

CHAIRPERSON'S COLUMN



Dear Colleagues!

I am very pleased to address you for the last time in the Bulletin as the EAG Chairperson as this review coincides with the conclusion of People's Republic of China chairmanship in the Eurasian group. I would like to thank the EAG member-states and observers for active participation in our work and support of all our projects.

The last EAG Plenary, held in Moscow, was a milestone event not only because its 30th anniversary. The Plenary provided a platform for a few other events, which were regarded as ones, which contribute to the development of the Eurasian region FIUs' activities.

In particular, on the sidelines of the joint EAG and New Development Bank (NDB) workshop it was decided to grant the NDB an observer status in the EAG. The EAG considers that the NDB provides assistance in development and implementation of new technologies in AML systems of the Eurasian region countries.

In the meantime, the FATF Plenary, held in June, was marked by a selection of new President – my compatriot Xiangmin Liu. The priorities announced by the new FATF President, which include the use of new technologies to combat money laundering and terrorism financing, are regarded as the main priorities for the EAG work as well.

Important decision made by the FATF Plenary in June was introducing changes into the FATF recommendations with regard to virtual currencies. The changes were prompted by issuing a number of documents connected to implementation of a risk-based approach with respect to virtual currencies.

It needs to be emphasized that during the period of my chairmanship, full-scale work on mutual evaluations of the EAG member - states' AML/CFT/P systems, such as Kyrgyz Republic, the Republic of Tajikistan, People's Republic of China, the Republic of Belarus and the Russian Federation, had been launched.

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The outcomes of the EAG anniversary Plenary meeting in Moscow

The 30th Plenary and working group meetings of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) were held in Moscow (Russia) on 27-31 May 2019. The Plenary meeting was chaired by Hao Jinghua (China) and co-chaired by Rosfinmonitoring Director Yury Chikhanchin (Russia)

The meeting was attended by more than 200 delegates from the EAG member states – Belarus, India, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan – representatives of observer countries and organizations – Armenia, Iran, Italy, Mongolia, Poland, Serbia, Turkey, France, Financial Action Task Force (FATF), Egmont Group, CIS Anti-Terrorism Centre (CIS ATC), Analytical Support and Sanctions Monitoring Team 1267, Eurasian Economic Commission (EEC), Eurasian Development Bank (EDB), European Bank for Reconstruction and Development (EBRD), CIS Executive Committee, International Monetary Fund (IMF), Collective Security Treaty Organization (CSTO), Shanghai Cooperation Organization (SCO), United Nations Office on Drugs and Crime (UNODC), Central Asian Regional Information and Coordination Centre for Combating Illicit Trafficking in Narcotic Drugs, Psychotropic Substances and their Precursors (CARICC) – and representatives of the Islamic Development Bank and the New Development Bank.

Assistant to the President of the Russian Federation A. Seryshev addressed participants with a welcome speech.

In line with the EAG 2nd round of mutual evaluation procedures, participants reviewed and endorsed the IMF/FATF/APG/EAG joint report on the mutual evaluation of the People's Republic of China, which had already been reviewed and endorsed by the FATF Plenary meeting last February.

The Plenary heard and took note of the 1st follow-up report of Kyrgyzstan, presented as part of the EAG 2nd round mutual evaluations procedures.

Kyrgyzstan informed the Plenary of its plans to present the follow-up report and technical compliance re-rating request at the EAG 31st Plenary meeting, setting out improvements made to its AML/CFT legal framework.

The Plenary, after considering requests from Kazakhstan and Uzbekistan, approved the updated EAG 2nd round mutual evaluations schedule.

The Plenary also adopted the EAG Strategy 2019-2023, which outlines the strategic goals for the EAG, its member states and the Secretariat for the coming years, underscoring the need of the regional ML/TF risk assessment and announcing the launch of a pilot project, to be run with participation of one of the EAG member - states that has undergone the mutual evaluation, based on the proposed approach to technical assistance coordination within the EAG.

The Plenary addressed issues related to the practical steps being taken by the EAG member states to combat TF, reaffirming the urgent imperative of the fight against terrorism and its financing. The EAG member states are encouraged to continue their efforts to prevent and disrupt terrorist financing and to share terrorist listings.

The Plenary approved the typologies report and guidance for the typology report on the Use of Electronic Payment Instruments and Cryptocurrencies in Cross-Border Drug-Related Payment and Money Laundering Schemes, which will be uploaded to the EAG website.

