

## COLUMN OF THE EAG CHAIRMAN



### Dear Colleagues!

Having operated for the past two years in the challenging conditions of the pandemic, the EAG has continued to demonstrate its ability to effectively address the challenges it faces, being supported by the FATF and the Global Network, including observers. There has been progress in the implementation of the EAG Strategy 2019-2023, particularly in identifying and understanding supranational risks, including those associated with new criminal schemes and the use of crypto-assets, coordinating technical assistance to Kyrgyzstan and Tajikistan through a project-based approach, developing public-private partnerships through the International Compliance Council, increasing accountability for EAG participation, training, and engaging high-level experts in EAG activities.

The signing of the Protocol amending the EAG statutory documents at the 36th EAG Plenary meeting will allow to bring their provisions in line with the FATF standards and the EAG objectives as well as to increase the effectiveness of our work.

In a rapidly changing world with the development of technology and promising disciplines, the Eurasian region pays greater attention to creating a wide range of opportunities for self-fulfillment of young people and providing them with new skills and competences. The annual International Financial Security Olympiad in Russia was a part of such multifaceted work aimed at attracting young specialists to this sphere, increasing informational, financial and legal literacy of the younger generation, prevention of crime and extremism. Its preliminary university-based events ended in May, and the final event will take place in October in Sochi on the site of "Sirius" center. We count on active participation of representatives of EAG Member States in "Olympic starts".

**EAG Chairman  
Yury Chikhanchin**

## Results of the 36<sup>th</sup> EAG Plenary meeting

*The meetings of the EAG Working Groups and the 36th Plenary Meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) were held in hybrid format in Tashkent (Republic of Uzbekistan) from May 30 to June 2, 2022. The meetings were attended by the representatives of the EAG Member States, the FATF Secretariat, observer states and organisations of the Group*



The Plenary was chaired by the EAG Chairman Mr. Yury Chikhanchin (Russian Federation) and the EAG Deputy Chairman Mr. Dovran Khalbaev (Turkmenistan).

The welcome address to the Plenary was provided by the Deputy Prime Minister of the Republic of Uzbekistan - Minister of economic development and poverty reduction of the Republic of Uzbekistan Mr. Jamshid Kuchkarov.

During the Plenary the Protocol amending the EAG statutory documents – the Agreement on the EAG and the Regulation on the Procedure for forming and implementing the Budget of the EAG has been signed by Member States.

The Plenary approved the concept of strengthening the Eurasian group interaction with representatives of high-level public authorities and governance of EAG Member States.

The Plenary adopted the Mutual evaluation Report and the Executive Summary of the Republic of Uzbekistan under the 2nd Round of EAG mutual evaluations.

The Plenary heard the 3rd follow-up report of the Republic of Tajikistan without technical compliance re-rating under the 2nd round of EAG mutual evaluations and noted the progress made by Tajikistan in development of its national AML/CFT system.

The Plenary Meeting approved the EAG Budget for 2023, the EAG Annual report for 2021, the EAG work plan for the 2nd half of 2022 and 2023.

The Plenary Meeting agreed upon the changes to the Schedule of the 2nd round of mutual evaluations in the EAG Member States and the Schedule of EAG Plenary Meetings in 2022–2026.

The Plenary approved the new editions of the Rules of procedure of carrying out the EAG Plenary and working group meetings and the EAG Information and Communication Strategy, as well as a number of other guiding documents.

The Plenary approved the results of the first round of ML/TF risk assessment in the Eurasian region and discussed proposals for further action to develop the measures to minimize the identified regional risks. In addition, the Plenary approved the launch of the typologies project: "Typologies and trends in combating terrorist financing" led by the Republic of Uzbekistan and the Republic of Tajikistan, and agreed to continue the monitoring of ML/TF risks associated with the instability in Afghanistan.

The Plenary took note of the information about organization and holding of the next Forum of the Eurasian Group on AML/CFT, which will take place in Nur-Sultan (Republic of Kazakhstan) in the period from 19 to 21 July 2022.

The Plenary took note of the information presented by the People's Republic of China - on the experience in the creation and implementation of "Digital Currencies", including on ML/TF risks involved and by the Republic of Kazakhstan - on the best practice of financial monitoring authority in combating drug trafficking.

The Plenary agreed with the initiative to implement a project on development of methodological recommendations on risk assessment and application of risk-based supervision in the NPO sector in EAG Member States in order to improve technical compliance with FATF Recommendation 8 and to achieve effectiveness under Immediate Outcome 10.

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The Plenary took note of the progress report on the project to improve risk-based supervision mechanisms in the EAG region and approved the finalized TA Plan to the EAG Member States in the implementation of the RBA in supervision.

