

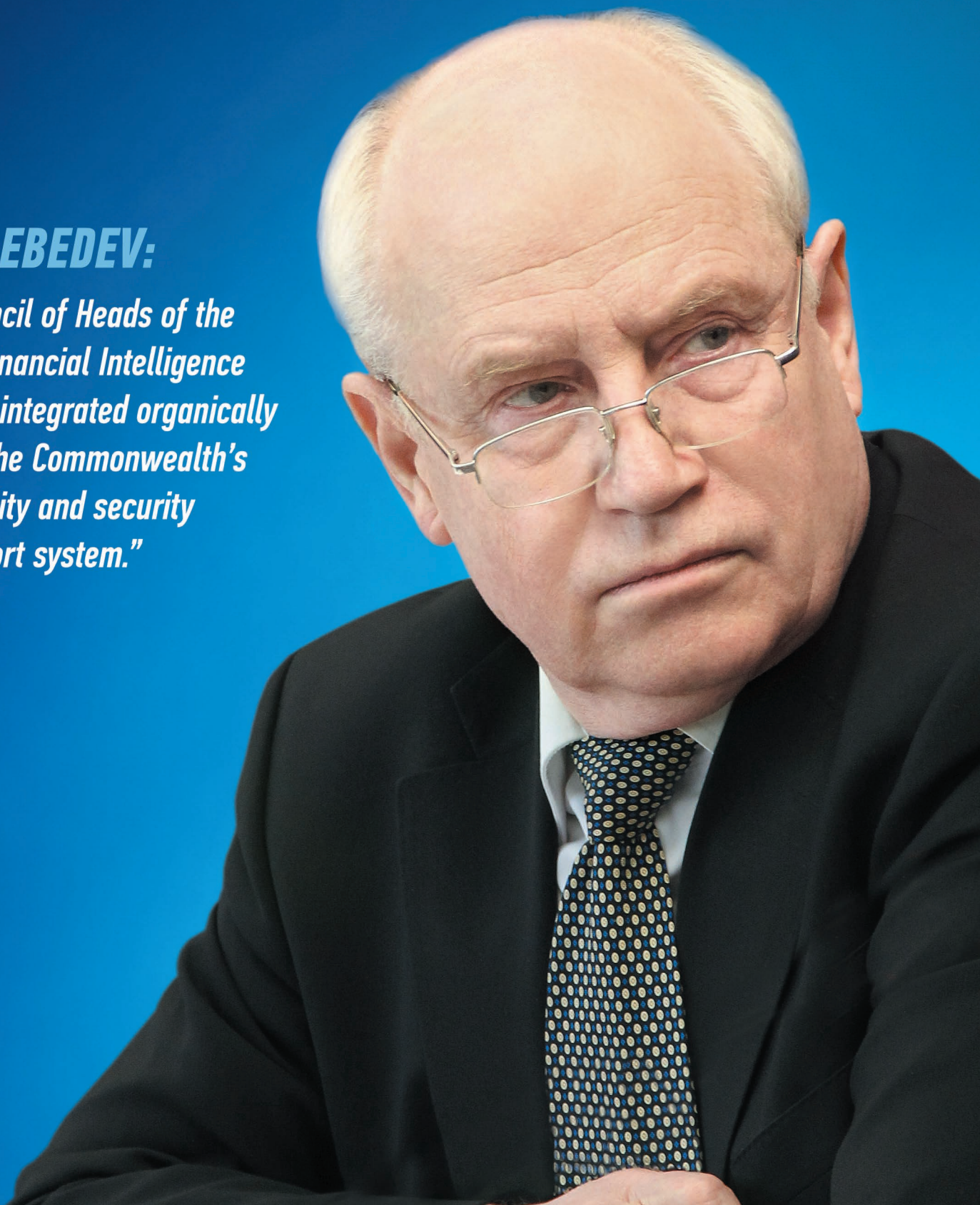
# FINANCIAL SECURITY

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NO. 14 SEPTEMBER 2016

## **S. LEBEDEV:**

*“Council of Heads of the  
CIS Financial Intelligence  
Units integrated organically  
into the Commonwealth’s  
stability and security  
support system.”*





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## DEAR READERS,

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**T**his issue of the Financial Security magazine is dedicated to the Commonwealth of Independent States, which celebrates its 25th anniversary this year.

Established in complex historical and geopolitical conditions, the Commonwealth plays an important role and continues to be a key member of the international community. The principles on which we built this organization a quarter of a century ago – voluntary basis, partnership and mutual assistance – have not lost their relevance even today.

As CIS member states continue to actively deepen their mutual engagement, whose focus is currently on strengthening of integration processes within Eurasia, they are assisted in this crucial task by agencies responsible for cross-sectoral cooperation in such areas as security, economic development, fight against organized crime, etc.

In 2012 the system was expanded further through the addition of a new body responsible for combating



money laundering and terrorist financing – Council of Heads of Financial Intelligence Units of CIS Member States (CHFIU). And today we can say with confidence that the CHFIU effectively performs its functions and has become an integral part of the CIS structure. I would like to thank all countries represented at the Council for their active participation in its projects and wish them even better results!

This issue of the magazine contains materials from our partners, with whom we carry out joint activities to mitigate risks and threats to the Commonwealth's security. We should emphasize a key role played by the CIS Anti-Terrorist Centre, CIS Coordination Council of Prosecutor Generals, CIS Council of Border Troops Commanders, CIS Office for Coordination of the Fight against Organized Crime and Other Serious Crime in the Territory of the CIS and other organizations that provide security within CIS.

On behalf of the Director of the Federal Financial Monitoring Service, I would like to reiterate our commitment to further enhancing the effectiveness of our cooperation in the fight against existing threats. I am confident that our joint work will make a significant contribution to the development and strengthening of the Commonwealth of Independent States!

*Yours sincerely,  
Yury A. Chikhanchin,  
Director of Rosfinmonitoring  
EAG Chairman*

## COVER STORY

# CIS 25 YEARS: OVER QUARTER-CENTURY HARMONIZED SYSTEM OF INTERSTATE COOPERATION WAS FORMED

*Sergey N. Lebedev,  
Chairman of the Steering Committee –  
Executive Secretary of the Commonwealth  
of the Independent States*



*Sergey N. Lebedev*

**T**wo and a half decades ago the now Commonwealth member states became independent figures on the global chessboard. Established at the time regional international organization CIS has become an effective instrument of building up links between the new states with regard to their peoples' historical affinity, outlined by mutual recognition and respect of the state sovereignty. A series of multilateral agreements signed within the Commonwealth during the initial period of CIS, permitted in those difficult times to provide the work of social mechanisms, essential for people's normal life in the post-Soviet territory: pension and subsidies' payouts, transportation, communication and power maintenance.

The quarter century that has passed since then was full of persistent joint efforts aimed at improving and raising effectiveness of the cooperation mechanisms. A significant step in the Commonwealth evolution was the signing of the Agreement on the CIS free trade area in 2011.

This document, completely compatible with norms and regulations of the World Trade Organization, opened new perspectives of economic collaboration between the Commonwealth states.

Today the Commonwealth has a precise and balanced program of joint, top-priority and perspective actions, tune system of interstate collaboration. Within the CIS framework a solid legal base was elaborated, functioning structures were established in economic and humanitarian fields; states' stability and security were provided. I underline, that the CIS is not a petrified monolith but a living and evolving entity. The members approved the Concept of Further CIS Development and the Action Plan for its accomplishment, the Strategy of the CIS Economic Development up to 2020 and a number of other documents, aimed at improving our integrational structure and raising its effectiveness.

The issues related to adaptation of our international organization to new realities of modern life are always in focus of the CIS Heads of State. It is a natural process, characteristic for any state, international or public structures. Thus, within the UN the issues of revising the activities of this authoritative international organization and updating its statute are being discussed. A similar work is being done in the OSCE and other global structures.

The Commonwealth of Independent States is no exception. The process of reforming is logical and natural. The modern internal and external context requires refusing the outdated and ineffective bodies and methods of work and at the same time stimulates the introduction of new institutions and structures. In the year of the anniversary this work continues. These issues were already discussed at the Council of CIS Ministers of Foreign Affairs meeting in April, the CIS Economic Council meeting in May and the CIS Heads of Governments Council in June. They will also be under discussion at the upcoming meeting of the CIS Heads of State Council in autumn.

The global scenario becomes more complicated and can hardly be predicted. Different regions are afflicted by hot spots that constantly tend to enlarge and intensify. Certain centres of power still try to impose their model of development upon other countries, exert a complex political,

economic and informational pressure, as well as regulate from outside the internal political processes in independent states.

Given the situation the activities of the CIS security bodies are in high demand. The bodies include: Ministers of Defense Council, Heads of Security Authorities and Special Services Council, Ministers of Internal Affairs Council, Border Troops Commanders Council, Anti-Terrorism Centre. The field of financial security is covered by the recently established Council of Heads of Financial Intelligence Units of the CIS states.

The senior authorities of the Commonwealth conceptually defined the approved principles, goals, main areas and forms of cooperation in the fields of military and border collaboration and in countering the international organized crime.

The conceptual approaches are accomplished within the framework of medium-term programs and plans, formed in the priority areas of activity (countering terrorism, organized crime, drug trafficking, illegal migration, human trafficking, and enhancing border security).

In line with these programs, scheduled for the period 2014-2020 the following actions are being taken:

- legal base for cooperation is being established and improved (over the last three years at the interstate and intergovernmental levels 67 documents in the security field were approved);
- consistent efforts aimed at CIS states' joining the international regulations in the field of cooperation to counter the modern challenges and threats to security;
- harmonization of the national legislations on the basis of model laws, approved by the Interparliamentary Assembly of the CIS States;
- in line with special coherent plans crime prevention events and special operations are held (in 2013-2015 they accounted for 38 and 6 respectively).



The cooperation in the field of design, production, and supply of modern arms, special means, machines and equipment for law enforcement authorities and other competent bodies of the CIS states is developing gradually on a contract basis.

The elaboration of a series of organizational and technical events targeted at creation and effective use of modern communication systems and technologies for information exchange between the competent authorities of our states. The Interstate Databank which processes, keeps and provides information on-line was established.

The CIS countries actively cooperate in the field of training, raising and updating qualification of personnel. With this purpose certain educational institutions specialized in security issues were granted the status of basic organizations of the CIS member states. Over the last three years more than 1,500 experts were trained.

Collaboration was initiated with international organizations among which the UN Security Council Counter-Terrorism Committee, UN Office on Drugs and Crime, EAG, FATF and profile structures of OSCE, SOC, CSTO.

A special area of interaction within the Commonwealth is reserved by prevention and liquidation of nature-caused and man-made emergencies' consequences. Cooperation modus operandi was designed for the competent authorities in case of a threat or emergencies of natural or industrial character. An important role in liquidation of emergencies' consequences is played by the CIS Allied Corps, which comprise units trained for firefighting, emergency and water-rescuing works, emergency zone monitoring (radiation, chemical and biological control), medical aid, evacuation of survivors, cargo and people's transportation.

There is an active interaction in all the fields of countering challenges and threats to security, the CIS countries in the recent years have focused on the joint combatting terrorism and extremism.

It derives from the fact that instead of the world community's efforts the rate of terrorist threat doesn't decline but is steadily increasing. Overall, it acquires more sophisticated forms and methods, expands its geography, scale, changes the techniques of attacks and targets.



One of examples is the activity of the terrorist organization of ISIL.

Serious risks, related to terrorist threats, are growing in close proximity to the Commonwealth external borders. There is still tension in the Afghanistan-Pakistan region which is a direct threat to security of the CIS Central Asian states.

It was in that context that the Heads of State of the Commonwealth of Independent States' Statement on Countering Global Terrorism defined as top priority combatting international terrorist organizations, ISIL first of all. It expresses the commitment to use all the capacity of the cooperation within CIS for timely prevention and active countering threats, posed by terrorist organizations, determination to interact constructively with all the states and international organizations concerned.

With regard to the changes in geography and organization of terrorist activities, forms and methods of attacks it is supposed to amend the Concept of cooperation between the CIS member states in countering terrorism and other violent extremist manifestations.

A draft of Agreement on information exchange in the field of countering terrorism and other violent extremist manifestations and their financing was prepared for signing in order to enhance the legal framework.

The Ministers of Defense Council continues joint exercises of the CIS member states' armed forces "Comradeship-in-Arms", with a special focus on issues of combating terrorism. Annually anti-terrorist exercises of the CIS member states' competent authorities and meeting of the CIS member states' Heads of anti-terrorist departments of security authorities and special services are organized with coordinating participation of the CIS Anti-Terrorism Centre.

Intelligence operations in countering drug trafficking, cutting off transportation channels, identification of the individuals involved, liquidation of underground (illegal) laboratories that produce drugs and psychotropic substances have proven useful. Over the last 2 years authorities identified and dismantled 28 similar laboratories, eliminated 46 international drug supply channels, confiscated more than 60 tons of narcotic substances.

Within the Commonwealth the system of industry interaction in the security field was established and is now operating. Moreover, the most part of the CIS states take part in activities of security authorities and special services, internal affairs bodies and border troops. According to the context their goals are adjusted and new mechanisms of industry cooperation are formed.

In recent times alone by the decisions of the Heads of State Council were established the Council of Heads of the CIS Financial Intelligence Units, the Interstate Council on Countering Corruption and the Council of Heads of the CIS Penitentiary Services.

It may be noted with satisfaction that relatively new Council of Heads of the CIS Financial Intelligence Units integrated organically into the CIS stability

and security support system. Within its framework the participants closely and frankly discuss relevant and perspective issues, coordinate joint actions in countering international terrorism, drug trafficking, money laundering and other manifestations of transnational crime.

Cooperation among the CIS financial intelligence units in identification and tracking of white-collar crimes' proceeds and prevention of their use for terrorism financing has become targeted and routine. The Council has already held certain actions aimed at "financial centres" involved in transactions for the benefit of terrorist organizations. As a result over 400 individuals involved in the mentioned activities were identified. The competent authorities initiated criminal proceedings against more than 1000 citizens, who had travelled for participation in terrorist organizations' activities.

In conclusion, I would like to emphasize once more that cooperation in the field of stability and security support is one of CIS integrational collaboration top priorities. The Commonwealth states take a deserving place in the international anti-terrorist and anti-criminal coalition, making a significant contribution to the global security support.

# FINANCIAL INTELLIGENCE GUARDS COMMONWEALTH INTERESTS

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*Pavel V. Livadny,  
State Secretary – Deputy Director of the  
Federal Financial Monitoring Service,  
Head of the CHFIU Secretariat*

In 2013, the family of sectoral cooperation bodies of the Commonwealth of Independent States was enlarged through the accession of a new member – the Council of Heads of Financial Intelligence Units (CHFIU), the Agreement on the formation of which was signed by Heads of the CIS member states on December 5, 2012. The Council consists of Heads of Financial Intelligence Units of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, and Ukraine (its delegation does not take part in the work of the Council since 2014).

Being primarily a specialized working body of the CIS, the activity of which is based on stringent regulatory requirements in terms of organizing, planning and reporting established by the Regulations on the sectoral cooperation bodies of the Commonwealth of Independent States on October 9, 2009, our Council is notable for «the uncommon expression of its face» since its inception. This is due to the specificity of tasks (each of the CIS sectoral bodies is specific and unique in its own way), and an unprecedented level of attention given by the international community to anti-money laundering.

Indeed, the AML/CFT international network, the FATF family, already was present in the CIS territory through such a reputable, mature, and well-

deserved structure as the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG), which has a status of an international intergovernmental organization.



Given the fact that the EAG objectives are partly similar to the CHFIU functions and that many countries in the region are presented simultaneously in both organizations, even at the stage of developing the Agreement for the Council we could hear skeptical voices asking: what is the point in establishment of another site when the EAG is so effective? Will this new platform have an independent agenda? We can answer that if via the EAG we have our own regional mini-FATF, then next to a large FATF, in which representatives of financial and political institutions develop standards and assess the country's compliance with them, there is the Egmont Group – an essential element of the international anti-money laundering system, uniting financial intelligence units and providing them with operational and information exchange formats. They are not competitors or duplicates, but complementary elements of one structure – this explains why both previous (South Korea) and current (Spain) FATF Presidents give a great importance to the Egmont Group.



This principle was taken as the basis for defining the role of the CHFIU in developing its regulatory framework and building the workflow: the EAG decides on policy and regulatory issues, while the CHFIU is a body of operational interaction of financial intelligence units focusing on the task of creating a secure environment (electronic channel) for the relevant data exchange, as well as of organizing and conducting joint anti-crime operations. By virtue of its status of a sectoral cooperation body, the CHFIU CIS is occasionally heard at the meetings of the Council of Heads of States and the Council of Heads of Governments. This allows bringing to the highest political leadership of our countries the achievements and challenges of the anti-money laundering system, at the same time maximizing the level of responsibility of the Council members for its effectiveness and efficiency. It goes without saying that the Council's work is not complete without the development of regulatory documents (see below), but they regulate specific issues of the financial intelligence units' activity.

The CHFIU functions established in Article 2 of its Regulation fully reflect the specifics mentioned. In particular, the Regulation specifies that the main areas of the Council's activities include:

- organizing the interaction of financial intelligence units and other concerned bodies of the CIS member states, as well as the CIS bodies, the scope of activity of which includes counteracting the legalization of illicit gains (money laundering) and terrorism financing;
- identifying priority areas of cooperation and adopting effective joint measures.

Besides this, the main functions of the Council are as follows:

- formulating proposals on the development of targeted programs, as well as proposals on priority directions of cooperation of the CIS member states in the sphere of counteracting the legalization of illicit gains (money laundering) and terrorism financing;
- assisting in the implementation of the FATF Recommendations by the CIS member states;
- facilitating the exchange of information between financial intelligence units;

- formulating proposals for the formation of uniform standards for the information exchange between financial intelligence units;
- developing together with interested bodies of the CIS member states the recommendations on the identification and suppression of the forms and methods used for the purpose of legalization of illicit gains (money laundering) and terrorism financing;
- developing and implementing joint measures aimed at combating legalization of illicit gains (money laundering) and terrorism financing;
- cooperating with the concerned CIS bodies, as well as working (executive) bodies of international organizations, the FATF and FATF-style regional bodies in matters of their competence;
- organizing and coordinating the execution of documents adopted within the CIS under the purview of the Council;
- analyzing trends (typologies) in the sphere of the legalization of illicit gains (money laundering) and terrorism financing;
- facilitating the exchange of experience between financial intelligence units of the CIS member states, including the provision of methodological assistance;
- examining issues of training and advanced training of personnel for the FIUs of the CIS member states and creating base organizations of the CIS member states for training and retraining of personnel;
- addressing issues of joint research and development work on issues of mutual interest.