After approving the EAG Activity Report 2018 and the EAG Budget 2020, participants listened to the findings of the external audit of the EAG Secretariat.

The delegations voted to grant observer status in the EAG to the New Development Bank, highlighting the importance of strengthening cooperation with this institution, with which the EAG held a joint workshop during the Plenary week on the Use of New Technologies to Improve AML/CFT.

During the EAG Plenary and working group meetings, the delegation of the International Training and Methodology Centre for Financial Monitoring presented to the EAG member and observer countries the projects that are being implemented by ITMCFM both within Eurasia region and beyond its boundaries. The goal of ITMCFM's technical assistance projects is to promote compliance of national

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AML/CFT systems with the FATF standards. ITMCFM jointly with EAG member states provides trainings, develops e-courses and manuals, and upgrades the skills of the teaching staff of national universities at the facilities of the International network AML/CFT institute.

The Plenary endorsed the CIS ATC's initiative to hold a joint workshop on CFT in 2020 with support from ITMCFM.

Given the high priority assigned to operational cooperation between EAG FIUs, the Plenary also endorsed Russia's proposal to include in EAG Plenary meeting agenda regular reports on the work carried out by the heads of CIS FIU's.

Participants supported Kyrgyzstan's initiative to hold the Eurasian AML/CFT Forum on the shores of Issyk-Kul Lake in September 2019.

The EAG member states briefed the Plenary on their progress in improving the national AML/CFT legal framework and conducting the ML/TF risk assessment. Belarus, China, Kyrgyzstan, Russia, Tajikistan and Uzbekistan presented their experience and best practices in preparing for the assessment of national AML/CFT systems for compliance with the FATF Recommendations.

The Plenary thanked the Russian leadership for its hospitality and excellent work in organizing the EAG 30th Plenary and working group meetings.

The EAG 31st Plenary meeting will take place in November 2019 in Turkmenistan.

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In accordance with the EAG 2nd round of mutual evaluation procedures, the Plenary took note of and approved the Kyrgyz Republic and the Republic of Tajikistan Mutual Evaluation Reports (MER), as well as joint IMF/FATF/APG/EAG MER of the People's Republic of China, previously considered and approved by the FATF Plenary in February 2019. The Russian Federation's MER is to be discussed during the 31st EAG Plenary in November 2019.

The last EAG Plenary approved the EAG 2019-2023 Strategy, providing strategic guidance to the EAG, its membership and Secretariat for the coming years, with a focus on a need to conduct a regional ML/TF risk assessment and a new approach to technical assistance coordination. The first pilot project on TA coordination has been launched in cooperation with the Republic of Tajikistan, which is to be considered on the sidelines of the next EAG Plenary.

This should also be noted that countering the financing of terrorism, being a key priority for the world economic security system, remained the same for the EAG as well. In this regard, a number of events such as a workshop on strengthening cooperation between FIUs and law enforcement in combating terrorist financing, was held in Almaty, Kazakhstan, in close cooperation with the EAG member - states and observer countries, as well as the CIS Antiterrorist Centre and Interpol.

Now, the EAG in cooperation with its partners is preparing a number of large international Forums, such as "Eurasian forum on AML/CFT" will be held in Kyrgyz Republic together with OSCE for law enforcement authorities, which could allow for the exchange of knowledge and experience in order to expand and strengthen the interagency cooperation and coordination between law enforcement agencies, financial intelligence units, as well as international and regional organizations.

Another event to take note of is the seminar on "Effective supervision as a mechanism of ensuring transparency and stability of financial system", which is to be held in September 2019 in the city of Kazan (Russian Federation). The Forum aimed at developing the methodology and instruments of risk-based approach, and further development of the public-private partnership as the tool for improving effectiveness of the AML/CFT system. The goal of both events is increasing effectiveness of national AML/CFT frameworks of the Eurasian region states in their preparation to mutual evaluations and elimination of shortcomings after evaluation ends.

Least but, not the least there is another event, the seminar for assessors "Assessment of effectiveness, experience and best practices of ML related investigations in Eurasian region", which is to be organized in the city of Tashkent in November 2019. This event is going to bring together specialists from different fields of expertise to share their knowledge and skills in conducting ML related investigations. At the same time, the event is aimed at ensuring availability of law enforcement experts to participate in forthcoming mutual evaluations of the EAG member-states.