The Plenary was informed about the second International Financial Security Olympiad that is being held at the initiative of the Russian Federation from May to October 2022. The Plenary noted an important role of the International Network AML/CFT Institute and the ITMCFM as the core training organization of the CIS in preparation and holding the first International Financial Security Olympiad.

The Plenary expressed gratitude to the Republic of Uzbekistan for the hospitality and excellent organization of the 36th EAG Plenary Meeting and Meetings of the Working Groups as well as the ITMCFM for technical assistance in conducting the event.

The 37th EAG Plenary Meeting will be held in the Republic of Tajikistan in November 2022.



## Amendments to the EAG statutory documents

*On June 1st, 2022 the Protocol on Amendments to the Agreement of the EAG and the Regulation on the Procedure for Forming and Implementing the Budget of the EAG was signed in Tashkent*



This issue was under negotiation since 2019. The necessity of amendments to the Statutes, signed in 2011 and not amended since then, was conditioned by the necessity of further development of the EAG, as well as expansion of the EAG tools to achieve goals and objectives, including the addition of combating the financing of proliferation of weapons of mass destruction as a subject of the EAG competence on a par with combating money laundering and financing of

terrorism. In addition, the changes were aimed at updating the fundamental concepts (terms) in accordance with the current international anti-money laundering standards, regulating creation and functioning of additional working formats under the EAG auspices and introducing additional requirements for the EAG Chairman position in order to enhance the role of ML/TF/PF issues in the political agenda of the Eurasian region.

## The International scientific-practical conference "Money laundering and the financing of terrorism: current threats and challenges"

*On June 3, 2022 the International scientific-practical conference on "Money laundering and the financing of terrorism: current threats and challenges" was held within the EAG Plenary Week*

Experts from 16 countries and 15 international organizations took part in the Conference. They discussed the implementation of the FATF international standards, the development of international cooperation, and the enhancement of the role of law enforcement and supervisory

agencies in strengthening national AML/CFT systems.

The Academy of the General Prosecutor's Office of the Republic of Uzbekistan will publish an electronic collection of materials from the conference.

## EAG initiatives to strengthen engagement with the Member States

Until recently, the EAG's interaction with Member States was limited to communications with Financial Intelligence Units, while contacts with other competent authorities were only maintained through mutual evaluations or training activities.

This has resulted in a lack of awareness of the EAG work and insufficient attention to AML/CFT/CPF issues among the authorities.

This problem is not unique to EAG. In 2020, the FATF identified the strengthening of cooperation within the Global Network as a priority for the next two years. In particular, one of the main objectives was to involve high-level policy makers from FATF-style regional bodies (FSRBs) in the management of AML/CFT/CPF matters for the benefit of the FSRBs and the Global Network.

According to the FATF, some FSRBs have undertaken a number of activities to strengthen high-level engagement with member countries, including regular meetings of ministers/supervisory deputies and/or deputies to discuss strategic issues and high-level pre-evaluation visits and correspondence with senior officials, and initiatives aimed at promoting dialogue with government authorities and the public.

The EAG Strategy 2019-2023 identifies effective interaction and cooperation at the regional level as one of the strategic directions for the EAG Secretariat. Based on this, the EAG Plenary, held at the beginning of June this year, discussed and approved the initiative to organize events with the participation of parliamentarians and heads of relevant agencies of the EAG Member States and observers.

Representatives of the Parliaments of the Russian Federation and Uzbekistan took part in the discussion.

Mr. Nikolay Zhuravlev, Deputy Chairman of the Federation Council, spoke on behalf of the Russian Federation informing the Plenary about the experience of inter-parliamentary cooperation of Russia with other countries and suggested to support the proposal to organize a forum of representatives of relevant parliamentary committees of the EAG Member States.

Mr. Narimon Umarov, Chairman of the Committee on judicial and legal issues and combating corruption of the Senate of the Oliy Majlis of the Republic of Uzbekistan, informed about the role of the Uzbek Parliament in the formation of the national AML/CFT/CPF system and, in its turn, supported the idea of arranging forums of parliamentarians to exchange experience in improving the relevant legal framework.

The delegations of the Member States expressed their support for the proposed initiative, while noting that the level of participants in the interaction events should be determined at the domestic level.

The FATF representative present at the discussion noted that the idea of increasing the level of interaction of FSRBs with their member countries is a priority of the current FATF Presidency, in connection with which FATF supports the EAG proposal to organize inter-parliamentary forums.

