

CHAIRPERSON'S COLUMN



Dear colleagues,

At the last Plenary meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism in Nanjing, Kyrgyzstan became the first EAG Member State to defend its AML/CFT mutual evaluation report. The experience of the Kyrgyz Republic allows us to adjust the procedures for the preparation of countries for mutual evaluations, as well as to take further steps to bring national AML/CFT regimes in line with the FATF standards.

Still in the context of mutual evaluation preparations, I would like to emphasize the importance of workshops and other training events for the professionalism of EAG experts. One of the kind is the international joint workshop of the EAG and the International Training and Methodology Centre for Financial Monitoring "Effective Supervision as a Mechanism for Ensuring the Non-Financial Businesses and Professions Sector's Involvement in the AML/CFT System", which will take place in September in St. Petersburg (Russian Federation).

The EAG, along with other regional FATF-style regional bodies, plays an increasingly important role in the global AML/CFT system. Taking this opportunity, I would like to congratulate the Analytical Support and Sanctions Monitoring Team on becoming a new EAG observer organization.

I call upon all the EAG Member States to continue the implementation of the FATF standards and improvement of the effectiveness of anti-money laundering and counter terrorist financing regimes in Eurasia.

**EAG Chairperson
Ms. HAO Jinghua**

Kyrgyzstan Mutual Evaluation Report Approved

The delegation from the Russian Federation took part in the 28th Plenary and Working Groups meetings of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) in Nanjing (People's Republic of China) on May 22-25, 2018.

The Plenary meeting was chaired by Mrs. HAO Jinghua, People's Republic of China

The event was attended by delegations of the following EAG member states: Belarus, China, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan.

The EAG Plenary was welcomed by LIU Guoqiang, Assistant Governor of the People's Bank of China and LIU Yang, Vice Governor of Jiangsu Province.

The key point of the agenda for the Plenary week was evaluation of Kyrgyzstan under the second round of EAG mutual evaluations. The Plenary approved the report and executive summary of the mutual evaluation of the Kyrgyz Republic. Attendants of the meeting acknowledged the progress Kyrgyzstan had achieved in improvement of AML/CFT system after the previous evaluation. At the margins of the Plenary week discussions were focused on the issues related to the country's implementation of international cooperation and the use of financial intelligence by competent authorities in ML/FT investigations.

According to the procedures of the second round of the EAG mutual evaluations, Kyrgyzstan is to submit a follow-up report at the 30th Plenary meeting in May-June, 2019.

Following the Plenary meeting, the number of the EAG observers increased and included the Analytical Support and Sanctions Monitoring Team of the UN Security Council Committee.

Participants of the EAG Plenary meeting reviewed the subjects linked to practical work of the member states in the fight against financing of terrorism

and confirmed relevance and priority of the goals of combating terrorism and its financing in the Eurasian territory. The Russian Federation presented a typological report "Identification of Individuals Supporting Terrorist Organizations by Buying Tickets for

Liu Guoqiang:

Since its establishment in October, 2004 with the support of its member states, the EAG has become an international organization promoting international standards of AML/CFT, coordinating collective actions of FIUs, analyzing ML/FT typologies and trends, and sharing experience in this field. In its work, the EAG has reached significant results. Over the years understanding of the measures required to combat laundering of proceeds from

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crime expanded significantly and combating the financing of terrorism came into new, more active phase. We shall not only recognize the successes that have already been achieved but also clearly realize the goals and challenges we are facing. In the light of new goals and challenges we shall strengthen our efforts based on our knowledge. China is one of the EAG founding states and currently chairs the Group. And we are ready to support the EAG member states in all the possible respects.

Terrorist Fighters" which was approved by the Plenary.

The Plenary distinguished the importance of cooperation with the Asia/Pacific Group on Money Laundering (APG) in studying ML/FT typologies.

Attendees of the Plenary acknowledged the relevance of the joint EAG/APG workshop on typologies (December 2018, Novosibirsk, Russian Federation) and approved the suggested pursuance of a research "Financing of Terrorism with Illegal Proceeds including Proceeds from Organized Crime" jointly with the APG.

The Plenary meeting was also provided with information on amendments to the national AML/CFT legislation of the EAG member states and the process of evaluation of ML/FT risks.

At the Plenary meeting the Russian Federation announced international EAG/ITMCFM workshop "Effective Supervision as Mechanism for Involvement of Designated Non-Financial Businesses and Professions (DNFBPs) in the AML/CFT System" to be held in St. Petersburg on September 13-14, 2018.



