

CHAIRPERSON'S COLUMN



Dear colleagues,

Preparation of the EAG member states for the 2nd round of mutual evaluations is one of the EAG's top priorities today. In this regard, the FATF/MONEYVAL/EAG assessor-training workshop, held in Moscow, is key to the EAG's efforts to build a talent pool of AML/CFT assessors for evaluation of the EAG countries.

Mutual evaluations will also feature prominently in the upcoming EAG 29th Plenary week, to be held in the capital of Belarus, Minsk, which, besides discussions of the findings of the mutual evaluation of Tajikistan's AML/CFT regime, will include the workshop "On the Role of Supervisors and the Private Sector in Mutual Evaluations of AML/CFT Systems".

This autumn the work in other areas of EAG activity has been continued. The Russian Federation in St. Petersburg hosted the now traditional international workshop on supervision, whose participants shared experiences and best practices in AML/CFT supervision and attended consultations with the private sector.

We also remain mindful of CFT, one of the key priorities of the global economic security system. To this end, we organized a workshop on strengthening cooperation between FIUs and law enforcement in combating terrorist financing, held in Almaty, Kazakhstan, in close cooperation with the EAG member and observer countries, as well as the CIS Antiterrorist Centre and Interpol.

Our short-term plans include a joint EAG/APG typologies workshop, to be held in Russia this December. The continuing rapprochement between the EAG and the APG is an important and promising field in promoting Eurasia's security.

**EAG Chairperson
Ms. HAO Jinghua**

Outcomes of the FATF Plenary Meeting

On October 14-19, 2018, in Paris (France) a regular FATF Plenary meeting was held. The core issues featured by its participants were countering the financing of terrorism and regulation of virtual assets



Combating the financing of terrorism remains a top priority for the FATF under the US Presidency, and the Plenary agreed to focus its work on three areas:

IMPLEMENTATION, to ensure that countries can prosecute and convict terrorist financiers, FATF will prioritise work on the effective investigation and prosecution of this crime.

GUIDANCE, to help countries better identify and understand the terrorist financing risks they face so that they can appropriately resource counter terrorist financing efforts.

TRAINING, to build knowledge across the Global Network on terrorist financing risks, asset freezing, information sharing and disrupting terrorist financing.

Delegates heard an update of the financing methods employed by ISIL, Al Qaeda and affiliates, and released a public statement on the evolution of these terrorist financing strategies since the FATF's 2015 report.

The Plenary also approved a report on disruption of the financial flows on which terrorists rely. Understanding these financial flows is important not only from an investigative standpoint, but also to ensure that authorities are able to take decisive, preventative measures to disrupt terrorist activity before a terrorist attack takes places.

Building on contributions from 33 Members and Observers from across the FATF Global Network, this internal report provides authorities with a toolkit of disruption tools and comprehensive strategies that will assist them to improve domestic CFT actions and identify novel ways in which competent authorities can effectively work together to disrupt TF activity. The report also highlights the need for all countries to remain vigilant in countering TF in any and all forms.

The FATF Plenary discussed and adopted amendments to the FATF Standards to respond to the increasing use of virtual assets for money laundering and terrorist financing and at the request of the G20 Ministers. This includes an amendment to the FATF Recommendations and glossary to clarify to which businesses and activities the FATF requirements apply in the case of virtual assets. Exchanges and wallet providers will be required to implement AML/CFT controls, and to be licensed or registered and supervised or monitored by national authorities. Strengthening the standards is part of a comprehensive approach that the FATF has developed to prevent the misuse of virtual asset activities for money laundering and terrorist financing.

FATF also released its Statement on Regulating of Virtual Assets (see p.4).