The Plenary decided to establish the practice of EAG seniors meetings at the level of representatives of the relevant committees of the parliaments of Member States involved in the development and approval of AML/CFT/CPF strategies, as well as heads of ministries and agencies of the Member States responsible for the implementation of such strategies.



# Assistance in developing programmes on disruption of the illicit outflow of financial assets

*During the intersessional period, the EAG Secretariat received requests from several Member States on sharing best practices and assisting in the development of programmes to counter illicit capital outflow*

Illegal outflows of financial assets are a characteristic phenomenon in the fast-growing economies of the EAG Member States. The most effective ways to combat this negative factor seem to be development of an attractive investment and business environment and strengthening of the national currency, and improvement of the tax system and tax administration, etc.

Along with that, there are some tools in the field of professional activity of the EAG aimed at identification and prevention of illicit cross-border flow of capital. For instance, the regional risk assessment identified the most typical schemes of illegal transfer of funds via financial institutions and legal entities.

In addition, the anti-money laundering tools offered by the FATF Standards include risk assessment and a risk-based approach, and enhanced inter-agency and international cooperation, and collaboration with financial institutions in the unified application of preventive measures, and the identification of shell companies, and the maintenance of consistent statistics and evaluation of the effectiveness of measures to prevent illicit capital outflow.

One of the instruments used by countries to recover financial assets transferred overseas is a capital amnesty. But while preparing capital amnesty programmes, the requirements of the FATF and EAG should be considered to ensure that such programmes do not facilitate criminal money laundering.

In summary, an examination of countries' experiences in the area of capital recovery indicates that there is no unified approach with regard to the tools used. However, they share one common element, namely international cooperation. The process of asset recovery is subject to mutual legal assistance and agreements of the government agencies involved, which predetermines the need for a case-by-case approach.

The assistance provided to the EAG Member States in 2022 in shaping approaches to combating capital outflow, contributed to the development of country action plans (programmes) on combating illicit outflows of financial assets, which are currently at the stage of domestic agreement and approval.

## EAG High-level mission to the Kyrgyz Republic

*In accordance with the decision of the Plenary meeting a high-level mission of the Eurasian group on combating money laundering and financing of terrorism was held on 4 April 2022 in Bishkek under the leadership of the EAG Chairman, Director of Rosfinmonitoring Mr. Y. Chikhanchin*

The delegation of the Eurasian Group also included Mr. V. Reut, Director of the Department of Financial Monitoring of the State Control Committee of the Republic of Belarus, Mr. Zh. Elimanov, Chairman of the Agency of the Republic of Kazakhstan on Financial monitoring and Mr. S. Teterukov, EAG Executive Secretary.

The main goal of the mission was to discuss the capital amnesty programme planned in the Kyrgyz Republic and further steps associated with it, as well as to discuss a wider range of issues related to financial security of the country and the region as a whole.

During the mission a meeting was held with Mr. A. Zhaparov, Chairman of the Cabinet of Ministers of the Kyrgyz Republic. Mr. Zhaparov noted that the Kyrgyz Republic attaches great importance to the EAG mutual evaluation and technical assistance programs through which measures are taken to improve the national AML/CFT system of the Kyrgyz Republic.

"We always feel the practical assistance of EAG in creating and strengthening the legal and institutional framework for countering the financing of terrorism and laundering of criminal proceeds. I would like to assure you that our Republic remains committed to complying with its international obligations. We intend to continue the course aimed at continuity in the vector of our relations", - said Mr. Akylbek Zhaparov.

EAG Chairman Mr. Yuri Chikhanchin informed the Kyrgyz side about the EAG procedures and further steps to be taken in relation to the capital amnesty programme of the Kyrgyz Republic. He informed about the need to initiate the country's preparation



process for the 3rd round of EAG mutual evaluations, the beginning of which is scheduled for 2025. He confirmed the readiness for further cooperation, including by providing expert-advisory support in the development of AML/CFT system, as well as improving financial literacy among children and students as part of the "Financial Security Olympiad" planned for this year.

As part of the mission, a meeting was held with the Chairman of the National Bank of the Kyrgyz Republic Mr. K. Bokontayev, during which the issues related to capital amnesty, regulation, supervision and risk assessment of virtual assets

and other issues related to the regulation and supervision of the financial sector in Kyrgyzstan were discussed in detail.

The heads of Belarus and Kazakhstan FIUs shared their valuable experiences and useful practical information on the issues at hand.

At the end of the mission, the EAG delegation visited the State Financial Intelligence Service under the Ministry of Finance of the Kyrgyz Republic, got acquainted with the activities of its departments, including its training and methodological center.