The internal CHFIU structure headed by the working Secretariat, which according to the unanimous decision of Heads of Financial Intelligence Units is based in the Federal Financial Monitoring Service, has been built for the purpose of implementing these functions. I cannot but mention here an enormous contribution of Olga A. Romanova to the work of the Secretariat, as it is thanks to her skills and energy that the Council achieves positive results.

The Council includes the following thematic working groups: Working Group on Financing of Terrorism (headed by Stanislav E. Volkov, representative of the Russian FIU, and his deputies – Esendik K. Musabekov, representative of the FIU of Kyrgyzstan, and Ulzana K. Syzdykova, representative of the FIU of Kazakhstan) and the Working Group on Assessment of Risk and Threats in the field of anti-money laundering and terrorist financing and the development of risk management procedures aimed at their limitation (Head – Ani S. Melkonyan, representative of the FIU of Armenia, Deputy Director – Aleksander E. Shamin, representative of the Russian FIU).

As a result of the working groups activity, two inter-state operations are carried out successfully enough on a regular basis: the regular operation of the CHFUI related to identifying persons involved in the activities of international terrorist organizations, as well as their financial and ideological centres (code-named "Barrier") announced by the decision of the CHFUI as of November 11, 2015, and the «Five Elements» project aimed at establishing and minimizing risks of illegal movement of financial flows to/from the Commonwealth that was launched also in 2015.

Effective international cooperation of financial intelligence units is primarily the most rapid exchange of significant information via adequately protected channels. Not intending to replace in the near future the channels of the Egmont Group, we follow the path of colleagues from different regions of the world by creating our own information exchange network adjusted for addressing specific problems and challenges facing the CIS states, which are connected by common interests in ensuring national security and which are concerned with similar threats. In order to create the International Situation Centre (ISC CIS), the Russian Federation (ITMCFM together with Rosfinmonitoring) has organized the study of the VipNet CIPF (cryptographic information protection facility) program complex. Stable operation of the program has been confirmed. Moreover, the possibility of using the VipNet throughout the CIS space has been investigated. An issue of taking out Russian cryptography to the CIS countries has been addressed. The costs and schedule of putting into operation of the ISC CIS have been calculated. The completion of work on this project will create a stable channel for the exchange of important information within the Council and will strengthen the operational component of its activities.

I have already noted that the development of documents under the auspices of the Council is aimed at solving specific operational objectives, for which it was necessary to determine the place and the role of the financial intelligence in the system of ensuring the safety of the CIS countries, to determine the prospects of development of this sector. In this regard, the Council has developed and approved in accordance with the procedures of sectoral bodies of the Commonwealth two concepts: the Concept of the system of information exchange between financial intelligence units of the CIS member states and the Concept of cooperation of financial intelligence units of the CIS member states. After reviewing these documents and highly appreciating them, the CIS Executive Committee apparatus saw the potential required for the development of the strategic document of a higher level – the Concept of cooperation of the CIS member states in the sphere of countering the legalization of illicit gains (money laundering) and the financing of terrorism and proliferation to be approved by the Council of Heads of Governments of the CIS member states. This work has now been completed and the Concept draft is passing through the stage of internal coordination in the countries represented in the CHFUI.

The agreement of the CIS member states on countering the legalization of illicit gains (money laundering) and the financing of terrorism and proliferation prepared by the Council for the purpose of replacing the outdated document developed in 2007 is currently at the same stage.

Another direction of the CHFUI activity is encouraging the training of personnel for the anti-money laundering system. Thus, at the suggestion of the Council and by the decision of the CIS Council of Heads of Governments as of October 30, 2015, an autonomous non-profit organization «International Training and Methodology Centre for Financial Monitoring» (Russia) was granted the status of the base organization of the CIS member states intended for the education in the field of countering the legalization of illicit gains (money laundering) and terrorism financing.

During the comparatively short period of operation the Council integrated organically into the system of the CIS sectoral bodies. The Coordinating Council of heads of tax (financial) investigation bodies of the CIS member states, the Council on cooperation in the field of basic science of the CIS member

states, the Anti-Terrorism Centre of the CIS member states, the Bureau on Coordinating the Fight against Organized Crime and Other Dangerous Crimes in the Territory of the CIS member states, the Council of Commanders of Border Troops have confirmed their intention to engage the respective agreements and became our partners. Moreover, joint work on detecting persons involved in terrorist crimes committed in the territory of the CIS member states or against their interests is actively carried out.

Fraternal relations between the CHFIU and the EAG were confirmed by the CHFIU's decision as of November 11, 2015, to grant the FIU of India the observer status in the Council. The similar interest is shown by the FIU of China.

I would like to proudly emphasize the activity of representatives of the Council member states not only in the formation of its agenda but also in practice. Indeed, the creation of CHFIU was an initiative of the FIU of the Republic of Belarus; the study of international experience in establishing contact points (centres) involved in detecting and recovering criminal assets was carried out at the proposal and by efforts of the FIU of the Kyrgyz Republic jointly with financial intelligence units of the CIS member states; the development of the Supranational risk assessment methodology, as well as the development of common approaches in combating the financing of proliferation of weapons of mass destruction and the practice of the information exchange between financial intelligence units of the CIS member states – by the FIU of Armenia; a series of anti-terrorism operational initiatives – by the FIUs of Russia and Tajikistan; the preparation of the order of formation and use of the digital library of national lists of organizations and individuals involved in terrorist activities and the financing of terrorism by financial intelligence units of the CIS member

states – by the FIU of Kazakhstan. It stresses that the Council is perceived by its members not as a formal «talkfest», but as an effective and useful format. It is natural that the discussion of initiatives cannot go without debates, which are quite hot sometimes, but it is also an indicator of the working atmosphere that prevails at the site.

A few words about the most promising areas of the Council's activity. I believe that we must strive to create on its basis an interstate centre of assessment of ML/TF/PWMD risks, the activity of which would be aimed at minimizing the emerging threats identified on the basis of the analysis of information on operations that characterize the cross-border financial flows, and which would allow us to provide the Heads of States and Governments of our countries with specific recommendations in this area. It stands to reason that the establishment of such a centre is possible only in conditions of the information exchange via the created communication channels and the intensification of analytical and operational activities of the Council.

Besides this, forming the cooperation with developing integration institutions of our common home, in the first place – with the structures of the Eurasian Union, looks promising.

I believe that the implementation of these areas as part of the Council's activities will allow it to confirm its usefulness and relevance in today's fast-paced world.

Concluding this brief overview of the CHFIU work, I would also like to thank the management and employees of the CIS Executive Committee, without whose support the CHFIU would not have succeeded, – first of all to S. Lebedev, A. Druzhinin, and G. Samsonov.



## *CIS Council of FIU Heads Member States*



### *Republic of Armenia*

The Financial Monitoring Centre of the Central Bank of the Republic of Armenia (FMC) is a national centre responsible for collection, analysis and dissemination of information related to the fight against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction (ML/CFT/PWMD).

The FMC was established in 2005 under the Charter approved by the Central Bank Council as a structural unit of the Central Bank (CB).

In the exercise of its functions and powers, the FMC is guided by the country's Anti-Money Laundering and Terrorist Financing Law, a framework AML/CFT/PWMD document. Structurally, the FMC is made up of four departments – research department, department of international relations, legal department and IT department – staffed by a total of 29 employees. The position of the FMC Director is held by Daniel N. Azatyan.

The FMC represents Armenia's interests in international organizations involved in the fight against ML/FT/PWMD, as well as being an active participant in the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), the CIS Council of Heads of Financial Intelligence Units and the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG). It has been a member of the Egmont Group since 2007.

The FMC performs functions of the Secretariat of the Interagency Commission for Combating Money Laundering, Terrorist Financing and the Financing of Proliferation of Weapons of Mass Destruction, where the FMC Head holds the post of Secretary and Head of a working group.

**Daniel N. Azatyan, Head of Financial Monitoring Centre, Central Bank of the Republic of Armenia:**



“The efforts aimed at combating money laundering, terrorist financing and financing of proliferation of weapons of mass destruction are key to ensuring public safety and safeguarding integrity and normal performance of economic and financial systems at both national and international levels.

Globalization and development of information technologies enable rapid and relatively affordable cross-border movement of capital, creating favourable conditions for the abuse of national financial institutions and designated non-financial businesses and professions.

In this respect, consolidated and coordinated cooperation at the international as well as regional and interagency levels is essential to achieve success in our fight against ML/TF/PWMD.

In 2012 Armenia joined the Agreement on the Establishment of the CIS Council of Heads of Financial Intelligence Units (Council), whose other signatories include Republic of Belarus, Republic of Kazakhstan, Kyrgyz Republic, Russian Federation, Republic of Tajikistan and Ukraine.

In a relatively short period since its establishment, the Council has made significant progress, acting as a platform for the development and adoption of joint anti-ML/TF/PWMD measures. In particular, we should note the importance of its targeted programs to identify persons involved in international terrorist organizations and, in general, to prevent and combat terrorism and its financing.

In response to modern challenges facing the international anti-money laundering system, the Council continues to formulate new tasks aimed at the identification of new ML/TF/PWMD risks and adoption of mitigation measures. One of these tasks involves a regional assessment of ML/TF risks and threats typically faced by CIS member

states. This will allow us to generalize the identified risks and draw up guidelines on the use of general and country-specific risk management procedures to mitigate them.

The Council's success is due to the consistent and coordinated work by all the member countries' financial intelligence units, including Rosfinmonitoring's special contribution to the operation of the Council Secretariat.

Among the main areas of CIS states international cooperation in the fight against ML/TF/PWMD identified by the FMC are the creation of a common information space to ensure rapid and secure exchange of data as well as the adoption of appropriate measures to promote convergence and harmonization of national legislations and making improvements to the international cooperation legal framework.

The FMC is ready to actively participate in the Council's future anti-ML/TF/PWMD efforts aimed at strengthening international and regional security."



## *Republic of Belarus*

### **Vyacheslav G. Reut, Director of Financial Monitoring Department, Belarus State Control Committee:**



“Dear colleagues and friends,

This year we are celebrating the 25th anniversary of the Commonwealth of Independent States. The CIS continuously works to strengthen safety and combat crime in its various forms and manifestations. In recent history, its member states draw special attention to the protection of their economic interests, financial security, and fight against crime, corruption and terrorism. As globalization enables crime to transcend borders, success in tackling it depends on effective international cooperation, and FIUs begin to play a key role in investigating such crimes.

As a fundamental part of the national anti-money laundering and terrorist financing system, financial intelligence units jointly with law enforcement and supervisory authorities, carry out successful work aimed at combating economic, corruption and other crimes, as well as at preventing legalization of the proceeds from these crimes.

Established on September 14, 2003, the Financial Monitoring Department of the State Control

Committee performs functions of the Belarus FIU, whose main duties include the following: adoption of effective anti-money laundering, terrorist financing and financing of proliferation of weapons of mass destruction measures; creation and operation of an automated system for accounting, processing and analysing information on financial transactions subject to special control; and promotion of international cooperation in AML/CFT/PWMD.

The Department's activities are aimed at obtaining practical results. For example, only in 2015 its materials related to the acquisition and laundering of criminal proceeds were used by the country's law enforcement and supervisory authorities to apply financial sanctions totalling over \$60 million, recover about \$20 million in budgetary funds and identify 448 criminal offences, including 11 offences falling under Article 235 “Money Laundering” of the Criminal Code of Belarus. These results were achieved, inter alia, due to cooperation with foreign partners: the Department interacted with 46 foreign financial intelligence units in 2015 and established first contacts with the FIUs of Nepal and Samoa in 2016.

The work of the Belarusian AML/CFT system operates in strict compliance with international standards and is subject to continuous improvement, especially in the legislative field: on June 13, 2016 the country enacted a law that provides for an indefinite freeze of assets and blocking of financial transactions of persons involved in terrorist activities.

Practical experience, expertise and reputation acquired by Belarus over the past years allowed it to initiate the creation of the Council of Heads of Financial Intelligence Units, an international body responsible for sector-specific cooperation among Commonwealth of Independent States member countries, in which Belarus was assigned a leading role at its first meeting in May 2013 in Minsk.

Today, the CIS Council of Heads of Financial Intelligence Units demonstrates its effectiveness both in anti-money laundering field and fight against terrorist financing.

One of the Council's cooperation priorities is personnel training and skills development as well as establishment of basic training centres. The use of a common information space represents a unique way for CIS FIUs to exchange AML/CFT experience. It brings together all the Council's FIUs, International Training and Methodology Centre for Financial Monitoring, which acts as the base CIS educational institution, and MEPhI Institute of Financial and Economic Security (IFES). This system is popular and it is frequently used for multilateral consultations and training events. On behalf of Belarus alone, 109

representatives of various institutions participated in 34 activities held via this system in 2015. Moreover, Belarus initiated and organized three specific experience sharing workshops.

In conclusion, it is important to note that only by expanding cooperation and combining the efforts of all Commonwealth of Independent States member countries that we will be able to create conditions for constructive sectoral cooperation in various fields and for strengthening of international partnerships."





## Republic of Kazakhstan

The role of Kazakhstan's financial intelligence unit (FIU) is played by the Financial Monitoring Committee (Committee), established within the structure of the Kazakh Ministry of Finance on April 24, 2008 in line with Government Resolution No. 387. As an administrative-type FIU, the Committee is responsible for the following:

- collection and processing of information on financial transactions with funds and/or other assets subject to financial monitoring;
- analysis of information submitted by reporting entities with a view to identifying persons involved in, or linked to, money laundering and terrorist financing;
- compilation of a List of entities and individuals involved in terrorist or extremist financing;
- coordination of activities of the relevant state bodies and referring information within its competence to law enforcement authorities for subsequent procedural action, where justified by evidence;
- promoting cooperation with foreign competent authorities and representing the country in international organizations engaged in the ML/TF fight.

On August 28, 2009, the President of Kazakhstan signed the bills "On Combating Money Laundering and Terrorist Financing" and "On Amendments to Certain Legislative Acts Concerning Money Laundering and Terrorist Financing".

The Committee's head office is located in Astana, while its territorial unit – the Financial Monitoring Department – in Almaty.

The Committee represents Kazakhstan in various international organizations and associations such as the CIS Council of FIU Heads, EAG and Egmont Group. To date, it has signed over 25 Memoranda of Understanding with the competent authorities of foreign states.

In June 2016, Astana hosted the 24th EAG Plenary. It became a landmark event for Kazakhstan due to the Plenary's decision to remove the country from its follow-up process, taken following the Committee's presentation of the country's progress achieved over the past 5 years. This fact is proof of the adequacy of measures undertaken by the Kazakh Government to ensure transparency of the financial system and to combat terrorist financing.

Traditionally, a regular meeting of the Council of Heads of Financial Intelligence Units of CIS Member States (CHFIU CIS), a CIS body responsible for sectoral cooperation, was held on the side-lines of the Plenary week.

**Sofia S. Aysigalieva, Deputy Chairperson of the Financial Monitoring Committee, Kazakhstan's Ministry of Finance:**



"First of all, on behalf of Kazakhstan and on my own, let me congratulate all the member states of the Commonwealth of Independent States on the 25th anniversary. It is a great honour to be a full-fledge member of the Commonwealth and a huge responsibility to be part of it. It is also very gratifying for us to see the CIS being used as a forum for political dialogue on such an important issue as the development of a global financial security network.

Thanks to the joint efforts of the CIS member states, in the territory of ex-USSR a stable anti-money laundering and terrorist financing system has been

already formed. At a time when the threats associated with organized crime, terrorism and extremism become more and more pronounced, our countries take effective and sustained measures to cut off funding and support for criminal elements. This important mission unites our countries and facilitates creation of a mutual cooperation network.

Kazakhstan, in its turn, has repeatedly expressed its commitment to peace and rebuilding mutual trust

around the world. We are convinced that security and stability of the world depends on the contribution of each country and entire regions.

I would like to wish all countries further fruitful work, trouble-free cooperation and success in all their endeavours.

I also wish all the CIS countries prosperity, peace and a clear blue sky above their heads!"



## *Republic of Kyrgyzstan*

**Bolot A. Sadykov, State Secretary of State Financial Intelligence Service of the Kyrgyz Republic:**



"Dear reader!

The work carried out by the State Financial Intelligence Service under the Government of the Kyrgyz Republic in recent years can rightfully be described as appropriate, result-oriented, progressive and aimed at the real development and improvement of the country's national anti-money laundering and counter-terrorist financing system (AML/CFT).

2015 marked the 10th anniversary of the establishment of the Kyrgyz financial intelligence unit, a state agency responsible for AML/CFT. The first years in the life of the Agency were a formative period, a time of laying the foundation of the legislative framework, training of staff, establishment of interagency and international relations, building up of technical and technological capabilities, creation of a common database, and conducting of extensive outreach and training activities for reporting entities. Since Kyrgyzstan had never done anything like this before, the work to build the architecture of the national AML/CFT system was neither quick nor easy.

Meanwhile the world community had been actively countering money laundering for several years already. With the creation of the first financial intelligence units and national AML/CFT systems, international organized crime, which had by that time already mastered the use of the most complex and intricate money laundering schemes, finally found a worthy opponent. Thanks to the efforts of international banking system and governments of the world's leading powers, international

organizations were established. Their activities were aimed at developing essential measures and standards needed to counteract attempts to misuse the global and domestic financial systems. One notorious example of criminal misuse of the banking system for money laundering in Kyrgyzstan is connected with the laundering and embezzlement of foreign credit funds at AsiaUniversalBank, accomplished through an intricate scheme involving transfers of funds from one account to another, their splitting and subsequent siphoning off overseas.

