

CHAIRMAN'S COLUMN



Dear colleagues!

The final review coincides with the conclusion of Russian chairmanship in the Eurasian group. During this period we reformed working groups' structure, enhanced role and effectiveness of financial intelligence units activity, started new mutual evaluation round. I would like to thank EAG member states and observers for active participation in our work and support of all our projects.

Countering terrorist financing was a high priority issue during the past period. In this regard I wish to highlight the importance of continuing efficient interaction with FATF and UN Counter-Terrorism Committee (CTC) that has already generated significant outcomes. We hope that our partners also will support global research on methods of disruption of terrorist networks financing. You can find information on CTC Global Counter-Terrorism Research Network activities on page 4.

Effective implementation cannot be achieved without highly professional personnel. So the international network AML/CFT Institute initiated by Russia keeps up with the times. I highly appreciate support of the project by the People's Republic of China represented by Fudan University. For sure Chinese EAG Chairmanship will give impulse to educational and other initiatives in Eurasia.

I would like to mention that the People's Republic of China is one of the founders of EAG. Currently China along with two other EAG member states Russia and India is also an FATF member. That fact facilitates bringing EAG member states positions closer at the international anti-money laundering forums and developing an overall strategy in countering negative financial and economical phenomena.

**EAG Chairman
Yury Chikhanchin**

Outcomes of the 27th EAG Plenary

On November 21-24, 2017 the 27th Plenary and WG meetings of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) were held in Moscow (Russian Federation), chaired by Yury Chikhanchin, Federal Financial Monitoring Service Director.

The event was attended by the delegations of EAG member states: Belarus, China, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan as well as representatives of 11 observer states and 14 international organizations, including UNODC, UNCTC, World Bank, Organization for Security and Cooperation in Europe (OSCE), Financial Action Task Force (FATF), Egmont Group and others.

mutual evaluations for compliance of the EAG countries' AML/CFT systems with the 2012 FATF Recommendations. After extensive discussions within the Working Group on Mutual Evaluations and Legal Issues, the Plenary decided to instruct the experts and the EAG Secretariat to finalize the report and submit the revised draft for approval at the 28th EAG Plenary meeting.

Participants of the EAG Plenary reviewed updated information on existing measures implemented by the UN with regard to the Security Council Resolutions, various reports and analytical materials of the UN structural units, completed and planned research projects within the FATF. The Plenary meeting again confirmed



The welcoming remarks of the Russian President Vladimir Putin to the participants of the 27th EAG Plenary meeting underlined that close cooperation of the Group member states would allow countering effectively the escalation of terrorism and organized crime, defending effectively common interests, promoting peace, international stability and security.

The Plenary's most important issue was the transfer of the EAG chairmanship from the Russian Federation to the People's Republic of China. The Plenary elected Ms. Jinghua Hao as the new EAG Chairperson for a two year period from January 2018. Yury Chikhanchin (Russian Federation) was voted as EAG Deputy Chair.

During the Plenary the draft mutual evaluation report of the Kyrgyz Republic was discussed. It is the first report within the second round of EAG

relevance and priority of the tasks linked to the fight against terrorism and its financing.

The participants approved the 2017 activity report of the EAG Secretariat and 2018 Action plan. The Plenary endorsed the typological report "Structural Analysis of Financial Flows Linked to Cash Withdrawal Aimed at Committing Offences and Money Laundering". The Plenary meeting granted EAG observer status to the Central Asian Regional Information and Coordination Centre for Combating Illicit Trafficking of Narcotic Drugs, Psychotropic Substances and their Precursors (CARICC).

The Plenary meeting supported the initiative of the joint activities in cooperation with the FATF and FATF Style Regional Bodies, including participation in workshop for prosecutors and judges, scheduled for January 2018 in China, and

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a typology forum with the participation of APG and EAG in early December 2018.

A Memorandum of understanding and cooperation between the EAG and the International Training and Methodological Centre for Financial Monitoring was signed within the framework of expansion of interaction with international and regional organizations.

The traditional best financial investigation contest was held during the Plenary. The Russian Federation won the competition. The materials of their work on the detection of criminal acts of a high-ranking corrupt were presented to the judgment of the Plenary by the staff of Rosfinmonitoring Interregional Department in the Far Eastern Federal District.

The 28th EAG Plenary will take place in May 2018, in Nánjing, People's Republic of China.

