

CHAIRMAN'S COLUMN



Dear colleagues!

On behalf of my country I am honored to be elected as the Chairman of the Eurasian Group on combating Money Laundering and Financing of Terrorism (EAG). The Eurasian Group plays a crucial role in the implementation of the FATF Recommendations in our region. I would like to note the role played by the Russian Federation in creating and strengthening the EAG. This work was begun by Mr. Zubkov, Mr. Markov and continued by my esteemed colleague Mr. Chikhanchin. Over the years, the EAG has developed into an international inter-governmental organization.

Taking the legacy forward, one of my priorities during my two year term of chairmanship is to keep on the course of national AML/CFT systems and develop it further in line with the revised recommendations of FATF. I take this opportunity to appeal to all member states to focus their efforts to understanding the FATF standards and implement them in an effective manner.

To this end, the EAG would be organizing training for officers of the member states so as to ensure that every member states has a pool of qualified assessors. I am optimistic that the member countries would extend their whole hearted cooperation to the EAG Secretariat in this endeavor.

The EAG would also like to pro-actively explore the expansion of EAG membership and the EAG would be willing to work with some countries (potential EAG members) that are ready to bring some positive contribution both in our common work and global AML/CFT system.

I am confident that with the cooperation of all member states, EAG would work effectively and achieve new heights.

Dr. K.P. Krishnan

## Implementation of the revised recommendations of FATF would make the world a safer and better place

*In this issue we publish the answers of the EAG Chairman – Dr. K.P. Krishnan to the questions of the EAG Bulletin. Current Chairman is a representative of the India and headed the EAG in November 2013*

**Dr. Krishnan, we know that you were at the beginnings of India's decision to join to the FATF and the EAG. What did motivate you while defending this point of view? Did your hopes come true or you regret your choice?**

The Financial Action Task Force has emerged as an important and internationally relevant organization that sets international standards for Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT). I appreciate the way FATF has led the global efforts to combat the twin menace of ML and FT. Given India's economic and geo-political position, it was but natural for India to join FATF as a member.

India has combated terrorism of various kinds and our experience of combating terrorism shows that financing of terrorism is the lifeline of terrorism and hence the utmost need to combat financing of terrorism aspect with as much vigour and earnestness as terrorism itself. I am of the opinion that effective anti-money laundering investigation and prosecution proves to be the greatest disincentive for a person involved in crimes to derive economic benefit. In India, we recognize that the FATF standards are a crucial building block in our efforts to disrupt money laundering as well as terrorist financing.

In my country, the commitment to combat ML/FT is at the highest political level. As for joining EAG, India wants to be a part of the global as well as regional efforts to combat ML and FT, share experience and have common understanding. India has historically had very close and friendly relations with the countries of the Eurasian region. You would agree that one likes to be amongst friends.

**In spring 2013 India has agreed to lead the EAG, which is extremely important for the new EAG as an international, intergovernmental organization. What is the background of your proposal to the presidency by APG type, where there are two co-chairs?**

The revised FATF recommendations are focused on Risk Based Approach, conducting National Risk Assessment and assessing the effectiveness of AML/CFT regime. This requires challenges at two levels, viz., strengthening of the Secretariat to handle increased work load to ensure quality and consistency with international standards and efforts of the member countries. The secretariat therefore needs greater guidance. Further, we need to keep in mind that the headquarters of the EAG is at Moscow and during the intersession, the secretariat needs guidance for work to be done and also follow – up on various kinds of work. India is a member of APG and has been the Co-chair. Drawing from that experience, I feel that the EAG needs to adopt a similar structure, especially after it has become an international inter-governmental organization and I am confident that this structure of Co-chairs would be able to achieve the above objectives.

**What prospects do you have for strengthening cooperation between the EAG and APG, which is expanding now?**

I think we already have a good amount of cooperation between the two bodies. The prospects of further cooperation between the two bodies are very bright. It would be interesting for the two FSRBs – one being the largest and the other being the smallest in terms of number of members- to

share their experience on ensuring compliance to FATF standards by its member countries.

India being a member of the two FSRBs can play a role in increasing the cooperation between the two bodies, as may be required by the member countries.