## CFT Operational Analysis Training



On January 31-February 4, 2022 an official of the EAG Secretariat took part as an international expert in a five-day training for law enforcement agencies of Kyrgyzstan on CFT operational analysis organized by the EU-funded "Law Enforcement in Central Asia" LEICA project.

As a result of the training, the country was presented with practical recommendations for improving the methodology of financial investigations based on international best practices.

## The International seminar for law enforcement agencies of Central Asia on the prevention of terrorism financing through cryptocurrencies



On March 14-18, 2022, the EAG Secretariat participated in the International seminar for law enforcement agencies of Central Asia on the prevention of terrorism financing through cryptocurrencies, organized by LEICA (Law Enforcement Agencies in Central Asia) in cooperation with the EAG. As part of the presentation, the participants were explained the new requirements of the FATF standards on virtual assets.

As a result of the training, the participants, together with the experts, concluded that it is necessary to use the materials and information obtained during the seminar in their current work, including paying special attention during financial intelligence and operational activities of persons engaged in operations with cryptocurrencies, for the timely detection of possible cases of terrorism financing and money laundering.

## The Kyrgyz Republic Donors meeting

*A meeting of international donor organizations operating in the EAG region was held in Bishkek (Kyrgyz Republic) on March 17-18, 2022*



The purpose of the event was to coordinate the efforts of the partners in providing technical assistance to the Kyrgyz Republic, which in its turn should contribute to the country's progress in improving the national AML/CFT system. The event is organised within the framework of the Technical Assistance Coordination Project for the Kyrgyz Republic which started in September 2021 and is aimed at the practical implementation of one of the focus areas of the EAG Strategy 2019-2023.

In his welcome speech, Mr. Adilet Dzhanuzakov, Director of the Situation Centre of the Presidential Administration of the Kyrgyz Republic noted that issues of combating money laundering and terrorist financing are a priority for the country and assured the donor community of the high-level political commitment of the state. Mr. Kanatbek Turgunbekov - Chairman of the State Financial Intelligence Service under the Ministry of Finance of the Kyrgyz Republic, Mr. Sergey Teterukov - Executive Secretary of the EAG and Mr. Andrey

Seleznov - Head of the United Nations Office on Drugs and Crime Programme Office in the Kyrgyz Republic also gave welcome speeches at the opening ceremony.

Representatives of state agencies of the Kyrgyz Republic and representatives of the UN Counter-Terrorism Office, International Monetary Fund, International Training and Methodology Centre for Financial Monitoring of the Russian Federation, Organization for Security and Cooperation in Europe, United Nations Office on Drugs and Crime, US Embassy in Bishkek, Council of Europe, Financial intelligence unit of Iran and Financial intelligence unit of Serbia took part in discussion of possibilities for providing technical assistance activities, which are contained in the Project Plan developed by the EAG Secretariat.

The event resulted in identification of donors in the areas of highest priority for the country as well as agreeing on further steps.

## Training on CFT issues

*On 7-11 June 2022 in Kyrgyzstan UNODC with the support of EAG Secretariat held a training on "Combating Terrorist Financing: second phase of investigation" aimed at strengthening the capacity of competent authorities of the Kyrgyz Republic in the area of CFT*

Representatives of the State National Security Committee, the State Financial Intelligence Service under the Ministry of Finance, the Prosecutor General's Office and the Ministry of Internal Affairs of the Kyrgyz Republic will take part in this event.

During the training, international experts of UNODC and EAG Secretariat presented the experience and best practices in the investigation of crimes related to the financing of terrorism, taught the participants the skills of collecting and analyzing financial traces, and conducted practical activities to track and suppress illicit financial flows designed to support terrorist activities.





# High-Level International Conference on Regional Cooperation in Central Asia

*On March 3-4 the Executive Secretary of the Eurasian Group on Combating Money Laundering and Financing of Terrorism S. Teterukov took part in the High-Level International Conference on "Regional Cooperation among the Central Asian States within the framework of the Joint Plan of Action for the implementation of the United Nations Global Counter-Terrorism Strategy", which was held in Tashkent with the support of the Government of Uzbekistan, the UN Office of Counter-Terrorism, UN Regional Centre for Preventive Diplomacy for Central Asia and OSCE, the Institute for Strategic and Inter-Regional Studies under the President of Uzbekistan*

S. Teterukov attended the panel session "Preventing and Countering Terrorism" and made a report on "The role of the EAG in strengthening the AML/CFT regime in the Central Asian region".