Outcomes of the Russian Chairmanship in the EAG

During the 27th EAG Plenary chairmanship for two following years was transferred from the Russian Federation to the People's Republic of China

Russian Chairmanship Plan was adopted at the EAG Plenary in Astana, Kazakhstan in 2015. Further growth of the Group activity effectiveness, enhancing role of national FIUs, improving financial literacy in the Eurasian region, and countering terrorism financing were determined as main priorities of the Russian chairmanship for 2015 – 2017.

The full complex of measures to achieve those goals was carried out in coordination with member states, observers, EAG Secretariat, ITMCFM and network AML/CFT Institute members.

First of all the working groups' structure was reformed. As a result it reduced their number and burden on countries and the Secretariat. Also it allows keeping and using their expert potential in a more effective way.

During Russian chairmanship the EAG activity was recognized by the UN. The Eurasian Group delivered presentation on countering terrorist financing at UN CTC briefing (New York, 2016). It got a wide response and draw experts' attention. The EAG now is completing the process of getting General Assembly of the UN observer status.

FIUs role in implementing EAG tasks has increased significantly. The Group signed an agreement with the Council of Heads of the CIS Financial Intelligence Units. It opened new ways for enhancing operational part in the EAG activity. Integration of law enforcement, judicial and prosecutor authorities in EAG projects will be the further development in

this field. This plan corresponds to Argentine FATF Presidency priorities.

The importance of the EAG efforts in countering terrorist financing was verified during two previous years. Activity of terrorist organization ISIL caused unparalleled threat to global security. As a result it became a subject of exhaustive study by relevant international organizations including Eurasian group. In that way the EAG developed methodology for identifying foreign terrorist fighters. The methodology was adopted by the Council of Heads of the CIS FIUs and is used in the framework of "Barrier" operation.

To disrupt terrorist financing flows the EAG developed methodological recommendations for inclusion of individuals in the terrorist lists and for freezing their assets. This project contributes a lot to the similar FATF guidance. EAG member states are now implementing all these recommendations. A number of states have already exchanged lists of terrorists and frozen their assets. These results are to be taken into account during the forthcoming mutual evaluation process.

EAG approved the financial profile model of foreign terrorist fighter to prevent and identify terrorist financing risks. This document will allow member states to inform financial institutions about terrorist financing risks, to improve the quality of provided information. As a result it should facilitate improvement of anti-money laundering and counter terrorism financing system's effectiveness.

The interaction of the Group with the International Training and Methodology Centre for Financial Monitoring (ITMCFM, Russia) was raised to a new level. Memorandum of understanding and cooperation signed by the EAG and ITMCFM will contribute to consolidation of progress made, better understanding of member states' needs, and increased efficiency of their AML/CFT systems.

Under the aegis of the EAG a joint workshop on experience exchange and detection of individual terrorist fighters, and on applying financial targeted UN CTC sanctions to them in coordination with ATC CIS, ITMCFM was held in 2017 (May, Bishkek). The Russian Federation held an International Workshop "Effective Supervision as a Mechanism for Financial System's Transparency and Stability" with participation of EAG member states (September, Moscow); International Scientific and Research Conference "FinTech and RegTech: Possibilities, Threats and Risks of Financial Technologies" with participation of educational and scientific member organizations of the network AML/CFT Institute (November, Moscow).

The network AML/CFT Institute activities also shifted to a qualitatively new level. In any field training specialists, setting professional standards can't have quick impact. But this effort will lay the grounds of the future EAG anti-money laundering systems.

While transferring EAG chairmanship, Russia hopes that China will continue further development of all projects and contribute to improving effectiveness of the Eurasian FATF Style Regional Body.

Staffing for EAG Member States' Anti-Money Laundering Systems

On November 22 the meeting of the Council of the network anti-money laundering and counter terrorism financing (AML/CFT) Institute was held in Moscow, the capital of Russia, with participation of all heads of member universities and scientific organizations

In his opening speech Mr. Yury Chikhanchin, the Chairman of the network Institute's Council mentioned:

"The network Institute contributes a lot to staffing for EAG member states' and observes' AML/CFT systems, to strengthen intergovernmental cooperation and expert capacities integration. I'd like to emphasize the expansion of our partnership in personnel training in the Eurasian region due to China Studies Centre, Fudan University joining the international network Institute."