**Greeting to you as a new head of the Indian delegation, we would like to see you in this position for many years. What novelties will you bring as the head?**

I would look forward to a more proactive participation by my delegation in the affairs of EAG. Personally, I would be happy to contribute and work to strengthen the EAG as a stronger FSRB, which would play a more active role in the Global Network Coordination Group (GNCG) of the FATF, and contributes more actively in the discussions at FATF. We could also look at expanding the membership of EAG in consultation with all member countries.

India is also keen to assist the EAG member countries to put in place a robust AML/CFT framework that comply with FATF standards.

**Your predecessors have actively studied the experience of use of the EAG video conferencing system? Taking into account the transition of the position of EAG' Chairman to India, can we expect for a quick hook up of your country to this system?**

We are open to this suggestion. I am aware of the advantages of this system and the efficiency it has brought in exchange of views on various items by the experts of the member countries.

In India we have the video conferencing on public lines.

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The issue of inter-operability between the two systems needs to be worked out. I think, this issue could be further discussed by the technical persons from both sides.

**What are the most important issues in the activity of the FATF/APG/EAG, that concern India from the point of view of the national interests?**

I believe that effective and sincere implementation of the FATF standards by all countries on the ground level would prove to be effective enough to deter and neutralize the threat of ML and TF. Accordingly, the most important issue for us is to implement the revised recommendations of FATF effectively and participate actively in the FATF and the EAG and the APG to ensure compliance of these standards by all countries, which would make the world a safer and better place.

I also feel that the FATF and the FSRBs need to focus on the practical aspects of the revised recommendations and while looking at it there should a specific focus on the peculiarities of the country in terms of ML and TF risks emanating from that country, the impact of risks on other countries and whether the country from where these ML and TF risks emanate has taken effective and adequate steps to mitigate those risks.

## Course Will Stay the Same

*The Russian Federation Transferred its Presidency in the Eurasian Group on Combating Money Laundering and Financing of Terrorism to India*

During the 19<sup>th</sup> Plenary meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism in Ashgabat on November 14, 2013, Yu. A. Chikhanchin, the EAG Chairman, transferred his powers to Dr. K. P. Krishnan, the head of the Indian delegation in the FATF and the EAG.

In the meeting also participated V. P. Nechaev, the FATF President, D. Sadykov, Turkmenistan Minister of Finance, P. V. Livadny, State Secretary and Rosfinmonitoring Deputy-Director, G. V. Bobrysheva, Rosfinmonitoring Deputy-Director, V. V. Ovchinnikov, the ITMCFM Director, representatives of all EAG member-states as well as of several international organizations and observer states.

Dovletgeldi Sadykov, Turkmenistan Minister of Finance:

«I would like to note that the EAG is taking on new significance today taking into account our close partnership relations within the international organization. We are aware of objective advantages of such a partnership that is based upon well-established connections, experience and best practices in the international AML/CFT system. Turkmenistan is ready to make its contribution to the development of our region in this field. Our state is keeping a close eye on key issues in the AML/CFT area. We are actively studying new FATF Recommendations and working on their integration into the national AML/CFT system.»

In his welcoming speech the FATF President V. P. Nechaev brought to recollection how the EAG had been created with a direct involvement of V. A. Zubkov who had been the head of the Group from 2004 to 2007:

“Ten years ago I was one of the first who worked on the initiative to create an FSRB – FATF-style regional body – in this region. I remember when Mr. Zubkov announced the establishment of our FSRB for the first time. That is why October 6, 2004 became a very important date for us, that day the EAG was founded. Initially the Group united 6 countries. Now it is a full-fledged international organization with 9 member-states, 14 observer states, and 18 international and regional organizations. In 2010 the EAG became an associate member of the FATF.

If before we paid attention more to the technical compliance and legislation compliance with the FATF requirements, now we turn it to the actual efficiency of these measures, to the necessity to ensure that all the components of the AML/CFT system interact and to how countries can deal with the issues that are the most important for them. Today the EAG member-states should show their intention to implement new FATF Recommendations.”



V. P. Nechaev stressed the importance of the fact that since this October Russia has no longer been subject to the regular monitoring by the Financial Action Task Force. The FATF President especially emphasized that it is for the first time that the EAG will participate in the FATF Plenary Meeting which will be held in Moscow in 2014. It will be an important step for further rapprochement of the FATF and FSRB.