Combatting the ever-changing threats and risks associated with ML/TF continues to be a priority task of the EAG. In this regard, cooperation with our international partners plays a key role. This includes, among others, engagement in joint typology projects, seminars and trainings.

We would like to thank the member states and observers for their contribution and reiterate the importance of active participation in such events.

EAG Chairperson
Ms. HAO Jinghua

New Development Bank Stands Ready to Assist FIUs in Developing New Technologies

The workshop on the Use of New Technologies to Improve AML/CFT, organized jointly by the New Development Bank (NDB), the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) and the International Training and Methodology Centre for Financial Monitoring (ITMCFM), was held in Moscow on 29 May 2019. The workshop was organized within the EAG 30th Plenary week



The purpose of the workshop, attended by 180 representatives of financial intelligence units, law enforcement and supervisory agencies, the business community and academia of the EAG and BRICS countries, as well as Iran, Italy, Poland, Serbia, US and Turkey, was to promote the use of AI-powered technologies to improve AML/CFT efforts and provide the competent authorities with special tools for investigating crimes involving cryptoassets and the blockchain technology.

Welcoming remarks to the participants came from the Deputy Director of Rosfinmonitoring **Vladimir Glotov**, EAG Executive Secretary **Sergey Teterukov** and Head of the NDB's Compliance Department **Srinivas Yanamandra** (the Republic of India).

Vladimir Glotov: "For many years, the New Development Bank has been contributing to the efforts to strengthen the global AML/CFT framework. And today we are taking yet another step towards improving cooperation between EAG, BRICS and NDB countries... We are certainly interested in the practical initiatives being undertaken by the New Development Bank as part of its investment and infrastructure projects."

In the future, the NDB could play a key role in providing technical assistance in addressing the identified shortcomings in preparations for mutual evaluations and follow-up reports. Today, the New Development Bank is carrying out extensive work to receive observer status in the EAG and the FATF. We are confident that the achievement of this goal will contribute to the strengthening of the global AML/CFT framework."

Sergey Teterukov: "I would like to thank representatives of the New Development Bank, Rosfinmonitoring and ITMCFM for their assistance in organizing this workshop. We welcome our partners' approach to organizing

events, as we believe the joint format is particularly conducive to a fruitful cooperation. I would also like to point out that the Eurasian Group plans to adopt a rather ambitious technical assistance programme, to implementation of which, I believe, the New Development Bank could contribute. The agenda of this workshop is very interesting not only in itself, but also in the context of the FATF priorities."

Srinivas Yanamandra: "I would like to thank the Russian Federation for the invitation to take part in this workshop and for its excellent work in organizing the EAG Plenary week. The New Development Bank has been part of the BRICS framework since 2015, providing funding for infrastructure and sustainable development projects both within the BRICS and in other developing markets and countries. Our engagement in AML/CFT efforts is effected through the BRICS AML/CFT Council. This cooperation has convinced us of the potential benefits an observer status in the EAG and the FATF can give us, which explains our desire to seek it. We stand ready to provide technical assistance and assist financial intelligence units in developing and adopting new technologies."

The workshop consisted of four thematic sections:

- New technologies and the risk of their misuse to commit financial crimes, and measures to combat such misuse.
- Use of artificial intelligence to strengthen the FIU's performance.
- Investigation of financial crimes involving cryptocurrencies.
- Environmental crimes, money laundering and artificial intelligence.

The workshop concluded its work with the adoption of the Final Declaration.

Declaration of the NDB/EAG/ITMCFM joint workshop on the Use of New Technologies to Improve AML/CFT

May 29, 2019

Moscow (Russia)

Participants of the NDB/EAG/ITMCFM joint workshop on the Use of New Technologies to Improve AML/CFT underscored the importance of promoting cooperation and coordination between EAG and BRICS countries to boost the effectiveness of national AML/CFT systems with the help of AI-powered IT solutions.

To promote cooperation and collaboration, consideration should be given to the following:

- Consolidation of the efforts of international organizations, government agencies, the business community and academia in developing common approaches to the understanding of the risks associated with new technologies and developing measures to mitigate them.
- Continuing the discussion and development of measures focused on virtual assets to manage and mitigate the ML/TF risks.
- Provision of assistance in building the capacity for a constructive, timely and on-going information sharing to manage the ML/TF risks.