The representatives of member universities of the network Institute shared their experience in training AML/CFT personnel in the Russian Federation, People's Republic of China (Fudan University), Kyrgyz Republic (Kyrgyz Russian Slavic University named after the First President of Russia B.N. Yeltsin), and the Republic of Uzbekistan (Tashkent University of Information Technologies).

Mr. Ivanov, ITMCFM Director General reported on the formation of unified scientific and educational space in the sphere of AML/CFT.

Mr. Kolachevsky, P.N. Lebedev Physical Institute of the Russian Academy of Sciences (RAS) Director, RAS Associated Member briefed on carrying out fundamental AML/CFT research projects on creation of hardware and software instruments with elements of artificial intelligence in the sphere of AML/CFT.

In the conclusion Ms. Kameneva, Vice-Rector of the Financial University under the Government of the Russian Federation, Doctor of Economics spoke on "Independent assessment of specialists' qualifications as indicator of employer's requirements. On professional standards and qualifications in the framework of the Eurasian Economic Union (EAEU)."

The meeting ended with signing the following documents:

- Memorandum of cooperation among International network AML/CFT Institute, China Centre for Anti-Money Laundering

Studies of Fudan University, NRNU MEPhI, and P.N. Lebedev Physical Institute in order to work out the establishment of the Russian – Chinese joint laboratory on elaboration of artificial intelligence elements to make improvements in financial monitoring and security fields;

- Agreement on Cooperation in AML/CFT training between ITMCFM and member universities of the network Institute from the Republic of Uzbekistan.

The Institute provides comprehensive approach in staffing for EAG anti-money laundering member states systems, conducting scientific researches, improving professional qualifications and financial monitoring specialist requirements. Network association of universities, scientific and research organizations is becoming a leader in training AML/CFT personnel in the Eurasian region.

FATF Plenary

Joint FATF/GAFILAT¹ Plenary was held on November 1-3, 2017 in Buenos Aires. It was the first Plenary chaired by Mr. Santiago Otamendi, representative of the Argentine Republic



The opening ceremony was attended by Mr. Mauricio Macri, President of Argentina. He extended his condolences to New York terrorist attack victims (October 31, 2017). Among them were 5 citizens of Argentina. Mr. Macri also emphasized special priority of the fight against terrorism for the international community. Growing challenges posed by organised crime are still a negative tendency. The mentioned facts more than ever increase the importance of joint measures that should be implemented to counter negative situations. The Argentine Republic coordinates on the national level the fight against money laundering and financing of terrorism to increase the effectiveness of FATF Recommendations.



Mr. Germán Garavano, Minister of Justice and Human Rights of Argentina addressed the Plenary on the second day of the meeting and highlighted the challenges in detecting and stopping illicit financial flows all over the world.

Despite the FATF set of measures, tackling terrorism-related financing still remains the top priority. Delegates discussed the actions taken in line with FATF's Operational Plan to counter terrorist financing (CFT). In line with these activities the Plenary approved the results of research "Funding Recruitment for Terrorist Purposes" initiated by Russia and Spain in the framework of FATF Risks, Trends and Methods working group.

Terrorist financing, as well as money laundering, doesn't stop at national borders and can have links to several countries and financial institutions. Therefore, an up-to-date knowledge and understanding of how terrorists raise, move and use funds is critical. That's why information exchange is of strategic importance for effective AML/CFT system operation. Consultation with the private sector highlighted the need to clarify some FATF requirements in this sphere. Representatives of the FATF global network agreed on revisions to the Interpretive Note on Recommendation 18 to clarify the requirements on sharing information related to unusual or suspicious transactions within financial groups. This also includes providing this information to branches and subsidiaries when necessary for AML/CFT risk management. The FATF also adopted revisions to Recommendation 21 to clarify the interaction of these requirements with prohibition of disclosing (tipping-off) the fact that a suspicious transaction report (STR) is being filed with the FIU.

The Plenary adopted *Guidance on Private Sector Information Sharing*, which identifies the key challenges that inhibit exchange of information to manage ML/TF risks. It also articulates how to apply the FATF standards on information sharing and highlights examples authorities can use to facilitate the process, as well as patterns of constructive engagement between the public and the private sectors.

Financial inclusion remains also a top priority for the FATF. An overly cautious approach to AML/CFT safeguards can have the unintended consequence of excluding legitimate businesses and consumers from the formal financial system. The Plenary adopted a supplement to the *FATF Guidance on AML/CFT Measures and Financial Inclusion (2013)*, which provides examples of customer due diligence (CDD) measures implementation. Lack of reliable identity documentation and data verification is one of the main obstacles to providing appropriate regulated financial services or products to the unbanked customers.

