

## CHAIRPERSON'S COLUMN



Dear colleagues,

In 2020, the Russian Federation took over the Presidency of the Eurasian Group from the People's Republic of China. In this connection, I would like to outline Russia's priorities in the EAG for the next two years.

We should leverage the opportunities offered by new technologies and financial services to improve national AML/CFT systems and strengthen regional cooperation. To this end, we plan to work jointly with foreign FIUs on the implementation of IT projects, particularly in such areas as machine learning, artificial intelligence, etc.

To improve the detection of risks within Eurasian region, we plan to establish an international Risk Assessment Centre, which will focus on providing complete and reliable information required to identify the ML/TF threats to regional security.

Another priority of our work is to improve the effectiveness of supervision activities. Meanwhile, the goal of the soon-to-be-established international Compliance Council is to intensify the efforts of EAG reporting entities by developing public-private partnership mechanisms and by focusing on the regulation of cash flows within supranational arrangements and on criminal assets recovery.

Among the EAG's ongoing objectives are the implementation of the revised FATF standards and possible changes in PF system. During the EAG 30th Plenary meeting it was decided to strengthen the coordination of technical assistance provision within the EAG based on the approaches proposed by the EAG Secretariat.

**Yury Chikhanchin**  
**EAG Chairman**

## FATF Plenary Session took place in Paris

*The delegations of the EAG member states participated in the Plenary meeting held in Paris on February 16-22*



*Representatives of the EAG member states at the FATF Plenum in February 2020*

The OECD restrictions on visits of its headquarters by China representatives, imposed in response to the spread of coronavirus, did not allow them to attend this event. The only exception was Xiangmin Liu, the FATF President.

The inability of the delegates placed under quarantine to be physically present at the meeting was compensated by the organization of videoconferencing.

As a response to the threat posed by the deterioration of the situation related to the COVID-19, it is very likely that the upcoming FATF/EAG joint Plenary Meeting, scheduled to take place in Suzhou this June, will be moved to Paris. In this case, the FATF Secretariat will take steps to organize this event at the OECD headquarters.

The Plenary elected Marcus Pleyer (Germany), the representative of Ministry of Finance, as the next FATF President. His term will begin on 1 July 2020, and he will be the first FATF President with a two-year term. Marcus Pleyer currently holds the position of FATF Vice-President.

For the first time in the FATF history, a meeting of the key Policy Development Group (PDG) was co-chaired by a Russian representative, Yu. Lafitskaya (Rosfinmonitoring),

who won the contest for filling a vacant position within the PDG leadership held in November-December 2019.

The central topic of the Plenary meeting was the strategic review of the FATF key procedures and focus areas to improve their effectiveness. The idea of introducing thematic and risk-based assessments instead of traditional ones was actively promoted by a number of delegations. Meanwhile, Russia advocated the need to retain the current working principles and the tried-and-tested system based on impartiality and integrity, which provides an opportunity of assessing all closely integrated elements of the national AML/CFT framework.

One of the most urgent issues on the agenda concerned changes in the FATF standards in terms of assessment of proliferation financing risks. Following the discussion, it was decided to finalize the list of amendments in the summer of 2020.

The FATF is strengthening its efforts to analyse the requirements related to the increased transparency for legal entities, in order to finally understand whether there is any need to change the existing standard (FATF Recommendation 24). The organization has approved the

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mandate of the project group to be co-chaired by Russia (FTS) and the UK, which demonstrated high level of effectiveness in this area.

Following the review of the Republic of Korea and UAE's reports on the effectiveness of their AML/CFT systems, both countries were placed under increased monitoring (annual reporting), with the UAE to be in the pool of jurisdictions-candidates for the inclusion in the FATF 'grey list'. These decisions still require approval by the FATF Global Network, after which the reports will be published.

Given Iran's failure to ratify the Palermo Convention and the International Convention for the Suppression of the Financing of Terrorism, the Plenary decided to lift the moratorium on counter-measures against Iran.