Assessment Preparations are Key
to an Effective AML/CFT System

Page 2

Joint EAG/ATC CIS/INTERPOL
Workshop

Page 2

FATF/MONEYVAL/EAG Assessors'
Training

Page 3

Joint FATF/EAG FinTech and RegTech
Forum

Page 3

FATF Statement on Regulation of
Virtual Assets

Page 4

Delegation from Tajikistan Meets EAG
Assessors Face-to-Face

Page 4

The FATF adopted the assessment of the Kingdom of Saudi Arabia's AML/CFT framework in June 2018. Saudi Arabia will continue the membership accession process to fulfil the requirements to be granted membership status as set out in the FATF's Membership process and criteria. Saudi Arabia has provided a high-level political commitment to reach the expected results within a reasonable timeframe and prepared an action plan that will be reviewed by FATF.

Following the discussion of Israel's mutual evaluation, the report needs to undergo a quality and consistency review before publication. If Israel's assessment meets the FATF's membership requirement, the country will become an official member of the FATF at the publication of this report. If the country's assessment does not meet the membership criteria then the FATF Plenary will discuss the next steps in the country's membership process in February 2019.

FATF has identified the Bahamas, Botswana and Ghana as jurisdictions with strategic AML/CFT deficiencies. Each country has developed an action plan with the FATF to address the most serious deficiencies. The FATF welcomed the high level political commitment of each country to their respective action plans.

Assessment Preparations are Key to an Effective AML/CFT System

The EAG/ITMCFM 4th international workshop "Effective Supervision as a Mechanism for Ensuring Participation of the Non-Financial Businesses and Professions (NFBP) Sector in the AML/CFT System" was held in St. Petersburg on September 13-14, 2018

The workshop was organized by the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) and the International Training and Methodology Centre for Financial Monitoring.

A list of the workshop participants included delegations from the EAG member and observer countries - Armenia, Belarus, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan, as well as representatives of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL).

The workshop was opened with welcoming remarks from the EAG Chairperson and Deputy Director General of the AML Bureau of People's Bank of China Ms. HAO Jinghua (China) and Rosfinmonitoring Director Yuri Chikhanchin.

HAO Jinghua:

"The effectiveness of any supervisory and anti-money laundering framework depends on the timely and effective dissemination by both the private and public sectors, including non-financial businesses and professions, of information on transactions and financial behaviour allegedly linked to crime and terrorism.

Traditionally, technical and capacity-building assistance was primarily provided to financial institutions, with vulnerabilities of the DNFBP sector being until recent time largely outside the focus area, unfortunately.

The stability of any system depends on the stability of its weakest link, a fact whose importance increases further as we embark on the 4th round of mutual evaluations".



Yuri Chikhanchin:

"I would particularly like to thank international experts for their participation in the event. As Ms. HAO quite rightly pointed out, this meeting provides participants with the opportunity to exchange opinions, express their views, discuss with international experts the relevant issues".

The first day's keynote speaker, MONEYVAL Deputy Executive Secretary Michael Stellini, informed participants in detail on the general trends in the countries' preparations for mutual evaluations.

According to Mr. Stellini, getting a high score in the assessment should not be the sole aspiration for countries. Instead, the focus should remain on building an effective AML/CFT system.

On the first day of the workshop, participants worked at the section of the key challenges to effective

supervision of the non-financial businesses and professions. They discussed ways to increase the preventive role of non-financial businesses and professions. Another section was devoted to the interactive business game "ML/TF Risks in the Non-Financial Businesses and Professions Sector. Risk Management Mechanisms: Supervision and Preventive Measures".

The second day saw the consultations with the private sector on risk management in the non-financial businesses and professions sector, with participants in the first section focusing on the risks facing the sector, their identification and management; in the second discussing the experience of using information and analytical technologies for AML/CFT purposes; and in the third turning their attention to the issues of training in the context of new technologies, accessibility and revision of knowledge.

Joint EAG/ATC CIS/INTERPOL Workshop

The Joint EAG/ATC CIS/INTERPOL Workshop in cooperation with the International Training and Methodology Centre for Financial Monitoring (ITMCFM) on strengthening cooperation between financial intelligence units and law enforcement agencies in combating terrorist financing was held on October 2 – 4, 2018 in Almaty, Republic of Kazakhstan

The event was held in the form of two-day trainings and a joint workshop for representatives of the financial intelligence units and law enforcement agencies of the EAG / CIS member states.

