

FINANCIAL **SECURITY**

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**EAG EXECUTIVE
SECRETARY
SERGEY TETERUKOV:**

*"EAG objective is to provide
significant benefits to each
country"*



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DEAR READERS!

In the current context of global political and economic transformation, we have chosen to focus this issue of *Financial Security* on international collaboration in the fight against money laundering, terrorist financing, and cross-border crime in general.



The criminal world swiftly and skillfully adjusts to new realities and adapts new technologies to its needs. The international community has taken action, but the threat of terrorism still exists. The issue of terrorist groups joining up with criminals engaged in illicit drug trafficking is a serious one.

This underscores the need to combine our efforts to address risky social trends that seriously endanger both national, regional and global security.

Russian competent authorities have a history of assisting in maintaining the security of regional and international financial systems. In response to our

requests, the funds of around 2,000 people involved in terrorism were frozen abroad.

In recent years, we have acquired unique experience, which we are happy to share with any interested countries. Several training initiatives have been actively carried out to increase capacity of financial intelligence units, supervisory authorities and law enforcement agencies in Central Asia, Latin America, and the African continent. The Third International Financial Security Olympiad has begun, and representatives of approximately 20 countries are planning to participate in it this year.

I am convinced that the only way to effectively combat international crime is through joint offensive actions of financial intelligence units, relevant agencies, and organizations from many countries. Over the years, we have been able to save lives, prosecute those responsible for economic crime, and strengthen collective financial security through neopoliticized, open and comprehensive cooperation.

*Director of Rosfinmonitoring,
Editorial Board Chairman
Yury Chikhanchin*

INTRODUCTION

SERGEY TETERUKOV: "EAG OBJECTIVE IS TO PROVIDE SIGNIFICANT BENEFITS TO EACH COUNTRY"

Executive Secretary of the Eurasian Group on Combating Money Laundering and Financing of Terrorism Sergey Teterukov on specifics of FATF standards implementation, priorities and major EAG projects

Interviewed by Irina Ryazanova



Sergey Teterukov

Sergey, what are the main priorities of the Eurasian Group today?

A priority that has always been relevant, not just today, is to build effective anti- money laundering and counter-terrorist financing (AML/CFT) systems.

It determines the most important tasks, such as providing technical assistance to EAG member states and various types of resources, including administrative and expert resources. Work is also carried out with development partners: donors, providers represented by international organizations, stakeholders of the global AML/CFT system.

We focus on the most problematic aspects of national AML/CFT systems, based on the results of mutual evaluations, needs assessments and requests. Priority issues include parallel financial investigations, risk-based supervision (not only of financial institutions, but also of real estate agents, dealers in precious metals and stones, lawyers and notaries, non-profit organizations, etc.), and the circulation of cryptocurrencies.

The EAG attaches great importance to the development of partnerships with other FATF-style regional bodies: identification of common interests and goals, points of contact and exchange of experiences.

We are now collaborating with partners to conduct an interregional risk assessment, based on our experience in implementing a similar project at the regional level. We consider this to be an objective necessity.



How is the interaction between FSRBs organized now?

At the moment, it is mainly a matter of coordinating positions on amendments to the FATF standards and the development of the FATF guidelines, as well as participating in plenary sessions, expert discussions and other events. We are striving to develop relationships between the working groups, broaden the range of common interests, and build more constructive cooperation.

We currently have reciprocal observer status with three groups: Asia Pacific Group (APG), Middle East Group (MENAFATF), and the Group under the Council of Europe (MONEYVAL).

EAG member states implement the FATF standards in their anti-money laundering legislation. However, each country has its own specificities. What are the practices for adapting these standards and what difficulties have been encountered?

All of the FATF standards require adaptation on several levels. The first, most obvious and fundamental, is legislative change. These can be changes at the federal level, or adjustments to agency-level bylaws and interagency agreements. Sometimes agencies need to be reformed by giving them new powers and expanding their existing functions.

The second level involves the creation of tools for the implementation of legislation already adopted: the development of techniques, software packages and their implementation. This may include developing methods for conducting financial investigations, developing instructions for identifying, freezing



and confiscating assets, establishing a system of secure communication between banks and financial intelligence units, etc.

Staff training, education, retraining, professional development and experience sharing are also important.

Speaking of difficulties, the adoption of AML/CFT legislation is usually associated with additional burdens on businesses and banks. It is necessary to strike a balance between the interests of the State in ensuring the security and transparency of the financial system and business interests.

Besides that, the specialization of some individual areas requires a high level of training for the staff. Not all countries have the appropriate conditions, experts, knowledge, and experience.

Nonetheless, despite all the difficulties, the tools of the anti-money laundering system are extremely useful not only for the state, but also for the private sector. They make it possible to check the creditworthiness of borrowers in order to prevent fraud. These tools can also be used to reduce bank losses.

In your opinion, what are the distinctive features of the Russian anti-money laundering system?

The main feature of the Russian anti-money laundering system is its high status in the system of government authorities. The resources and attention it receives from the top leadership. Besides that, there is close interagency cooperation within this system.

The second feature that qualitatively distinguishes Russia from many other countries is the preventive nature of the work. That is, not only the detection and investigation of the accomplished facts, but also the preventive activity: before the money is stolen, before it is withdrawn abroad.

What are the most effective mechanisms for identifying and mitigating ML/TF risks in the experience of EAG member states?

There are several mechanisms for identifying risks that can be classified according to the level of responsiveness.

There is a high-level mechanism. For instance, a national risk assessment. This is a process that takes quite a long time (a year or two) and involves deep analysis. The mechanism makes it possible to identify long-term risks with fundamental causes and serious vulnerabilities in both the financial system and state regulation in general.

Mitigating these risks requires interagency coordination and action at the national level.

In order to identify and react to risks more quickly, the mechanisms of interagency commissions are usually used, which examine the operational situation for a certain period of time (quarter, six months). Operational measures are determined based on the results of the analysis.

Short-term measures are also taken when there is a serious change in the operational situation within a week. In such cases, decisions are made at the level of individual agencies.

Speaking of the EAG, our work is similar. Last year, we completed a regional risk assessment, and based on that we developed a plan to mitigate the identified risks, which we are already implementing. It is a multi-year plan.

In addition to this risk assessment, we are creating a mechanism to monitor the operational environment with a medium-term planning horizon.

Forum of parliamentarians and representatives of competent AML/CFT authorities. Tell us about this project.

The aim of the Forum is to draw the attention of relevant parliamentarians of the EAG member states to the problems of AML/CFT and to exchange best legislative and law enforcement practices in this area.





Last November, the Forum was attended by the heads and representatives of parliamentary committees on law enforcement, security, financial and international affairs, heads of law enforcement agencies, supervisory authorities, and financial intelligence units.

It was decided to make the Forum a permanent event. The next one will be held in June this year during the EAG plenary session.

What other projects are implemented on the platform of the Eurasian Group?

In addition to the projects I mentioned (developing guidelines for parallel financial investigations, implementing a risk-based approach for NPOs), we have projects to work with supervisory authorities. For instance, we are holding a thematic Supervisors' Forum. We are also implementing projects for interaction with the private sector, such as the International Compliance Council, which was established in 2020. We are holding a contest for the best financial analysis of bank compliance departments. I must say that interest in this contest has not waned this year. The aim of the contest is to promote the exchange of experience and best practices of financial monitoring and to develop public-private partnership formats in the field of anti-money laundering and counter-terrorist financing.

There is now a strong focus on improving the financial literacy and security of young people. How is the EAG supporting this trend?

We once implemented a project to combat pyramid schemes and, based on the results, formulated recommendations for government agencies on prevention.

The major project is, of course, the International Financial Security Olympiad, which Rosfinmonitoring organizes in cooperation with a number of national and international partners. Representatives of EAG also meet with pupils and students and hold thematic lessons.

A major milestone will be reached next year when the EAG turns 20. In what mood are you approaching this anniversary? Have you achieved your goals and what are your plans for the next stage?

We are approaching this date with healthy ambition. This year marks the end of our four-year strategy. By and large, the goals we set ourselves have been achieved. These included training experts, establishing mechanisms for coordinating technical assistance, and creating new platforms and forums for interaction. As part of the strategy, we have created the necessary tools and mechanisms within the EAG. Now our task is to use these mechanisms effectively so that each EAG country feels a concrete impact. It should not only be mutual evaluations, which are an objective analysis of the situation. Our task is to ensure that the situation improves, and then to measure and assess it.

At the next Plenary meeting, we will discuss the draft of the new strategy, and its adoption is scheduled for November.

COOPERATION OF COUNTRIES IN THE AREA OF AML/CFT

RUSSIA HAS A UNIQUE EXPERIENCE OF INTERNATIONAL COOPERATION IN THE FIELD OF FINANCIAL SECURITY

German Neglyad,

State Secretary - Deputy Director of the Federal Financial Monitoring Service



German Neglyad

In today's world, it is impossible to fight crime without cooperation between different countries. It stems from the increasingly apparent characteristics of economic crime, in which the theft of money occurs without physical contact and the interaction between perpetrator and potential victim occurs virtually or through the use of communication tools.

At the same time, financial technology is developing rapidly, enabling dozens of cross-border payments to be made instantly around the world.

As a result, fraudsters, drug dealers, terrorists, corruptionists, human and weapons traffickers,

and other criminals began actively using these undoubtedly convenient information and financial technologies.

As information and communication technologies advance, criminals – including those operating in gangs from different countries – have more and more ability to "cross" state borders, commit crimes, and quickly withdraw the proceeds of those crimes as they move through multiple countries. They can then launder the money in more convenient offshore tax havens and use it as they see fit as legal funds in third, "respectable" countries.

It goes without saying that without international cooperation among the relevant government authorities, whose jurisdictions are affected by these crimes, investigating such crimes and tracing their financial footprints in such conditions becomes an almost impossible undertaking.

For geographical and historical reasons, Russia has unique experience in intergovernmental cooperation in the investigation and solution of serious transnational crimes, including the search for and blocking of criminal proceeds.

In particular, the Russian Federation is a founding member of the United Nations (UN), the Commonwealth of Independent States (CIS), the Collective Security Treaty Organization (CSTO), the Eurasian Economic

Union (EEU), the Shanghai Cooperation Organization (SCO), the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), the Council of Heads of Financial Intelligence Units of the CIS Member States (CIS CHFIU). Besides that, Russia is a member of the Group of Twenty (G20), BRICS, FATF, APEC and OSCE.

In this context, Russia has historically taken and continues to take an active part in the development of general rules for combating crime in the world, as well as in individual international anti-crime projects.

These are, for example, the UN Conventions against illicit drug trafficking, transnational organized crime, corruption, the CIS Treaty on Combating Money Laundering, Financing of Terrorism and Financing of the Proliferation of Weapons of Mass Destruction, various projects on the platforms of the UN Office on Drugs and Crime, the UNSC Counter-Terrorism Committee, FATF, EAG and others.

It was Russia that once initiated a project at the FATF to study the methods of financing ISIS*, al-Qaeda* and their affiliates.

Russia's efforts in the international fight against crime have always been positively assessed by independent experts.

Based on the outcomes of the 2019 FATF evaluation of our country's anti-money laundering system in terms of international cooperation, the following theses were noted:

- Russia provides mutual legal assistance (MLA) in a constructive and timely manner, processing approximately 6,000 requests annually. The results of the FATF Global Network survey on Russia's provision of MLA are generally positive, with few complaints.
- Law enforcement agencies actively use requests for international cooperation, involving liaison officers and Interpol.
- Russia seeks sufficient official assistance in the prosecution of money laundering, terrorist

financing, and related predicate offenses with transnational elements. In recent years, the authorities have intensified their efforts to recover criminal assets.

- Rosfinmonitoring plays an active role in the identification of assets with the help of international requests within its scope, sends quite a large number of requests for assistance to its foreign partners¹.

In the current conditions, taking into account the radically changed financial flows between countries, as well as the updated foreign policy concept of the Russian Federation,² the work of the Russia's entire anti-money laundering system is also being reorganized.

International activities of Rosfinmonitoring are aimed at ensuring the security of national and regional financial systems and contributing to the security of the global financial system by strengthening the international AML/CFT/CPF cooperation of the Russian Federation

As Director of Rosfinmonitoring Yuri Chikhanchin noted, "Instability in the international monetary and financial system and the destruction of production and logistics chains force countries to switch to a new payment mechanism. In this context, the nature of threats is changing, and new risks are emerging not only at the international level but also at the national level. Businesses and the banking system are being forced to promptly restructure trade and foreign economic contacts. Therefore, the approaches to combating illegal financial transactions of natural and legal persons also need to be restructured."³ "It's true that money flows to Western countries and the European continent have decreased, but new regions have emerged... money flows to Arab countries, Central Asian countries, and Southeast Asia have increased about fivefold."⁴

¹ <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Mer-russian-federation-2019.html>.

² Decree of the President of the Russian Federation No. 229 dated March 31, 2023.

³ From a speech by Yuri Chikhanchin, Director of Rosfinmonitoring, at the Government Hour in the Federation Council of the Federal Assembly on July 8, 2022 // <http://council.gov.ru/events/news/137217/?hl=%D1%87%D0%B%D1%85%D0%B0%D0%BD%D1%87%D0%B8%D0%BD>

⁴ From the materials of the meeting of Yuri Chikhanchin, Director of Rosfinmonitoring, with the President of the Russian Federation on March 9, 2023 // <http://www.kremlin.ru/events/president/news/70655>.

Nevertheless, in 2022 alone, more than 900 international financial investigations were conducted by the financial intelligence services in cooperation with more than 70 countries. More than 30 large criminal assets stolen from Russia have been found abroad and the process of their recovery is underway.

Dialogue is also taking place on friendly international platforms with the countries involved.

The institutionalization of the BRICS Council on AML/CFT is being finalized and the relevant Memorandum is expected to be signed in the near future. The Eurasian Economic Union has begun the process of harmonizing AML/CFT legislation for financial markets and is discussing the inclusion of ML/TF risk mitigation among its objectives. On July 20, 2021, within the framework of the EAEU, the Agreement on Exchange of Anti-Money Laundering and Counter-Terrorist Financing Information During the Movement of Cash and (or) Monetary Instruments Across the Customs Border of the Eurasian Economic Union was concluded.

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), under Russian leadership, has completed a large-scale supranational ML/TF risk assessment project in the Eurasian region and is developing a system of interrelated measures to manage the identified risks. In parallel, a project of the International Risk Assessment Center was launched with the aim to quickly exchange information on supranational risks and build a regional "belt" of financial security as part of the work of the Council of Heads of Financial Intelligence Units of the CIS Member States.

Professional relations with the competent authorities of the member countries of the Shanghai Cooperation Organization (SCO) are actively developed, primarily within the framework of the Regional Anti-Terrorist Structure (RATS). On April 11-12, 2023, a workshop on

the topic: "The Role of Counter-Terrorism Financing Mechanisms in Building Regional Security in the SCO Space" was held in Moscow with the participation of representatives of the SCO member countries.

The workshop was organized by Rosfinmonitoring in cooperation with the SCO RATS Executive Committee.⁵

In 2021, Russia joined MENAFATF (Middle East and North Africa Financial Action Task Force) as an observer and began to take an active part in its work.⁶

The capabilities of the International Training and Methodology Centre for Financial Monitoring, the core AML/CFT organization of the CIS, are widely used. In 2022 alone, 1554 specialists from 20 different countries received training or upgraded their skills on the basis of ITMCFM.

Another important project for financial security and the prevention of financial crimes is the International Financial Security Olympiad, which Russia has been organizing since 2021. The goal of the Olympiad is to improve information, financial and legal literacy of the younger generation, to search for talented young people, to stimulate learning and cognitive activity and scientific research in the field of financial security.⁷

The Olympiad movement saw a significant increase in the number of nations and participants in 2022. Nearly 40,000 people from 12 EAG and BRICS countries – Armenia, Belarus, Brazil, India, Kazakhstan, Kyrgyzstan, China, Russia, Tajikistan, Turkmenistan, Uzbekistan, and South Africa – participated in the qualifying round of the Olympiad.

As a result, Russia maintains the stability of the global financial security system responsibly and will continue to support its continued sustainable development, particularly through the expansion of international cooperation.

⁵ <https://www.fedsfm.ru/releases/6540>.

⁶ <https://menafatf.org/>.

⁷ <https://rosfinolymp.ru/>.

FINANCIAL MONITORING DEPARTMENT OF THE STATE CONTROL COMMITTEE OF THE REPUBLIC OF BELARUS. INTERNATIONAL INFORMATION EXCHANGE



*Money laundering is a process that is used to hide the origin of criminal proceeds.
Terrorist financing is the process whereby money is used to finance terrorist activities.
The world community recognizes the global threat that comes from these processes.
Therefore, one of the key functions in the field of combating the legalization of criminal
proceeds and the financing of terrorism is with international cooperation*

International cooperation includes a wide range of activities and tools that allow the exchange of experience, the training of highly qualified personnel in order to effectively counter crime. This also includes cooperation between law enforcement agencies of different countries through the exchange of information, court decisions, the extradition of criminals, etc. This article will consider some aspects of the international exchange of information held by financial intelligence units in order to enhance the ability of each country to collect and analyze data.

International information exchange, as an effective tool for the activities of financial intelligence units, has long and convincingly proved its worth. The Financial Action Task Force on Money Laundering (FATF) and its regional groups, the Commonwealth of Independent States (CIS), other international organizations consider strengthening cooperation, including information exchange, as one of the priority areas for improving the activities of financial intelligence units. Information exchange expands

the capabilities of national financial intelligence by organizing access to useful information held by foreign colleagues. Such information includes, for example, information about suspicious financial transactions, registration data about companies and their beneficial owners. Thus, international information exchange contributes to the identification of the most complex cross-border schemes for the legalization (laundering) of proceeds from crime and the financing of terrorism.

In this regard, throughout the world, financial intelligence units pay special attention to international information exchange. The Financial Monitoring Department of the State Control Committee of Belarus is no exception.

The implementation of international AML/CFT/CPF cooperation, along with the functions of analyzing operations subject to special control and creating an information system, is the main task of the Department as a financial monitoring body in the Republic of Belarus.

Over the 20-year period of work, the Department has established contacts with the financial intelligence services of more than 100 foreign countries. The legislation of the Republic of Belarus does not require a mandatory agreement on cooperation on the exchange of information related to money laundering/terrorist financing and predicate offenses for interaction with financial intelligence units of foreign states. However, appropriate agreements may be required by the interacting party. Today, the Belarusian financial intelligence develops interagency agreements on the exchange of information in the "anti-money laundering" area with 24 financial intelligence units.

Foreign colleagues provide a variety of information, for example, about suspicious financial transactions, beneficial owners of companies, criminal acts in relation to the subjects concerned, and of course, about cryptocurrency transactions - the current trend. The information received requires mandatory authorization for transmission to law enforcement agencies and confirmation through mutual legal assistance channels.

By exchanging information on the principles of reciprocity and good faith, the Financial Monitoring

Department has tangible results in the common cause of combating money laundering and terrorist financing. Thus, the information received in 2020-2022 through international exchange contributed to the receipt of about 20 million US dollars to the budget, to the identification of 50 crimes.

International cooperation in the field of preventing the legalization of criminal proceeds and the financing of terrorist activities is a prerequisite for ensuring global financial stability and security. This is a process that requires efforts on the part of states and international organizations. The results of such interaction are extremely important for creating favorable conditions for life and development throughout the world.

In conclusion, I would like to emphasize that it is thanks to close cooperation with foreign colleagues that it is possible to uncover complex schemes of financial fraud and stop illegal activities. Therefore, in order to more effectively combat the legalization of criminal proceeds and the financing of terrorism, countries need to make joint efforts, exchange experiences, thereby strengthening international cooperation.

INDIA'S CONTRIBUTION TO THE INTERNATIONAL COOPERATION IN THE AREA OF AML/CFT

Vivek Aggarwal, Additional Secretary, Ministry of Finance of the Republic of India



Vivek Aggarwal

INTRODUCTION

Money laundering and the financing of terrorism pose a significant threat to the integrity of the global financial system. Criminals and terrorists use financial systems to launder their illicit proceeds and to finance their activities, which can have serious consequences for national security and economic stability. In response to these threats, the international community has developed a comprehensive framework for anti-money laundering (AML) and counter-financing of terrorism (CFT) measures. However, implementing these measures effectively requires international co-operation and collaboration between different stakeholders.

CHALLENGES

One of the biggest challenges facing AML/CFT efforts is the legal and regulatory differences between countries. Each country has its own legal and regulatory framework for AML/CFT, which can make it challenging to implement consistent AML/CFT measures across borders. This can create loopholes that criminals and terrorists can exploit to move funds across jurisdictions. To overcome these challenges, countries can work together to harmonize their AML/CFT laws and regulations and to develop common standards and best practices.

Another challenge facing AML/CFT efforts is limited resources. Some countries may have limited resources to implement AML/CFT measures or to conduct investigations into financial crimes. This can make it difficult for them to effectively participate in international co-operation efforts. To address this challenge, countries can invest in building the capacity of their law enforcement agencies and regulatory bodies to detect, investigate, and prosecute financial crimes. This includes providing training and technical assistance to improve their AML/CFT regimes.

Information sharing is another challenge facing AML/CFT efforts. Sharing information across borders can be challenging due to different data privacy laws and regulations, which can limit the ability of law enforcement and regulatory agencies to exchange information and intelligence on suspicious financial activities. To overcome this challenge, countries can enter into information sharing agreements that facilitate the exchange of information while respecting data privacy laws and regulations.

