

# ANNUAL REPORT 2014



**EAG**

ЕВРАЗИЙСКАЯ ГРУППА  
по противодействию легализации преступных доходов  
и финансированию терроризма

EURASIAN GROUP  
on combating money laundering  
and financing of terrorism

# CONTENTS

<b>Ajay Tyagi – EAG Chairman</b>	<b>3</b>
<b>Vladimir Nechaev – EAG Executive Secretary</b>	<b>4</b>
<b>1. About the EAG</b>	<b>5</b>
<i>1.1. History</i>	5
<i>1.2. Goals and Objectives</i>	5
<i>1.3. Member States</i>	6
<i>1.4. Eurasian Group Structure</i>	6
<i>1.5 EAG Secretariat</i>	8
<i>1.6. Observers</i>	8
<i>1.7. 10 Years of EAG</i>	9
<b>2. STRATEGIC ACTIONS AND INITIATIVES</b>	<b>12</b>
<i>2.1. Development of National AML/CFT Systems</i>	12
<i>2.2. Information and Communications Strategy</i>	12
<i>2.3. Single Information Space</i>	13
<b>3. EAG IN THE INTERNATIONAL AML/CFT SYSTEM</b>	<b>16</b>
<b>4. MUTUAL EVALUATIONS</b>	<b>20</b>
<i>4.1. EAG Mutual Evaluations</i>	20
<i>4.2. Follow-Up Reports</i>	20
<b>5. TECHNICAL ASSISTANCE</b>	<b>22</b>
<i>5.1. Technical Assistance System</i>	22
<i>5.2. AML/CFT Training for Personnel</i>	23
<b>6. ML/TF TYPOLOGIES RESEARCH</b>	<b>25</b>
<b>7. COUNTERACTION TO FINANCING OF DRUG BUSINESS, CRIME AND TERRORISM</b>	<b>27</b>
<i>7.1. Counteraction to Financing of Drug Business and Crime</i>	27
<i>7.2. Counteraction to the Financing of Terrorism</i>	28
<b>8. KEY OBJECTIVES FOR 2015</b>	<b>29</b>
<b>9. SCHEDULE OF MAJOR EAG EVENTS IN 2014</b>	<b>30</b>
<b>LIST OF ABBREVIATIONS</b>	<b>31</b>

## EAG Chairman

### Ajay Tyagi



The year 2014 ended. It will remain in the EAG history not only as the year of its 10 years anniversary, but also as the period of great achievements in its development.

One such achievement is the improvement of the national AML/CFT systems. All member states have confirmed it by their progress in the mutual evaluations process. The Eurasian group became the first regional group whose member states are not reviewed by the FATF International Cooperation Review Group (ICRG). This is largely due to the EAG mechanisms of work which allow to share experiences and find common understanding of the problems.

The 2014 priority was preparation for the new round of mutual evaluations in the FATF and EAG.

I would like to note that all plans in this field were met. During the year much attention was paid to the training of assessors.

In October 2014 the FATF Plenary meeting discussed the first mutual evaluation report of Spain and Norway under the new methodology. I believe that analyzing the reports on these countries for the purpose of "fine-tuning" anti-money laundering mechanisms will become an important step for the Group.

I want specifically to note the strengthening of horizontal ties - during the year we held joint workshops with the EAG partners: MONEYVAL, APG, MENAFATF and the OSCE. One of the latest examples of successful collaboration was the joint typologies workshop with MENAFATF in Qatar.

## EAG Executive Secretary

# Vladimir Nechaev



October 6, 2014 marked the 10<sup>th</sup> anniversary of the Eurasian group. Celebrating its anniversary, the Group finishes an important stage of rapid and great and difficult development. During this time, the EAG has become an influential group on combating money laundering, the authority of which is recognized at both the regional and global levels.

In 2014 the EAG became the first and only as of the end of the year FATF-Style Regional Group, none of the member states of which are included in the list of countries under FATF monitoring.

The key achievements of the Group are largely due to its full involvement in the global and regional security system, effective cooperation with the FATF and FSRBs, as well as with partner organizations. Certainly, it is necessary to mention the high professionalism of the Secretariat staff and experts.

Undoubtedly, conducting successfully the second round of mutual evaluations will be one of the key priorities in the coming period.

This will require significant resources from the EAG and its members. Additional efforts will be required to ensure the quality of evaluations and the preparation of national AML/CFT systems to function within the framework of the new FATF Recommendations and Methodology.

In 2014, the Group continued to develop horizontal links with FSRBs by the joint event with MENAFATF, using its experience and the expertise of member states.

I would like to thank Mr. Boris Toropov, the previous EAG Executive Secretary for his great work in the transformation of the Secretariat into an effective body of the Group and the formation of the positive team atmosphere.

I would also like to thank the Russian Federation for providing technical assistance in the functioning of the Secretariat, as well as the member states and observers for their work and support over the past year.

# 1. About the EAG

## *1.1. History*

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) is a FATF-style regional body established at the initiative of the Russian Federation on October 6, 2004 at the founding conference in Moscow attended by six founding states: Belarus, China, Kazakhstan, Kyrgyzstan, Russia and Tajikistan. Uzbekistan, Turkmenistan and India joined the EAG later.