As part of the "Analytical Methods on Information Gathering from Open Sources (Internet Intelligence)" section, the attendees figured out the methods of gathering, processing and using information from open sources for conducting investigations, as well as options to ensure the most effective use of the Internet. Particular attention was paid to the rules of arranging the integrated implementation of information monitoring tasks, and the rules for using analytical technologies and techniques of Internet intelligence in real search tasks. At the end the participants were trained to apply the received knowledge in practice.

The second section was devoted to the use of Interpol tools and services in identifying, suppressing and investigating cases related to the financing of terrorism (database). The seminar attendees received information about the structure of Interpol's databases, in particular, automated information tracking and search systems. They discussed the procedure for including information on persons in the database of the General Secretariat, the procedure and content of the request to carry out inspections of an internationally significant crime of a terrorist nature. The participants have learned about three modes of interaction of law enforcement agencies with the General Secretariat and law enforcement agencies of foreign states, Interpol members, in combating crimes of a terrorist nature.

The final day of the workshop was attended by representatives of the prosecution offices, special

services and FIUs of the EAG member states, the Organization for Security and Cooperation in Europe (OSCE), Interstate Aviation Committee (IAC), UN Office on Drugs and Crime (UNODC), Interpol and Europol. It was devoted to discussing methods used in various regions to identify persons financing terrorism, in particular, through the purchase of airline tickets. Indicators of financial transactions necessary for conducting parallel financial and criminal investigations against persons who provide assistance to terrorists were reviewed. The participants discussed the relevance and appropriateness of financial data in identifying "returnees" and "relocators". An analysis of criminal cases was also presented by the Prosecutor General's Office of the CIS member states, with a focus on the difficulties encountered in the investigation and support of public prosecution in criminal cases related to the financing of terrorism.

FATF/MONEYVAL/EAG Assessors' Training

On September 24-28, 2018, in Moscow (Russian Federation) a joint FATF/MONEYVAL/EAG workshop for assessors was held. The event was supported by the International Training and Methodology Centre for Financial Monitoring

The workshop was attended by representatives of financial intelligence units, regulators and supervisory bodies of the EAG and MONEYVAL countries, and the FATF experts.

With welcoming remarks the participants were addressed by the EAG Executive Secretary Vladimir Nechaev, MONEYVAL Executive Secretary Matthias Kloth, FATF Secretariat administrator Sergey Teterukov and Rosfinmonitoring Deputy Director Vladimir Glotov.

Vladimir Glotov:

- The new evaluation methodology has been used for five years now. Considerable experience has been gained. I am very pleased that the training, prepared jointly by the FATF, EAG and MONEYVAL, will be held with the use of the most modern techniques and technologies, so that you will acquire the most necessary and important knowledge, skills and abilities.

I would like to extend my gratitude to the International Training and Methodology Centre for Financial Monitoring that as usual has contributed a lot to the event. I also want to thank the coaches and trainers who found time and through complicated itineraries have reached Moscow to make your training as effective as possible".

During the seminar the participants exchanged experience and best practices in preparation for the mutual evaluation, using a variety of training formats, in particular team work and business games.

The international assessor Yehuda Shaffer (Israel) and FATF Secretariat administrator Sergey Teterukov (Russian Federation) shared their views on the event.

Yehuda Shaffer:

- The first thing to be paid attention to during the evaluation is collecting appropriate statistics. Typically countries are not regularly, routinely

collecting the relevant statistics that are needed for this methodology.

Second, as many relevant authorities as possible should be either formally or informally trained to understand what the methodology means.

Sergey Teterukov:

- The practical benefit of such workshops is that participants not only take note of the information and experience gained, but also understand the importance of their countries' adequate preparation for mutual evaluation, the importance of meeting the

standards and the possible consequences in case of non-compliance. Preparation for evaluations is a rather time-consuming process, and it won't be possible to show good results without long-lasting systematic efforts.