- Promoting the development of innovative oversight tools for a rapid response to the ML/TF risks related to the adoption of new financial technologies.
- Improving the availability of new technologies-based information and training resources (remote, web-based, mobile apps, etc.)

In pursuance of the above, the workshop participants call on the New Development Bank to consider the provision of the necessary technical and/or financial assistance, in line with its mandate and internal policies, for research projects into new technologies, such as the development of AI-powered AML/CFT software and hardware designed to boost the capacity of national financial intelligence units to investigate ML/TF offences.

Egmont Group Presidency Passes to Argentina

Egmont Group 26th Plenary meeting was held in The Hague, the Netherlands, from 1 to 5 July 2019. The meeting marked the end of the two-year term as chair of the Egmont Group of Hennie Verbeek-Kusters, head of FIU of the Netherlands. The presidency has now passed to Mariano Federici, head of the Argentinian FIU. The meeting was attended by representatives of the EAG member - states and Secretariat

Queen Consort Maxima of the Netherlands addressed the meeting participants with a welcome speech, highlighting the Egmont Group's important role in strengthening the integrity of the AML/CFT system and improving financial inclusion. Queen Maxima has been UN Secretary – General's Advocate for Inclusive Finance for Development since 2009. As part of her functions, she works closely with representatives of government agencies and financial institutions, discussing ways to improve financial inclusion and overall public literacy. The Queen highlighted the Egmont Group's significant contribution to the efforts to reduce the negative effects of de-risking in the financial sector around the world.

According to Ferdinand Grapperhaus, the Minister of Justice and Security of the Netherlands, the meeting has two objectives: to enable representatives of national FIUs to share best practices and then use them to develop best AML/CFT techniques. According to Mr. Grapperhaus, the fight against organized crime has now been expanded to include efforts to identify and combat lone terrorist actors activities.

The Plenary meeting agenda was dominated by issues of public-to-public (inter-agency) cooperation. The list of best practices and experience shared by the Group members included the building of fusion centres, anti-smuggling efforts, and predicate fiscal crimes and their link to corruption. The Russian delegation presented its experience of interagency cooperation in combating money laundering and terrorist financing, conducted with the help of the Interagency Group for Combating Illicit Transactions and the system for the identification of risks in the public procurement sector.

During the meeting was held the 9th Best Egmont Case Award (BECA). This year, the top prize went to the FIU of Peru, whose case focused on the corruption scandal involving the country's former president. The same case study also won the prize of the World Bank's Stolen Assets Recovery



Initiative, making Peru the first country to win two awards for a single case.

Following the discussion, membership in the Egmont Group was granted to the Dominican Republic, Ethiopia, Palestine, Papua New Guinea, Turkmenistan and Uganda. Meanwhile, the Egmont Group Committee, by its decision, restored membership to the FIU of El Salvador, bringing its total membership to 165 FIUs.

On the margins of the meeting, representatives of the Egmont Group FIUs visited Europol, which has

held observer status in the Egmont Group for several years and whose efforts are focused on combating organized crime, including money laundering and terrorist financing. In this regard, much of the agency's work is carried out in cooperation with FIUs. The current list of the Europol's top priorities includes the fight against terrorism, the study of virtual assets, and countering of human and wildlife trafficking.

Next Egmont Group meeting will be held in the Republic of Mauritius in January 2020.

Outcomes FATF Plenary, 16-21 June 2019

FATF President Marshall Billingslea of the United States, chaired the last Plenary meeting under the U.S. Presidency in Orlando on 19-21 June 2019. This Plenary meeting was the first under the FATF's new mandate and was marked by welcoming of a new member of the Group - the Kingdom of Saudi Arabia. During this Plenary delegates celebrated the 30th Anniversary of the FATF

In his speech to the participants of the Plenary meeting, U.S. Secretary of the Treasury Steven T. Mnuchin, highlighted the critical role of the FATF, the importance of the new global standards agreed by FATF this week to protect virtual assets from abuse by money launderers, terrorist financiers, and other illicit actors.



