

CHAIRMAN'S COLUMN



Dear colleagues,

In 2016 the Eurasian Group, jointly with its international partners, made significant progress in fight against the financing of terrorism in general and ISIL in particular. Among the outcomes of this work is a system that allows us to timely identify and cut off funding for FTFs, thereby blocking their access to the financial systems of EAG member states.

The Eurasian Group continues to strengthen its engagement with the UN, whose role as a central coordinating body in the fight against terrorism should be maintained. One example of these efforts is a Memorandum of cooperation signed between the EAG and UNCTC, establishing the legal basis for cooperation in combating terrorist financing, information sharing and conducting joint activities.

In 2017 we will continue to work closely with the FATF and FATF-style regional bodies to improve our countries' compliance with the 40 Recommendations, by implementing the FATF operational plan for application of the Consolidated FATF Strategy on Combating Terrorist Financing.

The Eurasian Group will also continue to strengthen its cooperation with such regional anti-terrorist bodies as the CIS Anti-Terrorism Centre and the Regional Anti-Terrorist Structure of the Shanghai Cooperation Organization.

We are open to cooperation and seek to develop mechanisms for sharing CFT-related intelligence within the EAG format and beyond. One of the examples of effective systemic cooperation is the CIS Council of FIU Heads. Terrorism cannot be defeated by any single country. Only by combining our efforts can we achieve progress in the fight against this global menace.

**EAG Chairman
Yury Chikhanchin**

25th EAG Plenary Meeting

On November 7-11, 2016 in New Delhi (Republic of India), the 25th EAG Plenary Meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) was held

The meeting was chaired by Yuri Chikhanchin, representative of the Russian Federation. The Plenary elected Chyngyz Kenenbayev (Kyrgyzstan) Deputy Chairman until November 2017.

Secretary of Department of Economic Affairs of Ministry of Finance of the Republic of India, Shaktikanta Das in his welcoming remarks underlined

The main issues on the EAG Plenary's agenda are countries' reports on progress of national AML/CFT systems. At the Plenary Republic of Belarus was removed from the EAG follow-up process. Representatives of the Russian Federation, China, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan briefed on amendments to national AML/CFT legislation.



importance of the FSRB in FATF standards' implementation and emphasized efforts of all the Group's members in this process as well as in improvement of national anti-money laundering systems' effectiveness. For example, India is now taking measures aimed at fight against counterfeiting, terrorism financing and corruption. The national FIU carried out a research into the link between these phenomena. The research was approved by the Plenary participants.

The Plenary addressed issues of countering terrorist organizations' activities and called for all member states to enhance their efforts and implement the UN Security Council's Resolutions as soon as possible. At the same time participants highlighted the importance of close interaction between countries, exchange of best practices of investigations and their implementation in training field-specific personnel.

Attendees also approved a series of typological research projects on most relevant AML/CFT issues: "Laundering of Financial Pyramids Proceeds", "Typologies of Improper Assets Withdrawal from Financial Institutions"; findings of the research "Link of Counterfeiting and Terrorism Financing"; Methodological recommendations on mechanism of terrorist/extremist list inclusion/exclusion and freezing (blocking) assets of the indicated persons.

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Shaktikanta Das, Secretary of Department of Economic Affairs of Ministry of Finance of the Republic of India



"FSRBs play an important role in FATF standards' implementation in AML/CFT system in the world. FATF is a relatively small organization, but the whole system with FSRBs includes about 190 countries. Due to its strategic geopolitical position the EAG has a special place among 9 FSRBs...

EAG is making a particular AML/CFT effort. Within its framework important typological research is carried out, which, in particular, is dedicated to financial pyramids,

corruption, money laundering, and illegal withdrawal of assets from financial institutions...

EAG is the only FSRB which member states are off the FATF ICRG follow-up process. I would like to congratulate all of us on this significant achievement. I would also like to thank all the participants for good results of their work and I hope that in future they will be alike...

I wish our meeting to be constructive and productive. I am sure that dedicated efforts of all member countries within our region and area of work will give the expected outcomes."

Rosfinmonitoring Director
Yu. Chikhanchin's Speech
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Contest for the best interagency cooperation of governmental bodies in AML/CFT investigations was held for the fourth time. Three terrorism financing cases and one case dedicated to anti-drug money laundering were presented for consideration of the participants. The vote resulted in Kazakh FIU's victory, while second and third places were given to FIUs of Tajikistan and People's Republic of China respectively.