INTERNATIONAL COOPERATION IN AML/CFT

Despite the challenges mentioned above, there have been several successful examples of international co-operation in AML/CFT. Egmont Group is one such example which is a global network of financial intelligence units that facilitates the sharing of information and intelligence on suspicious financial activities. The group includes both public and private sector members and works to promote the development of AML/CFT standards and best practices.

Moreover, the Financial Action Task Force (FATF) is an intergovernmental organization that sets AML/CFT standards and best practices at the global level. The FATF has developed a series of recommendations that provide a comprehensive framework for AML/CFT measures. The recommendations cover a wide range of topics, including customer due diligence, record-keeping and reporting requirements, and international co-operation. The FATF conducts regular evaluations of countries' compliance with these recommendations to ensure that they are implementing effective AML/CFT measures.

FIU-INDIA'S CONTRIBUTION IN INTERNATIONAL COOPERATION

Egmont Group: FIU-India continues to foster a strong relationship with the FIUs of other countries. Being a member of the Egmont Group, FIU-India adheres to the Egmont principles of free exchange of information and actively exchanges information with counterpart FIUs. FIU-India ensures that all requests for information are replied to, in time, including cases where no information could be found. FIU-IND has been engaged actively in information exchange with the counterpart FIUs. Over the years, the number of references made to the foreign FIUs as well as received from foreign FIUs has substantially increased, indicating how effective this mechanism has been in information exchange.

Although FIU-India does not require signing of Memorandum of Understanding (MoU) with foreign FIUs for exchange of information and can exchange information on the basis of reciprocity, MoUs are negotiated to formalize the nature and scope of mutual co-operation, provide a structured framework for better understanding and enhance the level of co-operation. FIU-India has initiated MoUs with several

countries since 2008 resulting in signing of MoUs with 48 countries till the previous year.

Joint Working Groups on Counter Terrorism: FIU-India participates in the Joint Working Groups (JWGs) on Counter Terrorism set up by the Government of India with various countries for evaluating the AML/CFT vulnerabilities and national risk assessment for the country.

Leadership in Egmont Group: FIU-India has held the position of chair of Egmont's Membership, Support, and Compliance Working Group (MSCWG), 2020- 2022 and was re-elected for a term of another two years in Egmont Plenary held in Riga, Latvia, in July, 2022. It reflects credibility of FIU-India globally and is a validation and acceptance of its practices and procedures.

Further, FIU-India, was elected for position of Vice-Chair in the Information Exchange Working Group (IEWG) of the Egmont Group of FIUs in the year 2022.

Participation in FATF Meetings: Director (FIU-IND) has been part of FATF meetings also.

Cooperation between FIU-IND and FIU-Russia: Both FIU-India and FIU-Russia have been actively involved in information exchange over the years. For enhanced cooperation in anti-money laundering, associated predicate offences and counter-financing of terrorism, the two FIUs have signed a Memorandum of Understanding. FIU-India has provided assistance to FIU-Russia in a number of requests and as per the feedback received, the information provided has been found useful by FIU-Russia, as the same either confirmed the existing information or helped in identification of new accounts, identifiers etc.

Similarly, the information shared by FIU-Russia with FIU-IND either on request basis or spontaneously has helped the Indian LEAs by assisting in their investigation.

EMERGING THREATS IN AML/CFT EFFORTS

With the changing landscape, the threats in AML/CFT efforts are also constantly evolving and changing, some of the emerging threats in the AML/CFT efforts taken by countries include:

Virtual currencies: Virtual currencies, such as Bitcoin, have become increasingly popular as a means of transferring funds around the world. While virtual currencies have the potential to provide benefits such as faster and cheaper cross-border transactions, they can also be used to launder money and finance terrorist activities.

Cybercrime: Cybercrime is a growing threat to financial institutions and can be used to facilitate money laundering and terrorist financing. Cybercriminals can exploit vulnerabilities in financial systems to launder money or steal funds, making it more challenging to detect and prevent financial crime.

Trade-based money laundering: Trade-based money laundering involves the use of trade transactions to move funds across borders. Criminals can use trade transactions to disguise the movement of illicit funds, making it difficult to detect and prevent money laundering.

Emerging technologies: Emerging technologies such as artificial intelligence and blockchain have the potential to improve AML/CFT efforts, but they can also be used by criminals to evade detection. For example, criminals can use AI to generate fake identities or to manipulate financial transactions, making it more challenging to detect suspicious activity.

Cross-border transactions: Cross-border transactions are becoming increasingly common, which can make it more challenging to detect and prevent money laundering and terrorist financing. Criminals can use multiple jurisdictions and financial systems to move funds, making it more difficult to track and trace illicit funds.

EFFECTIVE WAYS TO TACKLE THE EMERGING THREATS

To effectively combat these emerging threats, AML/CFT measures must be constantly updated and adapted to new technologies and financial systems. This requires ongoing collaboration between financial institutions, regulatory bodies, and law enforcement agencies, as well as a commitment to shared goals and best practices. Additionally, the use of emerging technologies such as AI and blockchain can be harnessed to improve AML/CFT efforts and stay ahead of emerging threats.

CONCLUSION

In conclusion, AML/CFT efforts are essential to combat financial crime and disrupt the activities of criminal and terrorist networks. International co-operation is a critical component of these efforts, and the collaboration of all stakeholders is necessary to ensure the effectiveness of AML/CFT measures. Overcoming the challenges associated with international co-operation requires a commitment to shared goals, the development of common standards and best practices, and the allocation of resources to support effective implementation and enforcement of AML/CFT measures. By working together, the international community can create a more effective and coordinated global effort to combat financial crime and protect the integrity of the financial system. The use of emerging technologies can also help to enhance AML/CFT efforts and improve the effectiveness of measures. It is essential that all stakeholders continue to work together to improve AML/CFT efforts and prevent criminals and terrorists from exploiting any loopholes in legal systems.

CUBA AND RUSSIA: SEPARATE ASPECTS OF INTERACTION

Fernando Luis Camejo de la Rosa, HOFIU Cuba



Fernando Luis Camejo de la Rosa

HIGHLY ESTEEMED COLLEAGUES !

Let me thank you for this opportunity to share some core ideas with you and with the readers of the specialized journal "Financial Security". It is a high honor that you grant us, since we clearly understand the importance of this medium in the dissemination of the impressive prevention and confrontation activity carried out by ROSFINMONITORING and the allied FIUs of the vast Eurasian region against manifestations of money laundering, financing of terrorism and the proliferation of weapons of mass destruction.

For the General Directorate of Financial Operations Investigation of the Central Bank of Cuba (DGIOF),

the central and national FIU of our State, ROSFINMONITORING has always been an important reference. We are aware of the invaluable assistance provided during the complex months of 2011 and 2012 when, exercising Russia as the FATF Presidency, Cuba faced the intentional placement on the Black List of countries with strategic shortcomings for the prevention and confrontation of the aforementioned serious global scourges. It took us 18 months to overcome the enlistment and join the GAFISUD Regional Group, quickly renamed GAFILAT with the admission of Cuba and, in 2015, the Egmont Group of Financial Intelligence Units.

Cuba today is the only member country of GAFILAT evaluated in the Fourth Round of FATF in Regular Monitoring. It ranks among the first places in the Global Network for its results in Technical Compliance and Effectiveness.

In 2014, the Bilateral Cooperation Agreement was signed with ROSFINMONITORING, which is in force and has made it possible to carry out actions of mutual interest in the matter at hand. As a result of this Agreement, the young DGIOF had the great opportunity to train its managers and main specialists in 2015 in advanced training developed at the International Training and Methodology Center for Financial Monitoring in Moscow. That action constituted the first of great magnitude received and without any doubt allowed us to better understand the nature of the task that we had the obligation to implement in our State; as well as appropriate methodological and practical knowledge. Since then we have been able to mutually cooperate in the exchange of Financial Intelligence information,

hold two specialized exchange Work Groups, and we are in a position to plan further actions as part of strengthening this cooperation.

The DGIOF celebrates its Tenth Anniversary in 2023. It is today a consolidated FIU, with work processes in accordance with FATF international standards. It enjoys autonomy and operational independence to fulfill its mission. It has been able to articulate a wide network of inter-institutional cooperation in Cuba. It receives processes and disseminates a high percentage of Financial Intelligence Reports to the competent Cuban authorities. It also participates in Parallel Financial Investigation schemes with them. The DGIOF provides financial intelligence to police investigation processes, criminal investigation and criminal proceedings. It has established and consolidated its area of strategic analysis. These financial intelligence products have an impact on decision-making on phenomena and trends that constitute risk factors for money laundering and terrorist financing. At the same time, The DGIOF is the Secretary of the AML/CFT/CFPADM National Coordinating Committee and from that position plays an active role in the systematic updating of the National Risk Assessment and in its National Mitigation Strategy. It is engaged in the implementation of its Digital Transformation, based on national solutions and developments, which will make it possible in the coming months to make a significant leap in the use of advanced technologies for financial intelligence analysis.

At the international level, it plays an active role both in GAFILAT and its Working Groups, and in the Egmont Group. The DGIOF maintains cooperation through the Egmont Secure NETWORK with foreign FIUs. It has signed a significant number of MOUs with its foreign counterparts. For international cooperation, it is based on the principles contained in the Constitution of the Republic of Cuba proclaimed in 2019, of strict adherence to the defense of national sovereignty, respect for the principles and norms that make up International Law, cooperation, solidarity, the anti-imperialism and defense of multilateralism. Consequently, it defends the principles and norms

that govern international ruling bodies worldwide for the prevention and confrontation of money laundering, the financing of terrorism and the proliferation of weapons of mass destruction. The DGIOF is firmly opposed to the attempts and actions of political manipulation of its guiding principles and its work procedures. It does so from the deep conviction that it is the only way to preserve useful spaces to mitigate the high risks that our states face in this matter. In this way, the DGIOF cooperates internationally in a clear, transparent and reliable framework.

The daily news shows the magnitude and complexities of international criminal activity and the multiple manifestations of the phenomenon of terrorism, all of which justifies, like never before, redoubling joint efforts to combat it by the global network. The strengthening and diversification of international cooperation and coordination are key elements for the success of prevention and in confronting these evils that affect all nations. ROSFINMONITORING has proven to be an exemplary promoter of the necessary solidary cooperation, a value that is necessary to defend above the present political complexities and other ideological constraints that may arise.

International cooperation is essential for strengthen the skills and abilities to generate timely and effective financial intelligence. Undoubtedly, our common experiences and the good practices that we incorporate can be enriched if we are capable of cooperating through the established channels and incorporating other forms of international cooperation as established by current standards. This is the position and the express will of The DGIOF-Cuba.

We wish ROSFINMONITORING and allied FIUs of the Eurasian region success in your commendable specialized activity and in the consolidation of the regional cooperation mechanisms achieved. We aspire for it to continue to be a world benchmark in this area. We are confident that it will be so.

Finally, let me express a fraternal greeting, accompanied by the best wishes for peace and prosperity for our peoples, our main concern.

INTERNATIONAL AND INTERDEPARTMENTAL INTERACTION OF THE FINANCIAL INTELLIGENCE UNIT OF THE KYRGYZ REPUBLIC WITH KEY PARTNERS

Tilek Sayakbaev,

*Head of the Strategic Development and Risk Assessment Department of the FIU
of the Kyrgyz Republic, Doctor of Economics, Associate Professor*



Tilek Sayakbaev

Ensuring financial security as an integral part of economic and national security is the most important joint task, especially in connection with the growing challenges and threats, including cross-border organized crime, corruption, the shadow economy and terrorism. Obviously, these problems are universal and affect the interests of all states. However, the specific forms of their manifestation and the methods of solution depend not only on the level of development of the state, its place in the world economy, but also on the extent of participation in the integration processes.

It is very difficult to assess the scale of transnational organized crime due to the hidden nature of its activities, as well as due to various definitions and indicators. However, the UN has found that approximately \$1.6 trillion, or 2.7 percent of the world's GDP, is laundered annually, and the world's annual bribes amount to \$1 trillion. As a result of corrupt activities, the global economy loses \$2.6 trillion every year, more than 5% of the global GDP.

Obviously, national AML/CFT systems are determined not only by formal indicators. One of the most important indicators is the level of international and interdepartmental cooperation. This potential represents a real force on guard of financial security.

The State Financial Intelligence Service of the Kyrgyz Republic conducts active international activities in two directions. It cooperates with international organizations (EAG, CIS CHFIU, Egmont Group, etc.), where it is a member, and also develops bilateral cooperation agreements with the FIUs of those countries that are key partners of Kyrgyzstan.

Currently, the FIU of the Kyrgyz Republic is working on improving the possibilities of using modern methods of information processing (working with various data formats, recognition and visualization of patterns). Membership of the FIU of the Kyrgyz Republic in the EAG, CHFIUs and the Egmont Group means not only an operational information exchange but also the strengthening of cooperation with foreign FIUs. It allows to identify problems and recognize new transnational risks and threats.

The Kyrgyz Republic, as a dynamically developing country, ensures the implementation of the principles of financial security. At the same time, it relies on international experience and cooperation with such international organizations and specialized agencies as the UN Committees, the International Monetary Fund, the World Bank, the Council of Europe, the European Union, the Western and Central Asia Asset Recovery Network (ARIN-WCA), Basel Committee on Banking Supervision, etc.

The international interaction of the FIU of the Kyrgyz Republic with foreign partners is of great importance, especially with key partners in the Eurasian region within the framework of the EAG and CHFIUs. The fight against financial crime aimed at curbing criminal money laundering, terrorist financing and preventing corruption allows to replenish the treasury, as well as to identify trends and patterns used by violators of the law in order to eliminate them.

For effective interagency cooperation, the FIU of the Kyrgyz Republic has access to various data sources, including financial statements, banking transactions, securities transactions, property rights, tax returns and other documents. This cooperation is based on the following principles:

- a clear understanding of the goals and objectives of the FIU;
- providing access to the necessary information;
- confidentiality of information, and cooperation only with authorized representatives of foreign FIUs;

- compliance with legal requirements regarding the collection, storage and use of data.

The issue of creating a FIU has been actively discussed in the Kyrgyz Republic since the beginning of 2001. Our country's membership in the EAG has intensified the process of creating the FIU of the Kyrgyz Republic and national anti-money laundering legislation. Since then, the FIU of Kyrgyzstan, "side by side" with the management, secretariat and expert community of the EAG, has come a long way: laid the legal and institutional basis for AML/CFT. Thanks to dynamic sectoral and international cooperation on the EAG platform, we have conducted a number of mutual evaluations and were degreylisted. It is gratifying that today none of the EAG member states, which rightfully takes its place in the international AML/CFT system, is grey/blacklisted by FATF.

Membership of the Kyrgyz Republic in the EAG means a wide opportunity to use the knowledge base, accumulated resources, best practices for the disclosure of many well-established schemes for the legalization of criminal proceeds and the suppression of channels for financing terrorism.

An important stage of interagency cooperation within the framework of the CHFIUs is the identification of supranational threats based on the International Risk Assessment Centre (IRAC), the compilation of financial security "belts", the experience of our colleagues in the formation and work with the array of regional ML/TF risks and the practical use of the IRAC functionality. This functionality is used taking into account the resources available in the system with the creation of a map of the attraction of criminal and shadow financial flows, indicating countries and high-risk banks that pose an external threat at the supranational level.

For example, within the framework of Kyrgyzstan's membership in the Egmont Group, only in recent years (2018-2022.) 561 requests were sent and 433 responses were received. In 78% of cases, SFIS was able to obtain all the necessary information.

An example of effective interdepartmental cooperation is one of the indicative results of joint work

- this is the interaction of the FIU of the Russian Federation and the FIU of the Kyrgyz Republic.

As a result of such interaction under the guise of insurance compensation and geological prospecting, the fact of laundering criminal proceeds on the territory of Russia and Kyrgyzstan was revealed. All persons involved in this crime were detained and convicted.

Effective interdepartmental interaction between FIUs can bring many positive results, including:

- risk reduction. The joint work of the FIUs reduces the risk of financial losses and increases the effectiveness of measures taken to combat financial crime;

- improving the quality of information. Interaction between FIUs involves the exchange of data and the clarification of details that contribute to improving the effectiveness of joint work;
- improving the efficiency of the FIU. Efficiency and accuracy of information preparation when working on a large amount of data.

Dear Colleagues, We wish you further success in your noble work for the benefit of Russia's prosperity. The FIU of Kyrgyzstan wishes the journal a long and successful life. Good wishes to the team - fresh ideas, creative fruitfulness.

SOME ASPECTS OF STAFF TRAINING FOR THE NATIONAL AML/CFT SYSTEM IN UZBEKISTAN

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Bobir Tursunov

Current threats, primarily the ever growing trafficking in arms, drugs and people, as well as cross-border illegal financial transactions, pose new challenges for early warning and suppression of the legalization of proceeds from crime, financing of terrorism and financing the proliferation of weapons of mass destruction.

Therefore, consistent efforts are made in the Republic of Uzbekistan to combat the legalization of

proceeds from crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction.

Based on the rules and principles of international law, more than 100 legislative acts and by-laws have been adopted, and a solid legal and institutional framework has been formed in this regard.

In particular, in 2021, the National System Development Strategy of the Republic of Uzbekistan was approved to combat the legalization of proceeds from crime, the financing of terrorism and the financing of the proliferation of weapons of mass destruction

The issues of increasing the professionalism of employees of the state agencies involved in AML/CFT, as well as training and retraining of employees of the organizations engaged in transactions with funds or other property, are prioritized in this Strategy.

At the same time, training for the national AML/CFT system in Uzbekistan is implemented in various ways: using networks for the implementation of educational programs and new forms of associations of research and educational institutions.

At present, staff training for the national AML/CFT system in Uzbekistan takes place at the ISI network institutes, including on the basis of the Tashkent State University of Economics, one of the country's leading universities.

Since 2019, the Tashkent State University of Economics has been training bachelors and masters of arts in Economic Security. Our graduates are in high demand in the labor market in the country. Some of our masters of arts work at the Department for Combating Economic Crimes under the General Prosecutor's Office of the Republic of Uzbekistan.

The main educational program for bachelors, Economic Security, covers the learning courses in finance, legal framework for combating economic crimes, forensic economic expertise, principles of development of economic activity in sectors of economy and is intended to develop skills for assessing economic security of entities at various levels.

Besides, professional skills are aimed at the student's ability to solve various complex issues related to the organization and management of economic security at enterprises, non-governmental and non-profit organizations, central and local government agencies, small and private businesses.

The Economic Security course for masters is aimed at developing the research skills and competencies required for AML/CFT activities of the Academy of Sciences, scientific research institutes, research centers, as well as the competencies of ensuring economic security in the real sector.

Staff training for the system of combating illegal financial transactions is a new vector in the development of higher education. Since 2019, a target master's program of a double degree has been active at the Tashkent State University of Economics jointly with the National Research Nuclear University MEPhI.

The managing staff of the Tashkent State University of Economics and the Economic Security specialized

department, which trains students in AML/CFT, have set the proper environment for the program implementation. The department has set up the Financial Literacy discussion group based on the "mentor-student" tradition; talented students annually participate in the International Financial Security Olympiad, the qualifying stages of which are successfully held at the University, and the final contest traditionally takes place in the Russian Federation, on the Sirius Federal Territory.

The faculty members of the Economic Security department, as well as masters and students, actively participate in international scientific and practical conferences devoted to topical issues of economic security at the macro, meso and micro levels. After all, it is the integration of science and practice that is a guarantee of ensuring economic, including financial, security from new threats and challenges in the times of globalization (in the era of digitalization) of economy.

The accelerated development of mobile payment systems and financial technologies explain the emergence of new risks to economic and national security, and this fact calls for the development of new (innovative) methods to counter threats in terms of scientific development.

To sum up, it may be concluded that staff training for the national AML/CFT system on the basis of the Tashkent State University of Economics is premised on the effective implementation of the bachelor and master degree programs in Economic Security, as well as on the development of a scientific school of economic security and interaction with the international network institute in the field of AML/CFT, which currently unites 50 leading educational and scientific institutions from 7 countries.

COOPERATION BETWEEN THE UAE AND RUSSIA IS DEVELOPING IN ALL DIRECTIONS

Extraordinary and Plenipotentiary UAE Ambassador to Russia, Dr. Mohammad Ahmad Al Jaber



Dr. Mohammad Ahmad Al Jaber

Bilateral relations between the UAE and the Russian Federation are of a strategic nature. The Russian Federation is a friendly country for the UAE.

In recent years, the trade turnover between our countries has been steadily growing. At the end of 2022, it amounted to about \$9 billion.

The number of Russian companies that are registered in the UAE is also growing. By the end of 2022, their number reached 5 thousand.

Interaction between the UAE and the Russian Federation is developing in all areas, including in the financial sector.

Monitoring of the movement of financial resources, and analysis of their compliance with the international obligations of the state, as well as domestic legislation, is the most important and integral part of the financial system of any country.

Against the backdrop of increasingly complex challenges and threats, the relevance of the development of national anti-money laundering systems is increasing.

Russia's anti-money laundering system is one of the most developed in the world. The United Arab Emirates is fully committed to combating money laundering and the financing of terrorism, identifying and suppressing their manifestation in any form.

Thanks to joint efforts, the cooperation between the UAE and the Russian Federation in AML/CFT has advanced significantly. Meetings are held between relevant agencies, the parties participate in AML/CFT activities.