Yu. A. Chikhanchin, Director of Rosfinmonitoring, the head of the Russian delegation in the EAG, underscored the significance of the FATF role in forming and improving the global anti-money laundering system and reminded the audience what significant progress had been achieved in improving national AML/CFT systems of the EAG member-states: Turkmenistan was removed from the FATF “black” list, Kyrgyzstan and Tajikistan had greatly improved their domestic systems at all levels:

“In the Eurasian region we are moving forward too. The main direction of our activity is to prepare for the next, the second, round of EAG evaluations, this work will be done with due consideration of the innovations introduced by the FATF. The EAG member-states are improving their

institutional and legislative framework to combat money laundering and terrorism financing, their Financial Intelligence Units are operating in a comprehensive and efficient manner, they are working on interesting and promising initiatives some of which we are going to examine during this Plenary Meeting. This work is not easy, but very exciting. We hope that we will manage this task successfully despite existing and emerging challenges and threats.

2. Increase of effectiveness and trustworthiness of expert missions, seminars, trainings, and workshops in order to ensure the implementation and efficiency improving of the AML/CFT system of the Eurasian region as well as domestic systems of the EAG member-states.
3. Intensification of countering drug trafficking, organized crime and terrorism within the EAG.
4. Preparation for next rounds of mutual evaluations within the FATF and the EAG, active involvement in production of methodological materials, better training for the pool of expert assessors and upgrading of the EAG methodological support, use new technologies in assessments.
5. Cooperation with the EAG member-states and observers to improve their participation in the EAG activity and the provision of technical assistance.
6. Launch of new typologies researches within the EAG consistent with innovations determined in the new version of the FATF Recommendations and new AML/CFT risks.

New EAG Chairman was elected on the first day of the Plenary Meeting. Dr. Krishnan set out the priorities of his work the main of which is to ensure consistency of what Russia has done at this position. The new head of the Group is going to expand the EAG, to implement the new FATF Standards and the new Assessment Methodology in member-states, to create a pool of assessors in every state and to promote the level of technical assistance:

“I am looking forward to the active cooperation with the Russian authorities which will play an important role in transferring the chairmanship in the intersessional period. To be elected the Chairman of the Eurasian Group which fulfils the significant

I find symbolic that three EAG member-states and members of the FATF such as India, China and Russia were granted a milder monitoring regime. It offers proof that our efforts and interaction within the EAG have been de facto acknowledged. This work is continued in other states too.”

On the first day of the meeting the participants summarized the Group’s performance under the Russian Presidency. Yu. A. Chikhanchin, Director of Rosfinmonitoring, the EAG outgoing Chairman, reported the execution of plan for 2011-2013.

Some crucial achievements of the previous two years are as follows:

1. Strengthening of EAG member states positions within the global AML/CFT system as well as in the Eurasian region.

role in spreading and entrenching the FATF Recommendations in the region is a great honour for my country and me personally. I would like to stress the great role of the Russian Federation in creating and strengthening our FSRB. Each EAG member state played an important role in establishing the EAG as one of the most efficient FSRBs. We are the group of associates and friends who make decisions quickly. We always support each other within the FATF as well as in other organizations. So, we should continue our work in the same strain.

Accepting this very important and prestigious post of the EAG Chairman I realize that it is responsibility rather than power, it is the necessity to focus on the implementation of the new FATF Standards which set the high bar even for the oldest and the most active members of the FATF. Nevertheless, I think we should not be afraid of this challenge. As the FATF President and the Chairman have already said, the new Recommendations are focused on the efficiency of law enforcement in the AML/CFT area and on the ability of countries to detect new risks and threats and mitigate them efficiently."

The participants also supported the Indian suggestion that Russia as

a country where the EAG Secretariat resides should render every possible help and support as well as technical assistance during the transition period through the Protocol on Amendments to the Agreement on the EAG will come into force. P. V. Livadny, State Secretary and Rosfinmonitoring Deputy-Director, commented on this for the bulletin:

"The Plenary Meeting charged the Russian Federation to facilitate the work of the Secretariat and the EAG as a whole in order to render technical assistance and solve operational issues. Furthermore, the decision was made concerning the necessity to codify the concept of dual co-chairmanship. The Secretariat was entrusted to develop the necessary changes to the current Agreement on the EAG as quickly as possible. The current version of the document supposes the single authority of the Chairman."