Today, the State Financial Intelligence Service under the Government of the Kyrgyz Republic is going through a period of active development, a period when we finally can, and should, talk about the impact of its activities and, of course, of the effectiveness of interagency and international cooperation: first, because without interaction between agencies there can be no national anti-money laundering and terrorist financing system, given that ministries and agencies are an integral part, as well as the links, of one and the same chain; and second, the establishment and development of the national AML/CFT system and its designated authority was possible thanks, in no small part, to the technical and advisory support from international organizations and foreign FIUs.

Over the past years of their active and effective involvement in the fight against money laundering and terrorist/extremist financing, the SFIS staff conducted hundreds of financial investigations as well as prepared and referred to law enforcement dozens of case files on shady money turnover (illicit business operations, tax evasion and other offences), committed through the use of financial instruments worth several billions sums.

A good example of the effectiveness of interagency engagement and international cooperation is an investigation conducted by the SFIS into the activities of a transnational criminal group specializing in the smuggling of drugs from Afghanistan to the CIS territory. The State Financial Intelligence Service under the Government of the Kyrgyz Republic is a regular and active participant in the annual anti-drug operations "Barrier" and "Channel". The sharing of information with the relevant law enforcement agencies engaged in the gathering of intelligence on the criminal group allowed the SFIS analysts to unravel a highly complex scheme

of banking transactions and financial tricks used by the defendants to conceal the traces of criminal proceeds and carry out their laundering.

A significant informational contribution to this investigation came from the Federal Financial Monitoring Service of Russia. One of the suspects in this case – a coordinator of remittance payments between international drug traffickers – was, as it turned out, already under the microscope of the law enforcement of the Russian Federation.

In 2013, the EAG organized its first contest for the best example of cooperation between government agencies of EAG member states in the field of AML/CFT. Participants of the 19th Plenary of the EAG, where the results of the contest were announced, expressed their appreciation for the work carried out by the SFIS staff and acknowledged its investigation relevance. The investigation conducted by the SFIS was chosen from among ten case studies submitted to the contest jury by other EAG member states.

The international community today is deeply shocked and concerned about the surge of international terrorism that, while hiding behind the banner of Islamic religion, recruits large numbers of followers by appealing to their religious beliefs. The Central Asian Region (CAR), as we all know, is one of the key targets for international terrorist organizations and their affiliates from among radical Islamic fundamentalist and extremist groups, a fact that raises great concern both among the countries in the region and the international community as a whole. The region's proximity to Afghanistan, Pakistan, Iraq and Syria acts here as an obvious destabilizing factor.

Besides being very active in Syria and Iraq, Islamic State (banned in Kyrgyzstan) tries to establish underground cells across the world, including in the Kyrgyz Republic, tasked with recruitment of followers from among the religious youth and their subsequent Islamic indoctrination. According to some reports, as many as 500 Kyrgyz nationals are currently fighting for the Islamic State in Syria as members of international terrorist organizations.

Against the backdrop of the ever-swelling stream of new recruits heading to Syria, the potential threat emanating from returnees becomes more and more pronounced. The return of former ISIL fighters, poisoned by radical ideas, battle-hardened and highly experienced at waging urban and mountain warfare, and capable of effectively confronting law enforcement forces, creates,

all totalled, new challenges and threats to Kyrgyzstan's national security. For the Kyrgyz Republic, just as for the entire international community, the challenge of combating terrorist financing is one of the most important issues at the start of the new millennium.

Therefore, Kyrgyzstan in compliance with international standards has criminalized terrorist financing. The country, in an effort to combat terrorist financing through blocking certain transactions, has also established a national list of persons involved in terrorist and extremist activities or the proliferation of weapons of mass destruction. The design of the List and adoption of asset freezing sanctions against the listed persons belong to the category of preventive measures in the field of counter-terrorism financing, which, as past experience has shown, can be very effective. Only during 2014 and the 9 months of 2015, the SFIS issued a total of 32 freezing orders targeting transactions with funds or other assets of persons from both the international and national sections of the List.

The State Financial Intelligence Service under the Government of the Kyrgyz Republic has all legal mechanisms necessary at its disposal today to carry out a comprehensive information sharing engagement with foreign FIUs and international organizations on the issue of repatriation of the syphoned off assets. Kyrgyzstan is a full member of the EAG and an active participant in the Plenary meetings of the Financial Action Task Force (FATF). The SFIS, in addition, is a member of the Egmont Group and a participant in the international STAR program. Only in 2015, with a view to strengthening AML/CFT cooperation, the SFIS signed memoranda/cooperation agreements with the FIUs of Russia, Turkey, Sri Lanka, Bangladesh and Nigeria.

All this enables us to conduct a successful search for syphoned off assets with the help of information exchange.

As a result of such search, the SFIS with support from the Egmont Group partners was able to track the movement of assets syphoned off overseas using a sophisticated criminal scheme. By gradually dismantling the building blocks of this scheme, SFIS analysts eventually were able to identify one European bank involved. Following a request from the SFIS, the financial intelligence unit of that country gathered the necessary information about the bank account identified by it. Later, the FIU in response to a request of one offshore jurisdiction confirmed that the beneficiary of the account in question was Mr. X, who had withdrawn funds from Kyrgyzstan while being the head of a commercial enterprise.

That FIU then used its powers to freeze the funds in the account of the European bank involved and transferred all the relevant information to the SFIS of the Kyrgyz Republic. The Kyrgyzstan's competent authorities used the intelligence provided by the SFIS to send a mutual legal assistance request on the basis of the UN Convention against Corruption to seize Mr. X's assets in the bank pending Kyrgyz court decision on their confiscation and repatriation. The request was satisfied: Mr. X's funds in the bank were frozen by the decision of one European court.

The effort to combat crimes aimed at the destruction of the global and domestic financial systems is most effective when it is based on the coordinated actions of all countries, as well as on streamlined legal mechanisms and standards. To achieve this ambitious goal, Kyrgyzstan has drafted and enacted several legislative acts aimed at bringing its national legislation into line with the FATF international standards and recommendations and implementation of international legal mechanisms into the country's legislative framework.

Within the law-making workload, a special attention should be paid to the Law No. 83 of May 29, 2013 "On Amendments to Certain Legislative Acts of the Kyrgyz Republic".

This law amended Article 183 (Money Laundering) and Article 226-1 (Terrorist Financing) of the Kyrgyz Criminal Code.

The decision to draft and enact this law was due to the need to bring its provisions into compliance with Vienna and Palermo Conventions and International Convention for the Suppression of the Financing of Terrorism. Additionally, this law amended the Kyrgyz Law "On Combating Terrorism". In particular, Article 1 was amended to bring the terms and definitions used in the Law of the Kyrgyz Republic "On Combating Terrorism" in compliance with the UN anti-terrorism conventions and the FATF Recommendations glossary.

Kyrgyz parliament is currently reviewing a new version of the framework AML/CFT law drafted by the SFIS and designed to be in full compliance with Kyrgyzstan's international AML/CFT commitments and FATF Recommendations.

The State Financial Intelligence Service is working hard to strengthen anti-corruption measures and eradicate its causes. Norms and provisions of all newly drafted bills are tested for adequacy of their anti-corruption

measures. The country is drawing up a strategy designed to further develop and improve the national AML/CFT system, which will include integrated anti-corruption measures developed in accordance with the basic policy of the state as defined in the Decree of the President of the Kyrgyz Republic Almazbek Atambayev of November 12, 2013 "On Measures to Eliminate the Causes of Political and Systemic Corruption in Governmental Authorities".

The national AML/CFT system cannot be effective without a professionally trained pool of experts. The system for combating financial crimes requires considerable skills and knowledge from the employees of law enforcement, supervisory and judicial systems, as well as banks and non-banking institutions. For this reason, Kyrgyzstan initiated the opening in 2013 of the Training and Methodology Centre under the SFIS, which is designed to provide training to the employees of all organizations and institutions that are in one way or another involved in the work of the national AML/CFT system.

In its establishment of the TMC and organization of the training process, the SFIS received significant methodological assistance and support from ITMCFM of the Russian Federation, cooperation with which plays a key role in the building of a talent pool for the national AML/CFT system. Trainings at the TMC are conducted by SFIS experts and leading specialists of the national bank. In the future, centre will invite foreign specialists from other training centres and international organizations. This is the first such training and methodology centre in Central Asia, and already today it can be used to train specialists from neighbouring countries. In fact, such plans do exist, and they are quite realistic.

National security is a product of a common and stable domestic and foreign policy. If at least one of the links in this chain has a problem, underestimate, shortcoming or abuse, this defect will sooner or later inevitably undermine the entire system of national security. The stability and integrity of the financial system is the one of the most important components of national security.

The responsibility of the government lies in boosting the effectiveness of the national AML/CFT system, improving its legislative framework and strengthening and supporting the financial intelligence unit. It is on these measures, as international experience shows, that we should pin our hopes for preserving the integrity and stability of the country's financial system and, consequently, the national security of the Kyrgyz Republic."





## Russian Federation

The national Financial Intelligence Unit (FIU) was established in 2001 as an independent agency within the executive branch, accountable before 2004 to the Ministry of Finance, from 2004 to the Government of the Russian Federation, and since 2012 directly to the President of the Russian Federation.

The Federal Financial Monitoring Service (Rosfinmonitoring), an administrative-type FIU, was formed due to the transformation of the Financial Monitoring Committee (FMC).

Rosfinmonitoring is responsible for combating money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction, as well for the working out of state policy and drafting of legal and regulatory framework in this area. In addition, the Russian Financial Intelligence Unit coordinates relevant activities of other federal executive bodies, governmental authorities and organizations, as well as acting as a national centre for the assessment of threats to national security resulting from transactions with funds or other assets and for the development of adequate countermeasures.

Rosfinmonitoring is a member of the Egmont Group and, according to unofficial ratings, is in top five financial intelligence units in the world.

Russia is a member of the FATF, EAG and MONEYVAL (Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering, a FATF-style regional body), as well as an observer in the Asia-Pacific Group on Money Laundering (a FATF-style regional body).

### Yury A. Chikhanchin, Rosfinmonitoring Director:

"Dear colleagues!

This year we are celebrating the 25th anniversary of the Commonwealth of Independent States, an international organization that has become a bridge uniting the countries of the former Soviet Union. During this period, the Commonwealth has repeatedly played a key role in tackling the most important political, economic and other issues of interstate relations.



The issues concerning national security have been high on the agenda of all the CIS member states in recent years. With the aim of strengthening and coordinating the fight against new challenges and threats, including those related to money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction, in 2012 the Council of Heads of Financial Intelligence Units of the CIS (CHFUI CIS) was established.

The Council's functions include the development of, and making improvements to, the legal framework for AML/CFT cooperation; conducting special operations (e.g., operation "Barrier") aimed at identifying terrorist centres and business entities providing financial support to them; uncovering illicit financial flows; training of personnel for the national anti-money laundering systems; analysing risks; and preparing for FATF and FSRB evaluations.

A series of terrorist attacks that have taken place in the world in recent years have only added further relevance to our efforts to combat terrorism and extremism. We have already made significant progress in this area and must go on. The Commonwealth's security and future development depend on the actions we take today.

I would like to express my special appreciation to all Council members for their collaboration and partnership, which are highly valued by the Russian Federation. I am convinced that our anti-money laundering and terrorist financing efforts contribute to security, stability and prosperity of all the Commonwealth countries."



## Republic of Tajikistan

The Financial Monitoring Department under the National Bank of Tajikistan (hereinafter, “Department”) is an administrative-type financial intelligence unit (FIU).

The Department was established under Presidential Decree No. 724 of October 20, 2009 and the Board of the National Bank of Tajikistan Resolution No. 33 of February 15, 2010.

It is currently headed by Acting Director Farhod I. Bilolov.

The Department's key task is to combat money laundering and terrorist financing by data collection, analysis and sharing with law enforcement.

The Department's functions are as follows:

- government oversight of money laundering and terrorist financing prevention and suppression efforts;
- gathering, processing and analysing information on transactions with funds or other assets in order to combat money laundering and terrorist financing;
- coordination of activities of government oversight bodies responsible for the prevention and suppression of money laundering and terrorist financing;
- making the information on transactions with funds or other assets linked to money laundering and terrorist financing available to law enforcement authorities;
- promotion of cooperation and information sharing with foreign competent authorities in preventing and suppressing money laundering and terrorist financing.

The Financial Monitoring Department is a full member of the Egmont Group since 2012 and a member of the Council of the Heads of Financial Intelligence Units, a CIS regional body, since 2013. The Department is actively engaged in the development of international cooperation, as well as being actively

involved in the activities of the Egmont Group, EAG and the CHFIU.

In view of the fact that, following its mutual evaluation, the Republic of Tajikistan was subject to the EAG enhanced monitoring from 2008 and to the FATF International Cooperation Review Group (ICRG) supervision from 2011, the Department first dedicated much of its efforts to the development of a regulatory framework. In this context, the signing by the President of the Republic of Tajikistan of Law No. 684 of March 25, 2011 “On Combating Money Laundering and Terrorist Financing”, which came into effect on March 31, 2011, was an important step in this direction. After the entry into force of the framework law, the country enacted several subordinate legal acts governing the functioning of Tajikistan's AML/CFT system.

With a view to ensuring compliance with the revised in 2012 FATF Recommendations, which call for improvements to the national coordination mechanisms and enhanced interagency cooperation, the Tajik Government, through its decree No. 443 of October 4, 2013, established the Interagency Commission for the Implementation of the Anti-Money Laundering and Terrorist Financing Standards, headed by the Advisor for legal issues to the Tajikistan President and made up of representatives of 18 ministries and agencies (at deputy head level).

As a result of political will demonstrated by Tajikistan's leadership and coordinated work of the ministries and agencies overseen by the Financial Monitoring Department, Tajikistan was removed, in October 2014, from the FATF's ICRG review process (so-called FATF grey list) and, in November 2014, by decision of the 21st EAG Plenary, from the EAG follow-up process.

### **Farhod I. Bilolov, Acting Director of the Financial Monitoring Department under Tajikistan's National Bank:**

“First of all, I wish to point out that the Council of Heads of Financial Intelligence Units, a Commonwealth of the Independent States sectoral body, is one of the youngest councils; its founding meeting took place on May 22, 2013. Yet, despite its young age,

it has put together by now an impressive portfolio of achievements. For example, it has developed a mechanism for a rapid exchange of information among the “Barrier” operation participants, intensified the work on the research project “Five Elements” and is involved in the assessment of regional AML/CFT risks.

Meanwhile, granting of observer status to India and this country’s willingness to host the next Council meeting underscore the Council’s relevance not only for CIS countries but also the Eurasian region as a whole.

Since its establishment, the Commonwealth of the Independent States Council of Heads of Financial Intelligence Units has served as a platform for FIU-based regional cooperation and practical application of theoretical developments. We hope the Council will continue its work in this field also in the future and will contribute to the process of FIUs’ practical multilateral cooperation.”



## 7<sup>TH</sup> MEETING OF THE COUNCIL OF HEADS OF FINANCIAL INTELLIGENCE UNITS OF CIS MEMBER COUNTRIES

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*The 7<sup>th</sup> meeting of the Council of Heads of Financial Intelligence Units of Commonwealth of Independent States Member Countries (CHFIU CIS), a CIS body responsible for AML/CFT cooperation, was held on June 8, 2016 in Astana (Republic of Kazakhstan)*

Pavel V. Kukushkin,  
Executive Secretary

**T**he meeting was attended by Yury Chikhanchin, CHFIU Chairman and Rosfinmonitoring Director; representatives of the Council member states; Konysbek Zhusupbekov, Deputy Chairman of the Executive Committee and Executive Secretary of the CIS; Vladimir Nechaev, Executive Secretary of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG); Vladimir Bondarenko, representative of the CIS Anti-Terrorism Centre; and Dr. Naryan Satyendra, Deputy Head of India's Financial Intelligence Unit.

Konysbek Zhusupbekov: «Recent years have seen a shift in the Commonwealth's security focus towards combating terrorism and extremism, caused, despite the international community's efforts, by the rising threat of terrorism. The Commonwealth is engaged in an on-going effort to improve its comprehensive legal and institutional framework for combating terrorism in its various manifestations. One of the outcomes of this work is a draft Agreement on Exchange of Information

*Related to Combating Terrorism and Other Violent Manifestations of Extremism and Their Financing. The document is currently undergoing an intrastate approval process prior to being included in the draft agenda for the forthcoming meeting of the Council of CIS Heads of Government.»*

Among the issues discussed at the Council meeting are the implementation of joint operations by CHFIU member states.

The joint operation «Barrier», aimed at identifying international terrorist centres and their cells whose representatives take part in the war in Syria and Iraq on the side of the terrorist organization ISIL, as well as businesses providing support to terrorists and generating revenue from such activities, is one of the Council's most successful initiatives today. During the meeting, representatives of the CIS financial intelligence units spoke about the outcomes of their work: 90 international terrorist cells were identified and over 1300 terrorist fighters investigated in 2015.





In addition, the operation exposed a number of vulnerabilities in the work of the CIS supervisory bodies, resulting in a spate of unsupervised high-risk transactions that are still being cleared away.

In view of the results achieved by the operation «Barrier», and also because of the need to continue the work in this area, participants voted to set up a Working Group on Combating Financing of Terrorism. The Group was instructed to examine and prepare proposals for compiling a common list of natural and legal persons, groups and businesses known for their involvement in terrorist activities and proliferation of weapons of mass destruction.

The CIS Heads of Financial Intelligence Units participating in the CHFIU unanimously extended Yury Chikhanchin's (Rosfinmonitoring Director) tenure as Chairman of the Board by one year, while the FIUs of Kyrgyzstan and Tajikistan retained the co-chairmanship for the same period.

The next Council meeting will be held in November 2016 in New Delhi at the invitation of India's Financial Intelligence Unit, observer of the CHFIU.

In the context of the growing threat posed by international extremist and terrorist organizations and the rise in cross-border crime, the joint efforts of CIS financial intelligence units are key to ensuring collective security.

### *Backdrop*

The Agreement on the establishment of the Council of Heads of Financial Intelligence Units of CIS Member States was signed on December 5, 2012 in Ashkhabad by the presidents of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Ukraine.