Regarding the last seminar, I want to emphasize that we had a great team of instructors and trainers. We noticed the high level of interest from the participants to the issues under consideration, which is certainly a positive aspect of the event. I would like to highlight the perfect organization of the workshop. It allowed to keep us concentrated.



Joint FATF/EAG FinTech and RegTech Forum

On September 4-5, 2018, the third forum on financial and regulatory technologies (FinTech and RegTech) was held in Hangzhou, China. The event was led by representatives of the People's Republic of China - Mr. Xiangmin Liu, the FATF Vice-President, and Ms. HAO Jinghua, Chairperson of the Eurasia Group on Combating Money Laundering and Financing of Terrorism (EAG).

Over 140 participants from the FinTech and RegTech sectors, financial institutions, and FATF members, associate members, states and observers attended the forum.

Since 2016, the FATF has engaged a constructive dialogue with FinTech and RegTech sectors, in order to support innovation in financial services, while addressing the regulatory and supervisory challenges posed by emerging technologies.

As part of this ongoing dialogue, governments and private sector experts discussed important issues such as digital ID, distributed ledger technology (blockchain), virtual currency. More broadly, they also discussed how technologies (such as artificial intelligence) can contribute to anti-money laundering

and counter terrorist financing (AML/CFT) compliance, risk assessment and management.

At the Forum public and private sector participants discussed the regulatory approaches to virtual currency/crypto assets and the risks associated with their use. Participants explored possible ways to clarify how the FATF standards apply to virtual currency providers and related businesses, which is the FATF Presidency's priority.

Participants reviewed the challenges that both jurisdictions and the private sector experience when digital identification product and services are used to carry out customer due diligence as part of the on-boarding process.

They discussed the approaches that different jurisdictions have taken to use digital ID products and services. Special attention was paid to the potential need for clarification of and/or change in the FATF Recommendations.

Also during the forum, the participants explored different DLT solutions (DLT - distributed ledger technology - ed.) for identification systems, discussed their potential benefits and risks in the context of AML/CFT obligations and examined technical and regulatory challenges associated with their adoption and use.

FATF Statement on Regulation of Virtual Assets

Paris, France, October 19, 2018

Virtual assets and related financial services have the potential to spur financial innovation and efficiency and improve financial inclusion, but they also create new opportunities for criminals and terrorists to launder their proceeds or finance their illicit activities. The FATF has therefore been actively monitoring risks in this area, and issued guidance on a risk-based approach to virtual currencies in 2015. There is an urgent need for all countries to take coordinated action to prevent the use of virtual assets for crime and terrorism.



The FATF Recommendations set out comprehensive requirements for combating money laundering and terrorist financing that apply to all forms of financial activity—including those that make use of virtual assets. However, governments and the private sector have asked for greater clarity about exactly which activities the FATF standards apply to in this context. The Risk-based Approach requires jurisdictions to identify money laundering and terrorist financing risks and take appropriate action to mitigate those risks. This includes identifying and mitigating illicit financing risks associated with new products or business practices, and other activities not explicitly referred to in the FATF Recommendations.

Given the urgent need for an effective global, risk-based response to the AML/CFT risks associated with virtual asset financial activities, the FATF has adopted changes to the FATF Recommendations and Glossary that clarify how the Recommendations apply in the case of financial activities involving virtual assets. These changes add to the Glossary new definitions of “virtual assets” and “virtual

asset service providers”. These changes make clear that jurisdictions should ensure that virtual asset service providers are subject to AML/CFT regulations, for example conducting customer due diligence including ongoing monitoring, record-keeping, and reporting of suspicious transactions. They should be licensed or registered and subject to monitoring to ensure compliance. The FATF will further elaborate on how these requirements should be applied in relation to virtual assets.

