized by the ITMCFM has so far proven to be highly effective.

Among other forms of learning expected to be tried and tested in the near future are online courses.

Training of students in the specialty of "Integrated information security of automated systems", carried out on the basis of the Russian National Nuclear Research University (MEPHI), plays a key role in the formation of human resources for FIUs and other government agencies involved in AML/CFT. During the November 2011 Plenary Session, the countries taking part in the initiative reiterated their intention to continue employing MEPHI graduates in national AML/CFT systems for a period of not less than 3 years.

In 2011, a total of 10 students from EAG countries were enrolled for the course, taking the total number of students in 2011 to 30. The program for the training of personnel is expected to be continued also in 2012.

In order to provide methodological assistance to the process of selection of FIU analysts, a professional standard for analysts working for financial intelligence services was successfully developed. The said standard will allow EAG member states to develop standards for the development of higher vocational education.

6. TYPOLOGIES

6.1. ML/FT typologies research

One of the main tasks of the EAG is the analysis of typologies of money laundering and terrorist financing in the context of the Eurasian region.

A solid knowledge of the sources and methods of laundering the criminal proceeds used in both in EAG countries and the region as a whole to finance terrorist activities is essential for the development and implementation of successful mechanisms of internal control in the law enforcement and oversight sectors.

Within the EAG, the responsibility for the work in the priority areas and overall control of the research is assigned to the Working Group on Typologies (WGTYP).

To a great extent, the quality of research depends on the active participation of member states and observers in providing information and filling out questionnaires.

In 2010, the WGTYP completed work on the following typological studies:

- *"Organized criminal groups (including those formed along ethnic lines) in operations (transactions) with cash and non-cash assets"* (headed by Kyrgyzstan and Russia);
- *"Countering violations in the sphere of public procurement"* (headed by Russia).

A study titled *"Money laundering through the securities market"* (headed by - India) will be continued in 2012 given the relevance of the topic and desire of project participants to have a high-quality final product.

The participants of the WGTYP meetings held as part of the 15th Plenary Session voted not to proceed with the study *"Money laundering and terrorist financing through alternative remittance systems"* (headed by the U.S.) due to the inability of the study participants to provide sample case studies. This was the result of objective reasons connected with the specifics of the development of remittance systems in the countries of the former Soviet Union. For now, a

decision was taken to conduct a study of migration flows in the Eurasian region, which will be headed by Russia, and then to consider the resumption of the American study based on the results of the study on migration.

The following studies are planned by the EAG for 2012:

- *"Money laundering and terrorist financing through the use of cash and monetary instruments"* (headed by Belarus);
- *"Money laundering through non-profit organizations"* (headed by Kazakhstan);
- *"Vulnerabilities in transactions with intangible assets (including intellectual property) that allow their use for money laundering and terrorist financing"* (headed by Ukraine);
- A study of possible ways to improve the interaction between the FIUs of EAG countries in order to combat the activities of terrorist organizations operating in the countries of the EAG and not included in international lists of terrorist organizations (headed by Russia).

6.2. Sharing experience with FSRBs

As part of its work on ML/FT typologies, the results of which are intended to contribute to the detection of these offences, the EAG organizes workshops on typologies and publishes compilations of ML/FT typologies.

Given the international nature and contemporary scope of ML/FT, which presents a global threat to international security, steps have been taken to facilitate interaction and sharing of experience related to the study of typologies with the FATF and other FATF-style regional bodies, including through joint workshops.

In 2011, an agreement was reached with the Asia-Pacific Group (APG) to hold a joint workshop on typologies in 2013.

In 2011, the EAG continued to participate in the FAFT-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 conducted in

the framework of FATF Plenary Weeks and dedicated to the sharing of experience on methods of typological studies and identification of the most promising directions 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.

7. KEY OBJECTIVES FOR 2012

In 2012, the Eurasian Group plans to continue its work towards ensuring effective collaboration and integration of EAG member states into the international AML/CFT system. In this regard, the main objectives of the Group for 2011 are:

- assist the EAG member states whose national AML/CFT systems have strategic deficiencies through provision of access to the best experience and implementation of educational and research projects;
- develop and mobilize the informational, analytical and expert potential of member states in order to reduce the risks and threats of ML/FT in the Eurasian region;
- monitor the progress of national systems in the EAG countries;
- conduct preparatory work related to the updating of international standards and preparation for the next round of mutual evaluations (consultations with the EAG private sector, thematic expert research work, interactive expert forums, etc.);
- complete the transformation of the EAG into an intergovernmental organization funded through member contributions. This will increase the level of member involvement in addressing the challenges facing the Group, facilitate the process of integration of national AML/CFT systems into the FATF global network, and strengthen the standing of the EAG;

8. EAG'S 2012 SCHEDULE OF MAJOR EVENTS

Date	Event	Place
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March 26-27	A face-to-face meeting within the framework of Tajikistan's progress report	Dushanbe, Tajikistan
March 29-30	A face-to-face meeting within the framework of Turkmenistan's progress report	Ashkhabad, Turkmenistan
April 3-5	Participation in consultations with the FATF private sector	Paris, France
April 9-15	A high-level mission in Kyrgyzstan	Bishkek, Kyrgyzstan
April 16-20	Participation in the field mission of the UN CTC in Kyrgyzstan	Bishkek, Kyrgyzstan
April 24-25	Interim session of the WGTA	Moscow, Russia
April 25-27	Participation in the APG workshop dedicated to the study of new FATF standards	Kuala Lumpur, Malaysia
May 1-4	FATF/EAG field mission to Turkmenistan	Ashkhabad, Turkmenistan
May 3-4	A joint EAG/World Bank workshop on technical analysis	Moscow, Russia
May 22	Consultations with the EAG private sector	Moscow, Russia
May 22-25	16th Plenary Session	Moscow, Russia
September	Experience sharing workshop on the organization of national risk assessment	China
October	EAG/MONEYVAL joint workshop on the adoption of revised FATF recommendations	Moscow, Russia
November	Experience sharing workshop on strategic planning in the area of AML/CFT	Moscow, Russia

November	17th Plenary Session	India
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LIST OF ABBREVIATIONS

- APG – Asia-Pacific Group on Money Laundering
- WB – World Bank
- Egmont Group – international association of financial intelligence units
- EAG – the Eurasian Group on Combating Money Laundering and Financing of Terrorism
 - 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 Center for Financial Monitoring
 - ML – Money Laundering
 - CSTO – Collective Security Treaty Organization
 - AML/CFT – Anti Money Laundering and Terrorist Financing
 - FIU – financial intelligence unit
 - WGEL – EAG Working Group on Mutual Evaluations and Legal Issues
 - WGTYP – EAG Working Group on Typologies
 - WGTA – EAG Working Group on Technical Assistance
 - WGOS – Working Group on Supervision
 - FATF Recommendations – 40 FATF recommendations on anti-money laundering and nine special recommendations on combating terrorist financing
 - FSRB – a FATF-style regional body

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- CIS – Commonwealth of Independent States
 - FATF – Financial Action Task Force on Money Laundering
 - FT – Financing of Terrorism
 - SCO – Shanghai Cooperation Organization.