In his speech the Executive Secretary noted that the EAG highly appreciates the current level of cooperation with the Republic of Uzbekistan, the OSCE and the UN OCT in a number of areas and, in particular, in the area of countering the financing of terrorism. "We are

united by many years of work on the establishment and development of anti-money laundering systems of the Central Asian region, the monitoring of the effectiveness of which is carried out through the EAG mechanisms as a FATF style regional body".

S. Teterukov also touched upon the EAG research activity within the framework of the typological projects aimed to reveal the common risks, trends and methods of material support of terrorism, including in

terms of aggravation of the situation in the territory of Afghanistan.

At the request of the organizers of the Conference the representative of the Secretariat gave an interview to the local news agency "Uzbekistan 24", during which he thanked for holding such a relevant event and answered questions on the effectiveness of the national AML/CFT system of Uzbekistan and its evaluation by international experts.

## Outcomes of the FATF Plenary

*The Plenary of the FATF with delegates representing the 206 members of the Global Network and observer organisations, such as the IMF, the United Nations and the World Bank, was held on 2-4 March 2022. The event took place in a hybrid format: the majority of participants were able to arrive in Paris due to gradual easing of COVID-19 related restrictions in many countries*

The Plenary approved key work that will prepare for the next round of mutual evaluations and finalised an update to Recommendation 24, to improve transparency of beneficial ownership of legal persons. The FATF approved a report on the money laundering and terrorist financing risks of migrant smuggling, and agreed to release a guidance for public consultation that will help the real estate sector to implement risk-based measures to better detect and prevent money laundering.

The FATF agreed to begin work on enhancing asset recovery by strengthening collaboration between the FATF/FSRBs and the Asset Recovery Networks – CARIN and the ARINs, and also agreed to further consider strengthening Recommendations 4 and 38 on the domestic and cross-border frameworks. Delegations also started new work on the proceeds of the trafficking in fentanyl and other synthetic opioids.

The Plenary also agreed on the appointment of a new President of the FATF (2022-2024).

### Strategic Review

The FATF reached a milestone with the completion of its strategic review. The review, which began in 2019, aimed to streamline the FATF's processes to make the next round of mutual evaluations more targeted, timely and effective.

Delegates agreed to make public the findings of the assessment that helped to drive the strategic review forward. The report on the state of global compliance and effectiveness highlights the

successes achieved in the global fight against money laundering and terrorist financing, as well as identifies areas that need further improvement. It also raised a number of important issues which have been addressed in the revised assessment Methodology.

As a result of this strategic review, the FATF finalised and approved the **FATF Methodology** to assess countries' actions to combat money laundering and the financing of terrorism and proliferation, and the **FATF Procedures** for the fifth round of mutual evaluations.

The fifth round of mutual evaluations will have a greater focus on risk and context to ensure that countries prioritise their efforts in areas where the risks are highest, and a stronger focus on designated non-financial businesses and professions. The next cycle of mutual evaluations will also be significantly shorter, with a streamlined and stronger follow-up process that focuses primarily on improving effectiveness and ensuring that countries, which do not take effective actions, are held to account.

While these documents refine and strengthen the FATF's future assessment framework, the responsibility for effective action against money laundering and terrorist financing lies with each of the countries of the FATF Global Network.



### Strategic concept of the Global Network

The fight against money laundering and terrorist financing requires a global response. The work of the Global Network, which brings together the FATF and nine FATF-Style Regional Bodies (FSRBs), as well as cooperation with relevant observers, is crucial.

The Plenary agreed on the strategic vision for the Global Network, which will strengthen the FATF/FSRBs partnership that forms the backbone to the successful assessment and compliance with global anti-money laundering and counter terrorist financing (AML/CFT) measures.

The strategic vision supports FATF and FSRBs' collective efforts to achieve their common objectives of combating money laundering and the financing of terrorism and proliferation, as well as to foster effective AML/CFT systems.

### Monitoring Compliance with the FATF Standards

#### Mutual Evaluation of France

The FATF concluded that France has a robust and sophisticated AML/CFT framework, that is very effective in combating the financing of terrorism, the confiscation of criminal assets and international cooperation. France has achieved particularly good results in the use of financial intelligence, money laundering investigations and prosecutions, as well as in the implementation of targeted financial sanctions. France, however, needs to

do more in certain areas, such as the supervision and implementation of preventive measures for professionals involved in the activities of legal persons and real estate sector, as well as improving the monitoring of the non-profit sector to prevent its potential misuse for terrorist financing.

### *Jurisdictions under Increased Monitoring*

Jurisdictions under increased monitoring are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. When the FATF places a jurisdiction under increased monitoring, it means that the country assumes obligations to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to extra checks. In line with the flexible procedures adopted in February 2021 to allow FATF to continue its monitoring programme in light of the COVID-19 pandemic, the FATF has updated its statements for countries under review.