I am confident that by acting jointly and in a coordinated manner, we will be able to achieve significant success in the fight against money laundering and the financing of terrorism.

INTERNATIONAL ORGANIZATIONS AND THEIR AML/CFT ACTIVITIES

COOPERATION OF THE CSTO MEMBER STATES IN PRIORITY AREAS OF COUNTERING SECURITY CHALLENGES AND THREATS

CSTO Secretary General, Imangali Tasmagambetov



Imangali Tasmagambetov

Cooperation between the member states of the Collective Security Treaty Organization to counter modern challenges and threats is effected in accordance with the CSTO Charter. The member states to the Treaty coordinate and unite their efforts in the fight against international

terrorism and extremism, illicit trafficking in narcotic drugs and psychotropic substances, weapons, organized transnational crime, illegal migration and other threats to the security of the member states of the Organization.

Interaction takes place in the areas of protecting state borders, information security, protecting the population and territories from natural and man-made emergencies, as well as from dangers arising from or as a result of military operations.

One of the main threats to security for the entire world community is terrorism, which has long gone beyond national boundaries and become international.

The Organization pays special attention to the issues of countering terrorism and extremism, first of all, to the development of effective practical measures in this respect.

The necessary legal basis for the collective actions of the member states of the Organization to counter terrorist threats has been formed. The international treaties adopted and entered into force in the format of the Organization, the decisions of the Collective Security Council regulate the procedure for the formation and functioning of the forces and means of the collective security system.

One of the main instruments for ensuring the security of the member states, including from the terrorist threat, is the power potential of the CSTO.

As a result of the implementation of the signed treaties and decisions made, special forces became a part of the CSTO Collective Rapid Response Forces. These are the special forces of the internal affairs bodies (police), internal troops, security agencies and special services designated by the states. The main task of these formations is to participate in activities to combat international terrorism, illegal trafficking in narcotic drugs, psychotropic substances, weapons and ammunition, and other types of transnational organized crime.

Issues related to the solution of counter-terrorist tasks are addressed in the course of joint operational and combat training activities. They are included in the projects of joint tactical and tactical-special exercises "Interaction", "Cobalt", "Indestructible Brotherhood", "Frontier".

To coordinate joint actions, exchange information in the field of countering extremism and terrorism, meetings of the Working Group of Experts on Combating Terrorism and Extremism under the Committee of Secretaries of Security Councils of the CSTO are held on a regular basis.

As part of the implementation of the decisions taken by the CSTO member states, since 2019, a complex of anti-terrorist operational and preventive measures has been conducted under the code name "Mercenary". It is aimed at curbing recruitment, blocking entry/exit channels for citizens of the Organization's member states to participate in terrorist activities, as well as neutralizing the resource base of international terrorist organizations in the CSTO territory. The special operation involved the national security, internal affairs, border service, financial intelligence bodies. Information received through military intelligence is well considered.

When preparing a set of anti-terror measures "Mercenary - 2022", representatives of Rosfinmonitoring took part in the Meeting of National Focal Points.

As a result of joint efforts, financial monitoring bodies revealed 843 (735 - Russia) facts of suspicious financial transactions that may be related to the financing of terrorism. 11 (9 - Russia) criminal cases

were initiated against the persons involved in the financing of terrorist activities.

Based on the data obtained during the operation, adjustments were made to the national sanction lists of the persons and organizations involved in criminal activities.

A new package of active measures is currently being prepared.

Among the challenges to the civilized world is illicit trafficking in narcotic drugs, psychotropic substances, their analogues and precursors.

The anti-drug line in the work of the CSTO member states in terms of the practical fight against drug trafficking received an impetus for development in 2003. Then for the first time in the format of the Organization, a complex preventive operation was conducted under the code name "Channel-2003". It was aimed at identifying and blocking the routes of illegal transportation of drugs and precursors along the so-called "Northern Route" (Afghanistan - Central Asia - Russia - Europe) and in the regions immediately adjacent to Afghanistan.

In 2005, by the Decision of the CSC CSTO, the Coordinating Council of the Heads of the Competent Authorities to Combat Drug Trafficking in the CSTO Member States (hereinafter referred to as the CCACD) was established). Under its auspices, at present the regional non-stop anti-drug operation "Channel" is being conducted.

The operation involves employees of the drug control, internal affairs, border service, customs, state (national) security and financial intelligence agencies of the member states of the Organization.

The purpose of the operation is to identify and block drug smuggling routes from Afghanistan, to block international and interregional channels for the supply of synthetic drugs from Europe and Southeast Asia, and cocaine from Latin America. The operation is also aimed at stopping the activities of clandestine laboratories, preventing the leakage of precursors into illegal circulation, and undermining the economic foundations of the drug business. From 2003 to 2022, 34 phases of the operation were conducted.

Thanks to cooperation with the Eurasian Group on Combating Money Laundering and Financing of Terrorism, it was possible to significantly increase the extent of interaction between law enforcement agencies and financial intelligence units. This had a positive impact on the effectiveness of the activities conducted as part of the operation "Channel".

The well-coordinated work of the law enforcement and financial monitoring bodies of Kazakhstan, Kyrgyzstan, Russia and Tajikistan made it possible to stop a number of drug smuggling channels from Afghanistan along the Northern Route. It also helped to identify a number of leaders and active participants in drug communities, their hierarchical structure and financial schemes.

In 2022, three sub-regional anti-drug operations "Channel - Second Barrier", "Channel - Nevsky Shield" and "Channel - Neman" were conducted. The International Coordinating Headquarters were located respectively: in May - Osh, in July - St. Petersburg, in October - Grodno. During these operations, the competent authorities of the CSTO member states seized over 2 tons of various types of drugs. Financial intelligence units have identified suspicious financial transactions, allegedly related to the "laundering" of drug proceeds, totaling about 260 million rubles.

For the second half of this year, we plan to consolidate the efforts of law enforcement agencies and financial monitoring bodies when conducting the operation "Channel - Interception". The headquarters for the management of this operation will be deployed in Almaty at the CARICC.

An important area of the Organization's activity is counteracting illegal migration of third country nationals.

Illegal migration to and from the territory of the CSTO member states is greatly facilitated by the geographical location of the region, which makes it a natural transit point for migrants.

To create an effective system to counter illegal migration, by the decision of the CSTO Collective Security Council dated October 6, 2007, the Coordinating Council of the Heads of the Competent Authorities of the CSTO Member States on Combating Illegal Migration (hereinafter referred to as the CCCIM) was established. Within the framework of the CSTO,

events are regularly held for targeted monitoring of the migration situation in the CSTO member states. The results of these activities are considered when assessing the situation and trends in its development in the CSTO area of responsibility, in planning joint operations and preventive measures to counter illegal migration and human trafficking under the code name "Illegal".

A distinctive feature of the operation "Illegal" is its complexity. It is expressed in the coordinated unification of the efforts of the internal affairs bodies (police), migration, border and special services to control compliance with migration legislation and identify administrative offenses and criminal offenses committed in this area, expose the organizers of illegal migration and human trafficking. Financial monitoring agencies are also involved in the operations. An integrated approach, as well as an increased scope of interaction between the competent authorities of the CSTO member states, made it possible to achieve significant results in the fight against illegal migration.

Last year, two phases of the operational and preventive operation "Illegal - 2022" were conducted.

According to its results, more than 77 thousand violations of migration legislation were revealed. 3920 criminal cases were initiated on the grounds of crimes related to the organization of illegal migration.

Financial intelligence officers identified suspicious financial transactions totaling over 305 million rubles.

As part of the "Illegal" operation, Rosfinmonitoring conducts a macroeconomic analysis of information on financial transactions involving foreign nationals, analyzes the materials of financial investigation cases to identify non-resident individuals, nationals of third (in relation to the CSTO) countries. The interregional departments of Rosfinmonitoring organized interaction with the territorial bodies of the Ministry of Internal Affairs of Russia and the Federal Security Service of Russia in order to conduct joint inspections to identify violations of Russian legislation by non-resident foreign nationals.

Among the most important tasks of ensuring the collective security of the CSTO is the task of creating a secure information space of the CSTO member states.

The creation of an information security system in the interests of the member states of the Organization

began in 2006. Meanwhile, at the level of the CSTO Collective Security Council, more than ten important regulatory legal acts have been adopted that regulate cooperation between the member states of the Organization. This cooperation is aimed at forming the political, legal and organizational foundations of the information security system. As part of the cooperation, personnel, scientific and financial support are provided; measures are developed to ensure the information security of the objects of trans-border significance; interaction is strengthened between the interested ministries and departments of the CSTO member states in combating crime in the field of information technology.

In order to coordinate joint actions under the Committee of Secretaries of Security Councils of the CSTO, a Working Group on Information Policy and Information Security was formed. This group includes representatives of national coordinating and authorized bodies in the field of information security.

In order to combat these manifestations, in December 2014, the CSTO Collective Security Council decided to establish a Consultative Coordinating Center of the Collective Security Treaty Organization for Response to Computer Incidents (CCC).

On an ongoing basis, practical measures are being implemented to combat crime in the field of

information technology in the format of the operation "PROXY" (from the full name "counteraction to crime in the field of information"). The main purpose of the operation is to identify and suppress the functioning of information resources in the national segments of the Internet, the content of which causes or may cause damage to the national and collective security of the member states of the Organization.

Specialized units of the security, internal affairs (police) and financial monitoring bodies are involved in the operation.

According to the results of combating the "laundering" of criminal proceeds for 2022, 1016 information resources and 165 facts were identified that indicate the commission of crimes in this area. The work of 981 information resources has been suspended.

In conclusion, it is worth mentioning the increased capabilities of the CIS CHFIU and the Eurasian Group on Combating Money Laundering and Financing of Terrorism (hereinafter referred to as the EAG) to promptly establish in the course of operations the facts of the use of cryptocurrencies and financial instruments by suspects.

We see great potential in ensuring security in the further consolidation of our efforts in the CIS and SCO formats.

INTERPOL: ON TRACING AND PREVENTING THE MOVEMENT OF CRIMINAL PROCEEDS

Money moves across the border easily and very fast, and even easier and faster now with the emergence of virtual assets. Thus, international cooperation is essence of ML investigation

A large part of the requests made through INTERPOL communication channels, so called I-24/7, is about financial crimes which involve money laundering. And to provide proper supports to meet the increasing necessity of member countries on ML investigation, INTERPOL launched the Financial Crime and Anti-Corruption

Centre (IFCACC) as a directorate in 2022, which used to be a unit before then.

The IFCACC's mission is to reduce the harm and minimize the threat posed by financial crime and corruption for a safer world. The essence of our strategy is to trace and prevent the movement of criminal assets.



To achieve our aim, we carry out diverse activities. To name a few as follows:

Firstly, we mount thematic operations to coordinate cases targeting specific crime types between various member countries for a certain period of time for operational action weeks. Among many operations, last year we had Operation HAECHI III, following phase I in 2020 and phase II in 2021, targeting Cyber-Enabled Fraud, such as Business Email Compromise, Romance Fraud, Phishing, etc. Under the HAECHI III participated by 30 member countries during the 4-month operational period, we were able to make almost 1000 arrests, and 130 million USD worth of freeze/seizure. Also, HAECHI III was the INTERPOL's first operation targeting financial crimes abusing virtual assets, resulting in a freeze/seizure of 113 million USD worth of Virtual Assets out of the total 130 million USD frozen/seized.

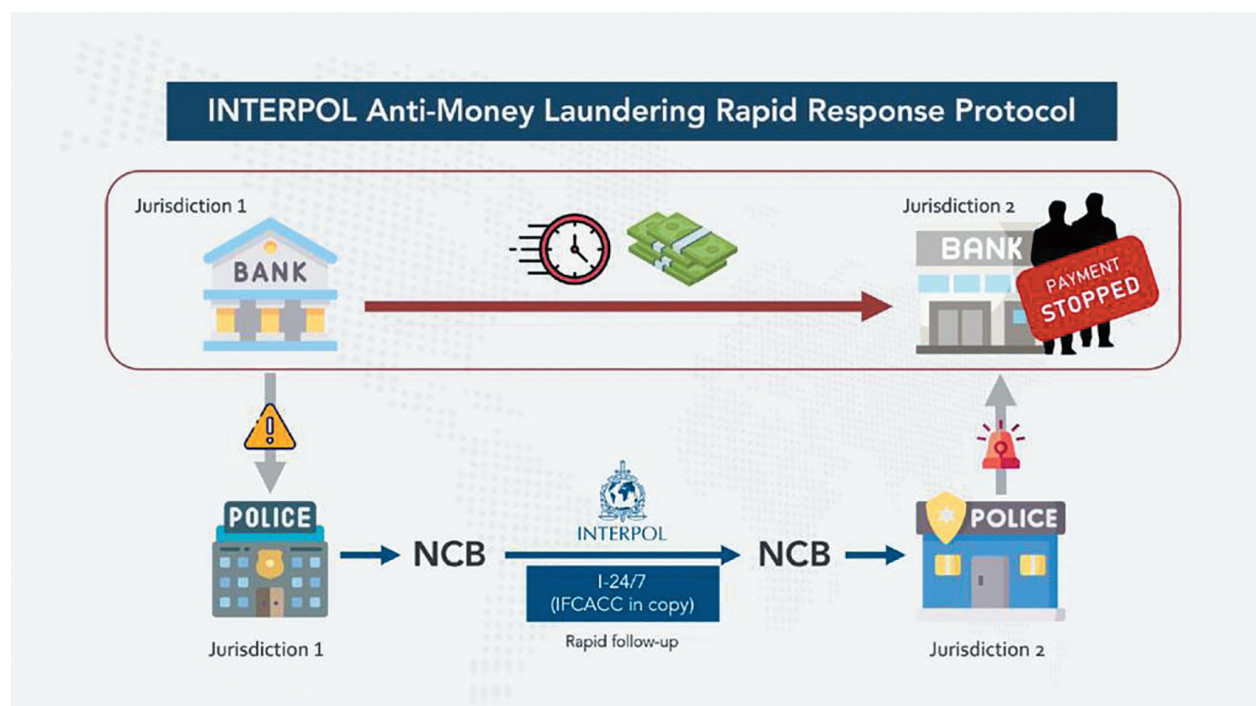
Secondly, other than the operations proactively led by INTERPOL, we provide more reactive support, such as daily investigative and analytical support to the incoming requests from our member countries, and carry out case coordination and mentoring, advising countries on the necessary steps to ensure effective follow-up on international cases. Such

support is provided to any type of financial crime, unlike the operation.

Thirdly, we closely cooperate with other stakeholders, including FATF. To strengthen the reciprocal feedback between the operation and policy, we held the FATF-INTERPOL Roundtable Engagement (FIRE) event in Singapore, September, 2022. And we will organize FIRE II in Lyon, France, September, 2023. Also, we are working as a Co-lead on the Cyber Enabled Fraud project together with FATF and Egmont Group.

Lastly, we have various initiatives. For instance, we launched the Anti-Money Laundering Rapid Response Protocol (ARRP), a stop-payment mechanism to facilitate rapid response in intercepting illicit funds to prevent the criminal proceeds from being dissipated.

This ARRP is basically labelling the request of member countries "as very urgent and it is about withholding criminal proceeds". Thus, ARRP enables the requested country to easily and quickly identify and react to the request among many other requests they receive daily. It also enables us, INTERPOL, to closely follow the ARRP request with higher priority.



Also, by utilizing this ARRP of INTERPOL, we allow member countries to take advantage of our 1) Wide time zone coverage, with officers both in Lyon and Singapore, 2) Global knowledge on systems and processes in different countries, 3) established POCs consisting of dedicated anti-fraud units or FIUs of member states, and 4) accumulated experiences cooperating with those diverse POCs.

We pilot-launched ARRP at the conclusion meeting for HAECHI Operation II in November 2021 and the 30 member countries participating HAECHI Operation III were able to utilize the ARRP during its

pilot phase. With its success, we officially launched ARRP at the conclusion meeting for HAECHI Operation III in November 2022.

So far, since its pilot launch, ARRP together with traditional I-24/7 requests to stop illicit payments enabled member countries to stop the illicit money, almost 215 million USD (195 million Euro). And some of them are already returned to the victim through swift recalls successfully made by ARRP. With its official launch, we expand the usage of ARRP to all member countries. Thus, more positive outcomes are expected.

CONTRIBUTION OF THE RUSSIAN FEDERATION TO THE DEVELOPMENT OF THE INTERNATIONAL LEGAL ARCHITECTURE OF FINANCIAL SECURITY WITHIN THE FRAMEWORK OF THE FATF

Yulia Lafitskaya,

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Co-Chair of the FATF Policy Development Group from December 2019
to March 2022*



Yulia Lafitskaya

Combating money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction (AML/CFT/CPF) is a key element of financial stability and security. This system is primarily built on the basis of the universal international conventions of the United Nations. These legal instruments include the 1988 UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the 2000 UN

Convention against Transnational Organized Crime, the 2003 UN Convention against Corruption, and the 1999 International Convention for the Suppression of the Financing of Terrorism (ICSFT). A number of fundamental norms are also laid down in peremptory resolutions of the UN Security Council. This structure is supplemented by other international treaties of a universal and regional nature. The FATF Standards also serve as the cornerstone of global financial stability, in addition to the conventional international legal tools.

Although the FATF Standards are not conventional legal norms, they are nevertheless binding on more than 200 countries and regulate the fight against ML/TF/PF in detail.

The FATF Standards do not just build on universal international standards; rather, they develop and supplement them, resulting in a comprehensive and all-inclusive architecture of measures to decrease threats to financial stability and security. A significant component of the fundamental nature of the FATF Standards is also a well-established mechanism to ensure compliance by all countries with sanctions for non-compliance, up to and including countermeasures. Additionally, unlike traditional international legal instruments, the FATF standards are subject to relatively rapid amendment, allowing for a timely response to new and emerging

ML/TF/PF risks. In this respect, it is difficult to overestimate the importance of this particular legal regime in the designated area.

The Russian Federation not only faithfully implements international legal instruments in full compliance with its obligations, but also actively and directly participated in their development.

This work is based on a number of fundamental principles:

- the primacy of universally recognized principles and norms of international law;
- the rule of law;
- respect for the fundamental principles and norms of national law, including fundamental human rights;
- fairness and equality of the parties; and
- technical (not political) nature of anti-crime measures.

The transnational nature of threats to financial and economic security is also taken into account when developing new international rules. They must be comprehensive, leaving as few gaps as possible and not creating the conditions for regulatory arbitrage and other abuses.

At the same time, it is necessary to consider the adaptability of the requirements to different legal systems, taking into account the specificities of different states. This aspect is the key to ensuring subsequent enforcement practices.

In the formulation of international legal rules, it is impossible to ensure the practical relevance of new norms without considering their subsequent incorporation into existing rules at both the national and international levels. In accordance with the mandate of the relevant organization, it is necessary to avoid contradictions or duplication.

Although international law should not be a mirror image of national law, there are also general principles for the formation of such rules. However, the broader context and the resulting impact of universal rules must be taken into account. Another important aspect is to ensure that the requirements are technologically neutral.

Throughout their history, the FATF Standards have been repeatedly revised and developed. The most recent comprehensive revision took place in 2012.

However, as noted above, the FATF Recommendations are subject to active adaptation as needed in response to evolving and emerging cross-border risks and threats to the stability of the international financial system. Given the importance of international AML/CFT/CPF standards for the global response to these threats in a timely manner, the Russian Federation was directly involved in this work and contributed to the formulation of balanced universal requirements. This work was carried out both at the level of the interagency delegation together with other FATF member states and within the framework of Russia's co-chairmanship with Singapore in 2020-2022 in the FATF Policy Development Group, which is responsible for preparing proposals for amendments to the existing standards and the adoption of new ones.

In recent years, a number of the Standards have undergone such changes.

For example, in 2015-2016, the provisions on the criminalization of terrorist financing were supplemented to reflect in the Standards the measures taken by the UN Security Council against foreign terrorist fighters and the use of economic and natural resources as financial support for terrorists.

In 2016, the rules to protect non-profit organizations from terrorist financing abuse were adjusted to enshrine a risk-based approach to the sector, which provides its most effective protection.

In 2017, the requirements for cross-border information exchange in financial groups were clarified, with states having discretion to determine whether sensitive information can be shared.

In 2018, the correlation between AML/CFT/CPF provisions and personal data protection legislation was identified, ensuring a balanced (non-contradictory) regulation of both areas at the national level while taking current international law provisions into account.

In 2018-2019, a universal mandatory international standard has been established, containing definitions of virtual assets and virtual asset service providers, as well as requirements for the regulation of this sector for AML/CFT purposes. In order to accommodate different national approaches to the sector, a country's discretion to prohibit activities in the sector, with appropriate risk mitigation measures, is preserved. In the absence of such prohibition, there are

requirements for full and comprehensive regulation to ensure that the virtual asset sector is not misused for illicit purposes.

In 2020, additional provisions on combating proliferation financing were introduced to ensure effective implementation of UNSC Resolutions through measures to assess and mitigate proliferation risks taken by states and their reporting entities. At the same time, adjustments to the existing FATF mandate in the CPF area were made to assist states in the proper implementation of the financial aspects of UNSC Resolutions. A narrow definition of PF risks was developed as the risks of evasion, violation and non-implementation of targeted financial sanctions, without prejudice to the relevant "non-proliferation" decisions, which remain the prerogative of the UN Security Council.