The Declaration on the Establishment of the EAG and the Terms of Reference of Eurasian Group, signed in Moscow, became the basis for the Agreement on the Eurasian Group on Combating Money Laundering and Financing of Terrorism that was signed on June 16, 2011 and that became the part of the legal systems of the EAG member states and the basis for their cooperation. The Agreement defined the EAG as an intergovernmental organization with its own budget and functioning on the basis of equal participation of member states in its activities.

The creation of the EAG contributed to the consolidation of efforts towards reducing the threat of terrorism, ensuring transparency, reliability and security of financial systems of countries in the region, and their integration into the international AML/CFT system. Among the first initiatives implemented by the newly created organization was to organize the provision of technical assistance to EAG member states in establishing national AML/CFT systems.

## *1.2. Goals and objectives*

According to the EAG Agreement, the main goal of the Eurasian Group is to ensure effective communication and cooperation at the regional level, as well as integration of EAG member states into the international anti-money laundering and counter-terrorist financing system in line with the FATF recommendations and AML/CFT standards of other international organizations in which EAG member states participate.

The main objectives of the EAG are to:

- assist member states in the implementation of the FATF Standards on Combating Money Laundering and the Financing of Terrorism;
- develop and implement joint activities aimed at combating money laundering and financing of terrorism;
- implement programs of mutual evaluation of member states in line with the FATF Recommendations and study the effectiveness of the legislative and other measures on

combating money laundering and terrorist financing in place;

- coordinate programs of international cooperation and technical assistance with specialized international organizations, agencies and countries concerned;
- carry out an analysis of money laundering and terrorist financing typologies and share experience in combating such crimes with account for regional specifics.

### ***1.3. Member States***

Under the EAG Agreement 9 countries are members of the EAG: Republic of Belarus, Republic of India, Republic of Kazakhstan, People's Republic of China, Republic of Kyrgyzstan, Russian Federation, Republic of Tajikistan, Turkmenistan and Republic of Uzbekistan.

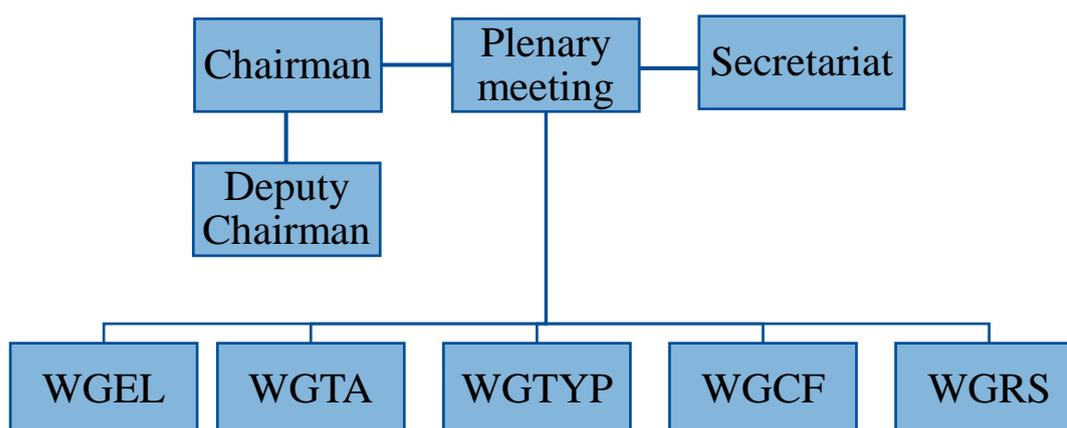
EAG membership is open to other countries in the region which:

- are taking active steps to develop and enforce AML/CFT laws consistent with the FATF Recommendations;
- are willing to assume the obligation to participate in EAG mutual evaluation programs;
- are willing to assume the obligations to actively participate in plenary meetings and other EAG events.

### ***1.4. Eurasian Group structure***

The structure of the management and working bodies of the EAG:

- Plenary meeting;
- Chairman;
- Deputy Chairman;
- Working groups;
- Secretariat.



The highest body of EAG is the Plenary meeting, which convenes, as a rule, twice a year, but not less than once a year. The Plenary considers the fundamental issues related to the common interests of EAG member states, defines the strategy and directions of activity, and makes decisions aimed at implementing the goals and objectives of the EAG.

The EAG Chairman is appointed for a two-year period by the decision of the Plenary meeting. The Chairman leads the work of the Plenary meetings and represents the Eurasian Group in its external relations. The Deputy Chairman is appointed by the decision of the Plenary.

The Plenary meeting in November 2014 appointed Mr. A. Tyagi EAG Chairman to continue the implementation of the Action Plan of the EAG Chairman till November 2015 defined by India.

Mr. B. Tajiyakov (Kazakhstan) is EAG Deputy Chairman since November 2013.

Five working groups on principal lines of activity were functioning in the EAG in 2014:

- Working Group on Mutual Evaluations and Legal Issues (WGEL);
- Working Group on Technical Assistance (WGTA);
- Working Group on Typologies (WGTYP);
- Working Group on Counteraction of Financing Drug Business, Crime and Terrorism (WGCF);
- Working Group on Risks and Supervision (WGRS).

Mr. Boris Toropov (Russia) was EAG Executive Secretary in 2014. In November 2014 the 21<sup>st</sup> EAG Plenary meeting in Dushanbe appointed Mr. Vladimir Nechaev (Russia) EAG Executive Secretary since the 1<sup>st</sup> January 2015.