Moreover, according to the assignments of the 18<sup>th</sup> Plenary Meeting, Kazakhstan presented the intermediate data on improving the national AML/CFT system. The Plenary Meeting was concerned that the Republic of Kazakhstan had not adopted proposals for legislative acts indicated in the first progress report of Kazakhstan.

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On the closing day of the Plenary Meeting the participants listened to the reports of the Working Groups on Technical Assistance; on Typologies; on Combating the Financing of Drug Trafficking, Crime and Terrorism; on Supervision whose mandate delegations decided to extend in a new format.

V. V. Ovchinnikov, General Director of the International Training and Methodology Center for Financial Monitoring, did a presentation named "ITMCFM Projects and Technical Assistance within the EAG". The EAG Secretariat provided information on the joint EAG/APG workshop on typologies and capacity building held in September 2013 in Ulaanbaatar.

One of agenda items was to summarize the results of the Contest for the better interaction of authorities of EAG member-states in the AML/CFT area in which had participated the majority of countries members of the Eurasian Group. Three Contest best participants – Kazakhstan, China and Kyrgyzstan – presented their successful crime investigations and after the counting of votes the Contest Committee named the winner – the delegation of the Kyrgyz Republic.

This Contest is the new EAG initiative. The 18<sup>th</sup> Plenary Meeting assigned the Secretariat to organize this event jointly with the Group member-states within the November Plenary week. The decision was made to organize such a contest annually during the autumn EAG Plenary Meeting



At the end of the 19<sup>th</sup> EAG Plenary Meeting the participants adopted the Public Statement, Working Plan and Event Schedule of the Eurasian Group for the first half of 2014. The delegations also approved the EAG Secretariat Progress Report for 10 months of 2013.

## MONEYVAL's 43rd Plenary Meeting

*On 9-14 December 2013, Strasbourg (France) played host to the 43rd Plenary Meeting of the Committee of Experts on the Evaluation of Anti-Money Laundering and Financing of Terrorism (MONEYVAL), a FATF-style regional body*

One of the items on the agenda was elections to the MONEYVAL Bureau. A. Bartolo (Malta) retained the post of chairman, while D. Thelesklaf (Liechtenstein) was elected deputy chairman after coming out on top in a contest with other candidates. Among the newly elected members of the Bureau is Russia's A. G. Petrenko, head of International Cooperation Department of Rosfinmonitoring.

In September 2013, the Committee of Ministers of the Council of Europe approved amendments to MONEYVAL's Charter, granting the right to vote and the opportunity to participate in elections to the Bureau to Israel, the Holy See and the British Crown dependencies of Guernsey, Jersey and the Isle of Man (one vote for three jurisdictions). During the current 43<sup>th</sup> meeting, for the first time the voting was conducted with account of these members' votes.

Additional attention of the Plenary was devoted to the preparations for the 5<sup>th</sup> round of MONEYVAL mutual evaluations.

The Plenary reviewed the follow-up reports of Bosnia and Herzegovina, the Holy See, Hungary, Georgia, Moldova, Montenegro, the Czech Republic and the British Crown dependencies of Jersey and



Guernsey. A mutual evaluation of Israel has shown that this country has made progress both with respect to key and core recommendations. Additionally, participants heard a special report prepared by Cyprus on the effectiveness of customer due diligence in banking.

Serbia presented a report on national risk assessment, which

generated considerable interest among the delegations due to the upcoming new round of FATF mutual evaluations. Among the main problems encountered during the assessment were the lack of uniform statistical information from agencies (or its complete absence), difficulties with setting up working groups from representatives of relevant authorities

(lack of coordination) and a shortage and low quality of ML-related materials. Based on the assessment results, the country has set up a working group and drafted a strategy for the development of Serbia's AML/CFT system for 2014-2019.

MONEYVAL's 44<sup>th</sup> Plenary meeting will be held in early April 2014.

## New Counter Measures

On November 10-11, the capital of Turkmenistan, Ashgabat, hosted the International Workshop on Assets Freezing in Accordance with the Requirements of UN Security Council Resolution 1373 (2001)



The workshop was organized by the International Training and Methodology Center for Financial Monitoring of the Russian Federation through the UN Counter-Terrorism Committee Executive Directorate, the Eurasian Group on Combating Money Laundering and Financing of Terrorism and the Office of Financial Monitoring under the Ministry of Finance of Turkmenistan.