Such countries as Yemen, Mongolia, Syria, Pakistan and other countries are already included in the FATF 'grey list'. Albania, Nicaragua, Mauritius and Myanmar have also been placed on this list.

After the recent publications in the media, in which several jurisdictions were mistakenly referred to as members of the FATF 'black list', steps have been taken to significantly simplify the introductory part of the FATF public statement, which will now be called "High-Risk Jurisdictions subject to a Call for Action."

## Training of Law Enforcement Experts is a Top Priority

*The EAG assessors training workshop “Assessment of effectiveness, experiences and best practices in ML investigation in Eurasian region” was held on 11-15 November 2019 in Tashkent (the Republic of Uzbekistan). The workshop was jointly organised by EAG, OSCE, UNODC and ITMCFM and was attended by over 40 representatives from EAG member states and key AML/CFT international organizations member*

Ongoing personnel training and strengthening of the national anti-money laundering systems of member states are EAG’s priority activities. During the 2nd round of mutual evaluation EAG attention is devoted to the efficiency and effectiveness of AML/CFT efforts, hence EAG is focused on assessors training, particularly of the law enforcement specialists. That’s why target audience of the workshop primarily consisted of practice-oriented prosecutors, specialists from investigation public authorities and FIU staff from EAG member states.

Participants were greeted by Dilshod Rakhimov, the head of the Department for Combating Economic Crimes under the General Prosecutor’s Office of the Republic of Uzbekistan. The country’s leadership pays special attention to AML/CFT issues, which pose not only national but also global threat to stability and security. Investigation of ML offences is a complicated and time-consuming process requiring coordination at the national and international levels. The complexity of this task explains the composition of the training participants and invited trainers.

In his welcoming remarks to the participants, Sergey Teterukov, EAG Executive Secretary,

mentioned that the wide diversity of the workshop participants allows representatives of various AML/CFT agencies to get more information about activities of each other. The workshop, according to him, has two main objectives. First, it helps EAG member states to build effective AML/CFT systems that meet the requirements of international standards, and second, it gives knowledge for successful preparation for mutual evaluation.

Both objectives are aimed at achieving EAG main goal: to train a pool of assessors ready to take part in the next round of mutual evaluation. In this regard, the workshop agenda included three main sections which covered all aspects of experts training. The first section consisted of EAG member states practitioners’ presentations, who shared experiences and best practices in confiscating criminal assets, conducting investigations, ML typologies, international cooperation, and parallel financial investigations. Specific examples and facts based on the experience of partner states assisted participants in better understanding of ML/TF risks facing the region, as well as in identifying common challenges and priorities.

These presentations were supplemented by contributions from international experts who took part in on-site visits in the framework of the previous round of mutual evaluations. Meanwhile, presentations on FATF and FSRB requirements were made by the EAG Secretariat representatives.

This knowledge was used by the participants in a series of practical tasks, including exercising in taking interviews with representatives of the assessed country (on-site visit), and preparation and presentation of a mutual evaluation report.

The format of this event allowed participants to gain comprehensive knowledge about IO 7 “Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions,” IO 8 “Proceeds and instrumentalities of crime are confiscated” and IO 2 “International cooperation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets” assessment and rating. In the future, they can use this information not only to prepare their countries for mutual evaluation procedures, but also to participate in on-site visits as assessors.

## Egmont Group Focuses on Fintech

*The Egmont Working Groups and Committee meetings took place from January 27th to 31st, 2020 in Mauritius. Over 300 participants from FIUs, international organizations and observers took part in the event. The leaders of Mauritius highly esteemed Egmont Group activities and underscored the significance of the event*

During the meeting of Information Exchange Working Group (IEWG) it was decided to concentrate its work on several operational projects with the aim to:

- effectively address the laundering of the proceeds of serious tax crimes;
- identify money assets associated with online sexual exploitation and abuse of children;
- establish and proactively disrupt large scale cross-border ML schemes (laundromats).