### 1.5. EAG Secretariat

The EAG Secretariat was established by the decision of the founding conference on October 6, 2004 and was called to perform coordinating functions related to the implementation of main lines of work. The Agreement on the Conditions of Stay of EAG Secretariat in the Territory of the Russian Federation was signed on February 14, 2012. The new Secretariat consisting of citizens of EAG member states started to function in Moscow the same year.

Secretariat staff included 11 persons in 2014 from Belarus, Kazakhstan, Kyrgyzstan, Russian Federation and Tajikistan.



EAG Secretariat

### 1.6. Observers

As of the end of 2014, 19 international and regional organizations and 14 countries held observer status in the EAG.

#### Observer Organizations

- Antiterrorist Center of the CIS (ATC CIS)
- Asian Development Bank (ADB)
- Asia-Pacific Group on Money Laundering (APG)
- World Bank
- Collective Security Treaty Organization (CSTO)
- Committee of Experts of the Council of Europe (MONEYVAL)
- Counter-Terrorism Committee (CTC)
- The Egmont Group
- Eurasian Development Bank (EDB)
- Eurasian Economic Community (EurAsEC)
- European Bank for Reconstruction and Development (EBRD)
- Executive Committee of the Commonwealth of Independent States (CIS)
- Financial Action Task Force on Money

#### Observer States

- Afghanistan
- Armenia
- France
- Germany
- Italy
- Lithuania
- Moldova
- Mongolia
- Montenegro
- Poland
- Serbia
- Turkey

- Laundrying (FATF)
- International Monetary Fund (IMF)
- Interpol
- Middle East & North Africa Financial Action Task Force (MENAFATF)
- Organization for Security and Cooperation in Europe (OSCE)
- Shanghai Cooperation Organization (SCO)
- The United Nations Office on Drugs and Crime (UNODC)
- Ukraine
- USA

Relations with FATF-style regional groups are developing actively. In 2010 the Group became an observer in the Asia/Pacific Group on Money Laundering (APG). Joint projects and initiatives of the two organizations: in particular joint workshops on typologies, assessor training and others were held.

In 2011 the EAG became observer in the Middle East and North Africa Financial Action Task Force (MENAFATF).

Interaction with the Council of Europe Committee of Experts of the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) deepens. Joint seminars on combating Internet crime and on the implementation of the updated FATF Recommendations were held, cooperation in the field of training of assessors for national AML/CFT systems is being developed.

### ***1.7. 10 Years of EAG***

The scientific and practical conference dedicated to the 10<sup>th</sup> anniversary of EAG was held in November 2014 during the 21<sup>st</sup> Plenary week.



«10 years of EAG» commemorative medal awarding

The conference noted that since its establishment, the EAG has gone a long way, done a great job. All member states established the legal basis for stable and effective national systems on combating money laundering and financing of terrorism, created financial intelligence units. The sectorial AML/CFT cooperation is progressively developing in the Eurasian region.

The work in the EAG is done on three basic areas: mutual evaluations of national AML/CFT systems of EAG member states, typological studies of criminal schemes of money laundering and terrorist financing, and technical assistance to EAG member states, including training of personnel.

The conference adopted the following public document:

**PUBLIC DOCUMENT****Outcomes of the scientific and practical conference**

Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) has come a long way since its establishment in 2004, and now is institutionalized as an international organization with the full involvement of all member states in its general work.

During the last 10 years of the EAG activity, a full-grown regional system of combating money laundering and financing of terrorism (AML/CFT) in the Eurasian region, which is also in line with international standards, has been created. The effectiveness of a regional anti-money laundering system work is confirmed by the fact that stable national AML/CFT systems are in place in all EAG member states as well as the legal basis of their work and the relevant institutions. International sectorial cooperation is increasing. The status of EAG has increased in the international arena.

Eurasian Group is successfully completing the first round, and will start its second round of mutual evaluations soon. The legal base of the organization as well as of the Secretariat have been formed. The EAG is in the process of forming pool of assessors.

The EAG works in close cooperation with its respective member states and Observers. Joint activities with our colleagues from other FSRBs (APG, MONEYVAL, MENAFATF, GIABA) have already become a good tradition and serve as a positive example of horizontal cooperation in the FATF family.

The EAG actively participates in FATF work, and disseminates its principles and procedures in the region. We, showing consolidated political will, reaffirm our commitment to these principles and procedures. We also reaffirm the EAG commitment to the aims and principles of the United Nations in the area of peace and security.

In this regard, the EAG member states declare the responsibility for achieving the objectives and goals of the organization as it is set out in the Agreement on the Eurasian Group on Combating Money Laundering and Financing of Terrorism of June 16, 2011 and express their confidence in its successful implementation.

## 2. STRATEGIC ACTIONS AND INITIATIVES

### *2.1. Development of National AML/CFT Systems*

In 2014, the EAG continued to assist in the integration of member states into the international AML/CFT system, including through assistance in building their national AML/CFT systems in line with the international standards.

Particular attention was paid to the provision of assistance to Kyrgyzstan and Tajikistan in the establishment of national AML/CFT systems.

#### *Kyrgyzstan*

In view of inclusion of the Kyrgyz Republic in the list of countries under monitoring by the FATF, the EAG has been actively working within the framework of the European-Eurasian regional group on international cooperation to strengthen the national AML/CFT system of the Kyrgyz Republic. Due to the joint efforts the Kyrgyz Republic exited the list in June 2014.

#### *Tajikistan*

Great attention was paid to the situation in Tajikistan, which was also in the list of countries under monitoring by the FATF. Due to the measures that were taken, Tajikistan exited the list in October 2014.