The Plenary approved the Eurasian Group's Action Plan 2017. Its provisions are based on a

more global paper – EAG Strategic Plan 2016-2018. The Plan defines a range of events in 2017, which will contribute to success of the EAG mission and achievement of strategic goals. The scheduled events include participation in FATF, enhancement of relationships with other FSRBs and regional organizations, development of information environment and communications, second round of mutual evaluations and training of assessors, assistance in national risk assessments, enhancement of interaction with the private sector, research into relevant AML/CFT issues, etc.

During the Plenary week a workshop on overview of the first FATF/FSRB/IMF mutual evaluations was held. It included common drawbacks and best practices. At the workshop FATF, UNODC and EAG experts shared their relevant experience. A Protocol on EAG Cooperation with the Council of Heads of CIS Financial Intelligence Units was signed on the margins of the 25th Plenary week within cooperation development with EAG partner organizations.

The next Eurasian Group's Plenary meeting is scheduled for May 2017 in Bishkek, Kyrgyzstan..

Rosfinmonitoring Director Yu. Chikhanchin's Speech at UNCTC

On December 15, 2016 Yu. Chikhanchin, EAG Chairman and Director of the Federal Financial Monitoring Service, briefed the UN Counter-Terrorism Committee on the activities of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG). In his speech, the EAG Chairman outlined the FATF-style regional body's priorities in combating the financing of terrorism, and especially ISIL.

The EAG carries out comprehensive work aimed at assessing ML/TF risks, identifying and cutting off funding for terrorists, conducting joint investigations and special operations, organizing personnel trainings, and strengthening cooperation with the relevant international bodies (CIS Anti-Terrorism Centre, Regional Anti-Terrorist Structure of the Shanghai Cooperation Organization and the Global Terrorism Database, operated under the auspices of the Meeting of Heads of Special Services, Security Agencies and Law-Enforcement Organizations).

Yu. Chikhanchin:

We are observing ISIL's attempts to boost its ranks at the expense of local terrorist organizations around the world, as well as to expand its online presence in order to spread terrorist ideology and raise funds. Given the magnitude of the current challenges, the EAG has been conducting regular work aimed at implementing the Consolidated FATF Strategy on Combating Terrorist Financing.

In particular, as noted by the Head of the Russian financial intelligence, during the work on the said Strategy the EAG expressed its support for incorporating the provisions of the UN Security Council resolutions 2199 and 2253 aimed at cutting off funding and any material assistance to ISIL into the FATF standards. As a result, the list of terrorist assets subject to freezing under the FATF standards was expanded to include oil and other natural resources, as well as any other assets which could be used by ISIL to obtain funds required to finance its activities.

During a separate meeting with Jean-Paul Laborde, Executive Director of CTED, Yu. Chikhanchin signed a Memorandum of Understanding between the EAG and UNCTC, confirming the EAG's unwavering commitment to strengthening cooperation with the UN, which should continue to play a central coordinating role in the fight against terrorism and its financing. This agreement establishes the legal basis for cooperation in combating terrorist financing, information sharing and conducting joint activities.



Yu. Chikhanchin:

The AML/CFT system built in the EAG region allows us to timely identify and cut off funding for FTFs, thereby blocking their access to the financial systems of EAG member states. In the Russian Federation alone, it led to the freezing of assets held by over 1400 FTFs and prosecution of 350 individuals.

The international operation "Barrier", conducted in accordance with a methodology developed by the Russian Federation, has allowed authorities to identify more than 800 persons at high risk of terrorism involvement, 220 of whom have been charged with participation in military conflicts on foreign soil and placed on the national terrorist list.

Rosfinmonitoring, jointly with the CIS Council of FIU Heads, has undertaken measures to identify terrorists and their supporters operating in Eurasia. Acting on intelligence provided by the FIU, law enforcement authorities probed the financial dealings of over 1200 individuals and exposed financial operations of 140 members of terrorist cells. The gathered financial intelligence was used to disrupt the activities of some of these persons and initiate investigative proceedings against the rest.



During the term of its EAG Presidency, the Russian Federation intends to continue the consolidation processes within the Group and its fight against terrorist financing, with a focus on ISIL.

In a Short Time the Eurasian Group has Made a Considerable Progress

P.K. Mishra – Head of India's FIU

– Mr. Mishra, now India hosts the second EAG meeting (first one was here at 2012). Please, share your impressions about the 25th EAG Plenary.

– First, let me say thank you for giving this opportunity. EAG has been a very important FSRB for India and we look towards EAG with lot of respect. The commitment EAG has shown is widely appreciated by India. EAG has progressed a lot in a very short period of time being the smallest of FSRBs. And a lot of credit goes to the previous President or Chairman, representative of India. And a large part of the credit I must give to Mr. Chikhanchin who has driven it not alone but bringing everybody together. Also Mr. Chikhanchin is a person with big knowledge. So one factor of EAG success is its leadership. We highly appreciate amount of research that EAG does. I don't think there are FSRBs that do so much research of such good quality on various topics related to AML/CFT. So I must say that India is very happy to be a member of EAG. And we are very proud of our contribution to EAG.