In 2021, amendments to Recommendation 23 were approved to clarify the application of Recommendation 18 (Financial Groups) to DNFBPs. The updated standard provides countries with discretion to determine the scope and limits of information sharing between DNFBPs belonging to the same group, taking into account the information sensitivity, similar to the previously approved adjustments to Recommendation 18. Additionally, a flexible approach to setting requirements for DNFBPs was adopted, whereby the provisions of Recommendation 18 necessarily apply only to DNFBPs operating within the same groups as financial institutions. Countries should only contemplate imposing such obligations on other entities if such actions would contribute to risk mitigation.

In 2022, after two years of hard work, amendments to Recommendation 24 were adopted to improve the mechanisms for ensuring the transparency of beneficial ownership of legal persons. For example, the updated standard clearly sets out the requirements for risk assessment of legal persons, the risk-based approach, and a combined approach to ensure the use of different mechanisms to provide competent authorities with timely access to relevant information. Countries remain flexible in choosing the

best mechanism for ensuring beneficial ownership transparency, taking into account country risks and context. Thus, one of the mechanisms should be either a beneficial ownership register or an alternative mechanism. The key is to ensure that competent authorities have timely access to reliable data. This was due in particular to the need to maintain the technological neutrality of the FATF Standards and to the lack of sufficient data demonstrating registers' ability to guarantee the accuracy of the information they contain. The standard also includes a number of other adjustments targeted at increasing the effectiveness of measures to ensure the transparency of beneficial ownership of legal persons.

In 2023, amendments were made to Recommendation 25 to improve the mechanisms for ensuring transparency of beneficial ownership of legal arrangements (trusts and similar arrangements). In general, the amendments were intended to align this standard with the previously updated Recommendation 24. For example, taking into account the characteristics of legal arrangements, the standard also explicitly provides for risk assessment of legal arrangements, the use of the risk-based approach and a combined approach using different mechanisms to provide competent authorities with timely access to relevant information, with appropriate discretion for countries when choosing some of them. A special feature is the consideration of the specificities of countries that do not recognize trusts. At the same time, provision is made for measures to decrease the risk of abuse of foreign trusts.

Thus, the Russian Federation, together with other FATF member states and the FATF Secretariat, has developed a balanced architecture of technical legal measures to combat crime and international threats to the security and stability of the global financial system. The current version of all Standards is a well-thought-out compromise aiming at protecting each state from the threats posed by ML/TF/PF while respecting fundamental principles of international and national law, fundamental human rights, and the rule of law.

ROSFINMONITORING AS THE SECRETARIAT OF THE COUNCIL OF HEADS OF FINANCIAL INTELLIGENCE UNITS

CHFIU Secretariat

On December 5, 2012, the Council of Heads of Financial Intelligence Units of the CIS Member States (hereinafter referred to as the CHFIU, the Council) was established in order to coordinate the cooperation of the CIS member states in the field of anti-money laundering and combating the financing of terrorism (AML/CFT).

The members of the CHFIU are representatives of seven states: Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Uzbekistan. Since 2015, the Financial Intelligence Unit of the Republic of India has been granted observer status in CHFIU meetings by decision of the Council.

The AML/CFT cooperation of financial intelligence units is aimed not only at the detection and suppression of financial crimes, but also at finding appropriate mechanisms, new forms and methods of work.

The Secretariat is the central management body that ensures the effective operation of the Council and its structural subdivisions.

In accordance with the Regulations on the CHFIU, the functions of the Secretariat and its Head are performed by the Financial Intelligence Unit, whose Head chairs the Council, and the Deputy Head of the Secretariat is a representative of the CIS Executive



21th CIS CHFIUs meeting, Dushanbe, Republic of Tajikistan, 2022



20th CIS CHFIUs meeting, "Sirius" Federal Territory, Russian Federation, 2022

Committee. This approach allows for greater interaction opportunities and a more rapid exchange of information between the financial intelligence units, the CIS Executive Committee and the sectoral bodies of the Commonwealth. It has a favorable effect on the Council's overall operations.

To date, the functions of the Council Secretariat are performed by representatives of the Federal Financial Monitoring Service.

The Head of the Council Secretariat directly

- organizes the work of the Secretariat;
- provides organizational and informational support in cooperation with the CIS Executive Committee;
- drafts agendas and work plans for Council meetings, presents them for approval, and controls how decisions are put into practice;
- notifies members of the Council of meetings;
- distributes draft documents that have been submitted for review;
- provides, in collaboration with the host state, technical and organizational support for CHFIU meetings;
- represents the Secretariat in the CIS Executive Committee, the CIS Interparliamentary Assembly, and other Commonwealth entities on behalf of the CHFIU; and
- submits an annual report on the Secretariat's activities and accomplishments to the CHFIU.

The Secretariat operates in accordance with the approved Regulations on the CHFIU and the Council Secretariat's Rules of Procedure. Its functions can be conventionally classified as organizational, analytical, and supervisory. As part of its organizational function, the Secretariat conducts CHFIU meetings:

- summarizes Commonwealth FIU proposals on multilateral cooperation issues and conducts analyses to identify problems requiring cooperative solutions;
- takes part in organizing the work and activities of commissions, expert panels, and working groups established by the CHFIU; and
- delivers to CHFIU members a record of the outcomes of CHFIU meetings and the decisions made in accordance with the established format;

The Secretariat's next area of operation is analytical:

- agenda preparation for Council meetings;
- analysis of the implementation of the decisions made by the Council of Heads of State and of the treaties signed within the Commonwealth that fall within the purview of the CHFIU, as well as its decisions;
- preparation of analytical documents on the current state of and possibilities for multilateral cooperation, as well as recommendations for improving it; and
- organization of work within its purview to implement the decisions of the Council of



Deputy Head of the CHFIU Secretariat - Igor Malashevich

Heads of State, the Council of Heads of Government, and the CHFIU on AML/CFT and other matters related to its activities.

The supervisory activities of the Council Secretariat include:

- recording and storing materials and documents pertaining to CHFIU activities; and
- organization of development, legal expertise, finalization and coordination of draft international agreements, multilateral cooperation protocols, and documents submitted to the CHFIU, as well as preparation of necessary reference and other related materials.



Ivan Kornev, Head of the CHFIU Secretariat

The Secretariat also performs other duties and activities in accordance with the Agreement on the CHFIU and decisions of the Council.

The CHFIU Secretariat is a unique structure without which an international organization cannot operate. Thanks to the coordinated and hard work of the Council Secretariat staff, the CHFIU platform is in demand for constructive cooperation within its purview.

MEASURES TO HARMONIZE AML/CFT LEGISLATION WITHIN THE EAEU

Igor Nazaikin,

Deputy Head of the International Legal Department of the Federal
Financial Monitoring Service



Igor Nazaikin

Achieving the main goals of the EAEU, which predetermined the establishment of the Union as an international organization of regional economic integration, is possible only if the legal framework is formed in the member states that ensures their harmonious development and convergence.

This principle, among other things, is expressed in the desire to create a common financial market within the EAEU and harmonize national legislation in this area.

The Agreement on Harmonization of the Legislation of the EAEU Member States in the field of the financial

market (hereinafter referred to as the Harmonization Agreement) was concluded in Moscow in 2018. It considers as directions for harmonization the legislative requirements for banking, insurance activities and activities in the securities market.

In order to implement the Harmonization Agreement, by the Decree of the EEC Council dated November 23, 2020 No. 27, a plan of relevant measures of an organizational and legal nature was approved. As independent issues, this list of activities includes the harmonization of requirements for the risk management system, the organization of internal control, compliance control and the implementation of AML/CFT procedures by financial institutions.

According to the above plan, the harmonization of AML/CFT requirements and procedures includes several successive stages. In particular, for the banking sector, these are:

- drawing up lists of requirements for the risk management system, organization of internal control and implementation by banks (credit institutions) of AML/CFT procedures;
- comparison of requirements for the risk management system, organization of internal control and implementation by banks (credit institutions) of AML/CFT procedures in different EAEU member states;
- preparation of a list of requirements to be harmonized;
- development of harmonized requirements for the risk management system, organization of internal

control and implementation by banks (credit institutions) of the procedures aimed at AML/CFT, taking into account the specifics of the legislation of the EAEU member states and international approaches.

In turn, the harmonization of AML/CFT legal issues in the insurance sector includes:

- compiling lists of requirements for the risk management system of insurance market participants in the EAEU member states;
- comparison of requirements for the risk management system of insurance market participants in different EAEU member states;
- preparation of a list of requirements to be harmonized;
- development of harmonized requirements for the risk management system of insurance market participants, taking into account the specifics of the legislation of the EAEU member states and international approaches;
- drawing up lists of requirements for the organization of internal audit, internal control, compliance control and for the implementation by insurance market participants of the procedures aimed at countering the legalization (laundering) of proceeds from crime and the financing of terrorism in the EAEU member states;
- comparison of requirements for the organization of internal audit, internal control, compliance control and for the implementation by insurance market participants of the procedures aimed at countering the legalization (laundering) of proceeds from crime and the financing of terrorism in different EAEU member states;
- preparation of a list of requirements to be harmonized;
- development of harmonized requirements for the organization of internal audit, internal control, compliance control and for the implementation by insurance market participants of the procedures aimed at countering the legalization (laundering) of proceeds from crime and the financing of terrorism, taking into account the specifics of the legislation of the member states and international approaches.

Despite the fact that the activities in the named plan do not mention the harmonization of AML/CFT requirements and procedures in terms of the securities market sector, according to the author, this will not affect the expected result of creating a common financial market within the EAEU for the following reason.

According to the Harmonization Agreement, in order to carry it out in the field of the financial market, the member states agreed to take measures, including: interaction in the preparation of the draft regulatory legal acts aimed at harmonizing the legislation of the member states in the field of the financial market; other measures deemed appropriate and possible for the implementation of measures to harmonize the legislation of the member states in the field of the financial market.

Consolidation of such a flexible approach seems appropriate, since it allows the parties to the Harmonization Agreement, with the coordinating role of the EEC, to develop additional proposals on the format of work and the mechanisms for its implementation at any stage of harmonization of legislation. It is important that both the results of the analysis of the ongoing work and the prevailing circumstances can be taken into account.

The unconditional factors for the successful implementation of such initiatives are the choice of the format of interaction, the planning of events, and the involvement of experts from all interested state bodies.

In this regard, the steps taken by the member states and the EEC to implement the Harmonization Agreement and to implement the relevant action plan are aimed at organizing a mutually acceptable and effective format of work.

For example, in 2022, it was not possible to reach a consensus on the EEC platform to create an independent subgroup on AML/CFT issues of the Working Group on harmonization of the legislation of the EAEU member states in the financial sector under the Advisory Committee on Financial Markets. However, recognizing the importance of AML/CFT issues, the parties came to the decision to organize the work on harmonization of AML/CFT requirements and procedures within the framework of the existing working group, but with the involvement of experts from competent authorities (in particular, central (national) banks, ministries of finance, divisions of the financial intelligence).

In 2023, the expert group began a profile study of issues as part of the work plan prepared for these purposes by the EEC together with the EAEU member states. This plan provides for a comparative legal analysis of the

laws of the EAEU member states, taking into account the requirements of the FATF Standards and with an emphasis on the criticality of the identified differences for the formation of a common financial market.

It is necessary to emphasize the correctness of the decision to include the AML/CFT issue in the harmonization action plan due to its inseparability from the creation of a common financial market of the EAEU. The AML/CFT system is only part of a comprehensive system for monitoring and ensuring the functioning and development of economies, as well as mechanisms for preventing and combating criminal manifestations. Possible differences in the key regulatory aspects of the national AML/CFT systems of the EAEU member states create prerequisites for their use for illegal purposes, including those of a cross-border scale. To facilitate

their criminal activities, those involved in ML/TF can take advantage of the freedom of movement of capital and the freedom to provide financial services within the common economic space of the Union. In this regard, one of the goals accompanying the harmonization of legislation is to prevent “gray zones” and regulatory arbitrage in terms of AML/CFT in the EAEU space. In addition, such steps will contribute to the quality of supervision and the possibility of its consolidated implementation.

The measures taken within the framework of the EAEU to harmonize the anti- money laundering legislation of the member states of the Union once again demonstrate the need to expand the mandate of the Union with certain applicable AML/CFT issues, which, of course, corresponds to the vector of economic integration.

MENAFATF IS A NEW AREA OF DEVELOPMENT OF INTERNATIONAL AML/CFT COOPERATION FOR RUSSIA

Editorial Board of the "Financial Security" journal

Russia's approach to international cooperation within the global AML/CFT system is based on the priority of developing constructive cooperation and dialogue with foreign partners, regardless of their political affiliations. Given the importance and necessity of maintaining the stability of the global financial system, Russia supports an open exchange of best practices and experiences in the field of AML/CFT. This has always been reflected in the high activity of our country in the development of typology research activities and practical assessment work within the global anti-money laundering system, as well as in the provision of a wide range of technical assistance to countries in need.

In 2019, Russia successfully defended its MER as part of the FATF 4th round mutual evaluations. Based on the results of its review, the Russian Federation was ranked among the five states with the most effective anti-money laundering regimes in the world. International experts specifically noted the advanced approach to conducting the national risk assessment, interagency coordination and private sector cooperation, as well as the high level of financial intelligence.

As known, the 40 Recommendations are binding on all UN member states. Such a requirement is included in the text of Security Council Resolution 1617, adopted in 2005. The adoption of UNSC Resolution 2462¹, on combating the financing of terrorism on March 28, 2019 should also be noted. The document outlines the special role of the FATF and FATF-style regional bodies in the global effort to combat money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction. The Resolution establishes the UN's leading role in this work and includes an absolute recognition of the FATF's critical role in setting the parameters of the global anti-money laundering system and the objectives of regional groups². The UN member states are encouraged to actively engage with the FATF, including by contributing to its work by monitoring terrorist financing risks. Ignoring UN instruments only plays into the hands of criminals and terrorists.

The current international situation does not change Russia's status as one of the leading countries in the world in terms of the effectiveness of the national AML/CFT system. Given the general trend of Russia's foreign policy turn to the East, in November 2021,

¹ UNSC Resolution 2462 (2019) dated March 28, 2019. – URL: [https://undocs.org/ru/S/RES/2462\(2019\)](https://undocs.org/ru/S/RES/2462(2019)) (Access date: December 4, 2020).

² Ibid.

Russia acquired observer status in the Middle East and North Africa Financial Action Task Force (MENAFATF) during its 33rd Plenary session³.

The main objectives of the FATF-style regional bodies are to ensure the effective integration of member countries into the global AML/CFT system and to facilitate a higher level of AML/CFT cooperation and collaboration in a given region in compliance with the FATF international standards.

Since joining MENAFATF, Russian representatives have participated in two Plenary meetings of the regional group, as well as in the workshop on typologies and capacity building organized by MENAFATF in Abu Dhabi, UAE, in early March this year.

The Plenary sessions of the regional group traditionally address issues related to mutual evaluations, progress in addressing deficiencies in member states' national anti-money laundering systems, ongoing typology studies and technical assistance issues.

The workshop, held in the United Arab Emirates in March this year, discussed the latest methods, trends and indicators of money laundering and terrorist financing. The event was attended by experts from MENAFATF member and observer countries and organizations, as well as representatives of regional and international organizations.

WHAT DOES THE WORK ON THE MENAFATF PLATFORM BRING TO OUR COUNTRY?

Today, Russia pays special attention to establishing contacts and cooperation with the countries of the Global South, including the Middle East and North Africa. Participation in the activities of MENAFATF gives Russia an opportunity not only to react to the outcomes of mutual evaluations of friendly member states, to participate in typology research, to work out issues of technical assistance, but also to intensify bilateral interaction with other delegations. Relations with the UAE, Syria, and Algeria are



particularly constructive at the moment. In this context, it is important to mention the efforts of the MENAFATF Secretariat, which is actively working to develop a regional AML/CFT system and improve the national anti-money laundering systems of its member states.

The global financial system is constantly evolving, which poses certain threats to national security and requires continuous improvement of both the international and national components of AML/CFT systems. Russia is not staying away from solving these problems and expects to achieve its goals, including through its work in MENAFATF.

According to the national ML risk assessment, the money laundering threat associated with illicit financial activity is conventionally defined by a number of predicate offenses⁴: credit fraud; embezzlement of funds and products; Internet fraud; fraudulent activities by organized criminal groups; creation of pyramid schemes; fraud involving budget funds; schemes involving unjustified presentation of VAT amounts for reimbursement from the budget.

³ Concluding of the 33rd Plenary works, Cairo, Arab Republic of Egypt 16 - 17 November 2021. // MENAFATF. 25 Nov 2021 // - URL: <https://www.menafatf.org/information-center/concluding-33rd-plenary-works-cairo-arab-republic-egypt-16-17-november-2021> (Access date: June 13, 2022).

⁴ National ML Risk Assessment. // Rosfinmonitoring. 2022. // - URL: <https://www.fedsfm.ru/content/files/отчеты%20ноя/ноя-од-2022-6.pdf> (Access date: April 17, 2023).

The national TF risk assessment identifies the following major terrorist financing threats⁵: the movement of terrorist fighters in migration flows; the arming of gangs in certain regions; the creation of cells of terrorist organizations; the recruitment of potential terrorists via the Internet; and the provision of financial support to terrorists by their affiliates.

Addressing issues related to the mitigation of the above-mentioned threats to national security can be considered as the main task of Russia in its work within the global AML/CFT system, including observation in MENAFATF.

All activities of states in the format of the global AML/CFT system can be divided into two main

functional parts: 1) risk research, development and implementation of international AML/CFT standards into the national practices, and 2) bilateral exchange of financial information between the competent authorities of countries participating in international AML/CFT cooperation for the purpose of detecting and suppressing financial crimes. This paradigm is the basis for the structure of the international institutions that make up the global AML/CFT system, as well as for the work of states within it. In this context, MENAFATF is of great interest to Russia.

Responding to today's challenges, the Russian Federation remains committed to the principles of compliance with international AML/CFT standards and is open to equitable international cooperation.

⁵ National TF Risk Assessment. // Rosfinmonitoring. 2022. // - URL: <https://www.fedsfm.ru/content/files/отчеты%20по%20национальной%20оценке%20рисков-фТ.pdf> (Access date: April 17, 2023).

EGMONT GROUP: AN ORGANIZATION "TAILORED" EXCLUSIVELY TO THE TASKS OF FINANCIAL INTELLIGENCE UNITS

Last year, Rosfinmonitoring specialists together with their foreign counterparts conducted about a thousand international financial investigations. An effective platform for such cooperation is the Egmont Group, which allows financial intelligence units to exchange information through a secure communication channel. Andrey Frolov, officer of the International Cooperation Department of the Federal Financial Monitoring Service, talks about the tasks of the Egmont Group and his experience working in its Secretariat

Interviewed by Irina Ryazanova



Andrey Frolov, officer of the International Cooperation Department of the Federal Financial Monitoring Service

Andrey, what is the main goal of the Egmont Group?

The mission of the Egmont Group is to provide a platform for effective cooperation among financial

intelligence units (FIUs) around the world to combat money laundering and terrorist financing. At its core is a secure channel for the exchange of information among Group members. The organization is also involved in improving the effectiveness of FIUs. It conducts training, facilitates the exchange of experience, organizes typology and other projects aimed at learning and understanding new methods of money laundering and terrorist financing, the role of FIUs in the AML/CFT system, national risk assessment, etc. In addition, the Group ensures that financial intelligence units comply with its requirements and the basic principles of information exchange. Egmont also assists countries that wish to join the Group but do not yet have adequate AML/CFT programs or are in the early stages of developing their FIUs.

Why is it called Egmont Group?

Many people ask this question. The answer is simple. The Group took its name from the place where it was founded. The first meeting of the future Group was held in Brussels, in the Egmont (Arenberg) Palace. That is where the name comes from.

What are the main stages in the formation and development of the Group?

1995 – the establishment of the organization itself and the launch of the secure network; 2002 – the formation of the Group Committee, which is the main coordinating body; 2007 – the adoption of the Group Charter and the formation of the Secretariat. In 2010-2011, the first competition for the best financial intelligence case was held (now held annually); in 2014, the Group already had eight regional subgroups (including the Eurasia region); and in 2018, the Egmont Centre for FIU Excellence and Leadership was launched. The objectives of the Centre are to provide technical and methodological assistance to FIUs in order to improve their effectiveness.

Since 1995, the number of Group members has grown from 13 to 167 (in 2021).

How long have you worked at the Group Secretariat?

I have been with the Secretariat for a little over three years, from November 2019 to February 2023, as a senior officer.

What is the Group's organizational structure?

The parent body is the Heads of FIU Meeting, which makes key decisions on the Group's primary components of work, such as mandate approval, budget, work priorities, Group membership concerns, and so on.

Then there is the Egmont Group Committee. As a matter of fact, it is the main governing body that coordinates all the work, prepares and submits proposals on the main issues of the Group's activities for consideration by the heads of FIUs. The Committee is composed of the Working Group Chairs, representatives from each region, a protected network representative (a representative of the U.S. Financial Intelligence Unit (FINCEN)), and the Executive Secretary of the Secretariat. The Committee is led by a Chair (elected for a two-year term) and Vice Chairs.

Besides that, the Egmont Group has four working groups that focus on providing technical assistance to Group members, training, developing information exchange, improving policies and procedures within the Group, and issues of Group membership and

compliance with the principles of information exchange and the organization's charter.

The Group is also conventionally divided into eight regions. Each has its own representative who is a member of the Committee.

The Secretariat of the Group provides administrative, advisory and technical support to its members.

What criteria do financial intelligence units have to meet to be part of the Group?