## REGULATION AND SUPERVISION

# SHARING BEST PRACTICES OF APPLYING RISK-BASED APPROACH AND ASSESSING OVERSIGHT AND SUPERVISION EFFECTIVENESS

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*Galina V. Bobrysheva,  
Deputy Director  
Federal Financial Monitoring Service*

**T**he Federal Financial Monitoring Service has performed supervisory functions with elements of a risk-based approach over the last seven years. During this period, a wide variety of mechanisms has been tested, starting from preliminary risk assessment at the preparatory stage of inspections to automated remote monitoring and assessment of supervised entities against the set of special criteria.

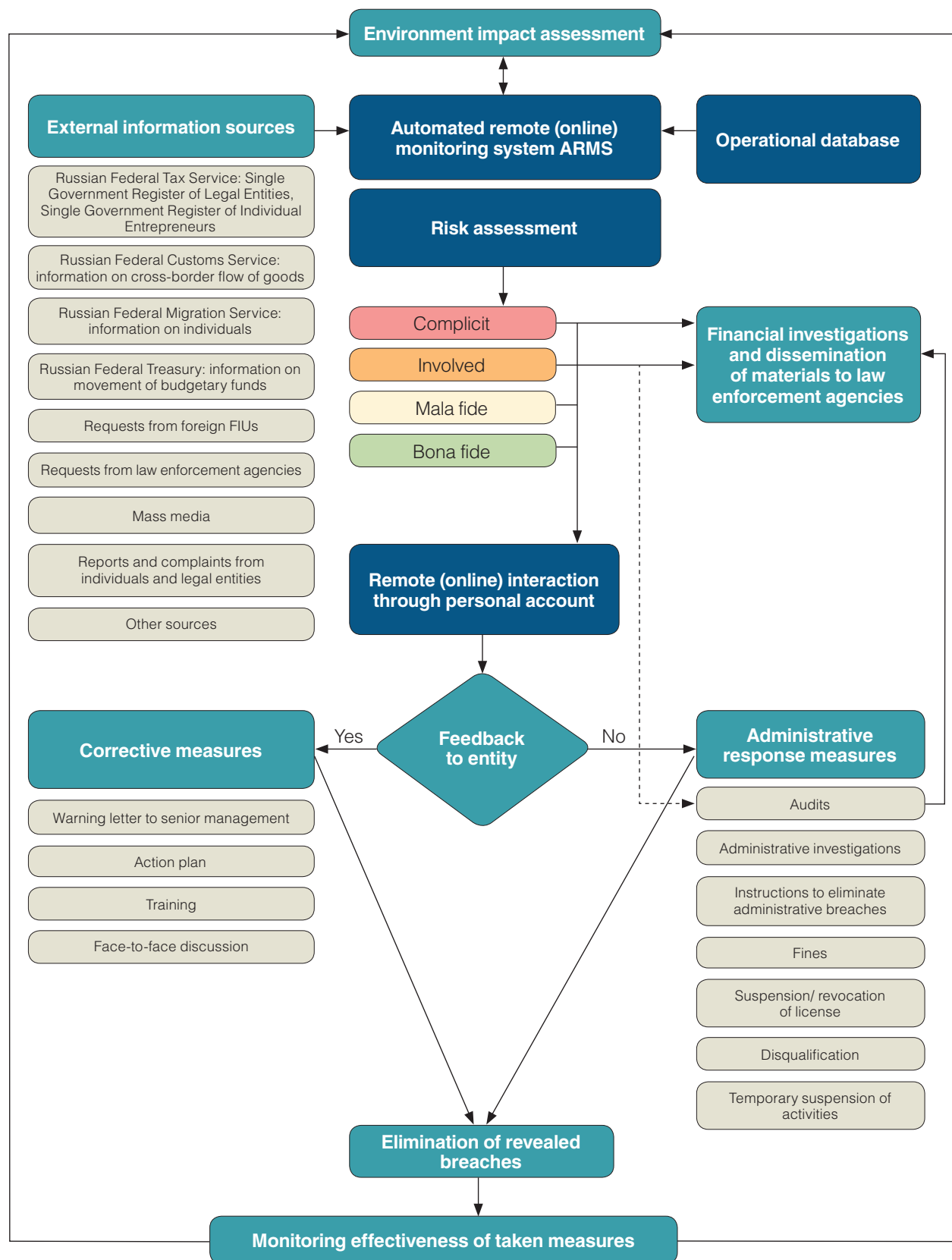
Subject to anti-money laundering supervision are financial institutions and non-financial businesses that carry out customers' transactions with funds and other assets. These supervised entities include banks, securities market participants, insurance and leasing companies, pawnshops, microfinance organizations, real estate companies and agents, postal service and

mobile communication operators, lawyers, notaries and some other business entities and professions.

The supervisory efforts enable to mitigate risks related to non-compliance with the anti-money laundering and counter-terrorism financing legislation. The core strategic goal of supervision is to reduce extent of involvement of entities that are subject to financial monitoring in illegal financial transactions and to enhance financial transparency.

The main objective of implementation of a risk-based approach is to improve effectiveness of the supervisory activity in a situation of limited resources and remoteness of supervised entities from Rosfinmonitoring interregional offices, which have a district-structure.

Figure 1 - Risk Assessment



The following principles were taken into account for implementing the risk-based approach:

- identification of strategic goals of risk management (instead of process management);
- reliance on sufficient data for making administrative decisions and better risk management – this involves not only use of internal resources (which undoubtedly are the primary assets) but also a wide spectrum of external sources;
- data centralization as the element of the centralized risk management, which is the mandatory prerequisite for success;
- comprehensive application of a wide range of various supervisory tools, starting from self-assessment of risks by the supervised entities through notification of assessment results by the supervisors;
- “reciprocal” nature of the assessment system where assessment results are available to both supervised entities and supervisory authorities;
- relevance of supervision effectiveness indicators through the balanced use of quantitative and qualitative rates.

When developing the risk-based assessment system, one should keep in mind that quantitative indicators encourage the formal “tick the box” approach and, therefore, it is necessary to determine qualitative indicators for measuring effectiveness of supervision.

The risk-based supervision performed by Rosfinmonitoring involves the use of a set of instruments that enables to conduct remote monitoring of the supervised entities, automatically calculate risk index, communicate with the supervised entities in a non-face-to-face manner through their personal accounts, and determine supervisory responses which include corrective and administrative measures, which involve off-site and on-site audits/inspections and administrative sanctions.

One of these tools is an automated online remote monitoring system which allows to rank the supervised entities against special indicators that are aggregated into the integral criteria and include various combinations of these indicators.

All supervised entities are provisionally divided into four groups: bona fide entities, mala fide entities, involved entities and complicit entities. The main risks are posed by three of these groups, i.e. mala fide, involved and complicit entities. The two latter groups are subject not only to supervisory responses but also to financial investigations and special interest of law enforcement agencies.

Law abidance is evaluated according to special criteria, to which relevant weight rates are assigned for the overall assessment. An overall risk index is calculated with the use of weight rates in each of three categories: mala fide, involvement and complicity.

Personal accounts of supervised entities opened on Rosfinmonitoring website serve as the main interface for interaction.

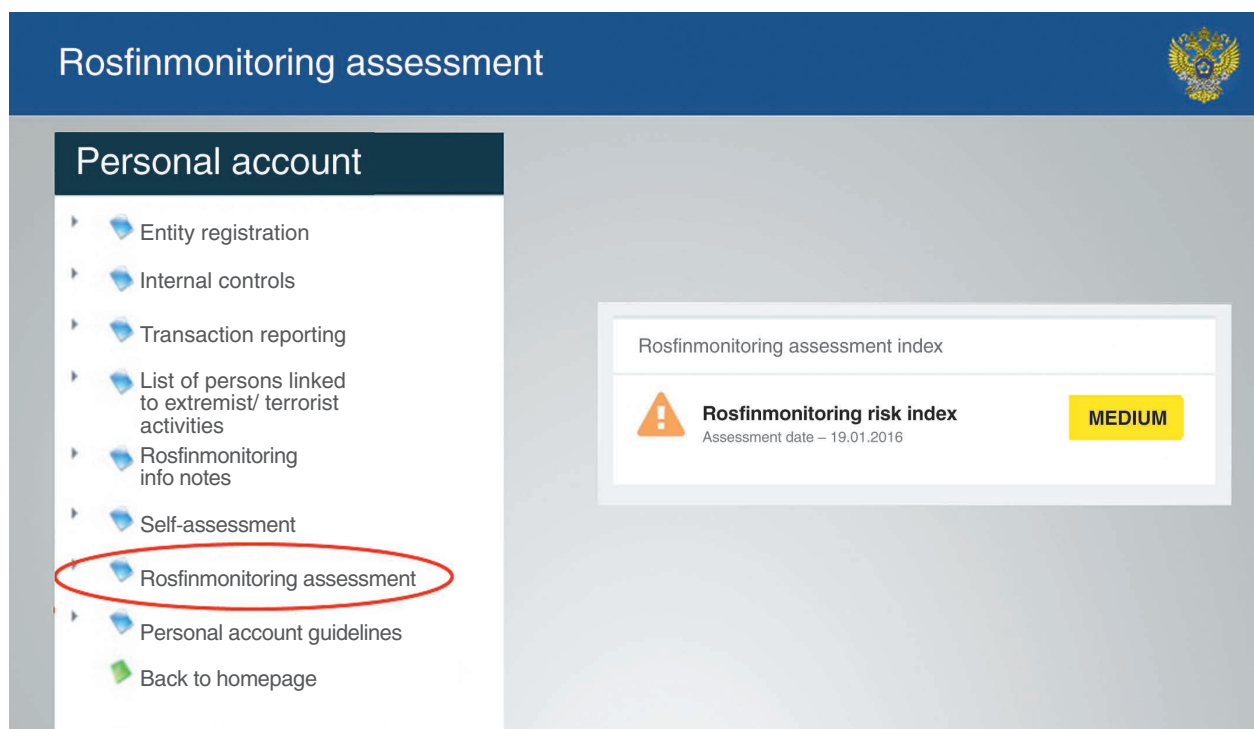
Depending on feedback through personal account, willingness to eliminate breaches and seriousness of violation, decisions are made to apply either supervisory responses or corrective measures. Such measures may include warnings, letters to senior management, orders to develop action plan for eliminating breaches, face-to-face discussions and additional training.

The feedback mechanism allows for conducting consultations, sharing experience and best practices with the supervised entities.

**In order to improve quality of work performed by the anti-money laundering system's stakeholders, regular meetings are held with the major representatives of relevant sectors for consultations, elaboration of joint solutions and identification of new trends and risks.**

Trust-based partnership with the supervised entities help to enhance effectiveness of the system in general, unless such entities fall into the “complicit” category. Even entities under the “involved” category are not considered as “black spotted”, since a provider of financial services may be unwittingly abused for implementing shady schemes. Although, it is a red flag, which requires increased attention by the supervisors.

Figure 2 – Personal Account of Supervised Entity



Weight of each specific criterion is determined by expert evaluation and corresponds to certain color on a color-coded risk scale: red - yellow - green. In practice, all risk categories are further subdivided into two or three clusters, which provides for more accurate problem diagnosis and more detailed color-coded picture of risks.

Personal account enables to establish non-face-to-face dialogues for mitigating mala fide risks. Functional capabilities of a personal account allow:

- to obtain and assess information on registration of entities within the anti-money laundering system;
- special options enable to assess compliance with the legal obligations, since a supervised entity can post relevant information or provide necessary explanations;
- to automatically send transaction reports to Rosfinmonitoring, which is the basic obligation of the supervised entities;
- to make it possible to conduct self-assessment and provide feedback, inter alia, on results of assessment performed by the supervisors.

A large number of the supervised entities and limited resources available to the supervisors forced us to seek for new ways and methods of interaction with the supervised entities, which include self-assessment. A special “Check Your Risk” questionnaire posted on personal account allowed us, on one hand, to keep the supervised entities aware of the key legal requirements and, on the other hand, to stimulate the supervised entities to audit their activities and identify their risks and gaps and, most importantly, to encourage them to rectify their deficiencies before it would be necessary to conduct on-site inspections and to provide explanations, where necessary.

We warn: entities that are open for cooperation, conduct self-assessments and eliminate breaches and deficiencies are less likely to become subject to audits and inspections.

Personal account interface enables to inform the supervised entities about outcomes of the integral assessments performed by Rosfinmonitoring: the supervised entities can view their risk level and specific factors that affected risk assessment. It also gives them opportunity to voluntarily eliminate breaches and deficiencies.

And, finally, the “reciprocal” nature of the remote online monitoring system enables officers of the supervisory authorities to view all information about the entity and its supervision history as well as to track all records and documents. This instrument is available only to Rosfinmonitoring officers and enables them to view personal accounts, use special interactive dashboards for ranking entities, perform pre-inspection analysis and select entities that are subject to inspection with the application of the risk-based approach.

Another important aspect is that the remote online supervision system should not be static. It is an evolving tool that allows to connect new information resources, extend assessment criteria and indicators and develop feedback mechanisms. The important thing is that our assessment mechanisms should not just verify compliance with the formal requirements but assess effectiveness of internal control systems of the reporting entities which includes quality of reports filed by them and timely identification of risks related to their customers' financial behavior.



## COMMONWEALTH OF INDEPENDENT STATES

# ANTI-TERRORISM CENTRE OF COMMONWEALTH OF INDEPENDENT STATES (CIS ATC) – TOGETHER AGAINST TERRORISM

*Based on CIS ATC Press Office materials*

**T**he CIS Anti-Terrorism Centre, a permanent specialized body of the Commonwealth of Independent States responsible for coordination of the joint efforts of CIS security and special task forces in fight against international terrorism and other violent manifestations of extremism, was created on June 21, 2000 by the decision of the CIS Council of Heads of State.

By bringing together under one roof representatives of the Commonwealth security agencies, special services, law enforcement, military and border agencies, the Centre has transformed itself over the course of its existence into some sort of headquarters for coordination of joint anti-terrorist actions and initiatives within the CIS.

The responsibility for the overall management of the Centre is assigned to the CIS Heads of Security Bodies and Special Services Council (SORB). The Head of the CIS ATC, a position that has been held since November 2006 by Colonel-General of Police Andrei P. Novikov, is appointed by the CIS Council of Heads of State.

The CIS ATC headquarters is located in Moscow (Russian Federation), while Bishkek (Kyrgyzstan) is home to the CIS ATC Department for Central Asia.

## COORDINATION OF ANTI-TERRORIST EFFORTS

The CIS ATC main task is to promote and strengthen effective cooperation among CIS security agencies, special task forces and law-enforcement in combating terrorism and other violent manifestations of extremism within the CIS.

The joint anti-terrorist activities of the Commonwealth member states are carried out in accordance with the CIS Cooperation Program for Combating Terrorism and Other Violent Manifestations of Extremism, approved by the CIS Council of Heads of State once every three years.





*Joint anti-terrorist exercises of the CIS «Cyber-Anti-Terror 2016» (Novolukomlskaya Power Plant, Belarus)*

The Program contains measures aimed at expanding and strengthening the CIS-based cooperation, enhancing the legal framework, improving and harmonizing the national legislation, and carrying out coordinated and/or joint preventive and operational-search activities and special operations. Other activities envisaged by the Program include steps to strengthen cooperation with international organizations; carry out anti-terrorism information analysis and research; and provide information support and assistance in personnel training and skills development.

Since 2000, the CIS ATC has sponsored the gatherings of senior personnel of the anti-terrorist units of CIS security and special task forces, dedicated to the holding of joint anti-terrorist exercises.

The main objective of these exercises is to develop procedures for joint terrorist prevention and suppression measures, as well as for building the capacity of security agencies, special services and other enforcement bodies for joint action against international terrorism. The organizers of exercises – staged in different locations notable for their critical infrastructure, transport links, mass gatherings or sports facilities – take into account the actual operational situation on the ground and the nature and extent of the terrorist threats.

Thirteen joint anti-terrorist exercises have been held since the establishment of the CIS ATC and with its coordination.

Once a year, the Centre holds joint command post exercises (trainings), CIS national anti-terrorist centre chiefs of staff meetings, meetings of the CIS ATC's permanent Conference of CIS Plenipotentiaries, regional expert consultations and the plenary meetings of the CIS ATC's Scientific Advisory Board.

The CIS ATC organizes and assists in the holding of international scientific conferences, workshops and round tables dedicated to the topical issues of combating terrorism and other violent manifestations of extremism.

## INFORMATION AND ANALYTICAL WORK

The CIS ATC receives updated information on various anti-terrorist efforts undertaken by CIS security agencies, special services and law-enforcement; sectoral agencies of the Commonwealth; and anti-terrorist bodies of international and regional organizations.

The submitted information is systematized and stored in the CIS ATC's special data bank (SDB), an intergovernmental and interdepartmental information sharing system accessible in real time.

The CIS ATC's SDB contains 20 theme-based data stores on, among others, persons involved in terrorist and extremist activities and placed on the international wanted list; international terrorist and extremist organizations whose activities are prohibited in the CIS;

tools and methods used by terrorists; and approaches and methods of combating terrorism.

The Centre, based on the incoming data on the status and trends in the operational environment in the Commonwealth and other regions of the world, carries out analytical research, forecasts and simulates possible changes in the future operational environment, and generates proposals for combating terrorist threats in the most effective way.

### REGULATORY ACTIVITIES

Improving the legislative framework for the Commonwealth cooperation in combating terrorism and extremism is one of the CIS ATC's priorities.

The Centre's experts are directly involved in the development of CIS cooperation programs for combating terrorism and other violent manifestations of extremism; take part in the work of the CIS Inter-Parliamentary Assembly's Joint Commission on Harmonization of Legislation Related to Security and Combating Emerging Challenges and Threats; contribute to the drafting of model legislation and guidelines; and prepare international anti-terrorist treaties and agreements.

Among the main achievements in this area are the accession of CIS countries to the key UN-sponsored international anti-terrorist agreements; drafting of 18 model anti-terrorist/extremist laws that incorporate the best Commonwealth practices and international standards: «On Combating Terrorism», «On Combating Mercenarism», «On Combating Money Laundering and Terrorist Financing», «On Information, Informatization and Information Security», etc.; signing of several agreements, including the Regulations on the procedure of joint anti-terrorist operations in the CIS, Agreement on cooperation in the international search for wanted persons, Agreement on the protection of classified information within the CIS, and the CIS Guidance on the handling of classified information.