– What are the main and most interesting EAG projects for India?

– We are interested in different projects of EAG. One of them concerns pyramid schemes because there are cases of pyramid money schemes in our country. Some of them were investigated.

Also projects in counter terrorism financing are very important for us because they give us opportunity to

learn and to share our experience in this sphere. India has been a victim of terrorism for many decades. In many cases counterfeit currency was used.

– In the framework of the 25th EAG Plenary meeting also was held a regular meeting of Council of FIUs Heads of CIS member states. India is observer in this organization. Why did you decide to participate in Council activities?

– We've decided to become observers because India feels that CIS FIUs group is concentrated on operational issues. Once you start focusing on operational issues it gives you great learning experience. You have opportunity to share your views. It enhances quality and knowledge of all FIUs participating. So we wanted to catch up this opportunity and to share our experience. So it mutually enriches FIUs. I've attended the meeting of CIS FIUs Heads on November 9 and I was happy to see the amount of practical operational work that has been done and to see success of operation "Barrier". So there are very good practical examples we all should learn and adopt in our work.

– In your opinion what EAG will be mainly focused on in the nearest future? What points will be significant?

– In the nearest future EAG would remain extremely relevant and very important. Group has to play a very crucial role in guiding and educating countries



driving from experience of FATF member countries. And the role of EAG becomes important because it's necessary to educate and to be sure that all proper national risk assessments were done by all member states. That they are technically and effectively compliant with FATF recommendations. So EAG work remains extremely relevant and important for all of us. Eurasian group performs other tasks that are significant to FATF.

Outcomes of the 52nd MONEYVAL Plenary

The 52nd Plenary meeting of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism (MONEYVAL) was held on December, 5-9, 2016 in Strasbourg

The Plenary was opened by the FATF President Juan Manuel Vega-Serrano, who praised MONEYVAL for its constitution to the maintenance of financial and economic stability in the world, including in the context of the consolidation of international efforts in combating the financing of terrorism (CFT). Besides the CFT-related challenges, the distinguished guest outlined the FATF's current priorities, including the work to improve transparency of beneficial ownership, to raise FIUs' status and to address the problems posed by emerging financial technologies and their regulation.

MONEYVAL Chair Daniel Thelesklaf briefed participants on the priorities of the 5th round of mutual evaluations, which began in 2015, namely improving effectiveness of FATF Recommendations implementation, noting the countries' steady progress in achieving compliance with the international AML/CFT standards. D. Thelesklaf also emphasized the strategic importance of close cooperation between the FATF and MONEYVAL and coordination of joint activities.

A European Commission representative updated participants on the practical measures

undertaken by EU countries to comply with the 4th EU Directive on the prevention of the use of the financial system for money laundering and terrorism financing purposes, adopted in May 2015. In addition, he reported on the recently drafted package of amendments to the said Directive, designed to address gaps in the AML/CFT systems of EU member states identified in the on-going supranational risk assessments.

Discussions centred on the mutual evaluation report of the Isle of Man, a major financial centre,

which was criticized for its approaches to the implementation of the FATF Recommendations on combating the financing of terrorism. In its defence, the jurisdiction's representatives cited the findings of the national risk assessment (NRA), in particular its conclusion regarding the low level of terrorist financing risk and the lack of related prosecutions. Experts called this argument fallacious, pointing at some serious shortcomings in the NRA and the low effectiveness of its system for identifying and blocking financial transactions directly or indirectly related to terrorist financing.

During the meeting, participants listened to the reports on progress in improving the national AML/CFT system from former Yugoslav Republic of Macedonia, Israel, Poland, Croatia, Montenegro and the Czech Republic, as well as considered requests for removal from the regular follow-up process from Lithuania, Moldova and Slovakia.

The next MONEYVAL Plenary meeting will be held in Strasbourg in May 2017.



International Workshop for Experts of Structures Engaged in AML/CFT Regulation and Supervision

On December 12-13, 2016 in Minsk (Republic of Belarus) an international workshop on “Effective Supervision as Mechanism for Better Transparency and Stability of Financial System” was held and attended by experts of control and supervisory AML/CFT structures from EAG member and observer countries. The event was organized by ITMCFM, EAG Secretariat, Financial Monitoring Department of State Control Committee of the Republic of Belarus and Belarus National Bank. Representatives of EAG and MONEYVAL Secretariats were invited as international experts.