New jurisdictions subject to increased monitoring: United Arab Emirates.

### *Jurisdiction No Longer Under Increased Monitoring – Zimbabwe*

The FATF congratulated Zimbabwe on the significant progress it has made in addressing the strategic AML/CFT deficiencies previously identified by the FATF and included in its action plan. Zimbabwe will no longer be subject to the FATF's increased monitoring process. This comes after the country received an on-site visit. Zimbabwe will work with FATF regional partner ESAAMLG, of which it is a member, to continue strengthening its AML/CFT regime.

### *Annual Training Programme*

The Plenary discussed and agreed on the annual training plan for 2022 that includes training sessions at the FATF Training Institute in Busan, training in the FATF Global Network member jurisdictions, as well as online training through the FATF's e-learning platform. The training plan responds to the needs identified by members of the FATF Global Network at the end of 2021, which includes training that aims to assist countries subject to FATF's International Co-operation and Review Process. The training sessions are open to government officials of the Global Network and will help strengthen understanding of the FATF Standards and how to use them to detect, prevent and punish money laundering and the financing of terrorism and proliferation.

## **Strategic initiatives**

### *New beneficial ownership rules to tackle money laundering*

Anonymous shell companies and other businesses enable organised criminal groups, the corrupt and sanctions evaders to launder their dirty money. That is why the FATF has agreed on strict global beneficial ownership rules to stop criminals from hiding their illicit activities and dirty money behind secret corporate structures.

The FATF has agreed to revise Recommendation 24 and its Interpretive Note, which require countries

to ensure that competent authorities have access to adequate, accurate and up-to-date information on the true owners of companies.

Countries will now be required to ensure that beneficial ownership information is held by a public authority or body that maintains a beneficial ownership registry, or that an alternative equally effective mechanism is created. Countries will also be required to ensure that competent authorities can rapidly and efficiently access beneficial ownership information. Authorities will have to assess and mitigate the money laundering and terrorist financing risks associated with foreign companies, to which their countries are exposed. The FATF has also agreed to ban new bearer shares and to strengthen disclosure requirements for existing bearer shares and for nominee arrangements, which will stop these from being used to hide money laundering.

In the course of revising Recommendation 24 and its Interpretive Note, the FATF has held two rounds of public consultations. The FATF sought views from affected stakeholders, particularly on the multipronged approach to collect beneficial ownership information, bearer shares and nominee arrangements, the risk-based approach, and access to information. The FATF took these contributions into account and has refined the text of the amendments accordingly. The FATF received strong support for its proposed amendments to strengthen standards on beneficial ownership and transparency and thanks all stakeholders who took part in the process.

### *Money Laundering and Terrorist Financing Risks arising from Migrant Smuggling*

Every year, millions of migrants seek to escape regional conflict, political instability, persecution and poverty in search of a better future. They can risk their lives at the hands of migrant smugglers who see them as an opportunity to make financial gains and often have little regard for the migrants' safety. The proceeds generated by migrant smuggling are estimated to exceed USD10 billion per year.

The FATF completed research on the money laundering and terrorist financing risks associated with migrant smuggling. The report finds that while this criminal business has expanded, many countries do not consider it a high-risk crime for money laundering and the associated financial flows are rarely investigated. The report identifies the most common methods to transfer and launder the proceeds of migrant smuggling, from hawala, integration of proceeds into legitimate business such as shops, travel agencies and transport companies, and the increasing use of professional money launderers. Using countries' experiences, the report provides several recommendations and good practices that allow authorities to better trace criminal proceeds and enhance the effectiveness of money laundering investigations. The report highlights the need for countries to understand the money laundering risks they face from migrant smuggling and to proactively follow the money linked to this criminal activity, including through increased collaboration with national and international authorities and the private sector.

### *Risk-based Approach Guidance for the Real Estate*

Real estate is a popular and stable choice for investments. Criminals who wish to launder their illicit assets exploit the real estate sector. As a result, real estate professionals have an important

role in preventing criminals from misusing the real estate sector for money laundering or terrorist financing.

However, currently the real estate sector generally has a poor understanding of the risks they are exposed to, according to the results of the vast majority of the fourth round of mutual evaluations. The FATF has developed draft guidance on the risk-based implementation of anti-money laundering and counter terrorist financing measures in the real estate sector. The FATF will publish this report for public consultation and welcomes input from all interested stakeholders before finalising the guidance. This includes the real estate business, as well as experts, mortgage lenders and interested non-profit sector organisations. Deadline for comments: 22 April 2022.