In order to join the Group, the criteria set out in the FATF Recommendation 29 must be met. The FIU must be a national center for the collection, analysis, and dissemination of ML/TF-related information to the relevant authorities. The FIU should have operational independence and the legal capacity to share information with foreign counterparts based on the Egmont Group principles of information exchange. Only those FIUs that meet the requirements of the above-mentioned FATF Recommendation may apply for membership in the Group.

What are the key differences between the Egmont Group and other AML/CFT organizations?

The main difference with the Egmont Group is that this organization is "tailored" exclusively to the tasks of FIUs. One of them, and a very important one, is the exchange of information. Moreover, this is the only organization that is directly specified in the FATF Recommendations: it states that FIUs should apply for membership in the Egmont Group.

What are your impressions of working in the Egmont Group Secretariat?

My impressions of the work in the Group Secretariat are positive, despite the challenging period that coincided with my stay in Canada. First the pandemic, then the events in Ukraine and the gradual politicization of the Group. I was unpleasantly surprised that an organization that had always positioned itself as completely technical had suddenly become political on many issues. At the same time, I would like to draw attention to the outstanding level of professionalism displayed by the Secretariat employees of the Group, some of whom I had the chance to work with before my secondment.

INTERNATIONAL COOPERATION IN FINANCIAL INVESTIGATIONS OF MONEY LAUNDERING

Mikhail Granatkin,

*Deputy Head of the Anti-Money Laundering Department
of the Federal Financial Monitoring Service*



Mikhail Granatkin

International cooperation in financial investigations of money laundering is one of the most important components of the work of Rosfinmonitoring analysts. It ensures that criminal assets may be found in any country, and that any attempt to hide capital via offshore, trusts, or virtual transfers will fail. And it does

not matter by what criminal means the capital was earned: embezzlement of budget funds or drug proceeds, fraud against citizens' funds or corruption proceeds of officials. The exchange of information between the financial intelligence units of different countries makes it possible to identify cross-border money laundering schemes, to search for assets derived from them, and to establish various other links between the persons involved in our investigations.

Last year, for example, convictions were handed down against the organizers of a criminal association that carried out a large-scale embezzlement of budget funds earmarked for the repair of government buildings and facilities. Some of the stolen funds were transferred abroad through a chain of offshore companies.

As a result of cooperation with the Financial Intelligence Unit of Latvia, Rosfinmonitoring officers determined that the funds were credited to the accounts of Latvian companies controlled by the suspects, then laundered through a Latvian bank and returned to the Russian economy as legal investments in various investment projects.

With the use of Rosfinmonitoring's materials, assets acquired at the expense of criminal and legalized proceeds were forfeited in favor of the State at the suit of the General Prosecutor's Office of the Russian Federation.

This is an example of successful interaction between different government authorities within the country, as well as between financial intelligence units around the world. And there are many such examples.

Individual attention should be paid to the use of electronic payments, digital currencies, and cryptocurrencies by criminals. These financial instruments are particularly attractive due to the anonymity of transfers and wallet holders. Besides that, it is possible to convert digital funds into fiat, or real, money anywhere in the world.

However, each of these financial instruments has its own characteristics. For example, specialized crypto exchanges where such currencies are traded and exchanged are appealing to owners of cryptocurrencies (Bitcoin and others). Because cryptocurrency exchanges are illegal in Russia, domestic cryptocurrency owners rely on the services of similar exchanges in neighboring countries.

In this regard, the cooperation between Rosfinmonitoring and the Financial Intelligence Unit of Finland, where one of the largest crypto exchanges LocalBitcoins is registered, was very successful.

For example, Rosfinmonitoring, in cooperation with Russian law enforcement agencies, conducted a financial investigation of drug traffickers and a criminal group hired by them to commit serious crimes, including murder. One of the executors received a reward in cryptocurrency. Analysis of the executor's cryptocurrency wallet revealed that he was a customer of a crypto exchange located in Finland. In the course of cooperation with the Financial Intelligence Unit of Finland, significant information was obtained on the accounts of the criminal and his counterparties. This information made it possible to identify the intermediary and the mastermind of the crime (the financier of the drug selling shop under investigation), as well as the accomplices of the latter.

The total turnover of cryptocurrency, converted into fiat money, on three accounts owned by the financier of the drug selling shop, who was the instigator of the murder, amounted to more than 400 million rubles. All the criminals were found guilty and sentenced to various terms of imprisonment.

As of today, Rosfinmonitoring's interaction with the financial intelligence units of most European countries, the United States and their allies has ceased. Requests and spontaneous reports are no longer received, in violation of the FATF and the Egmont Group principles, and there is no response to Rosfinmonitoring's requests. Based on the politically charged agenda, attempts continue to limit our participation in international platforms, or even to exclude Rosfinmonitoring from their work altogether.

First of all, these actions undoubtedly benefit representatives of criminal structures, who are increasingly able to hide and launder criminal proceeds abroad, taking advantage of country contradictions and the lack of international cooperation, both between financial intelligence units and between law enforcement and supervisory authorities.

At the same time, it is worth noting that Western countries' efforts to isolate Russia and its financial intelligence unit, Rosfinmonitoring, are now failing. Information exchange with CIS, SCO, and BRICS countries continues, while relationships with colleagues in Asia, Africa, and Latin America are being created. This is especially important in light of the shift in the direction of financial flows. Even some Western countries continue to adhere to the principles of open information exchange, providing information to Rosfinmonitoring both at our request and on a proactive basis.

Only the collaborative efforts of all financial intelligence units, as well as full participation at key international venues, can ensure that the proceeds of crime are discovered, regardless of the country in which they are laundered.

AML/CFT INTERNATIONAL PROJECTS

INTERNATIONAL COMPLIANCE COUNCIL: A DIALOGUE BASED ON TRUST

The first meeting of the International Compliance Council was held two years ago. This project brought together experts from financial organizations of the Eurasian region and became an effective platform for the development of dialogue. Galina Bobrysheva, Deputy Director of Rosfinmonitoring, in an interview with the "Financial Security" journal told about the results of the Council's work, its plans and significant projects.

Interviewed by Irina Ryazanova



Galina Bobrysheva, Deputy Director of Rosfinmonitoring

— Galina, how do you assess the work of the Council, what do you think has been achieved?

— Today, it is safe to say that the most important value of the anti-money laundering system is trust. Without trust, it is impossible for financial intelligence agencies to rely on the risk assessments that financial institutions conduct; and without trust, it is impossible for financial institutions to work with customers.

I think it would not be wrong to say that in all countries, even in the early stages of developing national anti-money laundering systems, the challenges of effective communication between government authorities and the private sector have been addressed.

The idea behind the creation of the International Compliance Council was to expand this communication and create an atmosphere of trust in the Eurasian region.

This is especially important given the strengthening of economic ties between our countries and the growth of foreign trade turnover. Transparency of financial flows and reducing the risks of cross-border transactions is one of the key tasks of national anti-money laundering systems. Therefore, it is important that banks are "on the same page" in terms of risk understanding and mitigation approaches.

In this context, the International Compliance Council's participation in the regional risk assessment initiated by the Eurasian Group on Combating Money Laundering and Financing of Terrorism last year is illustrative. This is an important and undoubtedly necessary project.

At the same time, new risks are emerging in connection with the introduction of certain financial products and technologies. Developing appropriate responses and adjusting policies in a timely manner is an ongoing agenda for the Council.

Today we see that the International Compliance Council has become a full-fledged platform for expert communication, generation of new solutions, exchange of experience and knowledge. The need for such communication will only grow.

— *Last year, at the initiative of Rosfinmonitoring and the International Compliance Council, a contest was held for the first time among specialists of internal control departments of banks in the Eurasian region. What are the goals of the contest and how do you assess its results?*

— Experts estimate that there are tens of millions of professionals involved in the global anti-money laundering system. As in any industry, there is a high demand for highly skilled professionals.

This level should be formed starting in school and it should be improved throughout a person's professional career. In the private sector, this is not just a need for compliance officers. Today, any self-respecting business entity takes care of creating economic or financial security departments. In Russia, this practice is widespread in state corporations, strategic enterprises and other organizations that play a key role in various sectors of the economy.

It is no longer enough for compliance officers to have a basic knowledge of economics and law. They must be adept at using information technology (IT), working with large amounts of data, performing multi-factor analysis, and making balanced decisions. At the same time, their work is often behind the scenes. However, you should agree that it is important for a professional to be recognized and to see the value of his or her work. The contest is intended to showcase the demand for the work of a compliance specialist, its prestige, and to find talent on the basis of competitiveness.

The task for the contestants was not easy. It was necessary to present interesting cases to identify dubious schemes with a cross-border component, which is particularly important for the international format. It should be noted that all of the entries demonstrated a high level of expertise, novelty and relevance. This made it difficult for the jury to select the winners. There was even an audience award: the judging was done by students and pupils who participated in the International Financial Security Olympiad.

The contest proved to be very popular in the professional community. Rosfinmonitoring received dozens of applications from banks immediately after the finals. Therefore, it was decided to expand the geographical scope of the contest. Now the preliminary round includes not only the largest financial

service providers, but also the regional segment of the banking business.

— *Why was the contest finals held on the margins of the International Financial Security Olympiad?*

— The private sector, financial intelligence units and supervisory authorities are all interested in an influx of talented young people. The Olympiad final at "Sirius", where the best of the best gather, is the perfect place to promote the profession.

Pupils and students can see for themselves how compliance departments work and how interesting the field of financial monitoring and compliance analytics is.

By the way, many of the young people are very deeply immersed in the subject, especially in financial technology and the circulation of cryptocurrencies. Their questions sometimes baffled experienced professionals. Experts led master classes, business games and other interactive activities for the participants.

The Olympiad has shown that young people have a high interest in the anti-money laundering sphere and our task is to support and develop it. On the other hand, it allows to fill the gaps in financial security and financial literacy, as well as to better understand what the key needs of the younger generation are.

— *What are the International Compliance Council's plans for this year?*

— Near-term plans include holding a joint forum of representatives of supervisory authorities and members of the International Compliance Council in May. This event has been proposed by the EAG Secretariat based on the results of consultations with country delegations.

The declared topic – the formation of a new risk landscape in the Eurasian region and risk mitigation measures – is very relevant. Both government authorities and the private sector will look at the problem from different angles. Threats and challenges faced by the anti-money laundering systems of our countries will be discussed.

Government spending, investment in infrastructure projects and human capital are becoming key drivers



Joint Forum of Supervisors and the International Compliance Council

of national economic development. That is why it is so important to share experience in identifying risks associated with the misuse of budget funds. As the Russian experience shows, the use of anti-money laundering mechanisms has significantly increased the transparency of budgetary financial flows.

Forum participants will discuss the risks associated with the circulation of digital assets and risk management strategies for the launch of national digital currencies.

These technologies have already entered our lives, but they bring with them not only additional opportunities, but also serious vulnerabilities. The recent development of high-tech financial pyramids that remotely engage citizens of different countries in financial fraud schemes is an eloquent testimony to this.

I can say with confidence that the Forum will enable us to reach a new level of understanding of regional risks and to develop common approaches to their mitigation.

AML Officer for Bigone Investment Corporation and member of the International Compliance Council, Aidar Beknazarov, provides a brief statement



The International Compliance Council and the supervisory authorities' joint forum is crucial because it enables knowledge and expertise to be shared between regulators and business stakeholders. This enables us to improve our procedures and increase the effectiveness of our job.

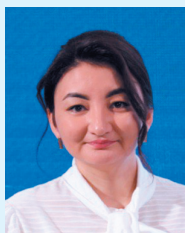
This Forum is crucial because it encourages greater comprehension of how laws and regulatory agencies' requirements change over time, as well as prompt responses to emerging threats and risks. As a result, compliance officers are better able

to safeguard businesses and clients against the possibility of getting involved in illegal behavior and facing legal action.

Additionally, the Joint Forum provides an opportunity to talk about best practices and cutting-edge strategies that can help us accomplish our objectives more successfully and continuously improve the quality of our work.

Finally, the Joint Forum encourages improved contact between industry leaders and regulators, which is one of its most advantageous features. This encourages improved communication and cooperation among us.

Nazerke Zhampeiis– EAG Secretariat Administrator



"The International Compliance Council (ICC) is a community of experts in combating money laundering and terrorist financing from all countries of the Eurasian region. One of the EAG priorities is facilitation

of communication and coordination among different jurisdictions. In recent years, the ICC has played an increasingly important role in strengthening public-private partnerships at the international level.

Besides participation in the main meetings of the Council, the ICC members take part in master classes for students for the purpose of knowledge and expertise transmission to future compliance experts, as well as in the EAG Contest for the best financial analysis, which enables dissemination

of the best practices in identifying suspicious transactions and schemes.

One of the main ICC functions is promotion of the best practices in the field of AML/CFT compliance. The Council grants its members access to the updated information and knowledge about regional ML/TF risks and practical preventive measures. It is a kind of a platform for sharing views and expertise, discussing challenges and opportunities, and identifying areas where cooperation can be strengthened.

We are striving to create a space where one can learn different points of view and explore different approaches. This is necessary for effective AML/CFT compliance. We look forward to further strengthening and development of the Council's work."

Aidos Nurbaev – Head of the Payment Systems Supervision Office under the Payment Systems Department of the National Bank of the Republic of Kazakhstan



"I am convinced that the ongoing joint forum will become an effective platform that brings together the supervisory authorities and the professional compliance community of the financial markets of the EAG member states. On this

platform, effective practical aspects and skills will be highlighted to develop and harmonize approaches to combat cross-border money laundering and terrorist financing, as well as the financing of the proliferation of weapons of mass destruction, in our region."

Ganesh Jatadharan, Head of Anti-Money Laundering Unit, Yes Bank (India)



"The Moscow EAG forum is a very important initiative not just for Public Private participation but also for the international Private-

Private players. This will open up opportunities to discuss on pertinent AML/CFT aspects even post the formally arranged meetings"

Soat Rasulov, Administrator of the EAG Secretariat



"The FATF International Standards are largely aimed at creating a unified system of protection against the use of the private sector for the purposes of money laundering, terrorist financing and financing the proliferation of weapons of mass destruction. An important role in this is assigned to the supervisory component, without which the unity of the system being formed is impossible.

The uniqueness of the Joint Forum of Regulators and the International Compliance Council lies in the opportunity to convey to all actors, both private and public, the idea that they are actually on the same side of the barricades. And their main pillar is the ongoing dialogue and mutual support, which create a solid foundation for an effective AML/CFT/CPF system."

Dauren Shagataev – Head of the Financial Monitoring Subjects Department of the Financial Monitoring Agency of the Republic of Kazakhstan



"The forum provides participants with a unique opportunity to exchange experiences and best practices in AML/CFT supervision. I express my gratitude to the organizers for the opportunity to present the approach of the Republic of Kazakhstan and the instruments aimed at effective interaction between participants in the anti-money laundering system, as well as

to study and adopt the experience of other countries.

In addition, as part of this event, representatives of supervisory authorities met with private businesses at the same international level platform and discussed the most pressing issues related to identifying risks and threats, as well as measures to minimize them. Such an exchange of views is useful for both parties, as well as for improving the AML/CFT system as a whole."

ON COOPERATION OF CHFIU MEMBER STATES UNDER THE AUSPICES OF THE INTERNATIONAL ML/TF RISK ASSESSMENT CENTER

Evgeny Shevlyakov,

Head of the Risk Assessment Department of the Federal Financial Monitoring Service



Evgeny Shevlyakov

CIS member states continue to strengthen cooperation in the fight against international crime.

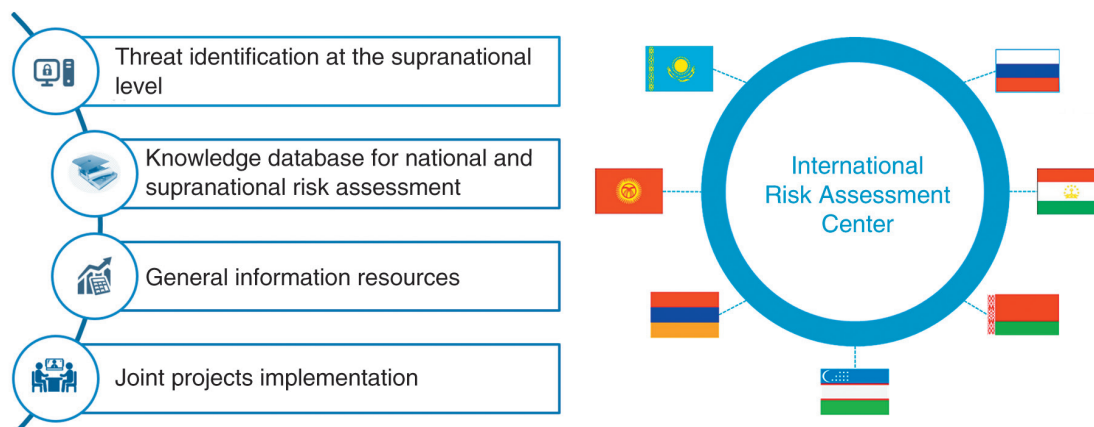
The CIS sectoral cooperation body, the Council of Heads of Financial Intelligence Units,

celebrated its tenth anniversary last year. The member states approached this date not only with the accumulated experience of interaction, but also with a common information system created to coordinate and strengthen cooperation between countries in identifying and mitigating supranational threats.

This system is the International ML/TF Risk Assessment Center, established under the auspices of the CHFIU. It brings together the financial intelligence units of seven countries: the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation, the Republic of Tajikistan, and the Republic of Uzbekistan.

The need for the International ML/TF Risk Assessment Center stems from the common ML/TF risks faced by states that require a common response. Such risks include, in particular, dubious transit financial flows, the use of shell/controlled companies or individual entrepreneurs, cash-out transactions, cross-border drug trafficking, and the transfer of capital to common foreign money laundering platforms.

Goals of the International Risk Assessment Center



The establishment of the International ML/TF Risk Assessment Center will make it possible to put into practice the provisions of the Concept of Cooperation among the CIS Member States in Combating Money Laundering, Terrorist Financing, and the Financing of the Proliferation of Weapons of Mass Destruction, approved by the Decision of the CIS Heads of State Council meeting on October 11, 2017.

The creation of the International ML/TF Risk Assessment Center as an international technological platform is aimed at solving the following tasks:

- strengthening information exchange among CHFIU member states;
- ensuring the exchange of strategic information on supranational threats to CIS countries;
- exchanging risk signals to organize joint activities and take preventive measures to mitigate identified risks; and
- creating a shared resource space and knowledge base.

The consolidation of information from all member states into a single information space will allow for a comprehensive assessment of financial flows in the CIS space and create the conditions for effective forecasting of potential risk manifestations in order to apply common preventive and protective measures.

The creation and development of the system is multifaceted. As a result, this project is an example of cooperation between FIUs in different sectors,

including dedicated ML/TF professionals, lawyers, and specialists in information technology and information security development.

CHFIU member states can successfully apply response mechanisms to minimize common threats, focus efforts directly on combating crime, and strengthen cooperation to combat illicit activities by sharing a common understanding of risks and exchanging information in a technologically advanced and timely manner.

In this way, the International ML/TF Risk Assessment Center will help to strengthen cooperation and operational coordination among FIUs, as well as to improve the effectiveness under Immediate Outcome 1 as assessed by the FATF Methodology, which is certainly important both for the FATF/FSRB mutual evaluations and for improving the effectiveness of national AML/CFT systems.

The International ML/TF Risk Assessment Center is planning a supranational risk assessment that will identify external threats common to all countries, while internal vulnerabilities vary. Today, FIUs implement a set of joint activities aimed at identifying transnational criminal networks, high-risk foreign financial infrastructures and their clients, foreign centers of shadow services and terrorist financing.

Understanding the "minefields" and criminal channels of international transactions will allow countries to take protective measures and ensure the security of payments for critically important businesses.

Expected Results of the IRAC Creation

For country's financial system



- ✓ Contribution to decriminalization
- ✓ Decreased involvement in the shadow economy
- ✓ Increased law abidance of financial institutions
- ✓ Improvement of business entities' financial and economic stability

For law enforcement agencies and regulatory authorities



- ✓ Providing assistance, as well as information and analytical support for control, operational and investigative activities

For FIU Heads



- ✓ Improving the level and quality of strategic analysis
- ✓ Formation of regular reports to the country's leadership on supranational risks and threats
- ✓ Expansion of the resource base for the national AML/CFT system development

For FIU analysts



- ✓ National and supranational risk assessment
- ✓ Typological knowledge base formation and resource optimization
- ✓ Cooperation with FIUs and joint research activities

Aside from these goals, an important objective of international cooperation based on the International ML/TF Risk Assessment Center is to improve the overall quality of analysis performed by FIUs, which is enriched by information from partner countries. The availability of up-to-date information on the status and trends of cross-border financial flows and related ML/TF risks will create the conditions for conducting thematic international crime-prevention operations involving FIUs and other national authorities of CHFIU member states.

Transnational crime is a common adversary, and the fight against it requires coordination and pooling of efforts of financial intelligence units. The cooperation of CHFIU member states on the basis of the International ML/TF Risk Assessment Center will make it possible to establish effective and constructive cooperation in the interests of financial security in the CIS space.

ARTIFICIAL INTELLIGENCE USED FOR FINANCIAL MONITORING

Timur Musin,

Compliance and Ethics Director at a large financial technology group



Timur Musin

Money laundering and terrorist financing are serious problems. Criminals get money from various predicate crimes in the form of drug sales, corruption, fraud, and more. They seek to use the financial market to launder this money or, for example, to channel funds to finance terrorist activities.