### EDUCATION AND TRAINING

The CIS ATC initiates, as well as regularly organizes and coordinates, trainings for the personnel of CIS anti-terrorist units, dedicated to such areas of professional activity as the physical protection of nuclear facilities, information security, prevention of terrorist cyber-attacks, and combating terrorist and extremist financing.



*International conference «International Cooperation in Combating Terrorist and Extremist Organizations in the Context of Emerging Technologies» (Issyk-Kul, Kyrgyzstan)*





Training packages for the personnel of CIS special anti-terrorist units include tactical, sniper, air-borne, diving, climbing, combat, forensic and photo/video examination practices.

A freelance lecturing team, made up of experts from scientific, research and educational institutions, and operating at the CIS ATC's Scientific and Advisory Council, gives lectures to the students of the industry-sponsored educational institutions, as well as personnel of security agencies, special services, law-enforcement, border agencies and military departments of CIS member states, on the topical issues of anti-terrorist financing.

A list of the CIS ATC's training partners includes the special faculty of the Russian Federal Security

Service Academy, Ministry of Interior Affairs' International Interdepartmental Anti-Terrorism/Extremism Training Centre, National Security Institute of Belarus National Security Committee, Kazakh National Security Committee Academy, Kyrgyz National Security Committee Institute, International Methodology Centre for Financial Monitoring, Global Nuclear Security Institute MEPhI, and others.

## COOPERATION WITH CIS BODIES AND INTERNATIONAL ORGANIZATIONS

The Centre maintains working relations with its partners in the international anti-terrorist community: the UN Security Council Counter-Terrorism Committee, UN Office on Drugs and Crime, Council of Europe Committee of Experts on Terrorism (CODEXTER), Regional Anti-Terrorist Structure of the Shanghai Cooperation Organization, Global Initiative to Combat Nuclear Terrorism, Eurasian Group on Combating Money Laundering and Financing of Terrorism, Interpol, Collective Security Treaty Organization, and Regional Law Enforcement Communication Centre of the World Customs Organization RILO-Moscow.



*The 20th meeting of the CIS Council of Interior Ministers (St. Petersburg)*



*The Heads of delegations of CIS security bodies and special services (40-th SORB meeting, Minsk)*

Information about the Centre's activities is regularly published in the OSCE Counter-Terrorism Network Newsletter.

The CIS ATC is engaged in close cooperation with the CIS statutory authorities and sectoral bodies: the Executive Committee; specialized councils of the Defence Ministers, Interior Ministers, Border Troops Commanders, Heads of Customs Services, General Prosecutors, Immigration Authorities and Financial Intelligence Units' Heads; Coordinating Transport Conference, CIS Office for Coordination of Countering Organized Crime and Other Types of Crime, Inter-Parliamentary Assembly and the Interstate Aviation Committee.

The work carried out by the CIS ATC has repeatedly been praised by the Centre's partners in the international anti-terrorism community. The Centre continues to expand its operations in the situation



*A meeting of the CIS Council of Defence Ministers*

of evolving geo-political and socio-economic environment, providing a coherent matrix of anti-terrorist/extremist strategies and tactical solutions, adequate to modern realities.



# IN SERVICE OF LAW. COMMONWEALTH OF INDEPENDENT STATES 25TH ANNIVERSARY

## *On the activities of the Commonwealth of Independent States Coordinating Council of Prosecutors General*



*Leonid V. Yermolaev,  
Executive Secretary, CIS Coordinating Council  
of Prosecutors General,  
2nd Class State Counsellor of Justice*

The Commonwealth of Independent States was established on December 8, 1991 and this year marks 25 years. Four years later, at a meeting held on December 7, 1995 in Moscow, the Prosecutors General of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, Turkmenistan and Ukraine signed a document establishing the CIS Coordinating Council of Prosecutors General (CIS CCPG).

This decision was prompted by the need to unite the efforts of CIS prosecution authorities in such key areas of their activity as an in-depth study of transnational crime in the CIS; the development of a common strategy and a coherent policy for tackling this phenomenon; drafting of the Convention on Legal Assistance and Legal Relations in Civil, Family and Criminal Matters and other cooperation agreements; establishment and coordination of the basic principles of place and role of the prosecution service in the law enforcement system in the context of the commonalities and specifics of each country's

development pattern; and bringing this information to the attention of competent national authorities.

As part of the effort aimed at implementation of joint agreements, CIS Prosecutors General called for the signing of a number of multilateral and bilateral agreements, including on extradition and transfer of sentenced prisoners for their further sentence serving.

The past experience has validated the decision to establish the CIS CCPG, as it provided CIS Prosecutors General with a reliable platform for interstate cooperation.

In its activities, the CIS CCPG, which was granted status of a CIS interstate body by the CIS Council of Heads of State decision of January 25, 2000, is guided by the CIS founding documents, the decisions of the CIS Councils of Heads of State and Heads of Government, and international standards and regulations.



The CIS CCPG's main objectives are, as follows: harmonization and unification of efforts; coordination of actions; strengthening of cooperation of CIS prosecutors in safeguarding the rights and freedoms of man and citizen; combating crime and enforcement of law and order; development of proposals for the convergence of national legislation; and participation in the drafting of the Commonwealth of Independent States legal framework.

The key outcome of the work being carried out by the Commonwealth Coordinating Council of Prosecutors General is the creation of conditions for progressive development of mutually beneficial cooperation of CIS prosecutors general that serve the interests of each of its member states.

Over the years, the CIS CCPG held a total of 25 meetings dedicated to various issues of mutual cooperation among prosecution authorities aimed at strengthening the rule of law. In recent years, the focus of the Commonwealth of Independent States Prosecutor General's Offices has been on the implementation of the 2014-2018 cooperation programs to combat crime, including terrorism and other violent manifestations of extremism, drug trafficking, human trafficking and illegal migration.

Summing up the work of the CIS Prosecutor General's Offices in this area annually, I would like to emphasize that all activities related to the implementation of these programs envisaged in the CIS CCPG's plans are being carried out at full extent.

In addition, I think it is appropriate to provide some analytical data about working conditions of the prosecution authorities participating in the CIS CCPG and the outcomes of their work in 2015. The total number of crimes recorded in the CIS during the year stood at 3 006 602, which is 11% more than in 2014 (2 712 724). The crime detection rate in last three years averaged 52% to 53.9%. The number of cases accepted for consideration by courts increased by 19.4%, from 3 611 326 in 2014 to 4 311 314 in 2015. The ratio of cases referred to the court in 2015 with an indictment to the total number of completed cases decreased on average in the CIS by 16.5% compared to 2014, to a total of 64.1%, whereas the share of terminated cases in the total number of completed cases doubled from 15.5% to 32%.

A review of procuratorial supervision over the observance of laws by pre-trial and interrogation bodies showed that the number of previously unaccounted and unregistered crimes identified and registered across the CIS on prosecutors' initiative in 2015 stood at 169 299, which is 6.8% more than in 2014 (158 588). A total of 19 601 decisions to initiate criminal cases, 56 343 decisions to terminate criminal proceedings, 2 551 536 refusals to initiate criminal cases and 474 991 decisions to suspend criminal proceedings were cancelled.

Steps were taken to ensure involvement of prosecutors in criminal proceedings in the courts. Altogether, CIS courts of first instance examined 1 040 948 criminal cases in 2015, 7.0% more than in 2014.

Criminal cases with a total of 1 129 622 persons involved were examined, 6.3% more than in 2014 (1 062 719). Prosecutors of the CIS member countries in 2015 responded to 2 399 821 requests from the total amount of requests considered, which is 65.6%.

The Internet is increasingly being used to inform members of the public about the state of law in their community. On average, CIS prosecution authorities used the Internet in 59.3% of public addresses (55.7% in 2014 and 53.9% in 2013) and television in 14.1%.

One of the outcomes of the 25th meeting held in 2015 was the decision of the CIS Prosecutors General to sign the Agreement on Cooperation between the CIS Coordinating Council of Prosecutors General and the CIS Council of Heads of Financial Intelligence Units (CHFIU). The said Agreement was signed by CIS CCPG Chairman and Prosecutor General of the Russian Federation Yury Chaika and CHFIU Chairman and Director of the Federal Financial Monitoring Service Yury Chikhanchin.

The regular 26th meeting of the CIS CCPG on September 7, 2016 in Minsk, Belarus, will examine a total of 14 issues, most of which are essential to strengthening cooperation among prosecution authorities and coordination of the activities of Commonwealth law enforcement agencies in the fight against crime.

Materials for all CIS CCPG meetings are prepared by the CIS CCPG Secretariat, a working body of the Coordination Council responsible for organizational and technical support of the CCPG's activities and cooperation with other Commonwealth prosecution authorities in protecting the rule of law, the rights and freedoms of citizens and in the fight against crime.

In order to facilitate efficient operation of the CIS CCPG, the CIS Council of Heads of State approved the draft Agreement between the Government of the Russian Federation and the Commonwealth of Independent States on the Conditions of Headquartering of the Secretariat of the CIS Coordinating Council of Prosecutors General in the

Territory of the Russian Federation. The document was signed on November 14, 2014 in Moscow and ratified by the Russian Federation on October 5, 2015.

The Secretariat, in collaboration with the CIS Prosecutors General, Commonwealth authorities and the CIS CCPG's Scientific and Methodology Centre, was involved in the preparation and holding of scientific conferences dedicated to the issues of law and order, meetings of the Heads of international divisions of CIS Prosecutors General's Offices and the Heads of the CIS working bodies concerned with the rule of law and security, as well as meetings of the temporary expert working groups. The CIS CCPG's Scientific and Methodology Centre was also involved in the exchange of research, methodological and informational materials between prosecutors general and other CIS bodies.

A total of 98 information files (guidelines, analysis findings and recommendations for various aspects of the fight against crime and strengthening the rule of law) were submitted to Commonwealth Prosecutor General's Offices and CIS bodies.

Every year, the CIS CCPG Secretariat staff take part in more than 20 different international events dedicated to the subjects of security and law and order.

The CIS CCPG uses its website ([www.ksgp-cis.ru](http://www.ksgp-cis.ru)) to highlight significant events taking place in the Commonwealth. The number of visitors to the site continued to grow in 2013-2015 and currently stands at more than 3,000 monthly users from the CIS, Europe, North America, Asia and the Middle East.

The CIS Coordinating Council of Prosecutors General, which for more than two decades has been carrying out its activities related to the protection of the rights and freedoms of citizens, strengthening constitutional order and upholding the rule of law across the CIS, will continue to contribute to the development and enhancement of the Commonwealth of Independent States.

## ***BORDER TROOPS COMMANDERS COUNCIL'S WORK TO STRENGTHEN SECURITY OF CIS EXTERNAL BORDERS***

*In view of the current political situation and the need to coordinate CIS border troops interaction, the Council of Heads of States, by its decision of July 6, 1992, established the CIS Council of Border Troops Commanders*



*Alexander L. Manilov,  
Deputy Chairman of the CIS Council  
of Border Troops Commanders,  
Chairman of the Coordination Service,  
Colonel General*

**A**rticle 31 of the CIS Charter of January 22, 1993 states that, «The CIS Commanders Council is a body of the Council of Heads of States responsible for the CIS external border security and stability.» Among the framework documents defining the Council's objectives and functions are the Border Security Cooperation Agreement with non-CIS countries of May 26, 1995 and the Concept of the CIS Coordinated Border Policy of August 26, 2005.

The joint creation of the basic foundations of an integrated system to secure the CIS external borders is the main outcome of the Council's work.

To ensure adequate response to modern threats, the CBTC has developed the CIS Cooperation Program for Strengthening External Borders Security 2016-2020, approved by the Council of Heads of State on

October 16, 2015. The document contains more than 80 action-oriented activities.

The Council carries out its work based on a review of the current situation on the borders, with most decisions being taken at Council meetings. During the period under review, the CBTC held 75 meetings, adopting a total of 1300 decisions. Over 80 regulations were submitted to the CIS supreme bodies for consideration.

As part of the work aimed at strengthening the CIS external borders, the Council has hosted since 2011 regular regional meetings of heads of border agencies. Among other activities whose usefulness has been confirmed are the working meetings of the representatives of border agencies dedicated to the discussion of various activity areas, experience sharing and the development of effective measures for the protection of external borders.





Acting within their authority, the CBTC and its working body (the Coordination Service, established on October 9, 1992), have concluded 31 agreements with international organizations, including 14 with CIS bodies, which constitute an integral part of the collective security system. The Council's key partners in this area include the Executive Committee of the CIS, CSTO, ATC, Bureau for the Coordination of Countering Organized Crime and Other Serious Crime in the Territory of the CIS Member States, and the CIS Council of Heads of Customs Services and Defence Ministers.

Along with this, the CBTC's partners in the European region include Frontex<sup>1</sup>, as well as the SCO and CARICC<sup>2</sup> in the Central Asian region. Sector-specific cooperation is carried out with the International Organization for Migration (IOM) and the UN Refugee Agency (UNHCR).

The priority area of the Council's activities is the exchange of information on external border security aimed at analysing security threats and forecasting potential developments. In order to promote an effective technical assistance of this area, the Council established the Automated Rapid Information Exchange System. This system includes a network of subscriber stations located at the Coordination Service as well as at the border agencies of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan.

To neutralize border security threats, in 2011 a CBTC group tasked with monitoring the situation on the external borders of the Central Asian states was set up.

To improve the practical aspects of the work carried out by CIS border agencies, the CBTC sponsors joint border operations and preventive activities (45 in total) involving representatives of Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Ukraine and Uzbekistan, which resulted in the detention of approximately 60 000 violators of the border and border regime, over 16 000 illegal migrants and 1500 wanted persons, as well as in the seizure of more than 16 tons of drugs.

The involvement of the border agencies of the EU countries, China, Mongolia and DPRK – a process that began in 2007 – has contributed to the expansion of the area of collective action and to the increase in the number of participants in joint operations and activities.



<sup>1</sup> Frontex – EU external border security agency

<sup>2</sup> CARICC – Central Asian Regional Information and Coordination Centre





The key area of the CBTC international cooperation efforts is the work to improve the regulatory and legal framework. The Council, in collaboration with the CIS Inter-Parliamentary Assembly, developed and adopted border model laws and prepared the accompanying Comments. As regards expert and legal work, the Council has joined forces with the CSTO Parliamentary Assembly.

As part of expanding current military and technical cooperation between border agencies, the CBTC is working to set up a common database of armaments and special equipment.

Joint research conducted in the area of border security, whose outcomes have a direct impact on the practical work of border agencies, helps to establish the scientific basis for the formation of a new image of border security.

The need for qualified border personnel added extra emphasis to the cooperation in the field of personnel training. The educational institutions of Russia, Kazakhstan and Ukraine specializing in the training of border personnel have jointly trained more than 2 500 troops for the CIS border agencies. About 100 students and cadets of these educational institutions received scholarships from the CBTC.



In the context of strengthening friendly border relations, the CBTC organizes regular sports, cultural and veterans-related activities. Among the most popular ones are relay races, which typically run along the states' external borders and are dedicated to significant historical events, such as the 2015 race in honour of the 70th anniversary of the Victory in the Great Patriotic War of 1941-1945. The race started on February 2 in Brest and Murmansk, and ended on May 28 at the Moscow Worshipful Submission Hill. Among the participants were border agencies of the majority of the Commonwealth countries, as well as representatives of Mongolia.

The Council's mid-term goals are:

- improving the quality of the joint special border operations and preventive activities;
  - improving the legal framework and harmonization of CIS national legislation related to border security;
  - border personnel training;
  - integration of the results of joint research projects into practical activities of border agencies;
  - strengthening of friendly ties between the CIS border agencies and development of humanitarian cooperation, including in the field of culture, sports and the veterans' movement, as well as in organizing major events dedicated to the 25th anniversary of the Council of Border Troops Commanders.
- implementation of the CIS Cooperation Program for Strengthening External Borders Security 2016-2020;
  - promoting the effective information exchange on the CIS external borders situation;

# ROLE OF BUREAU FOR COORDINATION OF COMBATING ORGANIZED CRIME IN COMMONWEALTH OF INDEPENDENT STATES

*Surge in crime in the territory of the former USSR in 1990s predetermined conclusion of the Heads of the CIS countries on the need to establish coordination mechanisms for combating crime*



Oleg F. Konovalov,  
Director, Bureau for Coordination of Combating  
Organized Crime in CIS Countries,  
Lieutenant General of Police

In this situation the idea was born to create a special interstate agency for consolidating the crime control efforts undertaken by individual countries. This idea was materialized in the Resolution on establishment of the Bureau for Coordination of Combating Organized Crime in CIS Countries (hereinafter, "Bureau") adopted by the CIS Council of Heads of Governments on September 24, 1993.

In fact, being the standing body of the CIS Council of Interior Ministers, the Bureau operates in the capacity of its analytical centre.

After adoption of the General Regulation on CIS Interdepartmental Cooperation Agencies by the CIS Council of Heads of Governments on October 9, 2009, the CIS Council of Interior Ministers designated the Organized Crime Bureau as its

Secretariat. It extended the Bureau functions related to arranging for the expert meetings ahead of the regular sessions of the CIS Council of Interior Ministers, drafting and implementing decisions and resolutions of the CIS Council of Heads of States, the CIS Council of Heads of Governments and the CIS Council of Interior Ministers and also drafting international treaties and other documents on combating organized and serious crime.

Based on analysis of the crime situation in the CIS countries, the Bureau provides regular proposals to the Interior Ministers (Heads of Police) for implementation of adequate administrative measures aimed at disrupting illegal activities of the criminal community.





*CIS Internal Affairs Ministries (police) expert meeting (Moscow, March 29, 2016)*

The important function performed by the Bureau involves preparation of information, analytical and other materials for consideration at the sessions of the CIS Council of Interior Ministers.

For example, at the initiative of the Bureau, issues of combating car theft, preventing violent actions of sports fans' informal organizations and fighting against illicit trafficking of new types of psychoactive and psychotropic substances and narcotic drugs were included in the agenda of the session of the CIS Council of Interior Ministers held in Minsk in 2015.