Thus, in 2014 the EAG became the first and only (as of the end of the year) FATF-style Regional Group with none of its member countries in the list of countries under monitoring by the FATF.

### *2.2. Information and Communications Strategy*

Coverage of the AML/CFT activities of the EAG member states and the level of their perception by experts and the public depends on the organization of information work.

One of the main areas of information and communications work was the optimization of the structure and of the technological platform of the EAG website ([www.eurasiangroup.org](http://www.eurasiangroup.org)) as one of the important information portals, allowing to conduct rapid exchange of information between the members and observers of the Group, as well as with other interested members of the global AML/CFT network.

The EAG public Bulletin is printed and distributed among the main partners of the Eurasian Group. The Bulletin contains current information on the development of national AML/CFT systems within the framework of the EAG, as well as information on the key events of the international AML/CFT system.

A quarterly magazine "Financial security" is published in Russia with EAG participation. The EAG Executive Secretary is a member of the magazine editorial Board. The magazine regularly published information on EAG events. The magazine is issued in the Russian and English languages.

The implementation of Information and communications strategy promotes public interest and involvement of civil society in the AML/CFT issues, as well as in public awareness during the implementation of the new FATF standards

### ***2.3. Single Information Space***

The development of the national AML/CFT systems in most of the EAG member states reached a level that allows to significantly intensify their integration and unification within the framework of the Single information space (SIS) of the EAG, the concept of development of which was adopted in 2009.

The concept defines the basic principles of construction and structure of the SIS of the EAG, technical environment for its components, and the stages of its development.

#### ***Information Resources***

As part of the development of the SIS of the EAG, a number of proprietary databases were formed to assist FIUs. They include, in particular:

- database of typology research of the FATF and MONEYVAL in the official languages of the EAG, which contains about 40 research studies and allows FIU analysts to keep track of the most current trends and areas of ML/FT risks, as defined by the international community;
- database of the legislation of member states on the EAG website, which has more than 160 regulatory acts.

#### ***Videoconferencing***

The channel of video conferencing (VCC) among the EAG member states is a key element of a SIS, which allows to increase the intensity and efficiency of communication among States. By

the end of 2014 the existing videoconferencing system united Russia, Belarus, Kazakhstan, Tajikistan, Uzbekistan, the EAG Secretariat, the ITMCFM and the Institute of financial and economic security of MEPhI (IFES).

The videoconferencing system is used for multilateral consultations and training events. In view of the end of the current and the beginning of new rounds of mutual evaluations by the FATF and EAG educational activities (seminars, training courses and others) were also carried out, in addition to traditional practical exchange of experience. These events, covering the widest range of topics and participants, helped to inform key partners of the EAG on the best practices of implementation of international AML/CFT standards. The benefits of using modern communication channels are clear. This increases efficiency of interaction within the EAG, and makes possible the remote training of employees of the FIU, law enforcement and supervisory authorities, joint seminars and conferences, which allows to optimize costs and to attract a large number of stakeholders.

The training and practical sessions were attended by thousands of representatives of state bodies, private sector, educational and scientific institutions in EAG countries.

The topics covered during the seminars, include:

- "Supervisory activities in the AML/CFT field";
- "The experience of EAG member states in organizing and conducting national risk assessments and implementation of the risk-based approach, methods used for identifying and assessing the risks of money laundering and financing of terrorism";
- "Freezing of terrorist assets";
- "Combating corruption in the financial sector. The experience of EAG member states on combating laundering of the proceeds from corruption and embezzlement of public funds, including through illegal VAT recovery";
- "Prevention of laundering of proceeds obtained through embezzlement of budgetary funds";
- "Tax crimes as predicate offences to money laundering (approaches to the implementation of international standards)";
- "Organization of the educational process of students in the IFES of MEPhI, aimed at educating the FIU staff", and others.



Tour de table on the education of personnel in the AML/CFT field,  
Presentation of «Financial Academy» of the Finance Ministry of Kazakhstan

### 3. EAG IN THE INTERNATIONAL AML/CFT SYSTEM

The EAG held two Plenary meetings in Moscow (Russian Federation) and Dushanbe (Republic of Tajikistan) in 2014.

The 20<sup>th</sup> EAG Plenary week was opened by participants of the Consultative forum with the EAG private sector on the topic: "Risk based approach in the new payment methods". The event was held with the organizational support of the International Training and Methodological Center of Financial Monitoring (Russia) and with participation of the FATF President, EAG Secretariat, Rosfinmonitoring, the Russian "Electronic money" Association. The Forum was attended also by representatives of regulatory and supervisory authorities, the associations and major financial institutions of EAG member states and observers.

The center of discussion of the participants was monitoring in the first round and the second round of mutual evaluations of national AML/CFT systems of member states of the Eurasian group. Experts from Kazakhstan and Kyrgyzstan reported on the progress in the development of national AML/CFT systems. The follow-up reports of Belarus and Tajikistan in the framework of the withdrawal from the EAG monitoring were considered at the plenary.



20<sup>th</sup> EAG Plenary and working groups meetings

During the 21<sup>st</sup> Plenary week a scientific and practical conference devoted to the 10<sup>th</sup> anniversary of the EAG was held. The conference adopted a public document, and commemorative medals of the EAG were awarded at the Plenary session.