The bill "On Combating Terrorist Financing and Money Laundering" is signed into law in Kyrgyzstan

On September 1, 2018 the law of the Kyrgyz Republic "On Combating Terrorist Financing and Money Laundering" No. 87 of August 6, 2018, adopted by the Parliament of the Kyrgyz Republic on June 28, 2018, came into force

The law was developed in pursuance of decision No. 1 Of the Security Council of the Kyrgyz Republic of February 8, 2018 and the plan of legislative works of the government of the Kyrgyz Republic for 2018, in order to implement international standards on combating money laundering, financing of terrorism and financing of proliferation of weapons of mass destruction, as provided in the FATF Recommendations.



The entry into force of the Law eliminates the shortcomings identified during the 2nd round of mutual evaluation of the Kyrgyz Republic, carried out within the framework of the EAG. Among the main provisions of the Law are the statutory requirements for conducting a national risk assessment of terrorist financing and legalization (laundering) of criminal proceeds, as well as the application of a risk-based approach in the PFTD/LPD. The law clarifies the mechanism for the application of targeted financial sanctions against individuals, groups and organizations involved in terrorist and extremist activities and the proliferation of weapons of mass destruction; provides grounds for

the formation and use of the Consolidated sanctions list of the Kyrgyz Republic and the Consolidated sanctions list of the UN Security Council. The law provides for requirements to ensure transparency of beneficial owners of legal entities and the creation of a database of beneficial owners of legal entities established and registered in the Kyrgyz Republic.

The government and the National Bank of the Kyrgyz Republic will take measures to bring their regulatory legal acts in line with the Law and adopt regulatory legal acts necessary for the implementation of the Law.

Integration processes of the International Network AML/CFT Institute reach a new level

The first Eurasian AML/CFT Forum "One Belt, One Road: AML/CFT Risks and Threats" was held on May 24, 2018 in Nanjing (China) during the EAG Plenary week

Among the key points on the agenda were the financial security of the Eurasian countries and the identification and anticipation of AML/CFT risks and threats. Participants called for the consolidation of efforts and expansion of cooperation in science and AML/CFT personnel training.

The Forum was attended by scientists and professors from the International Network AML/CFT Institute (INI) as well as representatives of EAG financial intelligence units, law enforcement and supervisory agencies and the private sector, including the Shanghai Banking Association's Compliance Council, Tenpay Co. Ltd, BNS Future Big Data Co. Ltd, Ping An Insurance (Group) Company of China, Ltd, Kingstar Co. Ltd, BBD Co. Ltd, etc., a total of more than 100 participants.

The research community was represented by the Institute of Legislation and Comparative Law under the Government of the Russian Federation, the Russian Academy of Sciences' Primakov Institute of World Economy and International Relations (RAS IWEIR), RAS Lebedev Physical Institute (FIAN), other EAG universities and research centres.

In their welcoming remarks to the participants, V. Nechaev, EAG Executive Secretary, V. Glotov, Rosfinmonitoring Deputy Director, V. Ovchinnikov, INI Director, and Tang Zhuchang, First Director of Fudan University's CCAMLS, emphasized the importance of this event for combined efforts to ensure the financial and economic security of the Belt and Road Initiative.

Among other issues discussed at the Forum was the launch of joint educational programs to provide large investment projects with skilled personnel capable of combating the embezzlement of funds and other assets, corruption and fraud. The Forum featured interesting reports and presentations on



AML/CFT, with speakers offering insight into the issues related to economic security of Russia and China, the use of digital technologies to prevent AML/CFT and the need to harmonize anti-corruption and AML/CFT legislation (Russia-China, EAG, BRICS and SCO).

Participants highlighted the potential of large-scale economic, logistics and investment projects planned under the Belt and Road Initiative to attract the attention of the criminal community. It is important to organize forums for the exchange of experiences between financial, investment and banking institutions of Eurasia. Representatives of government agencies and business and academic communities exchanged experiences and discussed further cooperation, highlighting

the importance of information, know-hows and best practices sharing, as well as expanded cooperation in AML/CFT personnel training, for boosting effectiveness.

The outcomes of the event were endorsed by the signing of the Nanjing Anti-Money Laundering Declaration.

During the Forum, the RAS Lebedev Physical Institute (FIAN) signed an agreement on joint IT research and development in the AML/CFT area with BNS Future Big Data Group, a major Chinese company, as well as declarations on joint research with Fudan University's Centre for Anti-Money Laundering Studies.

Legal framework to use digital units and regulate cryptocurrencies created in the Republic of Belarus

On March 28, 2018 the Decree of the President of the Republic of Belarus aimed at the development of the Hi-Tech Park, innovation sphere and the construction of a modern digital economy came into force

Recently, more and more attention is paid to cryptocurrencies. Almost no major event held by the FATF, FSRBs and a number of other international organizations takes place without cryptocurrency issues on the agenda. Within the framework of such events, participants discuss existing developments, share their experience.