The main FATF field of activity is to assess the level of AML/CFT systems compliance with international standards – FATF Recommendations. During the Plenary the mutual evaluation reports of Portugal and Mexico were discussed. Following the discussion, Mexico was put on monitoring with the need to report to the Plenary annually. The national AML/CFT system of Portugal was recognized as quite effective. Therefore, the country will provide information on progress in three years.

Also the Plenary recognized significant progress of Austria's compliance with a number of FATF Recommendations. The reports on these countries are expected to be published by January 2018.

In February 2016, the FATF released a statement conveying its deep concerns about Brazil's continued failure to remedy the serious deficiencies identified in its third mutual evaluation report adopted in June 2010, especially those related to terrorism and terrorist financing. During this Plenary the FATF recognized the country's progress; however, there were some deficiencies regarding targeted financial sanctions. Brazil will report on addressing these shortcomings in the next step of follow-up process.

The FATF congratulated Uganda delegation on significant progress. The country will no longer be subject to the FATF's monitoring, and will continue to work with the ESAAMLG².

The Plenary revised how Islamic Republic of Iran implemented the Action Plan on national AML/CFT system improvement. The FATF noted Iran's high-level political commitment in that sphere. So, the FATF decided to continue the suspension of counter-measures. The key threat still remains terrorist financing.

Therefore, upon review the "black" list remained unchanged – Iran and DPRK (counter-measures are applied to DPRK). "Grey" list was updated with Trinidad and Tobago, Tunisia and Sri Lanka. Thus it already includes Bosnia and Herzegovina, Vanuatu, Iraq, Yemen, Syria, and Ethiopia. In the case of Bosnia and Herzegovina the Plenary noted sufficient progress so that expert mission could be sent to the country. Following the results of the mission, the decision about the possible withdrawal of the country from the FATF monitoring process will be made.

The process of giving to Indonesia observer-status in the FATF is going on. In May 2018 a high-level mission to assess compliance with the international standards and the willingness of the government to meet the FATF requirements will be sent to Jakarta.

The work on the regular update of the FATF report on the financing of ISIL in the framework of RTMG acquired a qualitatively new level. A record number of states participated in the preparation of the regular paper for the Argentine Plenum. The FATF broadened the range of terrorist organizations in regard with the report. So it covers Al-Qaeda and terrorist organizations affiliated with it and ISIL. In accordance with RTMG proposal the Plenary decided to conduct an international research on methods of terrorism related financial flows disruption.

During the session, the interim results of the project for the research into professional money laundering networks and related financial flows were summed up. The project was initiated by Russia and USA also in the framework of the FATF RTMG.

The Plenary supported the continuation of working on the project on coordination of technical assistance within the FATF global network. The Project subgroup created and sent a questionnaire to the FATF member states. The analysis of the responses will be presented at the next Plenary meeting.

Next Plenary meeting will be held on February 18-23, 2018 in Paris, France.

¹ Financial Action Task Force of Latin America, FATF Style Regional Body

² Eastern and Southern Africa Anti-Money Laundering Group, FATF Style Regional Body

CTED Global Counter-Terrorism Research Network

A. Why the Global Research Network was created

Over recent years, the global security landscape has become significantly more complex, volatile and challenging, as terrorists, terrorist organizations and their affiliates have continued to adapt their tactics and methods. Since 2014, the emergence of new terrorist groups such as the Islamic State in Iraq and the Levant (ISIL, also known as Da'esh) and the development of the foreign terrorist fighter (FTF) phenomenon have significantly exacerbated existing political and security challenges in some of the world's most vulnerable regions.

Terrorist groups have also increasingly urged their supporters to carry out attacks in their name, wherever they are located and using any means available to them. Most such attacks are directed at poorly protected civilian ("soft") targets. "Lone" attackers — who may be completely unknown to the authorities — have been directly guided and instructed by operatives using encrypted messaging services. Terrorist organizations have also compensated for their territorial losses by expanding their presence to new regions.

In response to these evolving threats, Member States have taken an increasingly holistic approach by developing strategies and policies that address the conditions conducive to terrorism and by introducing preventive measures that involve many sectors of society. However, the adoption of such an approach itself presents further challenges. In strengthening their efforts to counter incitement and violent extremism, for example, States must take into account the rights of victims of terrorism; carefully manage the relationship between security and development; and uphold their international obligation to ensure respect for human rights and the rule of law.