The CIS internal affairs agencies implement extensive and focused measures with due consideration for the crime situation, and coordination of these measures from the single centre enables to take swift concerted actions for ensuring public security. Over time, the coordination functions and tasks performed by the

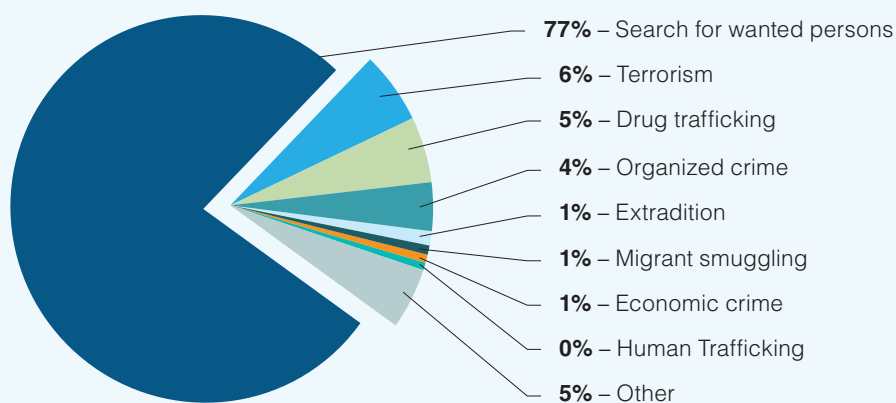
Bureau in the interest of the CIS countries have extended.

The Bureau has evolved into a multifunctional organization that renders assistance, provides logistics support and represents the CIS Interior Ministries (police) in a variety of cooperative projects and initiatives.

At the instruction of the CIS Council of Interior Ministers, the Bureau interacts with other CIS law enforcement agencies acting as the link between the CIS Council of Interior Ministers and other CIS Sector Coordination Councils in law enforcement.

The signed information sharing protocols enable to exchange information on individuals and entities linked to organized crime, terrorism, illicit drug trafficking and migrant smuggling.

#### *Breakdown of requests executed by the Bureau in 2015*



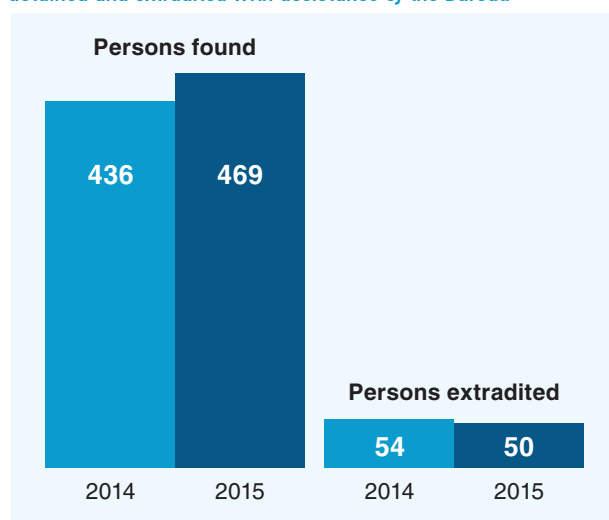
As of today, the Bureau signed relevant protocols with the Secretariat of the CIS Coordination Council of General Prosecutors, CIS Anti-Terrorism Centre, Advisory Service of the CIS Council of Border Guard Commanders, Committee of Heads of Enforcement Units of the CIS Council of Customs Services Chiefs, CIS Council of Head of Financial Intelligence Units, CIS Coordination Council of Heads of Tax (Financial) Investigation Agencies and Drug Control Agency under the President of the Republic of Tajikistan.

Operating under its mandate, the Bureau constantly deals with a wide range of issues pertaining to provision of practical assistance to the CIS law enforcement agencies. First of all, it coordinates the cooperative efforts undertaken by the CIS Interior Ministries (police) for combating organized and serious crime. For example, only last year, the Organized Crime Bureau executed 6,851 requests of the CIS Interior Ministries (police) related to combating organized crime, terrorism, illicit drug trafficking and other serious crime.

Besides that, the Bureau arranges for and assists in preparing and conducting detective activities and comprehensive operations that affect interests of multiple CIS countries.

In particular, thirteen police preventive operations and two special operations were carried out by the CIS Interior Ministries (police) with the assistance of the Bureau in 2015.

*Total number of persons put on interstate wanted list detained and extradited with assistance of the Bureau*



The efforts of the CIS internal affairs agencies resulted in detection of 11,263 criminal offences, criminal prosecution of 5,886 individuals, identification of 4,759 missing persons, detention of 10,134 wanted persons and disruption of activities of 112 organized crime groups and criminal communities.

Assistance to investigation teams seconded by one CIS member state to other CIS member state remains one of the priorities of the Bureau. During the same period, the Bureau coordinated the efforts of 116 seconded detective and investigation teams which resulted in identification of 161 internationally wanted persons.

At present, the Bureau arranges, at the instruction of the CIS Council of Interior Ministers, for creating a data bank containing information on identity, links and movements of members of transnational organized crime groups, offences committed by them in the territory of the CIS countries and other relevant facts and circumstances.

The data bank is being developed with the application of modern IT technologies that enable to substantially reduce time required for obtaining and using information, including information relevant for investigative purposes, which directly enhances effectiveness of the counter-crime efforts.

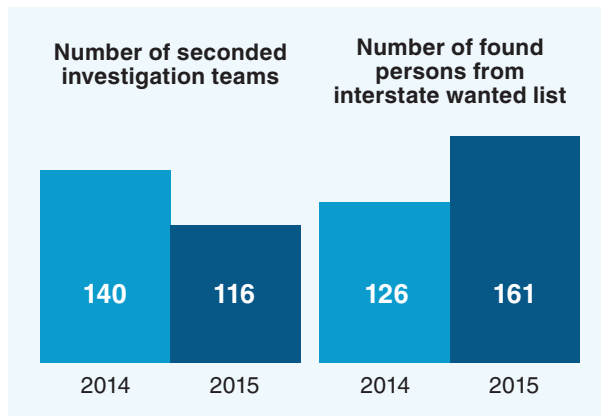
It should be noted that in line with the best practices the Bureau is also involved in improving the legal framework for cooperation, inter alia, for searching internationally wanted persons. In particular, the Bureau initiated development of the Regulation on Interstate Search for Wanted Persons by Competent Authorities which was adopted by the Heads of the CIS Governments on October 30, 2015. This Regulation became the versatile legal framework for cooperation among all CIS authorities and agencies involved in interstate search for wanted persons.

Pursuant to the general provisions of the aforementioned Regulation the Bureau is tasked with providing assistance and support to all competent authorities in arranging cooperation and conducting interstate search and extraditing wanted persons who committed serious crimes and fled from justice or evaded from serving the sentence. A total of 469 persons put on the interstate wanted list were found and 50 were extradited with assistance of the Bureau in 2015.

The interstate cooperation experience gained by the Bureau enables it to give practical managerial impetus for consolidating the counter-crime efforts of the CIS internal affairs authorities in light of the current threats. This primarily includes implementation of the Concept of Cooperation Development of the CIS Interior Ministries until 2020 adopted at the session of the CIS Council of Interior Ministers held on September 10, 2013 in Astana.

Thus, over the period of its existence, the Bureau has become one of the pillars of the CIS law enforcement cooperation mechanism and a useful practical instrument for achieving common objectives in implementation of joint administrative and operational measures and fight against all forms and elements of organized crime.

*Assistance to the CIS investigation teams and law enforcement officers in detecting and investigating into criminal offences and discharging other functions*





# NEW CHALLENGES AND THREATS NECESSITATE TIMELY DEVELOPMENT OF RESPONSE MECHANISMS

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*Alexandra Khlebnova,  
Specialist,  
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**B**y now, a sizeable body of the international anti-money laundering and counter-terrorism financing legal instruments, including regional ones, has been developed. In the Commonwealth of Independent States region, one of such international cooperation instruments is the Treaty of the CIS Member Countries on Combating Money Laundering and Financing of Terrorism signed in Dushanbe on October 5, 2007. The Treaty is aimed at improvement of the anti-money laundering and counter-terrorism financing legal framework and consolidation of the efforts of government authorities, public and other organizations and individuals in this area.

At the same time, new emerging challenges and threats faced by the global financial system necessitate timely development of response mechanisms. Transnational organized crime, international terrorism,

proliferation of weapons of mass destruction, drug trafficking, corruption and related money laundering are the everyday reality of modern world. These global problems necessitate collective response by the countries.

In particular, the old version of the standards of the Financial Action Task Force (FATF) was substantially revised in 2012. The revisions address new and emerging threats, clarify and strengthen many of the existing obligations, while maintaining the necessary rigor and stability in the Recommendations.<sup>1</sup>

Over almost ten years period of existence of the Dushanbe Treaty, the changes in the international AML/CFT system and in the CIS countries addressing new challenges to financial security need to be reflected in the relevant international cooperation papers. Given the large scope of necessary

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<sup>1</sup>International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation/ Russian translation – Moscow: Veche, 2012 – 176 pages.

amendments and modification, it was impossible to introduce them in form of an additional protocol to the Treaty. In this situation, the CIS Council of Heads of Financial Intelligence Units (CHFIU) initiated development of a new updated Treaty. The draft Treaty was approved by the Council meeting held on June 8, 2016 in Astana and was submitted to the CIS Executive Committee for consideration in the prescribed manner.

The draft Treaty includes new and updated terms that are generally consistent with the Glossary of the current FATF Recommendations. New terms, such as “beneficiary owner”, “freezing”, “financial intelligence unit”, “financing of proliferation of weapons of mass destruction” were introduced into the draft Treaty.

Significant steps were made for enhancing the international cooperation capabilities of the member countries. For example, one of the areas of cooperation may include the mechanism of mutual recognition and application of the national terrorist lists which is proposed to be implemented through bilateral international agreements.

Important changes were introduced for improving the confiscation and follow-on procedures were

specified. In this context, of special interest is Article 27 which now regulates the confiscated asset disposal procedure, i.e. new provisions related to search and return of funds/ assets that are subject to recovery were introduced in the draft Treaty.

When drafting a new Treaty, the Council experts, in general, succeeded to maintain the structure of the current version of the Treaty by introducing targeted amendments to reflect the developments in the international AML/CFT framework triggered, in particular, by revision of the FATF Recommendations. For this reason and taking into consideration the aforementioned trends, the mechanisms established by the Treaty were also extended to the counter proliferation financing system which is reflected in the draft Treaty title.

Apart for submission of a new Treaty for consideration, the Council also suggested to sign the Concept of Anti-Money Laundering and Counter-Terrorism Financing and Counter-Financing of Proliferation of Weapons of Mass Destruction Cooperation of the Commonwealth of Independent States Countries. The strategic goal of this Concept is development of effective system of international cooperation of CIS countries in this area.

## Article 27

1. Each Party shall adopt such legislative and other measures as may be necessary to enable its competent authorities to return confiscated property, when acting on the request made by another Party, in accordance with this Treaty, taking into account the rights of bona fide third parties.
  2. Each Party shall designate, in accordance with its national legislation, competent authorities responsible for search and return of funds (assets) that subject to recovery.
  3. At request of the Requesting Party, the Requested Party shall:
    - ensure, in accordance with its domestic law, enforcement of an order of confiscation issued by a court or other competent authority of the Requesting
  4. Where appropriate, unless the Parties decide otherwise, the Requested Party may deduct reasonable expenses incurred in course of search, confiscation and return of the relevant funds (assets).
  5. The Parties may conclude agreements or mutually acceptable arrangements, on a case-by-case basis, for sharing assets confiscated by one Party or funds derived from sale of the confiscated assets.
- Party in respect of funds (assets) located in the territory of the Requested Party;
- give consideration to returning confiscated assets to the Requesting Party such as it could compensate the victims of crime or return them to their legitimate owners.

The international community pays increased attention to minimization of ML/TF/PF risks using for this purpose the international institutional framework comprised of the FATF, FATF-style regional bodies and Egmont Group for elaborating uniform international standards in this area as well as for conducting effective on-going monitoring of compliance with these standards and applying sanctions against those countries that insufficiently implement the FATF Recommendations. Cooperation among the CIS countries will be based on regularly updated information on identified ML/TF/PF risks.

According to the draft Concept some of the main cooperation areas involve establishment of the risk assessment system, elaboration of the interstate policy for minimizing the identified risks and development and implementation of joint plans and programs.

Two major documents drafted by the Council will be considered for the first time by the CIS Executive Committee expert group at the meeting to be held on October 4, 2016.

# OPERATION «BARRIER» ON PATHWAY OF TERRORISM: MECHANISMS OF TERRORIST INTERNATIONAL FINANCIAL CENTRES IDENTIFICATION BY FINANCIAL INTELLIGENCE METHODS

*CIS Council of Heads of FIU as a basis for developing a methodology aimed at identification of foreign terrorists-fighters, financial and radical centres*



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2002 Russia ratified the International Convention for the Suppression of Terrorism Financing. In the same year the responsibility of counter-terrorism financing was included in the competence of the Federal Financial Monitoring Service. This particular moment was a turning point for the Russian Federation - the whole government strategy to combat this scourge has undergone significant changes. The reality and the scale of the terrorism threat have raised questions about the sources of its financing.

Today, the problem of terrorism has gone far beyond the borders of individual countries, and covered the whole world. Therefore, currently international cooperation and joint efforts, including in the former Soviet Union, becomes more relevant than ever. First and foremost, that concerns, of course, the Islamic State, which can be taken as an example for tracing

the transformation of both the terrorist organizations and threats emanating from them.

To minimize the international risks of terrorism financing, Rosfinmonitoring permanently implements measures not only of joint work with foreign countries for suppression of the identified terrorist cells and their financing channels, but also on the development of new cooperation forms.

The experience shows that international cooperation may have an effect when the actions undertaken are well-organized and coherent. Thus, the Council of CIS Heads of FIUs (Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan ) developed a methodology in 2014 of identification of foreign terrorists, guerrillas and radical financial centres by means of financial intelligence. This methodology has been approved

by all members of the Council, and a plan of a regular operation code-named "Barrier" has been prepared on its basis. During the operation «CIS Barrier» Rosfinmonitoring managed to solve a number of important tasks goals:

1. To create a coordinating headquarters for the exchange of information, which includes the largest Russian banks, international money transfer system and law enforcement bodies. It should be noted that the representatives of the credit sector were involved in this work with great interest, understanding all its significance and importance. Currently, the working meetings are held on a regular basis. In the context of operational interaction during first three months the coordinating headquarters suppressed the activity of 42 terrorist cells identified by the methodology of Barrier operation. The law enforcement bodies placed more than 20 thousand individuals under special control. More than 30 countries were informed about the terrorist threat.
2. In order to improve the national AML/CFT legislation Belarus, Kazakhstan and Russia developed draft bills envisaging more rapid receipt of banking information stipulated by the technique of Barrier operation.
3. After receiving a data bulk of banking information - about three thousands of bank statements and more than 30 thousand of files on remittances – a work was launched to develop a systematic approach for identifying and combating terrorist threats.

## Methodology

Let us examine in detail the systematic approach. First of all, threats were divided into external and internal. The external threats were identified as hostile activities of:

1. State regime in general in relation to the Russian Federation.
2. International terrorist organizations.
3. Foreign terrorists-fighters.

The countries can be classified by types of external terrorist threats. For example, according to the results of some international financial investigations, it was

concluded that through a number of areas of the European Union and Turkey dirty terrorist financial flows were running to Russia. The Russian financial intelligence confirmed the facts that these countries play the role of transit states in the transfer of terrorist assets from third countries to our country. In particular, money transfers have been repeatedly sent through the Turkish credit institutions to Russia serving the needs of the Islamic State fighters.

This is due to:

- presence of «Islamic charitable foundations» in these states, poorly controlled by public authorities;
- availability of sufficiently branched diaspora - immigrants from the republics of the North Caucasus, who were earlier granted the refugee status by European Union.

We separately identify countries where radical Islam is the state religion, as well as the states with a fairly extensive experience of theological training, adjusted for radicalism. The threat is obvious - the spread of radical Islam by training future spiritual leaders.

How to reveal this threat? We fix the following areas of such «education»:

- obtaining radical theological education abroad in certain countries;
- remote cross-border learning through video;
- independent learning using radical literature brought in, perhaps even banned;
- training within the state under the supervision of a foreign specialist radical or Russians who received appropriate education abroad.

The third group is formed of the foreign nationals most vulnerable for various reasons to radicalization in the territory of Russia. Tracking this category of citizens is quite simple with method of analysis of foreigners included in the Russian list of terrorists. By analyzing risk in descending order we can separately identify:

- migrant workers and foreign students - a major risk for these groups is increased concentration, density of location in the same place, thus creating a favorable environment for carrying out recruitment activities;



- foreign citizens who have left their homeland, perhaps for political or religious reasons;
- refugees, among which, as practice of European countries shows, a wolf in sheep's clothing may be hiding. For example, to identify terrorists among Syrian refugees, together with Syria FIU, an effective mechanism was developed which is based on identity documents verification through the transactions.

Specific agency is in charge of detection and suppression of each type of external threats. Rosfinmonitoring carries out monitoring of cross-border financial flows at the regional level of the Russian Federation. Russian Federal Security Service monitors the influence of radical, including educational centres in the individual regions of Russia. Ministry of Internal Affairs monitors the circulation of migration flows.

Data generalization of these three state agencies gives full regional slice of Russia: a map that can identify regional constituents that are particularly vulnerable to external terrorist threats.

Topical work's direction of today is the development of behavioral indicators, which can be used basing on the set algorithm to identify transactions with a high risk of terrorism. For example, a behavioral model of a terrorist cell. Based on the materials of the operation «Barrier 2015», the Russian financial intelligence

unit carried out a detailed analysis of operation of 42 international terrorist cells (see. above).

The life cycle of the terrorist cell from its creation to commission of terrorist act can be divided into four stages:

- creation,
- development,
- extremist activities,
- terrorist activities.