However, many countries still haven't worked out their policies towards cryptocurrencies, especially they haven't developed sufficient legal framework.



In this regard the Decree of the President of the Republic of Belarus of December 21, 2017 № 8 On Development of Digital Economy that entered into force on March 28, 2018 is of particular interest. Thus, the Republic of Belarus has laid the legal framework for the ICO, the use of digital units (tokens) to implement smart contracts and regulation of crypto platforms.

The functions of control over the activities of crypto platforms operators, operators of cryptocurrency exchange in terms of their compliance with AML/CFT legislation imposed on state bodies in accordance with their competence. The National Bank supervises the activities of commercial banks whose customers

may be crypto platforms operators and exchange operators of cryptocurrency.

It can be said that the Republic of Belarus has taken the first steps to regulate the circulation of digital units (tokens).

Presumably, by February 2019, the FATF will determine its own position on cryptocurrencies and their reflection in the Recommendations. For the EAG member states, the study of the Belarusian experience in the legislative regulation of cryptocurrencies can bring significant benefits in developing their legal framework for virtual money in the run-up to the next round of mutual assessments of the Eurasian group countries.

Central Asian States reaffirm commitment to cooperation with United Nations in countering terrorism

Speaking at an open briefing of the Counter-Terrorism Committee, the five states of Central Asia reaffirmed their commitment to cooperation with the United Nations in countering terrorism in all its forms and manifestations

The open briefing was held at United Nations in New York, on July 2, 2018, in accordance with Security Council resolution 2395 (2017), in which the Council requests the Committee, with the support of its Executive Directorate (CTED), to continue holding periodic meetings, including with a regional or thematic focus, for all Member States.

Representatives of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan updated participants on the current counter-terrorism situation in the region, as well as the other challenges and priorities. The open briefing was also attended by Under-Secretary-General Vladimir Voronkov, Head of the United Nations Office of Counter-Terrorism (UNOCT), Assistant Secretary-General Michèle Coninsx, Executive Director of CTED, and Special Representative of the Secretary-General for Central Asia and Head of the UN Regional Centre for Preventive Diplomacy for Central Asia (UNRCCA), Ms. Natalia Gherman.

Acting on behalf of the Committee, CTED has conducted assessment visits to all five countries in the Central Asia. These states recently embarked on the third phase of the Joint Plan of Action for Central Asia (JPoA), developed to promote regional implementation of the United Nations Global Counter-Terrorism Strategy.

The third phase consists of a number of priority capacity-building activities, identified jointly by the five States and the United Nations at the High-Level Dialogue on Counter-Terrorism held in June 2017 in Ashgabat.



The CTED Executive Director stressed the need to continue to strengthen cooperation between the Committee and CTED, UNOCT, and the United Nations Regional Centre for Preventive Diplomacy.

As underscored by the Security Council in its resolution 2395 (2017), the UNOCT and all other relevant United Nations funds and programmes, donor States and recipients should develop technical assistance and capacity-building projects on the basis of CTED's assessments, analysis and recommendations.

The discussions focused on the efforts of the Central Asian states to strengthen their overall counter-terrorism capacities, as well as on the identification of priority areas for technical assistance facilitation and delivery.

Implementing partners, in particular UNODC, CIS ATC, EAG, SCO RATS, EU and OSCE, described their respective projects and initiatives aimed at assisting the member states of the region to implement the Committee's assessment recommendations.

In its report, the EAG Secretariat outlined the technical assistance initiatives in support of Central Asian States undertaken by the EAG. From 2009 to 2017, the Secretariat representatives participated as CFT experts in UN Counter-Terrorism Committee visits to Kyrgyzstan (2012 and 2016), Uzbekistan (2015), Kazakhstan (2016), Tajikistan (2017) and Turkmenistan (2017).

Enhancement of Cooperation in the Global Anti-Money Laundering Network

Joint FATF/MENAFATF Working Groups and Plenary Meetings took place in Paris on June, 24-29. Almost 500 participants from 204 jurisdictions, FATF-Style Regional Bodies (FSRBs) and relevant organizations discussed key agenda items related to AML/CFT

It was the second joint meeting with FSRBs under the FATF Argentinian Presidency (the first one, with GAFILAT, took place in November 2017 in Buenos Aires). In his welcoming speech at the Plenary opening (June 27) the MENAFATF President, Abdul Mansour, highlighted that joint meetings of the FATF and FSRBs gave an excellent opportunity to enhance cooperation in the field of international anti money laundering network.