The IEWG members also discussed other ongoing projects and identified new areas of interest in order to effectively support FIU needs. The work includes detection of ML/TF risks which are related to the misuse of virtual assets and are characteristic to FinTech business models. IEWG started new work to identify Cyber-related crime typologies and risks in order to enhance FIU-FinTech cooperation and the role of FIUs for more effective recovery of criminal proceeds. Notably, the next Egmont Group meeting will focus on FinTech and its role in the FIU’s activities.

The IEWG continued working on a number of key projects to combat ML/TF schemes. As part of the efforts to combat laundromats, the IEWG has developed indicators for testing using the FIU’s real-time data to identify potential ML schemes.

As part of the asset recovery project, a decision was taken to create an electronic catalogue that will include data on the Egmont Group FIUs’ powers regarding asset tracing, freezing of accounts and suspension of transactions.

The Membership, Support and Compliance Working Group (MSCWG) reviewed candidate FIUs’ membership application from operational and legal perspectives.

The Policy and Procedures Working Group (PPWG) established and discussed recommendations to address existing impediments to information exchange between Egmont FIUs. Moreover, PPWG identified and defined terminology, which have conflicting interpretations when used by Egmont Group FIUs during information exchange.

The Technical Assistance and Training Working Group (TATWG) prioritized the topic of “Cryptocurrencies regulation and tracking by FIUs” for the training needs of Egmont Group members. TATWG will organize a training session on “Cybercrime and FinTech” during the Mexico Plenary meeting (July 2020).

Throughout the week, the Egmont Centre of FIU Excellence and Leadership (ECOFEL) hosted several workshops for participants of the meeting.

Topics included issues of illegal wildlife trade and a presentation of ECOFEL’s new eLearning platform.

All members of the Egmont Group expressed their gratitude to the staff of FIU of Mauritius – and especially its head Mr. Guillaume Ollivry – for high level of event organization.



As of January 26th, 2020, Mr. Mariano Federici’s (the head of FIU of Argentina) mandate as Chair of Egmont Group expired. The Egmont Group thanked Mr. Federici for his leadership during his tenure as Regional Representative for the Americas Region, Egmont Committee Vice-Chair and finally, as Egmont Group Chair. The Heads of FIUs appointed the Vice-Chair of the Egmont Committee, Mrs. Hennie Verbeek-Kusters (the head of FIU of the Netherlands), to act as Interim Chair until the end of the Egmont Group Plenary meeting in Mexico.

## Training on FATF CPF Standards

*The joint EAG/FATF TREIN/ITMCFM counter proliferation financing training was held on 9-12 December in Moscow. The workshop was attended by employees of national anti-money laundering systems from EAG member states*

In her opening remarks, Deputy Director of Rosfinmonitoring Galina Bobrysheva highlighted the importance and relevance of the training course programme for the preparation and conduct of the EAG 2nd round of mutual evaluations. Training topics are of a great practical importance for all EAG member states, allowing the course participants to gain new knowledge and assistance for better understanding of the FATF CPF requirements for assessed countries.

At the same time, national AML/CFT systems' participants from EAG member states should share the information received during the training with representatives of the private sector, particularly as it pertains to the actions to be taken to facilitate the implementation of targeted financial sanctions.

Guillermo Rodriguez, Acting Director of FATF TREIN, thanked the EAG Secretariat and the ITMCFM staff for work in preparing the training. In his speech, ITMCFM General Director Evgeny Legostaev welcomed his counterparts from the FATF Training Centre as well as all other training participants.

EAG Executive Secretary Sergey Teterukov also thanked the Russian Federation and the ITMCFM management team for organizing the training and for assisting representatives of EAG member states in their participation in it. In his opinion, this workshop is particularly important for representatives of four EAG member states that are preparing to undergo mutual evaluation procedures, as it will allow them to use the acquired knowledge for better preparation for the upcoming on-site visits.

