

ABOUT THE 9TH EAG PLENARY MEETING

On 16-19th December 2008 the 9th EAG Plenary was held in Moscow, Russia.



The 9th EAG Plenary assessed the main results of the Eurasian Group's activities aimed at combating money laundering and financing of terrorism in the 2nd half of 2008 and formulated the key priorities for 2009.

The EAG Chairman – Advisor to the President of the Russian Federation Oleg Markov presided over the 9th EAG Plenary. The Financial Action Task Force (FATF) President and head of the Brazilian Financial Intelligence Unit (FIU) Antonio Gustavo Rodriguez visited Russia for the first time to participate in the Plenary.

THE MAIN RESULTS

The key item of the Plenary Meeting was the discussion and approval of the EAG mutual evaluation reports on the compliance of national anti-money laundering and combating the financing of terrorism (AML/CFT) systems of Belarus and Tajikistan with international standards and the FATF 40+9 Recommendations.

The EAG evaluation of Belarus was the second for this country following the IMF assessment in 2004. Since then many significant amendments were introduced to the Belarus legislation aimed at the improvement of the national AML/CFT system.

It was the first evaluation of the Republic of Tajikistan, which was conducted by the experts of the World Bank. Due to considerable deficiencies revealed in the course of the assessment, Tajikistan is subject to enhanced follow up of the EAG. At the moment Tajikistan is undertaking necessary organizational and legislative steps in order to eliminate these deficiencies.

In order to speed up the creation of the national AML/CFT system in Tajikistan the Plenary Meeting decided to send a high-level mission to the country. The Plenary strongly recommends Tajikistan to enact comprehensive AML/CFT legislation which meets FATF requirements and to carry out all of the necessary activities to set up the work of the FIU no later than the 3rd quarter of 2009. In this respect the EAG is ready to provide technical assistance.

The participants of the 9th EAG Plenary approved the follow-up reports of Kyrgyzstan and China on progress in developing their national AML/CFT systems. As a result these countries were taken off enhanced follow-up.

Setting up the FIU in the Republic of Kazakhstan has been an important achievement of the Eurasian region. The Financial Monitoring Committee under the Ministry of Finance of Kazakhstan was set up in April 2008. EAG donors have expressed their readiness to render consultative and technical assistance to the Kazakh FIU taking into account the EAG results of the EAG Technical assistance needs assessment (TANA) mission carried out in the end of November. Kazakhstan is recommended to enact the necessary AML/CFT legislation as soon as possible.

Considering the concern of the international community on the current AML/CFT situation in the Republic of Uzbekistan and noting the specific positive undertakings of this state the EAG Plenary strongly recommends Uzbekistan to restore the national AML/CFT system within six months.

At the same time the Plenary Meeting recommends the Republic of Turkmenistan, which is considering applying for EAG membership, to speed up the adoption of the AML/CFT legislation (the anticipated timeline is six months) and to set up the FIU. The EAG is ready to provide all the necessary technical assistance to Uzbekistan and Turkmenistan.

India provided information on their current AML/CFT situation. At present the Indian Government is considering the issue of India's full membership in the EAG.

COOPERATION WITH THE PRIVATE SECTOR

An important item of the 9th EAG Plenary agenda was the consultations with the private sector on assessing ML/TF risks under the current conditions of financial instability and elaboration of the relevant recommendations for EAG member-states. Particular attention was paid to the risks of increasing cross-border money flows as well as penetration of criminal proceeds into the financial system and spread of alternative money transfers remittance.

In particular the following financial sector vulnerabilities of the Eurasian region were identified:

1. The lack of liquidity in the banking sector poses increased risks when the amount of monitored cashless transaction decreases in favor of less monitored settlements with the use of cash.
2. As the cost of financial services increases, an upward trend is observed in the price-rates for electronic wire transfers which are used by persons temporarily residing in the EAG member states. This fact makes alternative remittance systems more attractive for natural persons.

3. National financial systems face intense capital flight. In the circumstances of a liquidity lack, there are increasing risks of incoming criminal proceeds.

The EAG efforts in terms of cooperation with the reporting sectors were highly appreciated by the FATF President.

NEW EAG INITIATIVES

The 9th EAG Plenary approved the new activities of the group related to building up its information capabilities. In particular the EAG Chairman Mr. Markov declared the intention to implement the EAG Information openness policy which shall provide broad press coverage of EAG activities and encourage dynamic cooperation with the media.

At the same time the concept of the EAG Single information space (EAG SIS) was elaborated. It will ensure access of the member-states to the EAG databases. The EAG Internet site will be developed in order to provide the partners, reporting institutions and population with impartial and comprehensive information on EAG activities and AML/CFT progress of EAG member-states.

The implementation of the EAG SIS will be carried out in the framework of the scientific and research projects which were approved by the 9th EAG Plenary.

OTHER ISSUES

The EAG structure and management became subject to a few changes. The EAG Deputy Chairmanship term expired for the Minister of Finance of Kyrgyzstan Tajikan Kalimbetova, the new EAG Deputy Chairman was appointed. The Plenary approved the candidacy of the Director of Financial Monitoring Department of the State Control Committee of the Republic of Belarus – Valeriy Yaroshevsky.

The Eurasian Development Bank and the Asian Development Bank joined the EAG as observers enlarging the number up to 30 observer states and organizations.