Combating the financing of terrorism is still the key item of the FATF's agenda. In February the FATF approved the second counter-terrorist financing operational plan. During the meeting, delegates discussed the completed actions and the projects that are still underway. The key point is to enhance understanding of the risks of terrorist financing, vulnerabilities related to the use of cryptoassets, and update of information on the methods of financing of ISIL, Al-Qaeda, and their affiliated persons and organizations.

The FATF contribution to fight against the financing of terrorism was also supported by the initiative of the FATF President, Santiago Otamendi of Argentina, on enhancement of cooperation with prosecution and criminal justice authorities.

A number of workshops was held for employees of such authorities and FIUs with participation of representatives of all FSRBs. The key subject was sharing experience in crime investigation of cases related of ML/TF. The FATF President presented a document on the outcomes of this work.

The FATF continues to focus significant efforts on combating such serious offense as human trafficking. Unfortunately, this type of offenses remains very profitable and attracts a great number of criminals. The Plenary approved the collaborative FATF-APG report on financial flows from human trafficking related both to money laundering and their possible use for financing of terrorism. The document contains review of best practices to detect such offenses for the specialists in this field.

The Plenary participants also approved the joint research of the FATF and the Egmont Group aimed at identifying the techniques and methods used to conceal ownership and control of criminal proceeds. The research included about 100 real cases including those from the employees of FIUs and LEAs.

The Plenary also reviewed the report on the findings of the study on intermediaries that offer money laundering services to organized criminal groups. The document was aimed at helping experts in identification of such professionals as well as the structures they create to hide proceeds from crime.

The FATF continues to pay much attention to development of FinTech/RegTech sectors. Delegations supported the decision to create an online platform for public-private partnership in this field. The delegates were suggested providing information for release on this platform by the next meeting.

Tunis and UAE (MENAFATF members) presented national projects linked to the use of blockchain technology, mobile money transfers and other



initiatives. The EAG Executive Secretary invited all the jurisdictions and organizations participants of the Plenary to join the FATF/EAG forum on FinTech-RegTech scheduled for the beginning of September, 2018 in Hangzhou, China.

Delegates discussed the FATF's program on the use of virtual currencies and assets for the purpose of ML/TF. The Task Force wouldn't stop tracking and detecting the methods of their use by criminals and terrorists for criminal purposes. The Plenary made a decision to initiate a project for gathering best practices of cryptocurrency-related investigations. The necessity to update the corresponding FATF documents was discussed – an intersession meeting on this subject is to take place in September.

Issues of combating the financing of terrorism and proliferation, use of crypto-assets for ML/TF, identification of beneficial owners and access to this information, FinTech/RegTech and progress of the FATF in these fields are included into the FATF report for the G20 Finance Ministers and CEOs of the Central Banks (July 2018, Buenos Aires, Argentina).

Joint FATF and MENAFATF Plenary listened to the mutual evaluation of Bahrain and Saudi Arabia. The Plenary also reviewed follow-up reports of Australia, Switzerland and Belgium for the period since the adoption of their mutual evaluation reports. The Plenary decided to rerate some of recommendations for each of these countries. Reports on the measures taken will be published by the FATF on its official website.

The Plenary noted significant progress of Iraq and Vanuatu in elimination of deficiencies in

their national AML/CFT systems. Neither of these countries is subject to the FATF monitoring anymore. Iraq will continue to participate in MENAFATF and Vanuatu - in APG in order to improve their respective AML systems. However, Pakistan was added to the list of countries subject to the FATF monitoring.

The FATF distinguished initiatives of the Islamic Republic of Iran on elimination of strategic deficiencies in the national AML system including its observer status in the EAG. However a number of the Action Plan items for enhancement of its AML/CFT system has not been implemented. Suspension of counter-measures against Iran was continued. A decision on further steps to be taken in relation to the country will be taken at the FATF meeting in October.

The FATF global network is expanding: Indonesia and Camden Asset Recovery Interagency Network (CARIN) were granted an FATF observer status. The Federal Republic of Somalia demonstrated significant progress of its AML/CFT national system and became a MENAFATF member.

The Plenary concluded the period of Argentinian Presidency. Since July 1, 2018 till June, 2019 the FATF will be headed by Marshall Billingslea from the USA. The key priorities for the US Presidency are combating the financing of proliferation, combating the financing of terrorism and research into virtual currencies. The FATF will continue its work in the field of FinTech/RegTech and further enhancement of cooperation with the private sector.

The new FATF Vice-President is Xiangmin Liu, Director General of the Legal Department at the People's Bank of China.

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