The work on developing indicators was organized in the framework of the Working Group with participation of law enforcement bodies and 12 major banks. It should be noted that the final stage – «terrorist activity» was the most simple - in terms of sending to the combat zone. Currently, a number of credit institutions launched a pilot project which has already given significant results. The well-organized work with law enforcement bodies allowed in the first half of 2016 to prosecute by joint efforts about 1000 people, including non-residents accused of terrorism.

Creation of a common map of possible terrorist threats across the Commonwealth which also will serve as a great help in planning CIS Barrier operations in the future, is continuing at the present moment at the site of the Council of Heads of CIS Financial Intelligence Units.

# ML/TF RISK ASSESSMENT: PROCESS, EXPERIENCE AND RECOMMENDATIONS

*The risk-based approach is currently used as the main tool in the fight against money laundering (ML) and terrorism financing (TF). The relevance of risk assessment, both at the national and supranational level, is underscored by the cross-border nature of these crimes*



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## NATIONAL RISK ASSESSMENT

The risk-based approach allows countries to identify vulnerabilities and channel their resources into the fight against ML/TF.

This approach has long been used by countries in the industries involved in AML/CFT, such as supervision over financial organizations. However, the requirement to apply the risk-based approach to ML/TF/PWMD was formally introduced only in 2012 as part of the revised FATF Recommendations.

According to Recommendation 1, «Countries should identify, assess and understand the money laundering and terrorist financing risks [...] to ensure that risks are mitigated effectively.» It is important to point out that the FATF Recommendations do not call for a mandatory assessment of proliferation of weapons of mass destruction (PWMD) financing risks. However, taking into account the specifics of

certain countries and their potential vulnerability to PWMD, they may be recommended to conduct such an assessment.

To achieve the ultimate goal – effective mitigation of ML/TF risks – countries should designate an authority or mechanism to coordinate actions to assess risks, develop a methodology, conduct analysis and assessment as well as prepare targeted measures and ensure their implementation.

Drawing on the experience of the countries that have already conducted risk assessment and undergone FATF and MONEYVAL mutual evaluations, such as Armenia, Australia, Belgium, Italy, Malaysia, Norway, Serbia and Spain it should be noted that in most cases, the coordination of risk assessment was carried out by interagency bodies (committees), a fact that helped maximize cooperation amongst all stakeholders involved in the fight against ML/TF and use their experience.

Risk assessment typically is based on identification and assessment of ML/TF threats, vulnerabilities and consequences. Countries conducting assessments of ML/TF risks tend to use different combinations of these elements to identify and assess risks.

Importantly, the end product of a ML/TF risk assessment should not necessarily be a uniform report with a comprehensive analysis of risks, such as those prepared by Armenia, Austria, Italy and Norway. Instead, risk assessments can be conducted in blocks and result in sector-specific reports, as done by Spain, Australia, Belgium and Serbia.

The outcomes of ML/TF risk assessments are then used to prepare and approve risk mitigation strategies, which provide for the adoption of targeted measures designed to channel the countries' resources and efforts into the fight against ML/TF.

### Armenia's Risk Assessment Experience

Republic of Armenia conducted ML/TF risk assessments twice before the inclusion of this requirement in the FATF Recommendations: a comprehensive national ML/TF risk assessment in 2010 and a sectoral assessment of ML/TF risks in the designated non-financial businesses and professions sector in 2013<sup>1</sup>. The comprehensive risk assessment was conducted on the basis of a self-developed methodology, while the sectoral risk assessment was carried out as part of technical assistance of the International Monetary Fund.

Following the formal inclusion of the ML/TF risk assessment requirements in the FATF Recommendations in 2014, Armenia conducted its second regular comprehensive assessment of ML/TF risks.

The responsibility for coordinating the application of a risk-based approach to AML/CFT in the Republic of Armenia is assigned to the Interagency AML/CFT Committee<sup>2</sup>, comprised of 13 ministries and agencies, including law enforcement and supervision authorities and representatives of the private sector.

The Financial Monitoring Centre of Armenia's Central Bank is, meanwhile, tasked with coordinating national ML/TF risk assessments.

The 2014 comprehensive assessment of national risks was conducted on the basis of a ML/TF risk assessment methodology developed by the Interagency Committee's expert group based on the FATF, World Bank and OSCE risk assessment guidelines.

Analysis of ML/TF risks was carried out using information obtained from both open and closed sources.

The private sector was actively involved in this process, particularly at the stage of information gathering. All reporting entities were interviewed to identify vulnerabilities in their sector of activity in terms of ML/TF.

The assessment of risks was split into two segments: evaluation of the current situation and a forecast of possible changes in the foreseeable future.

According to the review findings, Armenia's TF risks were rated as «very low», with stable foreseeable trends. Meanwhile, the country's ML risks were rated as «average», with decreasing foreseeable trends. An assessment of vulnerabilities revealed low or average levels of ML/TF vulnerabilities in most key elements of the system, with the only outlier being the DNFBP sector, where the level of vulnerability was rated as «high» with decreasing foreseeable trends.

The findings of this risk assessment within three months formed the basis of the 2015-2017 Action Plan to mitigate ML/TF risks. It provides for the adoption of regulations, institutional changes as well as steps to improve the knowledge and skills of the representatives of both public and private sectors. All the ministries and agencies responsible for implementation of the Action Plan are required to report to the Interagency Committee on the progress made twice a year.

The outcomes of the national risk assessment were made available to the general public. A summary of the national ML/TF risk assessment has been

<sup>1</sup> The work began before the adoption of the revised FATF Recommendations.

<sup>2</sup> The Interagency Committee was established by Presidential Decree No. NK-1075 of March 21, 2004

published and can be accessed via Armenia's Financial Monitoring Centre's website<sup>3</sup>. In addition, the document was discussed with practitioners representing all categories of reporting entities during the annual round of workshops. Reporting entities used the findings of the national risk assessment to initiate an independent assessment of ML/TF risks specific to their type of activity.

Given the fluid nature of ML/TF, approaches to risk assessment also change. Under the current methodology, risk assessments are conducted in the Armenian Republic once every three years, meaning that the next report will be presented to the Interagency Committee for approval in late 2017.

### General Organizational Guidelines

Based on the experience available, we can identify three key elements of the ML/TF risk assessment process.

The first one is the choice of methodology. Before commencing a risk assessment, each country must decide whether it wants to draw up its own risk assessment methodology or use an existing program. Both approaches have their strengths and weaknesses. Although a self-developed methodology allows countries to reflect to the fullest extent possible their unique characteristics, it may also lead to the oversight of certain aspects of the risks expected to be revealed by the assessment, caused by the absence or lack of relevant experience. A methodology developed by international organizations, on the other hand, allows countries to count on a multidimensional analysis of risks and advisory support, but, given that such a methodology is developed with a wide audience in mind, it may fail to take into account individual characteristics of a country. In a vast majority of the aforementioned countries, the national risk assessment was conducted with the use of a self-developed methodology, except for Serbia, which conducted its ML risk assessment on the basis of the World Bank methodology.

The second element concerns the participants. An assessment of ML/TF risks is a complex undertaking that calls for the mandatory involvement in the

process of collecting, analysing and summarizing the results of the representatives of all authorized state bodies and the private sector, direct participants.

The third element pertains to the preparation of an Action Plan. An assessment of ML/TF risks does not end with the drafting of a report; instead, basing on the report, the participants should work out an Action Plan on ML/TF risk mitigation and provide for control of its implementation.



### SUPRANATIONAL RISK ASSESSMENT

The cross-border nature of ML/TF crimes means that co-ordinated preventive measures need to be undertaken not only at national but also regional level. An assessment of supranational ML/TF risks is key to the development and implementation of a common supranational AML/CFT strategy and may serve as a basis for a coordinated action aimed at protecting security and economic stability in the relevant region.

<sup>3</sup> URL: <https://www.cba.am/en/SitePages/fmcstrategicanalyses.aspx>

The development and adoption by the European Union of the Fourth Directive is one of the initiatives to promote the supra-national risk assessment. It calls for cross-border risk assessments and development of recommendations to prevent the use of the EU financial system for ML/TF.

It is important to note that the effort to identify and assess regional ML/TF risks is also carried out by the Council of Heads of Financial Intelligence Units of the Commonwealth of Independent States (CHFIU). Given the relevance of this issue, the CHFIU set up in 2015

a Working Group on Risks and Threats Assessment in the Field of Anti-Money Laundering and Counter-Terrorism Financing and Development of Risk Management Procedures for Their Mitigation. The Group to meet its objectives initiated the development of a Regional Risk Assessment Methodology, consisting of the following two components: country's risk assessment and supranational risk assessment. According to the drafted Action Plan, the consolidated risk assessment report will be submitted to the CHFIU for approval at the end of 2017.



## REMOVAL OF FINANCIAL BASIS FOR DRUG CARTELS IS KEY TO DESTRUCTION OF GLOBAL NARCO-ECONOMY

*Drug trafficking is, first and foremost, a criminal business with its own commodity flows, logistics and financial infrastructure. Drug revenues are used by criminals to set up new entities; purchase real estate in different countries; pay for goods, works and services; and drug manufacturing and its transportation for further sale. Laundering of drug revenues in today's world has become a global threat to the economic and political stability of many countries in the world*



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**D**rug producing, transiting and consuming countries are links in the same chain, a fact that explains, first, the dominant position occupied in this sector by international criminal gangs and syndicates, whose activities are transnational in nature, and, second, the involvement in the drug trade as couriers and small dealers of representatives of many countries, which, in turn, contributes further to the criminalization of society.

The substantial financial resources accumulated by criminal gangs are redistributed among individual countries and channelled into purchases of

successful businesses and real estate as well as the expansion of criminal activity.

Experience has shown that one way to undermine the existence of transnational traffickers of drugs and their precursors is to remove their financial support.

It is for this reason that the key tasks facing financial intelligence agencies today are the detection of drug-related financial transactions, schemes and cash flows; identification of banks and countries recipients of these funds; and disclosure of the facts of money laundering.

An effective solution to this problem lies in information sharing between financial intelligence units (FIUs) and law enforcement authorities both at national and international levels. This factor is particularly important during the active phases of the regional anti-drug operation «Channel» – conducted by the law enforcement authorities of the Collective Security Treaty Organization (CSTO) – which was granted permanent status in 2008.

To this end, the International Training and Methodology Centre for Financial Monitoring (ITMCFM) conducted regular trainings for financial analysts and heads of FIUs of the EAG, CIS and Afghanistan on such topics as «Disclosure of Financial Infrastructure of Drug Trafficking and Money Laundering», «Participation of CIS FIUs in Anti-Drug Operation «Channel»», etc.

The ITMCFM uses videoconferencing to hold regular round table discussions with representatives of EAG, CIS and CSTO FIUs and law enforcement, dedicated to improving the effectiveness of anti-drug trafficking efforts of FIUs.

An important step in addressing these issues was the establishment of the EAG's Working Group on Counteraction of Financing of Drug Business, Crime and Terrorism (WGCF). The work carried out by the Group includes development of a mechanism for participation of the EAG FIUs in the CSTO operation «Channel»; drafting of cooperation guidelines for law enforcement agencies and FIUs involved in the fight against the financial component of the drug trade, both at national and international levels; as well as the development and coordination of a reporting system for use by the EAG countries participating in the operation «Channel». The XVIII EAG Plenary approved the Guidelines on Participation of EAG Financial Intelligence Units in «Channel» Operation, developed by the Group.

The WGCF has conducted a study into the financial infrastructure of the Afghan drug trade. The findings of this study, together with the findings of other studies carried out with Russia's active involvement by the Paris Pact Initiative and the FATF, have shown that a significant portion of drug proceeds are channelled through drug routes to the so-called «financial centres» and then to «reinvestment centres». Therefore, a money laundering scheme can cover the whole

world. In fact, the problem has escalated to the point where we can talk about the emergence of universal money-laundering centres that exploit vulnerabilities of financial systems of different countries.



Responding to the challenges, EAG and CSTO law enforcement and financial intelligence units have conducted a number of successful criminal and financial investigations in this area. For example through information exchange between Rosfinmonitoring and the FIUs of Kazakhstan, Kyrgyzstan and Tajikistan an individual responsible for the coordination of Afghan heroin supplies to Russia through the above Central Asian states was identified. This person oversaw heroin shipments and redistributed drug proceeds to finance the purchase of vehicles used to conceal the smuggled heroin, as well as to make payments to drug traffickers. Due to the interaction, FIUs identified the location of the organizer of a drug smuggling route to the UAE and achieved his extradition to Russia. The Investigative Department of Russia's FDCS initiated criminal proceedings under Arts. 228, 210 and 174.1 of the Criminal Code. The total amount of laundered proceeds is estimated at approximately \$3 million.

The work carried out by Rosfinmonitoring jointly with the EAG FIUs helped to identify other participants of the drug smuggling channel. The collected evidence, which formed the basis of a financial investigation conducted by Kyrgyzstan's FIU, was referred to the country's law enforcement, leading to the detention of one of the traffickers, seizure of about 10 kg of heroin and the opening of a criminal investigation, including into drug-related money laundering.

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The relevance of full-scale studies into cocaine, synthetic drugs, precursors and new psychoactive substances-related cash flows remains very high today.

Further enhancement of international cooperation on the basis of common understanding of the problem and its solutions will allow us to achieve a major breakthrough in the efforts to dismantle the global narco-economy.



# ITMCFM AS BASIC AML/CFT EDUCATIONAL INSTITUTION OF COMMONWEALTH OF INDEPENDENT STATES MEMBER COUNTRIES

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**T**he International Training and Methodology Centre for Financial Monitoring (ITMCFM) was granted the status of a CIS basic AML/CFT educational institution by the decision of the Council of CIS Heads of Government of October 30, 2015.

The ITMCFM activities as a basic organization are carried out in accordance with the Commonwealth of Independent States Charter, CIS international treaties in the field of education, decisions of the Council of Heads of State and Heads of Government, CIS Council of Heads of Financial Intelligence Units (CHFIU), Regulations on the Basic AML/CFT Educational Institution of the CIS Member States and the ITMCFM Charter, in collaboration with the CHFIU and CIS Executive Committee.

The focus of the ITMCFM activities, as a basic AML/CFT educational institution, is on the following:

- provision of training and methodological services;
- organization of international conferences, workshops and other events;
- promotion of development and strengthening of cooperation between CIS educational and research institutions;
- development and implementation of innovative educational technologies, including implementation of network, e-learning and remote learning educational programs;

- scientific research;
- publication and dissemination of scientific, educational, methodological, research, reference and other materials relevant to the activities of the basic organization.

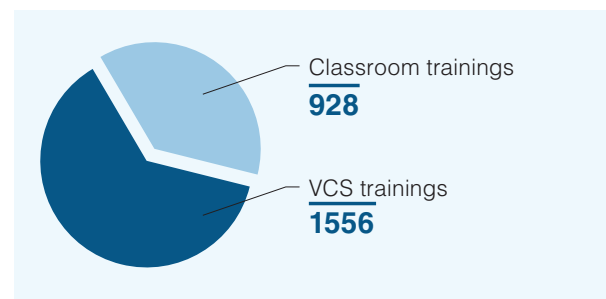
The ITMCFM training activities currently include:

- training of personnel for CIS AML/CFT systems in light of emerging challenges and threats and conducting the next round of FATF and FSRB mutual evaluations;
- international workshops on anti-money laundering, including via videoconferencing;
- development of new specific fields and programs for the network AML/CFT Institute;
- organization of AML/CFT trainings for foreign students studying in the Russian Federation.

In the period from November 2015 to August 2016, as part of the training program for CIS AML/CFT personnel, the ITMCFM organized more than 50 training courses, workshops and round tables, including via videoconferencing, which were attended by over 2000 people.

The ITMCFM operates videoconferencing system (VCS), which covers the financial intelligence units of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. The use of VCS contributes to a more timely cooperation between

*Fig. 1 Number of CIS anti-money laundering system's personnel who underwent ITMCFM trainings from November 2015 to August 2016 (persons)*



the participants of national anti-money laundering systems on the basis of financial intelligence units and representatives of educational institutions. Moreover, real-time meetings, round tables, trainings and other activities are carried out.

The Centre's training programs are designed to raise awareness and enable practical application of the FATF Recommendations by the CIS national AML/CFT systems, explore new approaches to the conduct of national risk assessments, prepare for the next round of FATF and FSRB mutual evaluations, and improve interagency cooperation.

The ITMCFM acts as a coordinator of the network AML/CFT Institute – a scientific and educational centre specializing in staff training for international and national AML/CFT systems – the agreement on the establishment of which was signed in 2013. The Centre, made up of both Russian and CIS educational institutions, promotes interaction among its participants and facilitates joint work of its members.



*Key ITMCFM activity is organization of educational events*



In cooperation with Rosfinmonitoring, as well as with support of Russia's Ministry of Education and Rossotrudnichestvo, the ITMCFM is involved in the training of CIS citizens for national anti-money laundering systems: more than 50 Commonwealth students have been enrolled at Russian educational institutions of the network AML/CFT Institute in 2016, with the number of applications over 130.

The Centre's research activities are aimed at improving the CIS national AML/CFT systems, increasing their level of technical compliance with the international AML/CFT standards and raising effectiveness. In addition, the research findings are used to enhance educational process and boost opportunities for the training of AML/CFT personnel and teaching staff.

The main focus of the Centre's information and communication activities is on publication of teaching aids and informational materials and on translation of FATF and FSRB typologies, for subsequent distribution at various international and educational events, posting to government agencies, representatives of the private sector and educational institutions, and publication on the ITMCFM website.

The ITMCFM activities as a basic organization are designed to promote synthesis and dissemination of the best AML/CFT practices; enable training and professional development of personnel for the national anti-money laundering systems; and contribute to the development and deepening of cooperation in the field of education and science.

# CIS REMITTANCE MARKET: UNIQUE EXPERIENCE AND GROWTH OPPORTUNITIES



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The territory of the Commonwealth of Independent States (CIS) represents a fairly integrated space known for its close cultural and socio-economic ties, a factor that contributes to high population migration rates accompanied by volumes of remittances that migrants send home. In fact, the sheer scale of CIS migration is such that it allows us to talk about formation of what is known as 'remittance corridors', i.e. steady flows of cash from one country to another.