Both cases are serious crimes and, of course, destructive for organizations, individuals, society, the state and international security in general.

International organizations, including the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), financial intelligence units of various countries and numerous financial monitoring entities daily contribute to the fight against money laundering and terrorist financing.

They also strive to make this fight with them more effective and efficient.

At the same time, criminals also do not stand still. They seek to use a wide range of tools aimed at circumventing the existing prohibitions and restrictions, including through the use of possible gaps in the AML/CFT systems of financial monitoring entities, bribery of responsible persons or the use of new laundering schemes.

The financial market-shaking scandals and investigations related to ML/TF, as well as various other financial crimes, show how negatively the gaps and shortcomings in the AML/CFT system can affect the activities of an organization. As a rule, the result of such facts is not only financial or reputational losses, but also the closure of a business or initiation of criminal cases against employees of the organization.

In order to prevent such situations, organizations, including those that are subjects of financial monitoring, seek to create and develop their AML/CFT systems and (or) compliance systems. They are aimed at:

- effective implementation of financial monitoring measures;
- effective ML/TF risk management;
- formation of an anti-money laundering and (or) compliance culture by raising awareness of its employees and counterparties;
- prevention of possible violations and shortcomings in the activities of such an organization and its employees.

Depending on the specifics of the work, the size or location of the organization, its vision of the compliance system may vary. Various international and foreign standards, such as the Recommendations of the Basel Committee on Banking Supervision, ISO 37301 (Compliance Management Systems) in terms of compliance for banks and financial organizations, or, for example, OSHA (The Occupational Safety and Health Act) in terms of ensuring the safety of employees of an organization, BSA (Bank Secrecy Act), PCI DSS or GDPR (General Data Protection Regulation) in terms of data protection or any other unmentioned standards represent a unified vision of what compliance should be and what compliance should do, including taking into account the activities of the organization. Various jurisdictions rely on such standards and, to some extent, supplement them with their own laws that are relevant or specific to a particular country.

A very important area of compliance is the AML/CFT system. Its purpose is to prevent the subject of financial monitoring, its products and services from being used for the purposes of money laundering, terrorist financing or for financing the proliferation of weapons of mass destruction. Of course, such a system must operate in accordance with applicable law and FATF recommendations, and take into account all relevant risks.

All this is especially important during the period of active development and introduction of new technologies. They can be both beneficial to society and can carry certain risks.

More and more processes carried out by people are moving into the field of artificial intelligence. Among other things, it does not have a bad mood, fatigue, decreased attention, low self-esteem or motivation. By the way, these issues are quite well covered in the books "Homo Deus. A Brief History of Tomorrow" by

Yuval Noah Harari or "The Fourth Industrial Revolution" by Klaus Schwab, and of many other futurist authors.

Using the capabilities of artificial intelligence can radically change many processes in the direction of improvement. Its capabilities are being actively studied for application in business, healthcare, construction, municipal government, art and other areas. The first serious steps are being taken. The main advantages of artificial intelligence are the following:

- minimization of material and time costs;
- increasing the efficiency and speed of task execution;
- absence of a human factor (errors caused by fatigue or inattention);
- no interference by unauthorized persons.

For example, these days artificial intelligence can prepare recommendations for buying and selling securities or currencies, write articles, generate informative statistics, draw pictures, create music, or develop not very complex applications.

Accordingly, the use of artificial intelligence is our inevitable future, and in some part already the present.

Artificial intelligence refers to a complex of interconnected technologies, including machine learning. AI is able to aggregate information, analyze it in the context of certain factors for the implementation of certain tasks. It is able to improve in the process and gain experience that can make the whole complex more efficient and useful in the future.

In recent years, representatives of the business community and the scientific world have been concerned about the possible negative impact of artificial intelligence on many aspects of human life. Among which, the possible loss of jobs, the security of personal data, the loss of control over its management, and much more are distinguished. By the way, artificial intelligence, in theory, could help criminals develop certain schemes for circumventing established legal requirements. This is noted by Europol in its April report "ChatGPT - the Impact of Large Language Models on Law Enforcement". It notes that AI services such as ChatGPT can potentially be used by attackers to get advice on cybercrime, phishing, scams, jailbreaks, third party scams, and more. These tools can help attackers understand how control systems in organizations work, how regulators in different countries can act, etc. At the same time, these opportunities are often already limited and services, as a rule, simply refuse to consider such requests. However, this kind of regulation has yet to be implemented in the legislation governing AI and various areas of human activity and activity of organizations.

It is important that even now the employees of government departments and private entities involved

in AML/CFT understand how these technologies work and can be used for good or for harm in order to effectively manage possible risks in the future.

In the context of AML/CFT, artificial intelligence can become an important and useful tool in the fight against money laundering and terrorist financing. Among the advantages, the following can be pointed out:

– Big data

The use of AI allows to quickly analyze large quantities of data, which can speed up the process of detecting illegal activities and taking preventive measures against them. In particular, with the help of AI, it is possible to create and develop a system that automatically analyzes financial data and allows to identify connections between various transactions, operations, customers and accounts (including current, personal, crypto-accounts). All of these can be useful in identifying complex money laundering and terrorist financing schemes, which are difficult to detect manually.

The abundance and completeness of the data used in the work directly affects the quality of the analysis. In addition to the mandatory verification criteria, it can be supplemented with:

- data contained in the information base of the subject of financial monitoring and its affiliated entities;
- information from open sources, including websites of clients and counterparties, government agencies, auction organizers, self-regulatory organizations;
- analysis of databases of court decisions to predict decisions on possible proceedings against clients or counterparties;
- information from the media, social networks, in order to identify negative information, double-check information about the client or counterparty or the asset being acquired in order to identify possible negative information that may entail the risk of loss of reputation for the subject of financial monitoring in the future.

– Impartiality and accuracy

AI can make impartial decisions based on pure logic, however, with the exception of cases when incorrect

decisions made by a person or deliberately distorted data were used as part of machine learning.

This can significantly improve the quality of decisions made, having a positive effect on objectivity when checking clients and counterparties, excluding the corruption component from them when drawing conclusions regarding specific transactions and operations, their possible suspicious nature.

Also, AI will certainly find its application in the analysis of significant volumes of documentation, identifying patterns between various external and internal requirements (regulatory legal acts of the applicable legislation), as well as internal documents of the subject of financial monitoring (various internal documents, questionnaires or contracts), taking into account all the requirements and nuances which a person may not consider. Accordingly, this circumstance will make it possible to reduce violations of the AML/CFT legislation in the course of preparation and updating by financial monitoring entities of policies and rules on AML/CFT issues.

– Continuity and efficient typology

AI has all the necessary prerequisites for automating the processes of monitoring and analyzing numerous transactions and operations. It can be used to develop AML/CFT information systems, including improving the effectiveness of scenarios aimed at identifying suspicious and unusual transactions. At the same time, machine learning will make this process continuous. This will allow such a system to develop independently, gradually studying the profile of the client, its activity and various additional criteria.

It should be noted that this circumstance may have a positive impact on the development of their own typologies by financial monitoring subjects. This should have a positive impact on the detection of suspicious activity of professional launderers and various anti-compliance officers, whose main task is not to counteract ML/TF, but rather to assist in these criminal acts.

AI can also be used to periodically analyze the effectiveness of information systems involved in the AML/CFT matters. In particular, to identify deviations in their work and inform the responsible employee about this, who will be able to resolve the problem in a timely manner.

– Improved identification

AI can help improve customer identification systems by expanding them, for example, with other additional biometric methods (from voice and handwriting to facial thermograms). This will allow financial institutions to more accurately identify their customers and timely detect inconsistencies in their actions.

There are good prospects for this trend as well in the direction of preventing various kinds of cybercrime. AI should help with the identification of various deepfakes that are designed to bypass client identification procedures.

– Process optimization

The use of AI for AML/CFT purposes can also help small financial monitoring subjects. They often lack the human resources and sophisticated information systems needed to verify a large number of clients and their transactions.

Affordable solutions using this technology can greatly simplify the work of such organizations. At the same time, the positive effect may not necessarily be limited to AML/CFT issues, but in general may affect the issues of personalization of customer service and marketing.

This list is not exhaustive, but should give an idea of the prospects for AI in the field of AML/CFT.

It is also worth noting that, due to its specific nature, the work of an AML/CFT specialist is often associated with a high level of stress and fatigue. This state is typical when working with a large amount of information that needs to be analyzed and evaluated in the context of various factors and tasks.

Given the ever-increasing amount of information and the need to analyze it, it is advisable to maximize the automation of the processes of financial monitoring and (or) compliance departments. Various automated reports, filters, online controls have a positive impact on the processes carried out by AML/CFT specialists. They allow to save staff from unnecessary technical work, freeing up time for more important analytics for compliance purposes.

Artificial intelligence can become a useful assistant that will take over many functions previously performed by an employee of an organization. All of the above is aimed at optimizing the process and can positively affect the speed and quality of decisions made. It will also help to minimize the risks caused by the human factor and false positives that require additional attention from the staff.

Of course, despite the high potential of artificial intelligence, there are no real integrated solutions that can implement all this on the market yet. The proposed systems are at an early stage of development, testing or limited use. They belong to organizations located in the major economies of the world. At the same time, the creation of artificial intelligence for AML/CFT purposes will take time, which will be necessary for direct machine learning itself.

Artificial intelligence works on the basis of information, which must be in sufficient quantity, and, most importantly, of the appropriate quality. Otherwise, instead of a wonderful tool, artificial intelligence will turn into an expensive and inefficient toy. And it can also cause losses to an organization that decides to use a solution based on the incorrect recommendation of such artificial intelligence. Of course, this approach is absolutely unacceptable for AML/CFT issues.

FIGHTING THE FINANCIAL INFRASTRUCTURE OF THE AFGHAN DRUG INDUSTRY UNDER THE PARIS PACT INITIATIVE

Konstantin Gobrussenko,

Representative of the Federal Financial Monitoring Service, PhD in Law



Konstantin Gobrussenko

Since the early 90s, Afghanistan has remained an agrarian country, 90% of its population lives in rural areas. The standard of living of this country citizens was one of the lowest in the world, 53% of the Afghans lived

below the poverty line. The unemployment rate was 40%.

Industry accounted for 24% of GDP and employed 10% of the population. But by 1993, the volume of gross industrial output diminished by half. By 1999, out of 336 pre-war enterprises, only six continued to operate. Hundreds of thousands of peasants fled the country. All this led to the stagnation of the economy. A significant part of the population turned to the cultivation of opium poppy and its sale to intermediaries.

At the turn of the century, Afghanistan began to turn into a world monopoly in the production of the opium group drugs. Schemes were improved for harvesting opium poppy and raw opium, its centralized delivery to storage points, and processing into morphine and heroin. Ways were worked out for further delivery along the laid routes to consumer countries through transit countries. The situation in Afghanistan had an extremely negative impact on the drug use by the population of a number of states. These circumstances required steps to be taken towards strengthening international cooperation in solving the global problem of Afghan drugs.

In May 2003, at the initiative of France, a conference was held in Paris, which was attended by the foreign ministers of 55 countries that were seriously concerned about the problem of the spread of Afghan-made opium and heroin in their territories. In the course of their work, the ministers declared their determination to join forces to strengthen partnerships in each region in order to address the problem of the drug threat in all its aspects. The participating countries expressed their desire to work together to eradicate opium poppy plantations in Afghanistan and eliminate narcotic drugs along the identified routes of their transit from Central and South- West Asia to Europe. The results of the conference were reflected in the Declaration called the Paris Pact.

In the next three years, the participating countries developed joint measures to counter Afghan drug trafficking:

- at nine "round tables" held in the states located along the route of transportation of drugs from Afghanistan (Iran, Pakistan, Uzbekistan, Tajikistan, Russia, Qatar), the coordination of anti-drug actions was considered;
- international agreements were concluded on strategic priorities in the fight against illicit Afghan opiates;
- projects were developed to strengthen border control along the borders of Afghanistan with Uzbekistan, Tajikistan and Turkmenistan;
- a high-tech Donor Countries Automatic Information system (ADAM) was created. It contains summary information on all drug control projects implemented in Pakistan, the Islamic Republic of Iran, Central Asia, countries of South-Eastern Europe, etc.

Given the global nature of the threat of drug trafficking from Afghanistan, in 2006 the Russian Federation came up with an initiative to hold the Second Ministerial Conference "On the ways of delivering drugs from Afghanistan" in Moscow. It brought together delegations from 55 countries participating in the Paris Process and 23 international organizations. Among them were the United Nations Office on Drugs and Crime (UNODC), the International Narcotics Control Board, the European Union, Interpol, Europol, the World Customs Organization (WCO), the Collective Security Treaty Organization (CSTO),

the World Bank, and others. The delegations were represented by foreign ministers and experts in the field of combating drug trafficking.

The main goal of this international forum was to strengthen and increase the effectiveness of regional and international cooperation in the fight against drug trafficking coming from Afghanistan.

The conference addressed the problems of illegal production and transportation of opiates, heroin consumption and drug addiction of the population in consumer countries, international cooperation in the fight against transnational organized crime, etc.

Participation in the work of the Conference of the heads of foreign affairs agencies contributed to the creation of conditions for cooperation between the competent authorities in the fight against illicit drug trafficking. It also contributed to the removal of obstacles in the interaction of states in international anti-drug cooperation.

As a result of the launched Paris Pact project, in the fight against the commodity component of the Afghan drug business, significant and in-demand international experience began to accumulate, which had nothing to do with its financial infrastructure.

At the same time, back in 1988, the Parties to the Convention "On the fight against illicit traffic in narcotic drugs and psychotropic substances" recognized that illicit drugs provide excess profits. This allows transnational criminal communities to penetrate government mechanisms, legitimate trade and financial activities, negatively affect society at all levels, undermine stability and security.

It turned out that in almost 20 years after the Vienna Convention, nothing has changed. The competent authorities have made no progress in understanding the financial component of the drug business and have done nothing to deprive it of profitability and attractiveness.

Given the huge scale of heroin and opium production in Afghanistan, the transparency of borders and the extremely low standard of living of the population in some states of the Central Asian region, in 2007 Rosfinmonitoring began to study

the financial infrastructure associated with the supply of Afghan drugs to the Russian Federation and other countries.

First of all, the banks of Afghanistan were identified and, in cooperation with law enforcement agencies, financial flows to and from this country were analyzed. In cooperation with the Russian Foreign Ministry and, in particular, with the Embassy of the Russian Federation in the Islamic Republic of Afghanistan, a model of the functioning of the financial system of Afghanistan with its individual indicators was reproduced.

Economic calculations and the results of financial investigations led to the conclusion that the assets of all banks and the gold and foreign exchange reserves of Afghanistan are dozens of times less than the proceeds from the sale of drugs of the opium group. It was also found that the financial flows from drug trafficking are directed not to Afghanistan, but to offshore companies that have opened bank accounts in certain countries of the Persian Gulf and the Eurasian continent.

These conclusions, brought to the attention of the experts of the Paris Pact in November 2008, caused an extremely "hot" controversy. Its result was the understanding that, despite all the many years of international accumulated experience in the fight against drug trafficking, its financial component remains the most unknown and unexplored, and requires a separate study.

The Tashkent Questionnaire, the basis of which was laid by Rosfinmonitoring at a meeting with experts from law enforcement agencies and financial intelligence units of the countries participating in the Paris Project in 2009 in Uzbekistan, became the starting point for the study "Identification and blocking of financial flows associated with the illicit trafficking of opiates of Afghan origin". The study was led by the United Nations Office on Drugs and Crime (UNODC), since the functions of the secretariat of the Paris Pact are entrusted to the coordination unit of the Paris Pact operating within UNODC.

It should be noted that the main activities of UNODC include: analysis of the issues of an adequate and timely response of the world community to criminal manifestations, including the spread of drugs, assistance to states in bringing

domestic legislation in line with conventions and other international legal acts, as well as the implementation of technical assistance projects for the interested states. The first results obtained showed that the amount of money and other property confiscated annually, obtained by drug dealers as a result of illicit drug trafficking, makes 0.5% of the total amount of received proceeds from this crime. Consequently, drug proceeds flow into the global financial system is almost unhindered. The high profitability of the Afghan drug business actually determined its complete monopolization by organized criminal communities (OCC). They created a well-established industry for the production and distribution of drugs, which led to the occupation of its transnational level and the financial self-sufficiency of the OCC.

Experts realized that it is impossible to stop the activities of transnational drug groups without eliminating their financial base.

The most important political impulse for the international community in the fight against the Afghan drug business was the third ministerial conference held in Vienna in 2012. Such important aspects were discussed as the identification and blocking of financial flows associated with the illicit drug trafficking of Afghan origin. This issue formed the basis of the Vienna Declaration (2nd section).

In his opening remarks at the plenary meeting, the UNODC Director General Yury Fedotov said bluntly: "We are also striking at the most sore spot of criminal organizations - at their pockets...". Russian Foreign Minister Sergei Lavrov noted: "Efforts aimed at eliminating the financial and economic basis of the drug project, which the criminal business is building from the territory of Afghanistan, could play an important role. To this end, we consider it necessary to intensify activities to identify and block financial flows associated with drug trafficking. One of the priorities of our meeting today is to contribute to the formation of a favorable framework for the development of a dialogue on this issue, based on the common and joint responsibility of the partners under the Paris Pact."

This international platform has become a forum for the exchange of views and experience on this issue between experts from various countries and international organizations.

For the first time, financial intermediaries and financial centers were identified that are involved in redistribution and laundering of Afghan drug proceeds. Conclusions have been drawn about how the global opiate trade is financed.

The study and the work of experts have highlighted countries whose financial vulnerabilities are being exploited by organized criminal groups.

The conclusions and recommendations formulated in the reports of the Paris Pact initiative and similar projects of the FATF and the EAG were included in the resolution "Strengthening international cooperation in order to counter financial flows associated with drug trafficking". It was adopted at the initiative of the Russian Federation at the 58th session of the UN Commission on Narcotic Drugs (March 2015).

In fact, this resolution, together with the Outcome Document of the Special Session of the UN General Assembly, became a "road map" for the work of states and relevant UN departments aimed at identifying and blocking the financial flows of the drug business. On the platform of the Paris Pact, the most modern payment technologies are considered, taking into account the changing centers of gravity of "dirty" money.

To date, the US Federal Reserve has "frozen" all of Afghanistan's gold and foreign exchange reserves. The International Monetary Fund (IMF) has similarly blocked the Afghan government's access to IMF resources that could be used to manage both the government's balance of payments and financial resources. The World Bank, along with other donors such as Germany, has suspended all resources and funding from the Afghanistan Reconstruction Fund, including direct support for the Afghan budget and high priority development projects such as healthcare and rural development. The Asian Development Bank has suspended all payments.

As a result, it seems possible to conclude that the financing of both state activities and military campaigns is carried out, among other things, at the expense of drug proceeds (from the sale of heroin, hashish, methamphetamines). The fight against the Afghan drug business requires further consolidation of the efforts of the world community.

At present, the platform of the Paris Pact is the least politicized. It allows countries to effectively exchange experience, as well as develop coordinated work between law enforcement agencies and the FIUs at the national and international levels in the fight against the Afghan drug business.

ITMCFM IS THE LEADING ORGANIZATION FOR PROVIDING AML/CFT TECHNICAL ASSISTANCE IN THE EURASIAN REGION

One of the priorities of the Centre is to provide technical assistance to Russia's partner states in the Eurasian region in the development of national anti- money laundering and counter-terrorist financing (AML/CFT) systems by sharing knowledge and experience, which allows improving the institutional and human resource capacity of anti-money laundering systems

The Centre primarily provides technical assistance:

- on the platform of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG);
- as the core AML/CFT training organization of the CIS member states. In this sphere the Centre cooperates with the Council of Heads of Financial Intelligence Units of the CIS Member States (hereinafter referred to as the CHFIU, the Council).

On the platform of the EAG, the Centre assists countries in preparing for mutual evaluations of their compliance with international AML/CFT standards and in addressing strategic deficiencies identified as a result of such evaluations.

An important format of work is to support the implementation of country technical assistance project plans, where ITMCFM acts as one of the main donors and providers of technical assistance. The efforts of ITMCFM are highly sought after by the

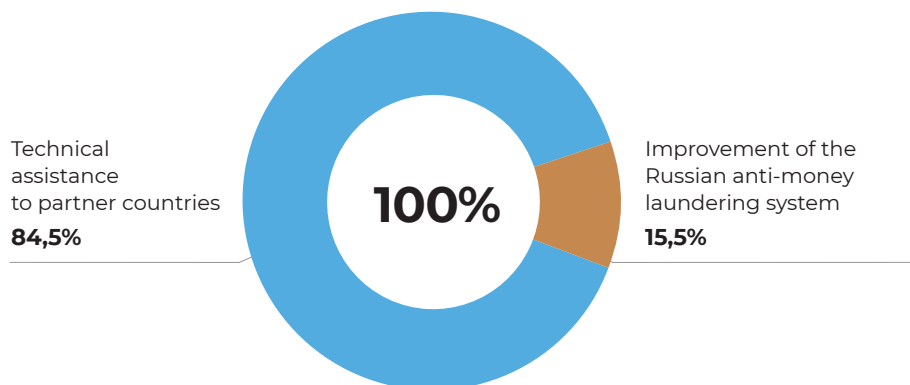
partner countries. For example, it is ITMCFM that is conducting 15 out of about 20 events under the project plan for the provision of technical assistance to the Republic of Belarus.