Following the meeting of the Working group on mutual evaluations and legal issues (WGEL) and the decision of the Plenary the Republic of Tajikistan and the Kyrgyz Republic were removed from the EAG monitoring procedures. Turkmenistan and Uzbekistan will continue to work on follow-up reports to confirm progress in the development of the AML/CFT systems.

The plenary session considered the appeal of the Islamic Republic of Iran to become

observer in the EAG and to receive technical assistance. It was agreed that further improvement of the AML/CFT system of the Republic is needed, the participants decided to return to the issue in the future.

The plenary session reviewed the implementation of programs of voluntary tax compliance in Kyrgyzstan and Kazakhstan. The analysis by the FATF Secretariat on Kyrgyzstan, and by the EAG Secretariat on Kazakhstan did not reveal violations of the four basic principles of the FATF in the implementation of programs of voluntary tax compliance.



21<sup>st</sup> EAG Plenary and Working groups meetings

EAG actively cooperates with many international and regional organizations and bodies involved in AML/CFT issues.

Taking into account the FATF Associate member status, delegations of EAG states which are not FATF members, participate in its work as part of the EAG delegation. In their turn, FATF members actively participate in the EAG activities.

EAG representatives participate in the Plenary meetings and other activities of the APG, MENAFATF and MONEYVAL. In March, a training seminar for staff of the of the EAG, MONEYVAL and MENAFATF secretariats was held in Moscow. The seminar brought together representatives of the FATF and the three FSRBs: MONEYVAL, MENAFATF and EAG. The training was conducted by FATF Secretariat members Vincent Schmoll and Tom Neylan, representative of the International Monetary Fund Steve Dave and MONEYVAL expert Michael Stellini. In October a seminar for evaluators of EAG with representatives of the APG and GIABA was held in New Delhi as part of the training for the second round of mutual evaluations of the EAG. The event was focused on the training of representatives of the delegations of EAG member states who will take part in the 2<sup>nd</sup> round of EAG mutual evaluations.

In November 2014, the first joint workshop with the MENAFATF on typologies was held.

In conjunction with the Office of the Coordinator of OSCE economic and environmental activities, the UN Office on Drugs and Crime (hereinafter - UNODC) and the EAG Secretariat a joint seminar "Cross-border co-operation against corruption and money laundering" was held in in October 2014 in Austria.

EAG Secretariat representatives took part in the APG typologies workshop held in November in Bangkok.

As part of horizontal exchange of experience between FSRBs, an agreement was reached in 2014 with the Council of Europe Committee of experts (MONEYVAL) on participation of the EAG Secretariat representative in the MONEYVAL evaluation of Armenia in 2015.



21<sup>st</sup> EAG Plenary and Working groups meetings

In 2014, the EAG continued to participate in the process initiated by the FATF to strengthen the global AML/CFT network. Among the elements of this process were regular consultation meetings of the secretariats of the FATF-style regional bodies during FATF Plenary weeks, devoted to the exchange of experience in conducting typological research and defining the most important areas for future work, as well as to sharing the projects results. All participants of these meetings, including EAG representatives, regularly declare for the intensification of exchange of experience with FSRBs in all areas of work.

One of the priority tasks of the EAG in the Eurasian region is the development of cooperation with organizations whose competence includes issues of regional integration and security. The CIS, CSTO and SCO are of specific importance among them.

The EAG has significantly expanded regional cooperation in 2014, and held a number of joint activities with these bodies on the basis of previously signed bilateral documents. As part of the expansion of interaction with international and regional organizations the EAG signed the Protocol on cooperation between the EAG and the Regional Anti-terrorist structure of the Shanghai cooperation organization (RATS SCO); the Memorandum on cooperation between the EAG and the Commonwealth of Independent States Anti-Terrorism Center (ATC CIS).

The experience participation of EAG States in the anti-drug operation "Channel", conducted by the CSTO, has shown that the ability of the FIUs to timely identify and block channels of money received through drug trafficking can significantly improve the effectiveness of anti-drug work in the Eurasian region.

An EAG Secretariat representative participated in the workshop "Exchange of experience in the field of improvement of mechanisms for interagency cooperation at the national level for the identification, investigation and prosecution of money laundering cases" at the invitation of the regional office in Central Asia of the United Nations Office on Drugs and Crime. The event was held in April in Ashgabat (Turkmenistan). The seminar was also attended by representatives of the OSCE, UNODC, law enforcement and government agencies of Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Poland, Russia, Turkmenistan, UK, USA.

The EAG Secretariat attended the forum of the Eurasian Economic Commission (EEC) "Integration of financial markets in the EAES: strategy and tactics". The forum discussed issues of illicit capital flows, geography and channels of illegal migration, implementation of international AML/CFT standards on the territory of member states of the EAES.



Eurasian Economic Commission (EEC) Forum «Integration of financial markets of the EAES: strategy and tactics»

## 4. MUTUAL EVALUATIONS

### 4.1. EAG Mutual Evaluations

EAG completed the first round of evaluations of compliance of national AML/CFT systems of its member states with international standards in 2011.

The FATF 2004 Methodology for assessing compliance with FATF standards was used for mutual evaluations in the first round.

In 2014, the EAG adopted procedures for the 2<sup>nd</sup> round of evaluations.

The next round of EAG mutual evaluations on the basis of the new 2013 Methodology will begin in 2016.

### 4.2. Follow-Up Reports

EAG conducts regular monitoring of the progress of States in implementing the recommendations of the mutual evaluations and eliminating the identified deficiencies.