### *Unintended Consequences of the FATF Recommendations*

The FATF has completed its work to identify and analyse unintended consequences of the FATF Recommendations, with a focus on proactive steps to prevent AML/CFT measures leading to, in particular, de-risking, financial exclusion and undue targeting of NPOs. The Plenary has now agreed to refer the substantive work to the relevant FATF Working Groups which will scope out and refine how FATF can mitigate the unintended consequences of FATF's Standards without diminishing the effectiveness of global AML/CFT measures. The FATF will continue to engage with external stakeholders as this work develops.

### *FATF Presidency 2022-2024*

This week, the Plenary, took the formal decision to appoint Mr. T. Raja Kumar of Singapore as the next President of the FATF, for a fixed two-year term.

Member countries took this decision following a comprehensive process, led by the current FATF President and which included consultations with all delegations. A number of highly qualified candidates were put forward by the FATF membership, each presenting his/her priorities and vision for the future of the FATF. As a result of this process, the FATF Plenary agreed to appoint Mr. Kumar as the next President of the FATF. Mr. Kumar will take up his duties on 1 July 2022, the day after the two-year Presidency of Dr. Marcus Pleyer concludes.

*The FATF Secretariat*



## Capacity-building workshop on implementation of the FATF Recommendation 8

*On 23-25 May the EAG Secretariat participated in the capacity-building workshop for the Republic of Tajikistan on “Implementation of the FATF Recommendation 8” organized in Dushanbe by the UN Counter-Terrorism Centre of the United Nations Office of Counterterrorism with the support of the Government of the Republic of Tajikistan and the UN Regional Centre for Preventive Diplomacy for Central Asia*



This workshop is part of the UN OCT Global Coordinated Programme on detecting, preventing, and countering the financing of terrorism, which aims to support Member States' efforts to strengthen their capacity and implement effective national CTF regimes.

The event was attended by representatives of the National Bank, the Department of Financial Monitoring, General Prosecutor's Office, non-profit sector supervisory authorities, the inter-ministerial working group assigned for the risk assessment

of the non-profit sector, and other competent authorities, as well as representatives of non-profit organizations.

During the seminar international experts, as well as representatives of the Secretariat, shared the experience of mutual evaluation by the EAG Member States in the NPO sector, noted common shortcomings of the FATF standards implementation and best practices, including on conducting sectoral risk assessments. In addition, they discussed in detail the Action Plan for the Republic of Tajikistan

to implement the FATF Recommendation 8, prepared by the UN OCT at the request of the country based on the recommendations received during the Mutual Evaluation of the Republic of Tajikistan in 2018.

The implementation of this Plan involves:

1. Sector analysis to determine which NPOs are “at risk” of terrorist financing abuse.
2. Creation of a risk-based regulatory system for NPOs.

## Information exchange between competent authorities on digital pyramid schemes

*At the 36th EAG Plenary meeting held in June this year, the Secretariat presented its analysis for possibilities of information exchange between the competent authorities of the Member States on the issue of digital pyramid schemes, following members' responses to a questionnaire drafted by the Secretariat and the Russian Federation*

The enhanced financial inclusion is accompanied by emergence of new fraud schemes. The shadow market service providers gradually marginalize shell companies and front men by replacing them with digital technologies.

One of such risks, which are currently becoming transactional in nature, is related to emergence of new fraud schemes with involvement of fake brokers, illegal investment platforms and other types of digital pyramid schemes.

All delegations, except for one, have indicated that operation of pyramid schemes, along with difficulties in early detection of this type of offences, is the urgent problem requiring rapid response. At the same time, the spread of pyramid schemes differs from country to country, e.g., based on the NRA findings, one jurisdiction has identified fraud, including pyramid schemes, as the

offences posing high ML risk, while another jurisdiction has assigned low level of risk to this type of offence.

Most delegations note that, in practice, they have identified instances where pyramid schemes operating in one country had links with other jurisdictions in the Eurasian region.

In fact, methods used by scammers for attracting funds of pyramid investors do not differ in terms of place of residence of an investor and location of his/her bank. Besides that, in view of close cultural, financial and economic ties in the Eurasian region, the pyramid scammers, especially those operating online, actively recruit the Russian-speaking members residing in the Eurasian region countries.

This is another evidence of the need for more active cooperation among the EAG countries to tackle the problem of pyramid schemes.

Besides that, instances have been recorded where pyramid schemes had links with countries outside the Eurasian region, primarily with offshore zones. Use of foreign banks also makes it more difficult to trace movement and subsequent laundering of criminal proceeds.