As part of the current round of EAG mutual evaluations, the Centre has developed and tested specialized training to prepare FIUs, competent authorities and the private sector of partner countries for mutual evaluations, including interviews with expert assessors.

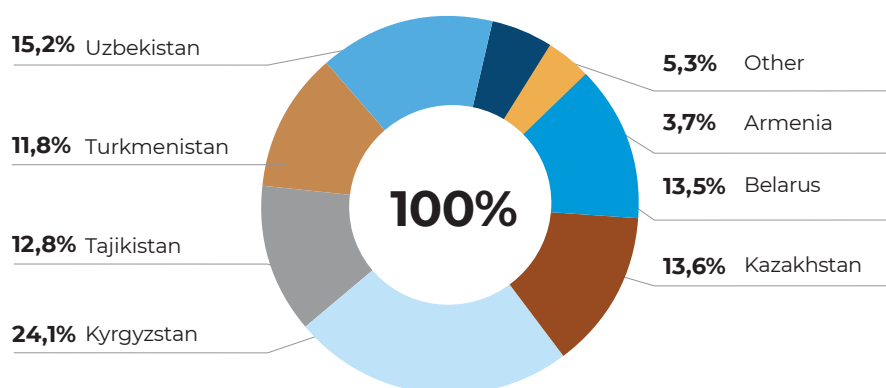
The guiding principle of the provision of technical assistance by the ITMCFM to the countries that have undergone mutual evaluation is to meet the needs of the partner countries and to enhance the effectiveness of their national anti-money laundering systems.

The figure below provides detailed information on the provision of technical assistance to countries in the Eurasian region.

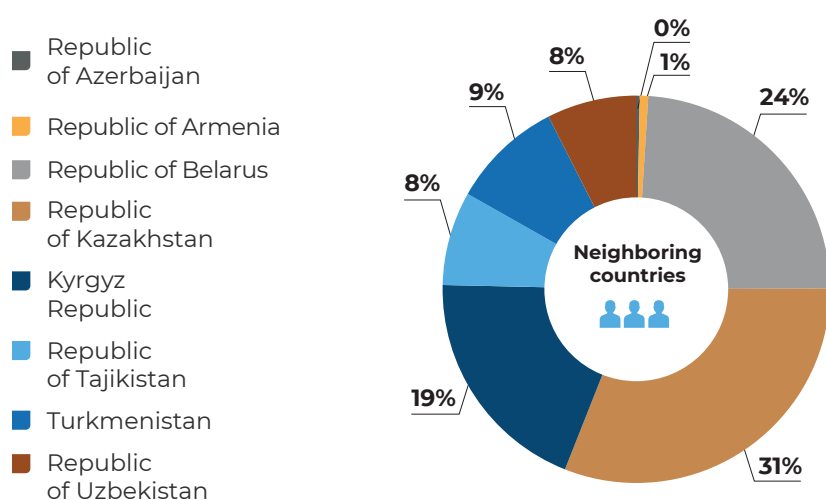
Technical assistance as a percentage of total ITMCFM spending



ITMCFM technical assistance



Geographic distribution of trainees (from neighboring countries)



The guiding principle of the provision of technical assistance by the ITMCFM to the countries that have undergone mutual evaluation is to meet the needs of the partner countries and to enhance the effectiveness of their national anti-money laundering systems.

For countries that have not undergone a mutual evaluation, the provision of TA will focus on preparing for the upcoming evaluation.

The activities of the Centre as the core training organization of the CIS are carried out in cooperation with the Council, other CIS sectoral cooperation bodies and the CIS Executive Committee. These activities contribute to the consolidation and dissemination of AML/CFT best practices, as well as to the education, training and professional development of personnel of national anti-money laundering systems.

Information about the number of people who have been trained is provided below:

In its technical assistance work, the Centre uses the following formats.

The first format is the training of representatives of foreign partner states directly at the Centre. This is one of the most popular formats for providing technical assistance.

Short-term training events and internships (up to 1 week) could be examples of this format.

Trainees can attend both specialized courses (training in preparation for mutual evaluation, practical training for supervisors) and basic training (international AML/CFT standards). ITMCFM digital services (e.g. the financial investigation training system "Graphus") are actively used in the training.

In the summer of 2022, ITMCFM organized a full-day practical training for officers of the State Financial Intelligence Service under the Ministry of Finance of the Kyrgyz Republic and supervisory authorities¹ on the effective implementation of the risk-based approach in supervisory activities.

The participants were shown:

- approaches and tools for organizing and conducting supervision over reporting entities in the Russian Federation;
- methodology and experience in conducting sectoral ML/TF risk assessments;
- functionality of Personal Accounts of an entity and a supervisory authority on the Rosfinmonitoring portal; and
- the Bank of Russia's "Know Your Customer" due diligence system.

The second format is the organization of outreach events on the territory of partner countries (in multilateral and bilateral formats).

These events are held on the countries' priority topics, including on the basis of the outcomes of the mutual evaluation of compliance with international AML/CFT standards.

Major outreach events in 2022 involving CHFIU member countries include the following:

- On August 9-11, 2022, a three-day international workshop on the topic: "Risk Assessment of the Non-Profit Sector" was held in Minsk (Republic of Belarus) with the aim of exchanging experiences and best practices among the competent authorities of the CHFIU member states in combating the misuse of non-profit organizations for terrorist financing. The training was organized by the International Training and Methodology Centre for Financial Monitoring. Delegates from the CIS Executive Committee, the CHFIU, and the FIUs of Belarus and Russia were speakers on the margins of the workshop.
- On August 20-25, 2022, a workshop for financial institutions on the application of the risk-based approach to AML/CFT and the circulation of virtual assets was held on the shores of Issyk-Kul, Kyrgyzstan;
- On August 22-25, 2022, a workshop for supervisors on the activities of the TA plan (sectoral risk assessment, emergency risk assessment model, operation of personal accounts) was held in Bishkek;
- On September 26-29, 2022, a workshop for the National Bank of Kyrgyzstan (sectoral risk assessment) was held in Bishkek;
- On November 9-10, 2022, the ITMCFM/CIS ATC training on "New Challenges and Current Risks of Terrorist Financing in the Eurasian Region" was held in Bishkek.

These events are also a popular platform for sharing practical experience.

The third format is the organization of remote events via videoconferencing.

¹ The state bodies of the Kyrgyz Republic authorized to conduct inspections of compliance with the Kyrgyz legislation on combating the financing of terrorist activities and money laundering.

The videoconferencing (VC) system operated by ITMCFM is one of the most effective tools, especially in demand during the pandemic.

The VC system was created in accordance with the decision of the 9th EAG Plenary meeting (December 16-19, 2008) on the development of the EAG Single Information Space concept. It is an important element of technical assistance, enabling timely interaction between national financial intelligence units (FIUs) and other government authorities, real-time working sessions and meetings, training workshops, roundtables on practical experience exchange and a number of other activities.

According to the regulations for the preparation of joint events, the events within the EAG using the VC system are held according to the annual plan, which is formed on the basis of requests from national FIUs, taking into account their priorities. In the process of developing VC plans, law enforcement and supervisory authorities initiate and organize events together with the FIU. The organization and holding of events with the participation of representatives of interested ministries and agencies of the Eurasian countries makes it possible to contribute to strengthening the capacity of national anti-money laundering systems.

The Centre typically holds expert meetings and training sessions on a weekly basis.

The VC system is regularly used by the EAG Secretariat to prepare for Plenary meetings, expert discussions on reports and draft mutual evaluation reports.

The VC system is also actively used within the framework of the activities of the Council of Heads of Financial Intelligence Units of the CIS Member States. In particular, CHFIU working groups hold regular meetings on projects under implementation, which allows intensifying work on such projects during the intersessional period.

In 2022, by integrating new equipment into the VC system, its capabilities were expanded and the stated needs of all user groups for the required number of access points were satisfied. Whether using a browser or software client, a mobile device, or a computer, users can connect to the VC system in a variety of ways.

In 2022, a series of training and expert activities on the following priority topics were implemented:

- International AML/CFT system – current status and current areas of development
- ML/TF risk assessment (Recommendation 1²)
- Interagency cooperation (Recommendation 2)
- Money laundering and confiscation (Recommendations 3 and 4)
- Combating the financing of terrorism (Recommendations 5 and 6)
- Non-profit organizations (Recommendation 8)
- Customer due diligence and data retention (Recommendations 10 and 11)
- New payment methods and virtual assets, money or value transfer services (Recommendations 14, 15 and 16)
- Suspicious transaction reports (Recommendation 20)
- Designated non-financial businesses and professions (Recommendations 22 and 23)
- Regulatory and supervisory issues (Recommendations 26, 27 and 28)
- Activities of financial intelligence units (Recommendation 29)
- Responsibilities and powers of law enforcement and investigative agencies (Recommendations 30 and 31)
- Statistics (Recommendation 33)
- International cooperation (Recommendations 36-40)

The fourth format is the ITMCFM Distance Learning System.

The Centre provides access to the Distance Learning System to partner countries through recordings of expert events and special studio recordings based on training materials developed by ITMCFM. A wide range of countries from all major regions of the world, including the CIS states, are interested in this project.

In 2022, a mechanism for creating e-courses with the possibility of creating an individual academic path for each student was implemented.

This system makes it possible to cover the widest range of participants and allows online learning without reference to place and time.

² Recommendations of the Financial Action Task Force.

The fifth format is the provision of technical assistance in the form of organizing the development of normative and instructional documents, conducting risk assessments, including as part of technical assistance project plans.

In order to provide technical assistance to the Kyrgyz Republic to address technical compliance deficiencies and improve the effectiveness of the AML/CFT system based on the results of the mutual evaluation, a cooperation agreement was signed between ITMCFM and SFIS for 2019-2020. As part of the implementation of the agreement, a personal account of an entity on the official website of the SFIS was created and a number of actions were organized. They were aimed at introducing a risk-based approach in the activities of supervisory authorities and the private sector, increasing the effectiveness of preventive AML/CFT measures in financial institutions and DNFBPs. Within the framework of continuation of work on provision of technical assistance to the national anti-money laundering system of Kyrgyzstan in the format of implementation of the project plan for the provision of technical assistance to the Kyrgyz Republic (2021 - 2023) in 2022, the following results were achieved:

- developed the ML/TF NRA Methodology;
- conducted a series of training sessions on the use of the Methodology;
- established a pool of experts to conduct the ML/TF NRA;
- conducted training on comprehensive AML/CFT statistics gathering.

In 2022, methodological recommendations for conducting sectoral ML/TF risk assessments in the Kyrgyz Republic were developed and the FIU and supervisory authorities were trained in their use. Reports on sectoral assessments of ML/TF risks will form the basis of the policy of these bodies in exercising their powers to monitor the execution of the Kyrgyz legislation on combating the financing of terrorism and money laundering.

These documents were agreed with the relevant government authorities of Kyrgyzstan and approved at a meeting of the Commission on AML/CFT Issues on September 30, 2022³.

One of the tasks of the ITMCFM for 2023 will be the work related to the subsequent stages of the ML/TF NRA in the Kyrgyz Republic: advising on the preparation of the full version of the report on the ML/TF NRA and its subsequent approval.

The implementation of the TA plan plays an important role in improving the effectiveness of the national AML/CFT system of the Republic of Tajikistan. Over the three-year period, the country, in cooperation with donors and providers, has done significant work. It included developing regulations, drafting guidelines and instructions, studying international experience in the interaction between the FIU and law enforcement agencies, and holding a significant number of training events for representatives of the competent and supervisory authorities and the private sector.

In 2022, ITMCFM began the final phase of work under the EAG project plan for the provision of technical assistance to the Republic of Tajikistan.

In 2022, the Centre

- developed and provided a training module for the FIU of the Republic of Tajikistan on the processing of STRs;
- conducted thematic training for FIU representatives on the use of this module; and
- provided draft guidelines for organizations conducting transactions with funds or other assets to analyze transactions, develop their own suspicious criteria, and report suspicious transactions.

Taking into account that the project plan for the provision of technical assistance to the Republic of Tajikistan was adopted for a term of 3 years with the deadline until the end of 2022, it is expected to extend its implementation until 2024 to complete the TA activities, focusing on high and top priority activities.

As part of the provision of TA to the Republic of Belarus with the participation of ITMCFM, a number of training activities have been carried out, in particular:

- on conducting a risk assessment of the NPO sector;

³ Minutes of the meeting of the Commission on the Financing of Terrorism and Money Laundering of the Kyrgyz Republic No. 3 dated September 30, 2022.

- on establishing an internal control system for mobile operators;
- on practical recommendations for the organization of supervision over these reporting entities;
- on organizing supervision over payment service providers; and
- on training law enforcement officers on the issues of combating terrorist and proliferation financing.

As part of preparation for the EAG mutual evaluations and improving the technical compliance and effectiveness of the national AML/CFT system, ITMCFM conducted a series of training sessions for representatives of FIUs of the Republic of Kazakhstan and Turkmenistan:

- on AML/CFT financial investigations;
- on the development of electronic AML/CFT services.

With regard to the provision of technical assistance to the Republic of Uzbekistan, ITMCFM has identified a list of priority items under the adopted country plan for the provision of TA. The Centre confirmed its willingness to provide methodological recommendations for conducting sectoral ML/TF risk assessments and to conduct a workshop for supervisors on their application. It is also planned to provide a draft risk assessment model for financial

institutions and DNFBPs, draft risk management guidelines, and prepare a training module on the application of these models and guidelines. Another focus will be the CPF NRA.

DEVELOPMENT OBJECTIVES

ITMCFM plans to continue providing technical assistance to partner countries in accordance with their requests and priorities. We will continue to assist in the preparation for and resolution of deficiencies in mutual evaluations, including the creation of follow-up reports, as well as the establishment of national AML/CFT risk assessment centers. The ITMCFM Distance Learning System will be further developed in a separate area, including the accumulation of records and the creation of catalogs of training courses, video courses, and training materials, taking into account the topics requested by the partner countries. The Centre plans to continue implementing activities according to the countries' priorities. The focus will be on representatives of DNFBPs and supervisory authorities, new payment methods, including issues of monitoring cryptocurrency transactions and legal regulation of the circulation of digital assets. Together with colleagues from the EAG countries, it is planned to participate in the development of the digital environment, including through the introduction of digital learning services.

DEPARTMENTAL PRINT MEDIA AS AN INTERNATIONAL PLATFORM FOR DISCUSSING KEY ISSUES OF CRIME CONTROL

Departmental publications with an international component occupy a special place in the system of periodicals. They perform several functions, including objective information about the activities of authorities in Russia and abroad increasing the level of trust in them, bringing together experts from different countries, and expanding cooperation

Irina Ryazanova,

Chief Editor of "Financial Security" journal

Valery Buzovkin,

Chief Editor of "Commonwealth" journal of the Council of Ministers of Internal Affairs of the CIS member states



Irina Ryazanova



Valery Buzovkin

GENERAL THEMATIC AREAS

A significant and popular issue of professional interaction on the pages of the departmental press remains the fight against cross-border criminal syndicates, including money laundering, financing of terrorism and extremism.

Such magazines as, for example, Financial Security (Rosfinmonitoring), Commonwealth (Council of Ministers of Internal Affairs of the CIS member states), Police of Russia (Ministry of Internal Affairs of Russia), Border Guard of the Commonwealth (Council of Commanders of the Border Troops) and other specialist publications reflect the most pressing topics of ensuring global and national security.

These magazines are united by the desire to draw the closest attention of society to the problems of confronting the criminal world, to stimulate an active

discussion by the expert community of acute issues requiring resolution, to consolidate the efforts of specialists in developing new approaches in the fight against illegal activities.

JOURNAL AS A TRIBUNE

A printed publication can be compared to a tribune for presentations by managers and experts in the main areas of activity and competencies of the department that the journal or newspaper represents.

Among the topical issues raised by the Financial Security and Commonwealth journals is the issue of countering new challenges and threats, fraud and corruption, money laundering and drug trafficking, as well as other socially dangerous activities.

They also highlight innovative approaches to solving the tasks assigned to departments, achievements in anti-money laundering and law enforcement systems (both Russian and global), international and interagency cooperation, legal

regulation, promising areas of work, educational aspects of activity, and much more. The preventive component of published materials plays an important role.

Departmental publications also serve as a platform for the exchange of experience and opinions among specialists. The "Financial Security" journal positions itself exactly that way. For 10 years, top officials of the country, heads of ministries, departments and other large organizations, foreign partners, representatives of the private sector, independent research and audit companies, and civil society have been posting their materials on its pages.

Each new issue of a departmental publication has a specific message for the target audience, expresses the position of departments on a particular topic, asks questions and strives to give full answers to them.

FINANCIAL SECURITY AND COMMONWEALTH: INTERNATIONAL COMPONENT

Our magazines pay special attention to the coverage of international cooperation. As it is, the Financial Security regularly posts on its pages the materials on the Rosfinmonitoring efforts on the international platforms: FATF, Egmont Group, EAG, MENAFATF, MONEYVAL, CHFIUs and others.

Considered are the issues of international challenges and threats, joint financial investigations, asset recovery, cryptocurrency circulation, interaction with business, training for the global system of combating money laundering and terrorist financing, as well as many others.

Individual magazines were devoted to cooperation in the CIS territory, large-scale international events, initiatives to modernize the AML/CFT system, and to major projects. Among the latter, it is worth mentioning, of course, the International Financial Security Olympiad.

The founder of the "Commonwealth" journal of the Council of Ministers of Internal Affairs of the CIS member states is the Bureau for Coordinating the Fight against Organized Crime and Other Dangerous Types of Crime in the Territory of the Member States of the Commonwealth of Independent States. Therefore, the editorial staff pays special attention to the publication of materials related to the activities of the Ministry of Internal Affairs, BCFOC and the ministries of internal affairs of the CIS countries.

Journal key headings: Word of the Minister, First Microphone, Analytics, Best Practice, Fortress Plan, Armament, News, Partnership, Trends, Integrated Security, Alma Mater, Roads of Victory, People of Feat, Women in Uniform, Ambassador in the Magazine, People of the Epoch, Traditions, Cultural Heat, Chamber of Crafts, Literary Notebook, Essay and Intellectual Club. Interviews and articles of prominent political and public figures, writers, scientists are published. In addition, attention is paid to significant historical and cultural events, national traditions of the CIS countries.

Who and how creates a departmental journal

There was a period of time in modern journalism when it seemed that print media were dying out. Internet news portals, with their short and quick-to-publish messages, should have taken the entire readership. The turning point in the opinions came in 2014, when it turned out that not only very short news texts gain the most views, but also well-written long articles. Then there came a demand for journalists who could write long reads and for print media that could publish these long texts.

In other words: Longreads are special articles with the text usually (but this is not a strict rule) divided into small parts. This structure contributes to the complete immersion of the reader in the topic. Contrary to popular belief, longreads are not a new phenomenon. Many magazines, including departmental and corporate ones, have been using this genre for a long time.

If we turn again to the Commonwealth and Financial Security, we can say with confidence that these magazines are for long reads. Given the frequency of their releases (once a quarter), the pursuit of news does not make sense. The editors focus on high-quality and original expert, analytical content.

One sole journalist does not create such big projects. As a rule, entire teams work on them, which include correspondents, photographers, designers, typesetters, proofreaders, editors, and even the founder. In departmental expert publications, the authors are often not professional journalists, but rather industry specialists.

In conclusion, we point out that departmental publications are full-fledged tribunes and expert platforms. They remain in demand, raise serious issues and attract the attention of specialists.

JUNIOR EXPERTS' PLATFORM

INTERNATIONAL PRACTICE OF SEIZURE, CONFISCATION AND REALIZATION OF CRYPTOCURRENCIES

Today, many countries around the world are in the process of the adoption and improvement of the legal regulation of cryptocurrencies and their circulation. As cryptocurrencies are often used as a tool to launder money and conceal predicate offences, the issue of regulating the seizure, confiscation, and realization of cryptocurrency assets owned by criminals becomes particularly important

Alexander Krotov,

Deputy Head of Division, Anti-Money Laundering Department of Rosfinmonitoring



Alexander Krotov

In general, the issue of seizure and realization is only very briefly covered in laws and regulations in the majority of countries where cryptocurrencies are legal. Cryptocurrencies are often equated with other property and assets that should be frozen if their origin is suspicious, and then seized and sold. However, a global algorithm of actions has been developed for the seizure and realization of confiscated cryptocurrency assets. In general, it can be represented as 4 stages:

1. IDENTIFICATION: Once it is determined that criminal activity may involve cryptocurrency, law enforcement must determine if the wallet can be accessed by obtaining the necessary access codes or keys, denying such access for any device that can be used for storing cryptocurrency assets.

To identify wallet owners, investigators use:

- automated collection and aggregation of large amounts of data using web scraping and commercial competitive intelligence (OSINT);
- digital fingerprint analysis;

- structuring and correlating information using heuristics, cluster analysis, and graph exploration.

Virtual asset service providers can also inform competent authorities independently, including in accordance with the recommendations of the Financial Action Task Force (FATF). On September 2020, the FATF published a report entitled "Virtual Assets Red Flag Indicators of Money Laundering and Terrorist Financing" that identifies six groups of indicators:

- indicators related to transactions;
- indicators related to transaction models;
- indicators related to anonymity;
- indicators related to senders or recipients;
- indicators related to the source of funds;
- indicators related to geographical risks.

2. SEIZURE: There are several options, depending on the situation. Seizure can be accomplished by physically taking possession of the suspect's devices or by blocking their assets through a cryptocurrency exchange.