After the adoption of the mutual evaluation report each member state of the Eurasian group presents to the EAG Plenary meeting a follow-up report that describes measures taken by the country since the adoption of the mutual evaluation report.

The frequency of reporting on the progress depends on the level of implementation of international AML/CFT standards.

The 18th EAG Plenary meeting in May 2013 approved the timelines of completion of follow-up monitoring of EAG member states in the 1<sup>st</sup> round of EAG mutual evaluations.

The 20<sup>th</sup> and 21<sup>st</sup> EAG Plenary meetings in June and November 2014 considered the first follow-up reports of member states of the Eurasian group as part of their completion of monitoring procedures.

### Follow-Up Reports of EAG Member States in 2014

The 20 <sup>th</sup> EAG Plenary meeting (June)	The 21 <sup>st</sup> EAG Plenary meeting (November)
<ul style="list-style-type: none"> <li>▪ Belarus</li> <li>▪ Kazakhstan</li> <li>▪ Kyrgyzstan</li> <li>▪ Tajikistan</li> </ul>	<ul style="list-style-type: none"> <li>▪ Kyrgyzstan</li> <li>▪ Turkmenistan</li> <li>▪ Uzbekistan</li> </ul>

Kyrgyzstan and Tajikistan were removed from the EAG monitoring procedures by the decision of the 21<sup>st</sup> EAG Plenary meeting.

The 21<sup>st</sup> EAG Plenary meeting Turkmenistan presented a regular follow-up report within the standard procedure of EAG monitoring. Since November 2012, progress has been achieved on Recommendations 5, 6, 17, 23, 29 and Special Recommendation IX. The Plenary requested Turkmenistan to submit a detailed report for the exit from the EAG monitoring procedures in November 2015.

The 21<sup>st</sup> EAG Plenary meeting noted the progress of Uzbekistan in the improvement of the national AML/CFT system. Since November 2012, progress has been achieved on Recommendations 5, 6, 8, 10, 15, 17, 23, 25, 29, 30, 32, 33, 40 and Special recommendations VI, VIII, IX. The Plenary requested Uzbekistan to submit a detailed report for the exit from the EAG monitoring procedures in November 2015.

The 20<sup>th</sup> EAG Plenary meeting approved the follow-up report of Kazakhstan within the standard monitoring procedure. Since May 2013, progress has been achieved on Recommendations 1, 5, 6, 7, 8, 11, 13, 15, 16, 18, 21, 22, 23, 29, 33, 35 and Special recommendations I, III, IV. The Plenary requested Kazakhstan to submit a detailed report for exiting from the EAG monitoring procedures in November 2015.

Belarus presented a detailed follow-up report for exiting from the monitoring process to the 20<sup>th</sup> EAG Plenary meeting. Since the date of adoption of the mutual evaluation report Belarus has made progress towards compliance with the FATF recommendations. The Plenary recommended Belarus to continue working on improving the national AML/CFT system and present a detailed report within the EAG monitoring procedures in May 2015.

All EAG member states that presented follow-up reports in 2014 demonstrated a steady progress in improving the national AML/CFT systems.

## 5. TECHNICAL ASSISTANCE

### 5.1. *Technical Assistance System*

Provision of technical assistance in the field of formation and development of FIUs and improvement of national AML/CFT systems of the EAG member states, including in the area of training is one of the key activities of the Eurasian group.

EAG carries out coordination of international cooperation and technical assistance programs with specialized international organizations, bodies and interested states.

The purpose of technical assistance is:

- compilation and dissemination of best practices in the Eurasian region;
- assistance in the establishment and development of national AML/CFT systems in the countries of the Eurasian region;
- assistance in the formation of human resources of member states, to ensure integration into the overall system of information interaction of the EAG States.

Technical assistance issues were discussed in the format of bilateral meetings of the EAG member states with donors. The purpose of the meetings was identification of the needs of EAG member states and harmonization of the plans of further cooperation. The World Bank, UNODC, IMF, International Training and Methodology Centre for Financial Monitoring, USA, other organizations and donor states actively participated in technical assistance.

In 2014, the Eurasian group translated and published FATF typology reports and guidance:

- “The role of Hawala and other similar service providers in money laundering and terrorist financing” (2014)
- Risk of terrorist abuse in non-profit organizations (2014)
- “Guidance on transparency and beneficial ownership” (2014)
- “Virtual currencies: key definitions and potential AML/CFT risks” (2014)
- “Financial flows linked to the production and trafficking of Afghan opiates” (2014)



## ***5.2. AML/CFT Training for Personnel***

The implementation of training projects for personnel of member states of the Group is an important EAG activity within the framework of technical assistance, which is necessary for the efficient development of national AML/CFT systems. Training of highly qualified specialists in the Eurasian region creates conditions for effective and timely implementation of the AML/CFT potential with regard to regional specifics.

The International training and methodology center for financial monitoring and other EAG donors, primarily the World Bank, UNODC and the IMF are the initiators of training programs.

Training of students in universities that are part of the network Institute is of strategic importance for the formation of human resources of FIUs and other government agencies involved in the national AML/CFT systems. Ten students from EAG member states were accepted in 2014 for specialty and three persons for the master's degree (enrolled on budgetary training). The total number of students at the end of 2014 amounted to 34 people from EAG member states, 12 persons graduated in 2014. The plan for recruitment of students for 2015 academic year are 22 students for

training specialist program and 14 students for graduate program.