Mitigating the money laundering and terrorist financing risks of virtual assets

This Plenary, the FATF delivered on its commitment to member governments and the G20, as well as the private sector, to develop and clarify the FATF's requirement with respect to virtual asset activities and virtual asset service providers. In October 2018, in response to the increasing use of virtual assets for money laundering and terrorist financing, the FATF amended Recommendation 15 and the glossary to clarify to which businesses and activities the FATF requirements apply in the case of virtual assets. Following a public consultation on the measures applicable to virtual asset transfers, the FATF has now finalised the Interpretive Note to Recommendation 15 which sets out in detail the application of the FATF Standards and binding measures for the regulation and supervision of virtual asset activities and service providers. The FATF also finalised guidance to further assist countries and providers in complying with their AML/CFT obligations and guidance for operational authorities to support the effective investigation and confiscation of virtual assets misused for money laundering or terrorist financing.

Risk-based Approach Guidance on Virtual Assets and Virtual Asset Service Providers

The FATF adopted updated guidance that clarifies the application of the risk-based approach to implementing the FATF Recommendations in the context of virtual assets. The guidance benefitted from dialogue with the private sector, including the sector itself. It includes examples of national approaches to regulating and supervising virtual asset activities and service providers to prevent their misuse for money laundering and terrorist financing.

The FATF is now working on revising its methodology to assess how countries have implemented the FATF's new requirement for the October 2019 Plenary.

Strategic Review

With a new, open-ended, mandate, the FATF moves into a new phase. As the FATF continues to lead global action against money laundering, the financing of terrorism and proliferation, it must ensure that its work is timely, targeted and effective. With the support from the G20, the FATF Plenary agreed to launch a strategic review of its own processes. This review will analyse the progress made on effective implementation of AML/CFT measures, review the FATF/FSRB assessment processes, and identify drivers of positive change.

FATF's current action to combat terrorist financing

Combatting the financing of terrorism has remained a priority for the FATF under the U.S. Presidency. Acts of terrorism, whether perpetrated by groups such as ISIL and Al Qaeda, or terrorist groups with other extremist views, continue to pose a threat to our society. Since the February 2019 Plenary there have been a number of serious terrorist attacks. The United Nations recognised the FATF as the global standard-setter to combat terrorist financing when it adopted UN Security Council Resolution 2462(2019). This resolution, focused solely on countering terrorist financing, has embedded the need to implement the FATF Standards for combatting terrorist financing into international law.

During this Plenary meeting, delegates heard an updated assessment of the financing methods employed by ISIL, Al Qaeda and affiliates, and released a public statement on FATF members' actions to identify and disrupt their financing. The Plenary decided that the FATF should develop guidance to help countries effectively investigate and prosecute terrorist financing.

Guidance on Terrorist Financing Risk Assessment

The FATF requires each country to identify, assess and understand the terrorist financing risks it faces in order to mitigate them and effectively dismantle and disrupt terrorist networks. The FATF finalised a Guidance which will assist countries, in particular low capacity countries with limited terrorist financing expertise, in assessing their risk context.

An overview of the project to create an electronic course on teaching the FATF standards

Training on FATF standards remains one of the priorities of the Group's Global Network as part of the implementation of the strategy to improve



*Xiangmin Liu (People's Republic of China)
FATF President 2019-2021*

The FATF Plenary discussed and approved the priorities of the FATF under the Presidency of Xiangmin Liu which will commence on 1 July 2019. The main priority is the Strategic Review, but among other priorities, the FATF agreed to continue its important work to mitigate the money laundering and terrorist financing risks of new technologies and at the same time exploit the opportunities to more effectively fight these risks. Under the Chinese Presidency, the FATF will also prioritise work to promote and enable more effective supervision by national authorities.

the FATF global training potential. The progress achieved in creating an e-course on teaching the FATF standards was reviewed during the meeting of the Coordinating Group of the global network. As part of the discussion of this issue, the Russian Federation presented the progress achieved by Rosfinmonitoring and the International Educational and Methodological Center for Financial Monitoring (ITMCFM) in the field of electronic education, and also expressed willingness to participate in the project to achieve the key goal of the initiative.

The Plenary discussed the mutual evaluation reports of Greece and Hong Kong, China and the level of effectiveness of each jurisdiction's AML/CFT system and their level of compliance with the FATF Recommendations.

This Plenary meeting was the last Plenary meeting under the U.S. Presidency. From July 2019, the FATF for a two-year period will be headed by the representative of the PRC, Xiangmin Liu.