The structure of the training was designed to achieve the stated goals. The theoretical part of the training included a review of the requirements of Recommendation 7 "Targeted financial sanctions related to proliferation" and parts of Recommendation 2 "National cooperation and coordination" related to proliferation financing.

The implementation of these and related Recommendations influences countries' effectiveness rating in line of Immediate Outcome 11 (IO11) – "persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs".



Compliance with other proliferation financing requirements is also assessed in the framework of IO 1 – money laundering and terrorist financing risks are understood and, where appropriate, actions are coordinated domestically to combat money laundering and the financing of terrorism and proliferation.

More information on proliferation financing can be found in the FATF Guidance on Counter Proliferation Financing "The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction" of February 2018. The Russian translation of this document, made by ITMCFM, can be found on the Centre's official website.

Much of the experts' attention was devoted to the FATF Global Network states' best practice

in combating proliferation financing, including typologies for the detection and investigation of related crimes, national supervision, and examples of effective private sector engagement and outreach activities.

Another important aspect of the training concerned such issues as inclusion and exclusion of individuals and entities in/from the UN and individual countries' sanctions lists; confiscation; and freezing/unfreezing of assets of designated persons and entities.

However, the training was not limited to a theoretical discussion of the abovementioned aspects of CPF efforts, its participants were provided with the opportunity to apply knowledge in practice by completing a large block of practical tasks. Thus, to practice in building national-level coordination mechanisms, representatives of EAG member states took part in simulation exercises involving the adoption of new CPF legislation in a imagined country.

The teams of participants also tried to take their shot at identifying intermediaries and associates of persons from the UN sanctions list, and detecting and freezing their assets. During completion of this task, trainees simulated the decision-making process on providing the access to frozen assets.

The outcomes of these tasks were subsequently used by trainee teams to develop plans for CPF outreach to the private sector and preparation of guidance papers.

Summarizing course results participants highlighted the informative and interactive nature of the training, and thanked the organizers for the opportunity to put their knowledge into practice in the course of exercises designed to simulate real-life situations that representatives of national AML/CFT systems may face.



# Russian EAG Presidency Priorities

## International Risk Assessment Centre (IRAC)

The importance of the IRAC stems from the fact that the timely provision of accurate, complete and reliable information is an essential condition for the effective detection of the ML/TF threats to national security.



The goal behind the IRAC creation is to address various challenges and meet the needs for obtaining new, integrated data. Among the IRAC priorities are:

- to develop the infrastructure for the sharing of data and electronic documents within the EAG;
- to provide FIUs with the information necessary for the effective identification of threats to national security in the banking and financial sectors;
- to adopt unified standards of electronic interactions;
- to develop common information resources and provide access to them;
- to create trusted information services;
- to ensure the security of internationally shared information.

The IRAC establishment will significantly contribute to experience sharing, provision of methodological support and human resource development.

The IRAC is an amalgamation of software and information resources, which ensure the provision of information for EAG FIUs. Information exchange is implemented via a web interface and services that interact with FIUs' information systems at initial stage and with national RACs of the participating states during the further development of the project.

The IRAC will provide participants with online access to its knowledge database containing, among others, the following:

- the list of designated extremists/terrorists;
- registers of known TF typologies and schemes;
- registers of known reverse ML typologies and schemes;
- registers of AML/CFT role models and acronyms;
- registers of high-risk legal entities.

Close real-time cooperation among IRAC participants will also improve the effectiveness of joint multifaceted financial investigations and make them less time-consuming.

In view of the foregoing, the establishment of the IRAC can be expected to contribute to the attainment of the following objectives:

- to achieve a higher level of cooperation among FIUs by leveraging different forms of communications and effective information sharing, including the usage of external information systems;
- to provide FIUs' authorities with relevant analytical data which reflect the conditions and trends in inter-state information sharing between FIUs, cross-border financial flows and related ML/TF risks;
- to create conditions for conducting joint effective thematic international preventive operations with the participation of FIUs and other EAG national bodies.