The learning process of students in IFES MEPhI successfully used the EAG videoconferencing system operated by ITMCFM. Due to the videoconferencing, the heads of FIUs of foreign countries took part in the graduation events for the approval of qualifying works of IFES MEPhI graduates and had the opportunity to assess the level of training of future specialists and their competence in AML/CFT matters.



Use of videoconferencing system in the educational process of the students of the Network Institute

## 6. ML/TF TYPOLOGIES RESEARCH

One of the main tasks of the EAG is the analysis of typologies in the field of money laundering and terrorist financing. This task is carried out through organizing international events and conducting typological studies.

EAG member states are interested in participating in research projects of the FATF and other regional bodies. In this regard, the Eurasian group joined in 2014 the typological research of the Asia Pacific group (APG) in collaboration with the FATF "**ML/TF vulnerabilities associated with gold - production, movement, markets and trade**". Interim results of the study were considered at the APG Plenary meeting and the annual Typologies meeting of experts, where participation of the Eurasian group was noted positively.

Knowledge of the sources and methods of money laundering used in the EAG states and in the region is necessary for effective law enforcement and supervisory activities. In this regard, EAG member states supported during the 20<sup>th</sup> Plenary meeting the initiative to hold a joint seminar on "**Cybercrime and money laundering**". In addition to the Eurasian Group, the organizers of the event were OSCE, ITMCFM and the Kyrgyz FIU. The event was held in August 2014 in Kyrgyzstan and served as the basis not only for the exchange of experience but also for the successful completion of typological studies conducted on this topic.

The Office of the Coordinator of OSCE economic and environmental activities, the UNODC and the Eurasian Group held a joint seminar "**Cross-border co-operation against corruption and money laundering**" in Austria in October 2014. Law enforcement and state agencies representatives discussed topical issues of cooperation.

In addition, the EAG member states supported the initiative to hold a joint



Joint EAG/MENAFATF workshop on typologies and potential strengthening

EAG/MENAFATF international forum which was implemented as the joint workshop “**On typologies and capacity building**” in December 2014 in Qatar.

The event was attended by over 200 representatives of the public sector from 28 members and observers of EAG, MENAFATF and international organizations, as well as about 50 representatives of the private sector. The seminar provided a good opportunity for participants to exchange experiences between countries of the two regions and get access to typological research and approaches of AML/CFT systems of other countries.

At the invitation of the APG, representatives of the EAG Secretariat participated in the typological seminar which was held in December in Bangkok (Thailand). 250 delegates of the APG and FATF members, representatives of eight international organizations. During the seminar, the results of the EAG typological study “**Cybercrime and money laundering**” were presented. In 2014 the report on that study and the results of it were recommended for use in the work of the FIUs.

New typology research themes were approved at the 21<sup>st</sup> Plenary meeting: “Laundering of criminal proceeds from the activities of financial pyramids”, the head of research is Tajikistan, and “Typology of corruption offences and money laundering”, the head of research is the Russian Federation.



Joint seminar «Cybercrimes and money laundering», 19 - 22 August 2014, Kyrgyzstan

## 7. COUNTERACTION TO FINANCING OF DRUG BUSINESS, CRIME AND TERRORISM

By the decision of the EAG member states the Working group on counteraction to financing of drug business, crime and terrorism (WGCF) having a more practical focus, is functioning since 2012.

### *7.1. Counteraction to Financing of Drug Business and Crime*

Since 2013 the WGCF has been conducting a study of the problem of revealing the financial component of drug trafficking involving both EAG member states and observers - Belarus, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, Armenia, Turkey and Ukraine.

The aim of this study is to develop measures specific to different countries needed to effectively identify the financial transactions related to drug trafficking, the facts of legalization of drug money and the credit institutions and countries which serve as "financial centers" of drug trafficking.

The relevance of this topic is due to the functioning of drug trafficking networks in the majority of states from different continents. The producing countries, transit countries and consumer countries are the links of one chain, which poses a threat to economic and political security for most countries of the world, leading to conquering the dominant position in this field of international organized criminal groups and criminal organizations with transnational activities, to the growth in the number of drug addicts all over the world, involvement of millions of citizens of different countries as couriers and small dealers.

As a result of the first phase of the work the Group compiled and sent to the participants of the study a generic list of criteria of suspicious financial transactions suspected of being linked to drug business. The list consists of 31 criteria submitted by 10 states-parties to the research (Belarus, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, Armenia, Turkey, Ukraine).

The second phase started in 2014 and involves mapping the geography of financial flows related to drug business.

## ***7.2. Counteraction to the Financing of Terrorism***

In order to develop a common methodology on the formation of national lists of terrorists and extremists, as well as a universal mechanism for freezing (blocking) of assets of persons involved in terrorist activities in the member countries with the aim of increasing efficiency of work and improving interaction between financial intelligence units of EAG member states the EAG conducted in 2014 a study of possible ways of improvement of the mechanism for listing persons in the list of terrorists and extremists and delisting them, as well as the mechanism of freezing (blocking) of the assets of persons in order to counter the financing of terrorist and extremist activities.

In order to develop a unified strategy to fight cash couriers in the EAG States, as well as to improve operational efficiency and cooperation between financial intelligence units of the EAG States the EAG conducted a study "Possible ways of improving methods of preventing use of cash transportation of cash by couriers in the EAG States for the purpose of financing terrorist or extremist activity".