Based on the responses provided by the delegations, the following best practices of combating pyramid schemes have been identified:

- Active cooperation of domestic competent authorities with foreign counterparts via both informal (i.e. through FIU) and formal (i.e. through mutual legal assistance requests) channels.
- Criminalization of establishment, operation and management of pyramid schemes under separate articles of the criminal legislation, and imposition



of administrative sanctions in form of fines for attracting funds into pyramid schemes and advertising pyramid schemes.

- Establishment of interagency working groups, composed of representatives of FIU, LEA and supervisory authorities, tasked with suppressing illegal activities, including operation of pyramid schemes, in the financial market.
- Creation and keeping, by central banks, of a publicly accessible list of companies reasonably suspected of being involved in illegal activities, including in operation of pyramid schemes, in the financial market. For example, this mechanism has been implemented by the Central Bank of the Russian Federation.
- Establishment of an extrajudicial mechanism for blocking websites of pyramid schemes. For example, the following procedure has been established in the Russian Federation: the Bank of Russia submits the list of scam websites to the General Prosecutor's Office which is authorized to order Roscomdadzor (the Federal Service for Supervision of Communications, Information Technologies and Mass Media) to block the relevant websites without legal proceedings.
- Adoption of a comprehensive approach to supervision, which prohibits any schemes outside

the purview of a particular regulator (e.g. securities market regulator or banking regulator).

Migration of pyramid schemes to the Internet makes it significantly more difficult to detect and investigate their operation, especially given that scammers frequently use the addresses and details of non-resident companies registered in offshore zones.

Various payment services, including P2P (card-to-card) transfers, and cryptocurrency exchanges make it much easy to transfer funds, inter alia, to accounts opened with foreign banks abroad.

In view of the common threat posed by pyramid schemes, each and every delegation is keenly interested in sharing information with the partners in the Eurasian region for counteracting these schemes. Such information sharing may include exchange of operational information about entities and individuals involved in or used for creating and operating pyramid schemes, which will help to identify threats common for the entire region. Collected data and information may also be used by countries for conducting more detailed analysis and applying adequate response measures at the national level.

It is noteworthy that one delegation mentioned that it has already started to actively share financial intelligence with its foreign counterparts through both formal and informal channels.

In the context of growing cybercrime rate, some delegations pointed to digital transformation of pyramid schemes where scammers promise their victims huge returns on investment in virtual assets. Spread of this type of financial fraud is facilitated by high demand for online financial services, poor financial literacy of population and willingness to invest in allegedly highly profitable fraudulent schemes, including cryptocurrency scams.

Given that, today, many people pay increased interest in acquiring cryptocurrencies and high-yield financial instruments, such as digital assets (tokens), the delegations have also pointed out that it is difficult to trace movement of funds and identify ultimate beneficiaries of illegal financial activities and scams. In particular, it is becoming more difficult to identify and recover illegally obtained assets due to non-transparent nature of financial transactions and also because criminals convert stolen funds into virtual assets and transfer them to foreign cryptocurrency exchanges that are not subject to legal regulation by the EAG countries. Therefore, more active and concerted efforts are needed to address this problem.

Besides that, one delegation proposes to consider establishment of an information exchange mechanisms under the auspices of the Council of Heads of Financial Intelligence Units of the CIS Member States (CIS CHFIs), allowing other interested EAG countries, which are not the CHFIs members, to participate in the information sharing process.

## 10th anniversary of the establishment of the Training and Methodological Center of the State Financial Intelligence Service of the Kyrgyz Republic



On June 8, 2022 in Bishkek, a representative of the EAG Secretariat took part in a ceremony marking the 10th anniversary of the establishment of the Training and Methodological Center of the State Financial Intelligence Service of the Kyrgyz Republic (hereinafter TMC).

It was marked that since its establishment the TMC has earned a reputation of a reliable participant of the national anti-money laundering system of Kyrgyzstan, having achieved tangible results in training and research activities, having prepared

numerous events, among which the EAG Forum on AML/CFT holds a special place. One of the results of the Center's systematic work has been the formation of a multi-level training and retraining system for representatives of state bodies, financial institutions and the private sector.

It has been highlighted that the active role of the TMC in the implementation by key foreign donors and providers of AML/CFT technical assistance projects in Kyrgyzstan contributes to the creation of

the necessary conditions for the development of the national anti-money laundering system, as well as to increasing its effectiveness.

Another important activity of the Center is its participation in the activities of the International AML/CFT Network Institute, which acts as a unique partnership platform enabling scientific and educational institutions of the EAG Member States to work together to improve the development of the specialized personnel.

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