Russia's traditional role as a key destination for migrants means that the country also acts as a main remittances donor in the CIS. As can be seen from the chart below (Figure 1, p.66), the only exceptions are Kazakhstan and Turkmenistan, for whom Russia is a net recipient.

Furthermore, personal remittances from abroad (mostly from Russia) make up a significant share of many CIS countries' GDP. For example, they account for 25.7% of the gross domestic product of Kyrgyzstan, 28.8% of Tajikistan and 14%<sup>1</sup> of Armenia. In 2014 (before the

ruble's devaluation and economic contraction in the region), these figures even reached 40%<sup>2</sup> in some jurisdictions.

This dependence is largely mutual though: labour migrants' contribution to Russia's GDP is roughly estimated at 5-15%<sup>3</sup> (a more accurate estimate is difficult), meaning that these well-established migration and financial flows are very important to all CIS member states.

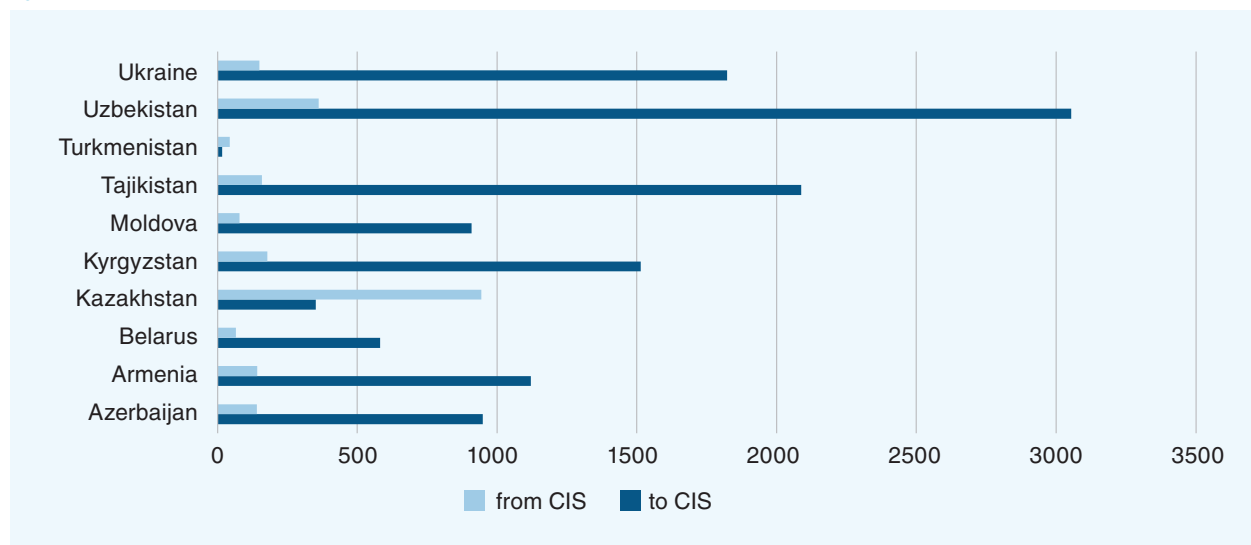
The huge<sup>4</sup> demand for money transfer services has, without exaggeration, led to the emergence in Russia and neighbouring countries of a highly developed remittance market. As regards formal remittance systems, they serve the interests of both the state and consumers. Clients no longer need to rely on strangers to deliver large sums to their relatives back home, or to worry over whether they will ever make it to their destination, in part or in full. Supervisory authorities, meanwhile, have received the opportunity to monitor and reliably measure the volume of such cash flows.

<sup>1</sup> Personal remittances, received (% of GDP) // World Bank Group. URL: <http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS>.

<sup>2</sup> Migration and Remittances Factbook 2016. Third Edition // World Bank Group. 2016. P. 44.

<sup>3</sup> Migrants' annual contribution to Russia's economy stands at \$400 billion, according to the former Deputy Head of FMS // Finmarket. Ru. 04.12.2013.

<sup>4</sup> Approx. 10 million CIS migrants visit Russia each year, a number that is subject to sharp seasonal fluctuations. According to the FMS Head, the number of migrants in Russia evened out in 2015 // RIA Novosti. Jan. 2, 2016

Fig. 1. Personal remittances between Russia and other CIS countries, 2015 (\$ mln.)<sup>5</sup>

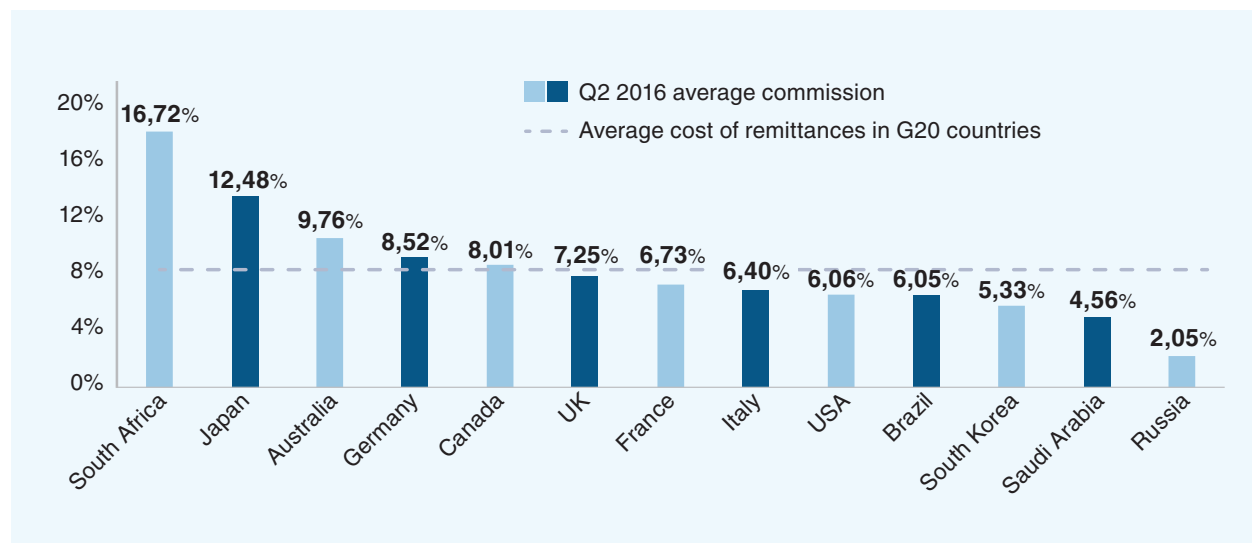
The uniqueness of the CIS remittance market lies not only in its scale though. Intense competition between Russian financial institutions constantly prompted them to expand the range of their services and optimize internal processes. For example, the country's financial institutions allow their clients to send money from bank cards, accounts, e-wallets, prepaid mobile phone accounts and via agents (a detailed description of all services available to clients deserves a separate article). The implications of continuous innovations in this sector are striking: Russia has the lowest remittance prices among G20 countries, and one of the lowest in the world. Curiously, the World Bank, which conducts quarterly monitoring of remittance prices in the world, is even compelled to develop two integral indicators for Eastern Europe – one inclusive and another exclusive of Russia – to avoid huge statistical distortions of any regional generalizations caused by the Russian market.

Yet, it is clear that cross-border money transfers pose a serious challenge to financial institutions in terms of money laundering and terrorist financing risks. Their clientele includes foreign passport holders; they must oversee transmissions of information related not only to the senders of remittances but also their recipients; and they must also constantly monitor the destination countries for any regulatory changes. Given the huge popularity of these services, it is essential for remittance market participants to accurately

adjust the scale of their operations to avoid a lapse in oversight standards. Similar challenges are also faced by regulators, since situations like these are a good indicator of a risk-based approach provision in the legislation. After all, the existing system is very fragile. Consumers sending money abroad are very sensitive to any cost increases. They want to be able to send money to their loved ones at minimum cost. This means that any abrupt changes in tariffs or identification requirements can potentially trigger a return of informal remittance practices such as use of cash couriers. This scenario is highly undesirable in itself, let alone now, when any growth in the volume of the grey cross-border cash exports is likely to be immediately seized upon by terrorist groups, which have become more adaptable to changing conditions in recent years. For this reason, the adoption of a risk-based approach by CIS countries is not only about compliance with the FATF Recommendations but also about improvement of the AML/CFT measures' effectiveness.

In general, the existing AML/CFT measures in the remittances sector do work: clients undergo identification and are checked against the list of persons involved in terrorist and extremist activities; transactions are monitored for any signs of suspicious activity. At the same time, it is clear there is still a lot of room for improvement. For example, if we look at the customer identification procedures used in the CIS, we will see that most of them are very similar

<sup>5</sup> Personal remittances between Russia and other CIS countries, 2015 // Russian Central Bank. Jul. 27, 2016

Fig. 2. Average cost of remittances in 2d quarter of 2016<sup>6</sup>

and involve the verification of the customer's identity by passport in the person's presence. In Russia, remittances between individuals can be carried out through the use of a simplified identification procedure (including remote one). This system, however, does not work for non-residents, as it is impossible to verify the information provided by them through government databases. A good example of a more progressive approach is Belarus, which plans to create an interbank identification system that will allow clients to undergo identification in one bank and conduct operations remotely through others. But, as before, this mechanism is aimed primarily at residents.

Therefore, it is important for CIS countries to find common ways to improve the effectiveness of AML/CFT mechanisms in the cross-border remittances sector. In our opinion, there are several eventual solutions to this problem.

All CIS citizens have passports, but they all look different, forcing employees of financial institutions to learn to distinguish genuine from fake in everyday practice. It is even more difficult for bank agents, who may be ordinary grocery or mobile shop assistants. The problem is that there is still no common ID e-database in the CIS. Although very inexpensive to set up, such a system would do a great job in helping financial institutions to train their staff and improve the effectiveness of passports verification.

In our opinion, another serious omission is the absence of simplified identification procedures in many CIS countries (including for non-residents). Given that remittances, by their nature, are one-off services – unlike maintaining a bank account – it seems only natural that more emphasis should be placed on monitoring transactions rather than collecting the maximum amount of customer information. Simplified identification consists in the optimization of the list of gathered information and the introduction of working mechanisms for its verification (including remote ones).

Naturally, the best solution will be the convergence of these approaches in the region – for example, the creation of a mechanism that will make different national ID databases compatible. In any case, it is clear that the debate on the adoption of a simplified identification procedure in the CIS is definitely overdue.

Being part of an integrated region means that we face similar challenges. It would, therefore, be logical to use cross-border tools in addressing them. Good example is the lists of persons involved in terrorist and extremist activities. In each country, they are compiled and updated independently, which is not ideal, especially in the context of high migration flows. Cooperation in compiling these lists – and even establishing common ones in the future – may, in our opinion, render use of these lists more effective.

<sup>6</sup> Remittance Prices Worldwide // The World Bank. Issue no. 18. June 2016.

Another useful initiative could be the establishment of a CIS-wide AML/CFT national policy coordination centre, which, acting as a one-stop shop for all CIS financial institutions, would inform them about the latest regulatory changes and, if necessary, advise on best ways to comply with local legislation. This will make the situation more predictable for money remittance services providers, as well as help them adapt to the changing operation conditions in individual markets.

The constant cross-border movement of people, along with remittance flows, in practice acts as an integrating factor for the Commonwealth of

Independent States. Over the last decade we have been able to create institutions in this region capable of rendering financial flows transparent and, to a certain extent, traceable. One must not forget, however, that these instruments remain very fragile and heavily dependent on the coordinated actions of individual countries. Perhaps here more than anywhere else, we appreciate the role played by a risk-based approach. The CIS, in this regard, is perfectly suited for its synchronized implementation, as well as for the exchange of best practices and search for the most appropriate regulatory solutions. And later, this cooperation could become a model for other regional integration bodies.



## NEWSBLOCK

## Meeting of Egmont Group's Technical Assistance and Training Working Group

**O**n August 24-25, a special meeting of the Egmont Group's TATWG was held in Warsaw, Poland.

The event was attended by representatives of more than 20 FIUs, GIABA, World Bank, Europol, ICAR (International Centre for Asset Recovery was established by the Basel Institute on Governance), COMESA (Common Market for Eastern and Southern Africa) etc.

The meeting discussed the Egmont Group's training programs. They include a course of strategic and tactical analysis, supervision activities, corporate units and financial products (CORFIN). Key issues are search for volunteers for translation of training

materials, development of the digital courses. These steps must allow access to the training for a greater number of specialists from FIUs.

Currently the Egmont Group is forming a Centre for improvement of FIU and management (ECOFEL). The Department for International Development of the British Government acts as its founder. Its activities include issues of combating the financing of terrorism and corruption.

The next meeting of the Egmont Group will be held in Doha, Qatar (January, 2017). The last meeting of the TATWG started preparation for this event – the program of the of FIUs' representatives training session was approved.



*Inessa A. Lisina,  
deputy editor-in-chief*

## Key Priorities of OSCE: Combating Money Laundering and Corruption

**O**n September 5-6, 2016, a workshop of OSCE, UNODC and Moldavian FIU “Enforcement of Collaboration in Combating Money Laundering” was held in Vienna, Austria. The event was attended by employees of FIUs, MONEYVAL, Europol, Eurojust, International Training and Methodology Centre for Financial Monitoring and other organizations.



In her opening speech Professor Ermelinda Meksi, Deputy Coordinator of the OSCE's Office for Economy and Environment, noted that the purpose of the event is to propose a platform for dialogue between FIUs, exchange the best practices, including for anti-money laundering and combating corruption. Currently for the OSCE these fields are of key nature.

The central subject of the workshop was preparation and implementation by the countries of National ML/TF Risk Assessment (NRA). Representatives of FIUs shared their experience in this field. The most discussed aspects included methods of the NRA, establishment of interdepartmental interaction at the national level, and collaboration with representatives of the private sector, use of various sources etc.

According to experts new risks for the NRA include frauds using “social engineering”, as well the growth of alternative banking platform that can replace traditional banking.

The workshop included presentation of Europol and Eurojust, two EU agencies combating money laundering and terrorism financing, cross-border crimes and organized crime.

Participants of the workshop emphasized importance of information exchange on similar international venues. It contributes to the success of event under the AML/CFT agenda, allows to identify trends and high-risk sectors, establish partner relations between representatives of different countries.

*Inessa A. Lisina,  
deputy editor-in-chief*

## Internet + Finance Forum

**T**he IIA's International Multimedia Centre held the *Internet + Finance* Forum (September 21, 2016) primarily aimed at consideration of key fields for improvement of the institute of private persons identification under the strategy for development of digital economy and system of digital interaction between the government and citizens.

The Federal Financial Monitoring Service was represented by the **State Secretary, Deputy Director, Pavel Livadny**. The event was also

attended by representatives of the Russian Ministry of Telecom and Mass Communication, Federal Supervision Agency for Information Technologies and Communications, Federal Tax Service or Russia, Bank of Russia.

In his report Mr. Livadny noted that the Federal Financial Monitoring Service supported development of digital technologies and expressed his confidence that the conservative approach to development of statutory regulation was inappropriate, and the system must develop and adopt to reality.

*"We believe that the statutory regulation system must develop and adopt to the modern reality both at legislative and substatutory (especially the Central Bank acts) levels. Conservatism can bring us to age-old backwardness."*

The Deputy Director also emphasized that development of identification mechanisms was an important aspect, reminding to the guests that serious work had been recently done together with the colleagues in the CB, FTS, Ministry of Communications for modification of the basic Federal Law 115. According to Mr. Livadny development of simplified, remote identification is necessary, but the unified base must be controlled by a governmental body.

It is possible to allow legal entities to open accounts without attending the credit institution by a legal representative, but a data base must be developed for businesses and governmental organizations.

*"Of course the data base on citizens used by financial organizations for remote identification must be easy-to-understand for the market and individuals, and inspire confidence."*

Deputy Chairman of the Bank of Russia, **Olga Skorobogatova**, told about creation of "regulatory sand boxes", trial platforms for participants of the financial market where the regulator would study how new technologies work and would decide, whether regulatory approaches need modification.

*"Remote identification of banks' clients and creation of a data base is a priority for us as a regulator", - Olga Skorobogatova emphasized. She said that the Bank*



of Russia planned to disclose in October a scheme to be implemented for remote identification taking into account proposals from the Internet industry.

The forum also discussed practical application of the law on cash register equipment and prospects for development of new services as related to introduction of on-line receipts. Participants of the forum also discussed, whether the initiatives of market members for application of identification biometric techniques could successfully supplement governmental identification systems and how new technologies would change insurance.

*Evgenia N. Kalikhova,  
editor-columnist*

## ***Visit of the People's Bank of China Delegation to Rosfinmonitoring***

**O**n September 22-23, 2016, the Federal Financial Monitoring Service was visited by the delegation of the People's Bank of China headed by Mr. Li Zhe, First Deputy Director General of the Chinese FIU. The visit was aimed at familiarization with the Russian experience in financial analysis, in particular combating the financing of terrorism, collaboration in modernization

of information technologies, and preparation for a new round of FATF's mutual evaluations.

The negotiations were attended by the Director of Federal Financial Monitoring Service, Yuri Chikhanchin, Deputy Director, Vladimir Glotov, Chief of the International Cooperation Department, Alexey Petrenko, Chief of Administration for Solution Development of



the Chinese FIU, Mr. Zhan Yalun, Deputy Chief of the IT Management and Support Department of the Chinese FIU, Mr. Van Fan, Chief of the Secretary's Department for Mutual Evaluations of the Anti-Money Laundering Bureau, Mr. To Yan.

The Rosfinmonitoring Director, Yury Chikhanchin told about the Service's development, principles and fields of its activities, instruments applied, format for interaction with other governmental bodies, fields of international collaboration. Special attention is paid to preparation for the fourth round of mutual evaluations, experience of the FATF's standards implementation for development of multi-level statistical information. In addition, round tables for development of new indicators aimed at combating the financing of terrorism, and prospects of mutual combating the financing of ISIL were also held.

Operation of the Risk Assessment Centre was demonstrated to the partners.



Based on results of the negotiations agreements for strengthening bilateral connections have been achieved.

*Evgenia N. Kalikhova,  
editor-columnist*

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