In the first case, law enforcement would seize the devices on which the digital wallet apps were installed, subject to obtaining proper warrants to seize the devices. As well as the phones that were used to authenticate the login to the online wallets. The cryptocurrency wallet may or may not be encrypted. If the wallet is unencrypted, law enforcement has full access to it immediately. If the wallet is encrypted, getting the suspect to voluntarily provide the encryption code seems like the easiest way to obtain access. If the suspect does not disclose the required code or key, admitting that the suspect knows the encryption code is useful in obtaining an order requiring the suspect to unlock the wallet.

In the second case, the competent authorities can apply directly to the cryptocurrency exchange or other institutional custodian of the suspect's wallet with a warrant to freeze the suspect's wallet and provide a private key to it. However, the timeframe for freezing and direct seizure of suspicious assets varies from country to country.

3. STORAGE: After gaining access to the criminals' crypto wallets, the funds are transferred to a special wallet for confiscated cryptocurrency. If the criminal's

wallet is encrypted, the devices are disconnected or placed in a Faraday bag (suppressor of incoming wireless signals) to prevent remote withdrawal of funds by accomplices. Typically, the competent authorities create their own cryptocurrency wallet where confiscated cryptocurrency assets are deposited. As outgoing transfers require multiple parties' approval, hardware crypto wallets with multisignatures are used for security.

4. REALIZATION: It is generally accepted that seized cryptocurrency assets should be converted into fiat money rather than kept in their original form. The preferred method of realization is an auction, with the proceeds deposited into the account of the entity specified by national law. Cryptocurrency assets in their entirety become an auction item, and the winner receives the keys to a wallet on paper with the cryptocurrency already legalized. Since storing crypto wallet codes is not secure, the new owner is advised to immediately transfer the acquired assets to his or her own wallet for safekeeping. Auction was chosen as the method of realization in order to avoid the effects of selling confiscated currency on the market and market pricing. The sale of criminal crypto assets can take place in a lump sum or in installments, depending on the amount, and at a discount.

The first country to confiscate and sell cryptocurrency, as well as to legislate the algorithm of actions, was the United States. The development of the regulatory framework in this area began in 2013 with the liquidation of Silk Road, a shady marketplace for illegal goods, where Bitcoin was often used as payment. Once law enforcement agencies were able to arrest the organizer and gain access to the criminal crypto assets, federal agents had to decide what to do with all the illegally obtained Bitcoins. Since there were no companies to turn to for selling crypto assets, the Court Bailiffs Service held its own auction. The U.S. Marshals Service is currently in charge of the sales and auctions.

The United States actively cooperates with the analytics company Chainalysis, which provides transaction data to interested parties. The company cooperates with many exchanges, including Binance, Bittrex, Bitfinex, etc., and such U.S. government agencies as the Federal Bureau of Investigation, the Drug Enforcement Administration, etc. The company's tools for tracking suspicious transactions have been used in major international operations to catch criminals.

This approach has been adopted by many other countries as a proven algorithm of actions. In the EU, for example, the key document in this area is the 5th Anti-Money Laundering Directive (5AMLD), which came into force in 2018. The main difference from the previous version is more control over cryptocurrencies. First, cryptocurrency exchanges are accountable and subject to the same rules that apply to financial institutions under the 4th Anti-Money Laundering Directive (4AMLD). Moreover, the 6th AML Directive (6AMLD) makes the senior management of virtual asset service providers personally liable for detected cases of money laundering, so it is in their interest to closely monitor compliance with the established rules. In practice, this includes an obligation to conduct customer due diligence and to report suspicious activity. Second, financial intelligence units are given the right to obtain the addresses and identities of virtual currency holders, thereby countering the anonymity associated with its use. Third, the 5th AML Directive also introduces rules for virtual asset service providers, which must now be registered with the competent authorities in their countries, such as BaFin in Germany. Additionally, the standardization of processes for freezing and confiscating assets has been impacted by the harmonization of cryptocurrency-related legislation in the EU. Confiscation orders must be recognized within 45 days and, in urgent cases, within 48 hours, with an additional 48 hours to comply with the freezing order. The victim's right to restitution will also be upheld in the cases of cross-border nature.

However, the unification has not yet covered the issue of selling confiscated crypto assets. For instance, Germany employs an auction system just like the United States, Canada, and Australia, but stolen cryptocurrency is auctioned at a discount to draw in more participants, much to the chagrin of regular cryptocurrency market players. Small countries often lack the capacity to seize and sell cryptocurrency assets involved in money laundering and other offences. As a result, the competent authorities are forced to hire third parties to perform these functions. For instance, in Finland, a large amount of Bitcoins used in drug trafficking was seized for the benefit of the government and became "dead weight" for the Finnish Financial Supervisory Authority. There were concerns that the sold Bitcoins could fall back into the hands of criminals, so the options of destroying the seized cryptocurrency assets or transferring

them to other Finnish government authorities were also considered. Eventually, a search was announced for brokers who could sell these assets on the cryptocurrency market, so that the fiat money could finally enter the treasury and be used for government needs.

China also practices the seizure of criminal crypto assets, while the circulation of cryptocurrencies in China is prohibited. The enforcement mechanism is still debatable. The only thing that is known is that the Chinese authorities sell the seized cryptocurrency for fiat money to support the state budget rather than keeping it in its original form as crypto assets. However, it is still unclear how this will be accomplished, on which platforms and in which countries. In Turkey, despite significant restrictions on the circulation of cryptocurrencies, many nationals continue to invest in this type of asset against the backdrop of unstable exchange rates. Confiscation and sale of crypto assets are regulated in the same way as other types of property and assets in many countries (in Turkey – Law on Enforcement and Bankruptcy No. 2004). The competent authorities do not have their own crypto wallets, so seized cryptocurrency can either be kept alongside securities or converted into fiat money (auctioning is not used in this case).

Thus, despite the general wording in the legislation on the possibility and necessity to freeze and confiscate cryptocurrency assets of persons accused of laundering proceeds of crime or using them in criminal activities, many countries implement the algorithm of actions first tested by the United States with minor variations (especially regarding the issue of sale).

In the Russian Federation, in accordance with Federal Law No. 259-FZ on Digital Financial Assets, Digital Currency and on Amendments to Certain Legislative Acts of the Russian Federation dated July 31, 2020, cryptocurrency may be considered as property only for the purposes of certain laws. Currently such reservations can be found in the following Federal Laws: No. 115-FZ on Combating the Legalization (Laundering) of Proceeds of Crime and the Financing of Terrorism dated August 7, 2001; No. 127-FZ on Insolvency (Bankruptcy) dated October 26, 2002; No. 229-FZ on Enforcement Proceedings dated October 2, 2007; No. 273-FZ on Counteracting Corruption dated December 25, 2008.

The institution of confiscation is applicable to digital assets even in the current version of the criminal law. Within the meaning of Article 104.1, Part 1 of the Russian Criminal Code, covers cryptocurrency just like any other property. Cryptocurrency may also be seized under Article 115, Part 1 of the Criminal Procedure Code of the Russian Federation (RF CPC) in order to execute civil lawsuits, fines, other property penalties or make confiscation possible. In the latter case, seizure is considered a provisional measure against asset dissipation by the defendant or a third parties.

Ruling under Article 115 of the RF CPC need to specify the type of property to be restrained, the amount (equivalent value) and the method of immobilization (place of storage). For cryptocurrencies, that means the type of coin and method of market value calculation – using data from major exchanges or aggregators, such as coinmarketcap.com, and the address of the wallet. can be used to calculate the market value of the cryptocurrency. Because the court must describe the method of immobilization, the address of the wallet where the defendant's cryptocurrency was deposited must be specified.

The transfer of the cryptocurrency to be secured into a separate investigation or judicial wallet is required for cryptocurrency seizure. It is reasonable to use hardware crypto wallets with multisignature. Investigative authorities should conduct seizures

according to clear rules to avoid mistakes and loss of cryptocurrency. The circle of people who are allowed to work with the devices and determine the storage locations should be strictly limited.

The procedural decision on this matter should be taken by the court in accordance with the provisions of Article 29, Part 2, Paragraph 9 and Article 165 of the RF CPC; the technical execution of this decision should be carried out by the investigator, possibly with the participation of a specialist (Article 115, Paragraph 5 of the RF CPC).

Law enforcement officers and involved specialists who provide the security must have theoretical and practical knowledge of how cryptocurrencies operate technically.

Due to the lack of regulation of cryptocurrency circulation in Russia, the realization of criminal crypto assets may be carried out by the Federal Agency for State Property Management (Rosimushchestvo) under the existing mechanism of sale of seized property at auctions. Cryptocurrency may be sold as a single lot or in parts, depending on the amount.

It is also possible to sell criminal crypto assets through cryptocurrency exchanges in other countries, for example, in the Republic of Belarus. For this purpose, it is necessary to work out appropriate international agreements.

AML/CFT NEWS

RUSSIA AND CHINA AGREE TO STRENGTHEN COOPERATION IN COMBATING MONEY LAUNDERING

President of the People's Republic of China Xi Jinping paid a state visit to Moscow in March at the invitation of Russian President Vladimir Putin. The leaders held talks in Moscow

Further to the summit, Russia and China issued a joint statement on deepening the comprehensive partnership and strategic cooperation entering a new era.

Russia and China agreed to strengthen exchanges and cooperation in the fight against money laundering, including in multilateral formats.



SECURITY CONSULTATIONS IN CARACAS AND HAVANA

The Russian delegation, led by Security Council Secretary Nikolay Patrushev and composed of representatives of Rosfinmonitoring, the Security Council apparatus, the Ministry of Internal Affairs, the Ministry of Emergency Situations, the Ministry of Justice, and the Ministry of Foreign Affairs, held extensive security consultations in Caracas and Havana



The participants of the meetings discussed bilateral cooperation opportunities as well as issues related to special services, Ministries of Justice, law enforcement agencies, etc.

Russian-Venezuelan consultations were held with the Secretary General of the Venezuelan National Defense Council Jose Ornelas Ferreira and representatives of the agencies of the two countries.

The prospects of bilateral cooperation through the Ministries of Justice were discussed, including the exchange of experience in the sphere of legal regulation of foreign non-profit organizations and contacts between special services and



law enforcement agencies. Particular attention was paid to countering "color revolutions" and cooperation in the field of information security.

The participants exchanged views on the state of international relations, including the situation in Latin America.

The Russian-Cuban consultations were held with the participation of the Minister of Internal Affairs of Cuba Alvarez Casas.

Special emphasis was placed on the cooperation between the two countries in the areas of international person search, the fight against transnational organized crime, drug trafficking, and human trafficking. They also discussed cooperation in education, economy, and scientific and technical activities.

YURY CHIKHANCHIN, HEAD OF ROSFINMONITORING, AND IMANGALI TASMAGAMBETOV, GENERAL SECRETARY OF THE CSTO, DISCUSSED ISSUES RELATED TO THE FIGHT AGAINST CRIME

Yury Chikhanchin, Director of the Federal Financial Monitoring Service, met with Imangali Tasmagambetov, General Secretary of the Collective Security Treaty Organization

The meeting was also attended by German Neglyad, State Secretary - Deputy Director of Rosfinmonitoring, Ivan Kornev, Deputy Director of Rosfinmonitoring, representatives of the CSTO Secretariat and relevant departments of Russian financial intelligence.

Yury Chikhanchin and Imangali Tasmagambetov discussed international collaboration in combating cross-border crime, including the financing of terrorism

and extremism, money laundering, illegal migration, cybercrime, and illicit drug trafficking.

Yury Chikhanchin stated that, in addition to the CSTO, platforms such as the Eurasian Group on Combating Money Laundering and Financing of Terrorism and the Council of Heads of Financial Intelligence Units of the CIS Member States contribute significantly to the fight against illegal acts at the supranational level.



"The CHFIU platform combines the efforts of CIS financial intelligence units to integrate with the activities of the CSTO in order to increase the effectiveness of the anti-drug operation code-named "Channel". Last year alone, within the framework of this operation, Rosfinmonitoring analysts uncovered financial transactions presumably connected with the legalization of drug proceeds in the amount of more than 280 million roubles," said the head of the agency.

Imangali Tasmagambetov noted the fruitful joint work aimed to combat crimes in the field of high technology and to ensure information security of the CSTO member states: "As a result of the fight against

money laundering in 2022, more than 950 information resources were suspended and more than a thousand criminal cases were opened."

Representatives of Rosfinmonitoring also informed their colleagues about International Financial Security Olympiad, which is a large-scale project aimed to improve financial literacy and security of people.

Imangali Tasmagambetov expressed confidence that relations between the Federal Financial Monitoring Service and the CSTO will continue to be based on constructive, trusting dialogue with the goal to broaden the scope of joint work.

DELEGATIONS FROM THE SHANGHAI COOPERATION ORGANIZATION MEMBER COUNTRIES ATTENDED A WORKSHOP IN MOSCOW

Moscow hosted a workshop on "The Role of Anti-Money Laundering and Counter-Terrorist Financing Mechanisms in Building Regional Security in the SCO Space"

The meeting was attended by representatives of the SCO member countries, Executive Committee of the Regional Anti-Terrorist Structure of the Shanghai Cooperation Organization, Rosfinmonitoring, Russian Ministry of

Foreign Affairs, Russian Ministry of Internal Affairs, Russian General Prosecutor's Office, Eurasian Group on Combating Money Laundering and Financing of Terrorism, Council of Heads of Financial Intelligence Units of the CIS Member States, International Training

and Methodology Centre for Financial Monitoring, and scientific organizations.

The event focused on global AML/CFT trends, methods of detecting and proving crimes in this area, the role of crypto assets, and other topical issues. The prospects of expanding international cooperation in combating terrorist activities were also discussed.

German Neglyad, State Secretary - Deputy Director of Rosfinmonitoring, stated in his speech that the workshop was aimed at strengthening joint efforts to develop AML/CFT within the SCO framework.

"We expect that a better grasp of the nuances of anti-money laundering and counter-terrorist financing mechanisms in building regional security in the SCO space will add a lot to the work of the organization and make joint counter-terrorist measures more effective," German Neglyad emphasized.

Delegates agreed that such thematic events help consolidate efforts to respond to new challenges and threats.



ROSFINMONITORING DELEGATION PAID WORKING VISITS TO BELARUS, KAZAKHSTAN, UZBEKISTAN AND KYRGYZSTAN

In order to improve bilateral and multilateral cooperation, a delegation of the Federal Financial Monitoring Service visited the financial intelligence units of four countries

As part of the visits, meetings were held with the heads and staff of the analytical departments of foreign financial intelligence units. The parties discussed the identification of supranational risks in the area of combating money laundering and terrorist financing. Russian specialists introduced the concept of financial security "belts"

and exhibited the capabilities of the International ML/TF Risk Assessment Center and the Transparent Blockchain service.

Financial intelligence units will continue their efforts to develop cooperation within the framework of existing international platforms.

YURY CHIKHANCHIN, DIRECTOR OF ROSFINMONITORING, MET WITH MOHAMMAD AHMAD AL-JABER, AMBASSADOR OF THE UNITED ARAB EMIRATES TO RUSSIA

The parties discussed cooperation in the fight against money laundering as well as the opportunities to improve the two countries' economic security



Yury Chikhanchin stated that collaboration between Russia's and the UAE's financial intelligence units is finding new formats and bringing positive results. The agency's head also discussed international projects that Rosfinmonitoring works on with interested agencies and partner countries. The International Compliance Council, the Forum of Parliamentarians of the Eurasian Group on Combating Money Laundering, the International Financial Security Olympiad, and other organizations are among them.

"Our bilateral dialogue has reached a new level of trust. I am confident that our joint efforts will strengthen the anti-money laundering systems of our countries," emphasized the head of Rosfinmonitoring.

Mohammad Ahmad Al-Jaber praised the level of standards, regulations and bylaws of the Federal Financial Monitoring Service, as well as the importance of using Russian experience in this area by the competent authorities.

LESSONS ON FINANCIAL SECURITY WERE HELD IN THE COUNTRIES PARTICIPATING IN THE INTERNATIONAL OLYMPIAD

Within the framework of the III International Financial Security Olympiad, thematic classes were held in educational institutions of Armenia, Belarus, Kazakhstan, Cuba, Kyrgyzstan, Russia, Tajikistan and Uzbekistan, as well as at foreign mission schools of the Russian Federation in Argentina and India. This year's lesson focused on personal financial security while using the Internet

How to protect your personal information? How to protect your rights as a consumer of financial services? What are the rules for safe financial behavior in social networks and online games? These and many other questions were answered by students and experts.

Experts from participating countries' financial intelligence units taught students the fundamentals of financial security and offered case studies that help young people make competent decisions, mitigate risks, and increase their financial literacy.



For reference:

The goal of the Olympiad is to improve the information, financial and legal literacy of the younger generation, to search for talented young people, and to stimulate learning and cognitive activity and scientific research in the field of financial security. The Olympiad is in line with the goals and objectives of the national "Education" project.

Partners of the Olympiad are financial intelligence units of the CIS countries and educational organizations that are members of the International Network AML/CFT Institute.

THE DEVELOPMENT OF THE OLYMPIAD MOVEMENT WAS DISCUSSED AT A REGULAR MEETING OF THE COUNCIL OF THE INTERNATIONAL NETWORK INSTITUTE

The 18th meeting of the Council of the International Network AML/CFT Institute was held at the Lebedev Physical Institute of the Russian Academy of Sciences under the chairmanship of Yury Chikhanchin, Director of Rosfinmonitoring



The event, which was held in a hybrid format, was attended by representatives of the Presidential Executive Office of Russia, the Ministry of Finance of Russia, the Ministry of Education and Science of Russia, the International Training and Methodology Centre for Financial Monitoring, more than 40 INI's member universities, financial intelligence units of the Eurasian Group, and PJSC "PSB".

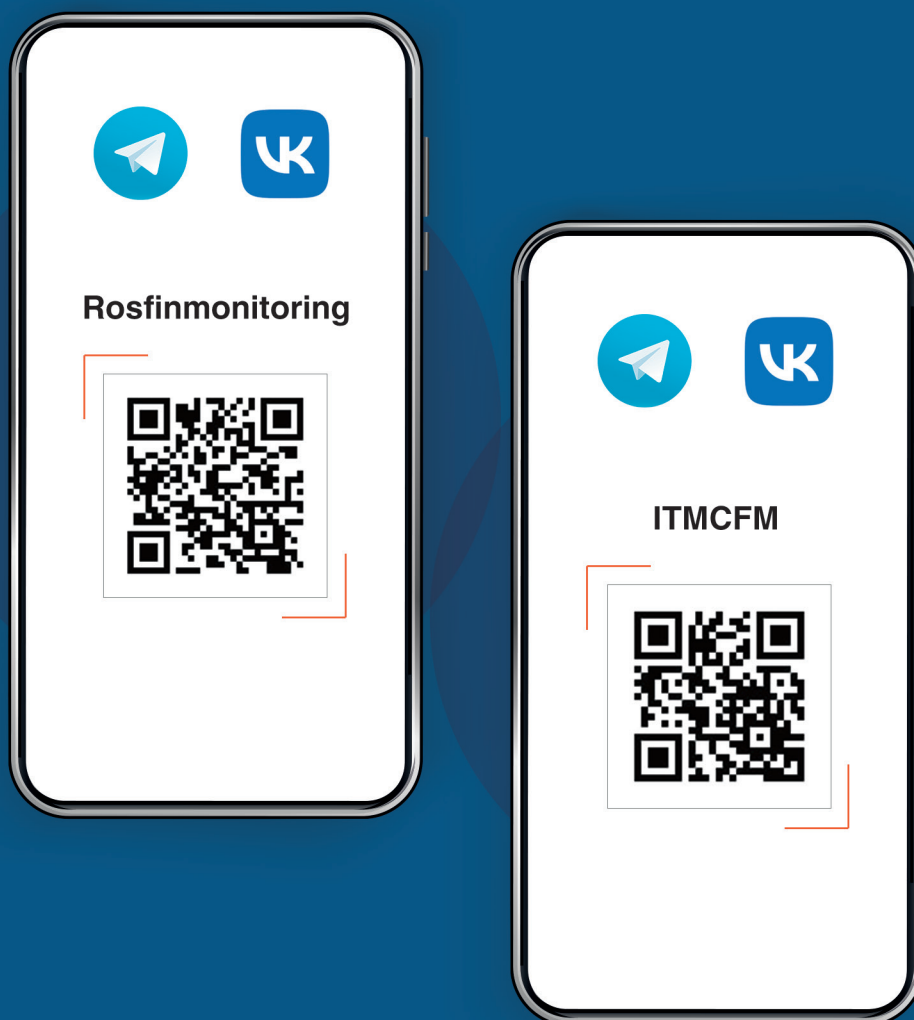
"On the eve of our Network Institute's tenth anniversary, it is safe to conclude that the idea of forming our consortium was sound, and it has confirmed its sustainability, usefulness, and relevance. We see a need to expand the geographical scope of our partners and strengthen cooperation in terms of

developing methodologies, preparing training materials and sharing best practices," said Yury Chikhanchin in his speech.

The development of the Olympiad movement, national Olympiads in Kyrgyzstan and Tajikistan, continued development of the "Sodruzhestvo" digital platform, and other important issues were among the topics discussed at the meeting.

At the event's conclusion, the "All in the Know" competition for the creation of educational content for the "Sodruzhestvo" platform was officially announced, with details available on the ITMCFM website.

Rosfinmonitoring and ITMCFM in Telegram and VKontakte



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