Over 110 representatives from 16 countries participated in the workshop including delegations from the EAG member-states and observers (Armenia, Belarus, India, Kazakhstan, China, Kyrgyzstan, the Russian Federation, the U.S., Tajikistan, Turkmenistan, Uzbekistan and Ukraine) as well as experts from the Great Britain and Belgium, the President of the Financial Action Task Force (FATF), representatives of the FATF and EAG Secretariat and following international organizations: the UN Counter-Terrorism Committee Executive Directorate, the OSCE, the World Bank. Representatives of Financial Intelligence Units participated in the workshop together with law enforcement and supervision authorities of the Eurasian region states.

The workshop's topic selected is a hot one. UN Security Council Resolution 1373 (2001) adopted on September 28, 2001 is universal and stacked against terrorism financing as a whole. It should be underscored that the resolution sets terrorist assets freezing standards which were further developed and assigned in the FATF Recommendations, namely: blocking without delay, mandatory international cooperation in countering terrorism financing and terrorist assets freezing, response to relevant requests from foreign states. It contains the

recommendation to make up national lists of terrorists while fully complying with UN sanctions lists as well as the detailed description of types of terrorist assets subject to freezing.

According to paragraph 6 of Resolution 1373 (2001) the UN Security Council Counter-Terrorism Committee was established to supervise the proper compliance with the resolution, inter alia through in-country visits. The visit to Russia took place in 2012 and the assessments of the Russian freezing system were overall positive.

The Russian Federation is an active member of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) whose member-states all work to improve AML/CFT systems in general as well as terrorist assets freezing system in particular. For this purpose are used mechanisms of interaction and mutual assistance provided by the EAG experts who are result-oriented.

The main objective of the workshop was to assist states to create an efficient mechanism of immediate freezing of funds and other assets of natural and legal persons involved in terrorist activity according to the requirements of UN Security Council Resolution 1373 (2001). Another important task of that event was to promote cooperation and coordination of relevant national and regional authorities necessary to ensure the operational response to external requests of freezing funds, assets and other economic resources.

The workshop participants discussed implemented measures, enforcement issues as well as national practices outside the region thus increasing the understanding of operational measures and procedures which are to be taken for an efficient freezing regime in compliance with

international requirements, including obligations on human rights.

They examined the positive experience of the states participating in the workshop; in particular Turkmenistan which had considerably intensified its efforts to develop the institutional framework of the national AML/CFT system as well as improve the legislation.

In the final part of the workshop the participants discussed eventual topics of next events in order to assist states-participants in strengthening national regimes to freeze terrorist assets according to UN Security Council Resolution 1373 (2001).



**David Arthurs, Detective Inspector of the Great Britain (Counter Terrorism Command)**

“For me as a law enforcement officer, it is a very important event because from my experience of countering terrorism I know that it is impossible to support this phenomenon without accurate and concerted efforts of the financial infrastructure. That is why if we manage to undermine the grounds of this system (this workshop is

certainly promoting it), then the tasks to combat terrorism will be significantly simplified.

Yet the most important for such events is experts' round tables when they study the issue from different angles. It is essential to build a partnership which will facilitate our further concerted and successful work.”



**France S. Lemeunier, CT Intelligence Analyst for the Belgian Fusion Center (OCAM), Belgium**

“Our unit connects all agencies concerned with terrorism financing and provides them with consolidated analytics. From my point of view, it is a very important workshop and it is not my first one as UN CTC executive directors have already invited me at the similar event in West Africa. Incidentally I can say that practice exchange is of great importance. As for me I learnt a lot during these two days.

economy is small too. I consider very useful the fact that the workshop's participants could learn what steps can undertake even such a small country as Belgium to counter terrorist assets. These two days were very good and efficient, maybe we were short of time because not all delegation representatives had a chance to get answers to their questions.

Representatives of different countries gathered today in Ashgabat could see what a small country can do. I am sitting next to the representative of the U.S., a big country with big economy. My country is small; therefore its

According to the information submitted by the countries I can say that all the states have implemented a mechanism to counter terrorism financing and it is rather solid. For that reason, we can speak to each other as equals when we share our best practices.”