The study builds on the experience of all existing methods of combating cash transportation by couriers, with the purpose of achieving the highest level of performance on the subject and to establish common standards in this area.

## 8. KEY OBJECTIVES FOR 2015

*In 2015, the Eurasian group plans to continue the work to ensure effective coordination and integration of EAG member states in the international AML/CFT system. In this regard, the main objectives of the Group for 2015 are:*

- *the beginning of the second round of mutual evaluations;*
- *preparatory and clarification work related to the preparation for the next round of mutual evaluations (holding EAG consultations with the private sector, thematic expert research, publishing information materials, etc.);*
- *monitoring of the progress in the national systems in the EAG states;*
- *development and integration of information, analytical and expert capacities of member states to reduce the ML/FT risks and threats in the Eurasian region.*

## 9. SCHEDULE OF MAJOR EAG EVENTS IN 2014

FATF events	EAG events	FSRBs and international organizations events
<ul style="list-style-type: none"> <li>▪ FATF EERRG meeting (France, January);</li> <li>▪ February);</li> <li>▪ Training seminar for FATF/EAG experts (Russia, March);</li> <li>▪ FATF EERRG meeting (France, May);</li> <li>▪ FATF Plenary and Working group meetings (France, June);</li> <li>▪ FATF expert mission to Tajikistan (Tajikistan, September);</li> <li>▪ FATF Plenary and Working group meetings (France, October)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Technical assistance mission to Kyrgyzstan (Kyrgyzstan, January);</li> <li>▪ Technical assistance mission to Belarus (Belarus, January);</li> <li>▪ WGEL and WGTA intersessional meetings (Russia, March);</li> <li>▪ EAG expert mission to Kazakhstan (Kazakhstan, April);</li> <li>▪ FATF expert mission to Kyrgyzstan (Kyrgyzstan, April);</li> <li>▪ 20<sup>th</sup> EAG Plenary and Working groups meetings (Russia, June);</li> <li>▪ EAG Private sector consultations (Russia, June);</li> <li>▪ EAG expert mission to Tajikistan (Tajikistan, July);</li> <li>▪ Joint EAG/OSCE seminar on cybercrime (Kyrgyzstan, August);</li> <li>▪ Preparation mission to Tajikistan (Tajikistan, September);</li> <li>▪ Joint EAG/OSCE/UNODC seminar on assets recovery (Austria, September);</li> <li>▪ EAG seminar for training evaluators (India, October);</li> <li>▪ 21<sup>st</sup> EAG Plenary and Working groups meetings (Tajikistan, November);</li> <li>▪ Joint MENAFATF/EAG typologies seminar (Qatar, December)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Egmont Group working groups meeting (Hungary, February);</li> <li>▪ Eurasian economic forum (Russia, March);</li> <li>▪ 44<sup>th</sup> MONEYVAL Plenary meeting (France, April);</li> <li>▪ interagency interaction (Turkmenistan, April);</li> <li>▪ Paris Pact expert meeting (Austria, April);</li> <li>▪ UN CTC Global experts meeting (USA, May);</li> <li>▪ UNODC seminar on mutual legal assistance (Kazakhstan, May);</li> <li>▪ APG seminar on assistance to Mongolia (Mongolia, May);</li> <li>▪ APG seminar on preparation to the ME and NRA (Republic of Korea, May);</li> <li>▪ 17<sup>th</sup> APG annual meeting (Macao, China, July);</li> <li>▪ 5<sup>th</sup> session of UN Convention against corruption (Austria, September);</li> <li>▪ 45<sup>th</sup> MONEYVAL Plenary meeting (France, September);</li> <li>▪ Paris Pact expert meeting (Austria, September);</li> <li>▪ Conference of the Parties (Warsaw Convention) (France, September);</li> <li>▪ OSCE seminar on NPOs (Slovakia, October);</li> <li>▪ 20<sup>th</sup> MENAFATF Plenary meeting (Bahrain, November);</li> <li>▪ APG typologies seminar (Thailand, November);</li> <li>▪ 46<sup>th</sup> MONEYVAL Plenary meeting (France, December)</li> </ul>

## LIST OF ABBREVIATIONS

- AML/CFT – Anti Money Laundering and Terrorist Financing
- APG – Asian/Pacific Group on Money Laundering
- CIS – Commonwealth of Independent States
- CSTO – Collective Security Treaty Organization
- Egmont Group – international association of financial intelligence units
- EurAsEC –Eurasian Economic Community
- FATF – Financial Action Task Force
- FIU – financial intelligence unit
- FSRB – FATF-style regional body
- FT – Financing of Terrorism
- IMF – International Monetary Fund
- ITMCFM – International Training and Methodology Center for Financial Monitoring
- MENAFATF – Middle East and North Africa Financial Action Task Force
- ML – Money Laundering
- MONEYVAL – Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
- SCO – Shanghai Cooperation Organization
- WB – World Bank
- WGEL – EAG Working Group on Mutual Evaluations and Legal Issues
- WGRS – Working Group on Risks and Supervision
- WGTA – EAG Working Group on Technical Assistance
- WGTYP – EAG Working Group on Typologies

Евразийская группа  
по противодействию  
легализации преступных доходов  
и финансированию терроризма  
[www.eurasiangroup.org](http://www.eurasiangroup.org)

EAG

Eurasian group on  
combating money laundering  
and financing of terrorism  
[www.eurasiangroup.org](http://www.eurasiangroup.org)