The main goal of the workshop was exchange in best practices of supervisory AML/CFT activities within the framework of preparation for the new round of mutual evaluation of the EAG countries.

Participants also discussed money laundering and terrorist financing risks assessment, effectiveness of measures taken and of interaction with private sector institutions as well as issues of personnel training for further work in this field.

Svetlana Lysenok,
Chief expert
Main Department of
Currency and Finance
Monitoring of Belarus



The subject of the workshop is relevant for the Republic of Belarus as in 2018 we have to undergo evaluation and everything that was said in these days will be taken in consideration. It was very important to hear assessor Michael Stellini's opinion. He gave practical advice which we will need to be prepared for national risk assessment and we will also take it into account during the process.

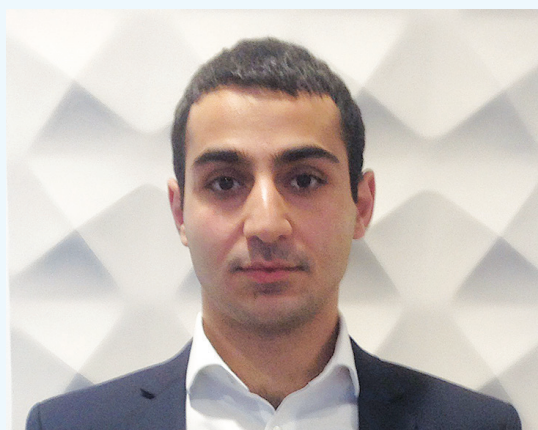
Experience exchange with other experts, representatives of national banks, was very interesting as now the number of entities that report to the National bank of Belarus in the field of AML/CFT has increased up to 240. They include both leasing and microfinance organizations. In this regard the experience of other countries was very useful.

A particular attention was paid to the experience of countries that had already undergone mutual evaluation, to recommendations of assessors and shortcomings in national AML/CFT systems.

The good reports were showcased by Armenia, France, Singapore, Canada, Italy and, in particular, Spain that carried out a sectoral risk assessment.

Particularly important are the issues of interagency cooperation of all the subjects of national anti-money laundering systems, including the consolidated supervision and operational and technical element that provides interaction and permanent professional “dialogue” between a financial intelligence unit and law enforcement, supervisory and other authorities and agencies that implement AML/CFT measures. It is also essential to continue cooperation development and information sharing between public and private sectors, using modern technologies.

Vaghe Avetisyan
Analyst, Centre for Financial
Monitoring under the Central
Bank of Armenia



It is well known that effective law enforcement and high quality supervision is an important element of anti-money laundering and counter-terrorism financing system of each country. The international workshop “Effective Supervision as Mechanism for Better Transparency and Stability of Financial System” touched upon important aspects of supervision and risk-based approach application in AML/CFT.

During the workshop attendees discussed common drawbacks as well as best practices of risk-based approach application in supervisory activities by states that had undergone evaluation under the revised FATF Recommendations. In particular, it is to be highlighted that relevant issues such as FATF Methodology Intermediate Outcomes 3 and 4 implementation were discussed with participation of EAG and MONEYVAL Secretariats.

I would like to thank Belorussian colleagues for warm welcome and ITMCFM for perfect organization.

During the event participants exchanged best practices in anti-money laundering terrorist financing control. For instance, Republic of Belarus presented its system for Search of individuals and terrorist organizations elaborated for provision to banks of list of individuals and entities, carrying out financial transactions which are reported to participate in terrorism activities or to be under control of individuals involved in terrorism activities. The Republic of Armenia that had already undergone evaluation, in its turn, shared methodology of ML/TF risk assessment in financial institutions (banks). The Russian Federation in its presentation mentioned a new mechanism of identification of transactions and individuals potentially linked to terrorism financing. Other attendees also shared their experience in the field of transparency and stability of national financial systems.

The workshop resulted in drawing of recommendations on improving effectiveness of supervision mechanisms. In particular, countries are expected to follow FATF and FSRB's reports, pay more attention to STR quality and DNFBP control, and to inform the private sector on national risk assessment's outcomes.

Gleb Yelizarov
Department of Countering
Tax and Currency Crime
and Anti-Money Laundering
under the Prosecutor
General's Office
of Uzbekistan



I would like to thank the organizers of the workshop and the experts for opportunities of experience sharing and coordination of joint efforts in implementation of effective AML/CFT supervision in EAG countries.

The workshop was very useful for better understanding of experiences of countries that had undergone FATF/FSRB/IMF mutual evaluations, and of international standards regarding supervisory AML/CFT authorities.

The information will be used during national assessment and in the run up to the mutual AML/CFT risk assessment of Uzbekistan.