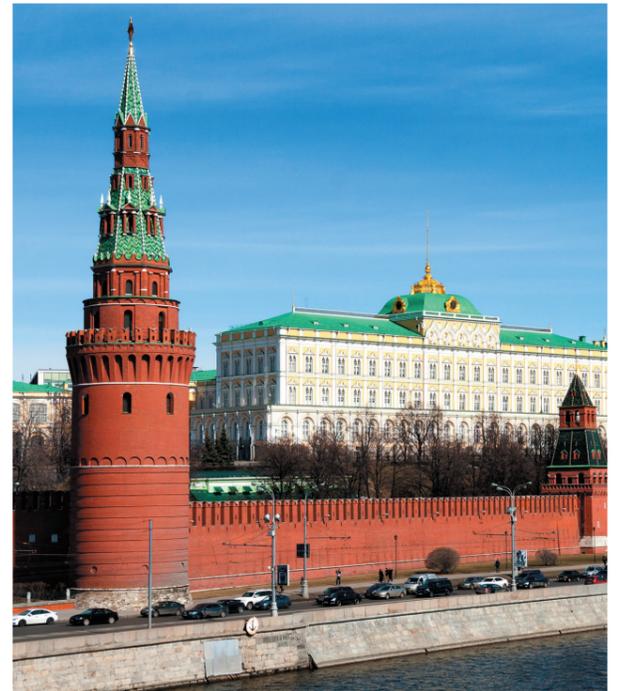
The establishment of the IRAC will facilitate permanent information sharing between EAG FIUs' information systems, providing for:

- the reduction in time, organizational and financial costs when obtaining the required information from EAG FIUs' information resources;
- an effective accumulation and sharing of knowledge between FIUs' analysts of the participating states on typologies of criminal offences and methods for identifying and analysing the relevant cases of suspicious activity;
- a higher level of information security during interstate information integration between FIUs;
- the reduction in the volume of hard-copy document workflow within the EAG;
- the creation and provision of equal opportunities for accessing the unified information space;
- the effective sharing of FIUs' information resources (subject to the conclusion of special agreements);
- harmonization of FIUs' ML/TF risk management methodologies;
- improved performance of the EAG NRACs;
- the use of a unified technological base to strengthen AML/CFT cooperation and information exchange.

## Joined IT Projects

The consolidation of EAG FIUs' efforts may contribute to the development of IT resources allowing to harness and expand machine learning and artificial intelligence potential.

The development of these areas should facilitate the acceleration of big data analysis, development of new typologies and the sharing of FIUs' data to identify interfaces and communication nodes.



All of the above should lead to faster information processing and, as a result, increase the effectiveness of cooperation between FIUs.

## Supranational Risk Assessment

The purpose of the risk assessment is to identify, analyse and assess the regional ML/TF threats faced by the CIS CHFUI states to better understand ML/TF risks common for the CHFUI states. The results of the threat assessment will be compared with the assessment of AML/CFT system vulnerabilities in order to determine the nature and extent of residual regional risks and apply proportionate measures to manage them.

The key objectives of the assessment are:

- to identify the most common types of ML predicate crimes in the CIS CHFUI states and, if possible, determine the approximate volume of criminal proceeds generated by them based on crime data, financial investigation findings, international studies and other reliable sources;
- to assess the possibility of using certain financial products/services in criminal schemes;
- to assess the possible correlation of threats within different countries and the potential impact of threats specific to one country on the threats faced by another country.

## International Compliance Council

The objective behind the establishment of the International Compliance Council is to coordinate the efforts of EAG financial institutions; share experiences and best practices; promote effective feedback; and publish EAG methodological instructions and guidance papers on such complex issues as the identification of beneficial owners, risk management and dealing with PEPs.