In its resolution 2129 (2013), the Security Council directed the Counter-Terrorism Committee Executive Directorate (CTED) to identify emerging issues, trends and developments relating to Council resolutions 1373 (2001) and 1624 (2005) and to advise the Committee on practical ways in which Member States can implement the resolutions. CTED's primary tools in conducting this work include its assessments of, and dialogue with, Member States and its partnership with the Analytical and Sanctions Monitoring Team of the 1267/1989/2253 ISIL (Da'esh) and Al-Qaida Sanctions Committee. CTED also gathers information from international and regional organizations and civil society, including academic entities and, in particular, the members of its Global Research Network.

B. The Global Research Network: past, present and future

The Global Counter-Terrorism Research Network was formally launched at United Nations Headquarters, New York, on 19 February 2015. Driven by the creative and proactive approach of its members, the Network has evolved into a dynamic forum for sharing evidence-based research; keeping abreast of new and emerging trends and developments; and collaborating in identifying and analysing priority issues, challenges and good practices.



The Network currently consists of over 100 leading think tanks and research institutions from Africa, Asia, Europe, the Middle East, the Americas and Oceania, including the International Training and Methodology Centre for Financial Monitoring (ITMCFM, Russia), International network AML/CFT Institute, and the Scientific and Advisory Council at the Commonwealth of Independent States Anti-Terrorism Center (CIS ATC). CTED is actively seeking to further expand the Network and broaden the range of perspectives and fields of expertise represented.

C. Research Digest and Trends Reports

Two products of CTED's collaboration with the Network are the *Research Digest* and *Trends Reports*. The *Research Digest* highlights a selection of reports, from all over the world, which provide a broad range of perspectives on new and emerging trends and developments. The *Trends Reports* are intended to bring to the attention of policymakers the analytical perspectives of academic entities and international and regional organizations from around the world. The first report may be consulted at CT web-site.

D. Second open meeting of the Global Research Network

On 16 November 2017, the Committee held its second open meeting with the Global Research Network. The discussions focused on three topics: (i) the implementation of Security Council resolution 2178 (2014) in the context of the challenge of returning and relocating FTFs; (ii) national practices in countering violent extremism, which can be conducive to terrorism; and (iii) the protection of civilian ("soft") targets. The three themes were identified as priority concerns by Network entities.

Participants in the open meeting noted that, between 2013 and 2017, Afghanistan, Iraq, Nigeria, Pakistan and Syria had together accounted for three-quarters of all terrorism-related deaths worldwide and that the number of civilian fatalities had increased significantly over recent years. Fifty-six per cent of terrorist attacks carried out in sub-



Saharan Africa had been targeted at civilians. In the Middle East and North Africa (MENA) region, the proportion was sixty per cent. Most attacks carried out in Africa and the Middle East had targeted urban areas and refugee camps. In Europe, the deadliest attacks had involved returning FTFs. The number of individuals who had returned from the conflict zones of Iraq and Syria was estimated to be 5,600. Many had yet to be accounted for.

A total of 40,000 individuals had travelled to Iraq and Syria, from over 110 Member States. Some had returned disillusioned and might be mobilized to dissuade others from becoming involved with terrorism. Others remained highly dangerous, and some might have been sent back to their home States by ISIL or relocated to third States in an effort to expand the group's global reach.

The response to the evolving terrorist threat should include proactive monitoring of intelligence; an inclusive approach to deradicalization, rehabilitation and reintegration; and systematic consideration and balancing of preventive, corrective and curative approaches.

E. Future work

CTED is currently working with its global partners to plan the Network's 2018 annual meeting, as well as the CTED work plan for the implementation of Security Council resolution 2354 (2017), on countering terrorist narratives. Related information will be made available on the Committee's website in due course. CTED encourages its Network partners to collaborate within the framework of joint events, as part of its efforts to further strengthen its engagement with the global research community.

Information about CTED researches is available at <https://www.un.org/sc/ctc/focus-areas/research>. Also CTED welcomes for additional Network partners and topics for next Research Digest and Trends Reports. For further information, please contact CTED@un.org.

We welcome you to take part in the development of the EAG Bulletin. If you would like to place news, articles and other publications in the following issues of the Bulletin, please feel free to send an e-mail entitled "EAG Bulletin" to: info@eurasiangroup.org

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