All jurisdictions should urgently take legal and practical steps to prevent the misuse of virtual assets. This includes assessing and understanding the risks associated with virtual assets in their jurisdictions, applying risk-based AML/CFT regulations to virtual asset service providers and identifying effective systems to conduct risk-based monitoring or supervision of virtual asset service providers. Some jurisdictions already regulate virtual asset activity in accordance with the 2015 guidance. Today’s clarifications to the FATF Standards are largely compatible with their existing regulatory requirements. The FATF emphasizes that jurisdictions have flexibility to decide under which AML/CFT category of regulated activities virtual asset service providers should be regulated, e.g. as financial institutions, DNFBPs, or as another, distinctive category.

The FATF uses the term “virtual asset” to refer to digital representations of value that can be digitally traded or transferred and can be used for payment or investment purposes, including digital representations of value that function as a medium of exchange, a unit of account, and/or a store of value. The FATF emphasizes that virtual assets are distinct from fiat currency (a.k.a. “real currency,” “real money,” or “national currency”), which is the money of a country that is designated as its legal tender.

The FATF Recommendations require monitoring or supervision only for the purposes of AML/CFT, and do not imply that virtual asset service providers are (or should be) subject to stability or consumer/investor protection safeguards, nor do they imply any consumer or investor protection safeguards. At this time, virtual asset service providers in most jurisdictions are not regulated for the purposes of financial stability or for investor and consumer protection. Some countries may decide to prohibit virtual assets based on their own assessment of risk.

The FATF Standards permit jurisdictions to prohibit certain activities based on risk and scope in that jurisdiction (e.g. casinos, in jurisdictions where gambling is illegal) and, provided the prohibition is enforced, does not require jurisdictions to have measures to regulate those prohibited activities. Jurisdictions wishing to prohibit virtual assets and their associated activities are therefore free to do so.

The FATF will provide clarification to jurisdictions in managing the ML and TF risks of virtual assets, while creating a sound AML/CFT regulatory environment in which companies are free to innovate. As part of a staged approach, the FATF will prepare updated guidance on a risk-based approach to regulating virtual asset service providers, including their supervision and monitoring; and guidance for operational and law enforcement authorities on identifying and investigating illicit activity involving virtual assets.

In light of the rapid development of the range of financial functions served by virtual assets, the FATF will also review the scope of activities and operations covered in the amended Recommendations and Glossary in the next 12 months and consider whether further updates are necessary to ensure the FATF Standards stay relevant.

Delegation from Tajikistan Meets EAG Assessors Face-to-Face

In September 2017 started the 2d round of mutual evaluations of the national anti-money laundering, counter-terrorist financing and counter-financing of proliferation of weapons of mass destruction (AML/CFT/CPWMD) system of Tajikistan, which is carried out by the EAG experts.



The first on-site mission of the assessors’ team to Dushanbe took place in March 2018. During the visit the experts met with representatives of relevant authorities in AML/CFT/CPWMD and the private sector. Subsequently in line with the established order the processing of draft MERs is remote.

To discuss problematic issues of the draft mutual evaluation report the delegation of Tajikistan headed by the Aide to President on Legal Issues M. Vatanzoda arrived to the Russian Federation and took part in the “face-to-face” meeting with EAG assessors. The event was held at the International Training and Methodology Centre for Financial Monitoring (Moscow).

The interagency delegation included representatives of heads and designated persons from AML/CFT/CPWMD ministries and agencies, in particular Ministry of Justice, Ministry of Internal Affairs, Prosecutor General’s Office, Supreme Court, Agency for State Financial Control and Anti-Corruption, Customs Service, Tax Committee, Tajikistan National Bank, Financial Monitoring Department under the Tajikistan

National Bank and State Committee for Investments and State Property Management.

The “face-to-face” meeting started with organizational issues. Most part of them was dedicated to ML/TF risks, international cooperation, legal system and operational activities, preventive and supervisory measures. Participants discussed the EAG assessors’ conclusions regarding the performance of LEAs and supervisors. Wrapping up the attendees touched upon immediate outcomes and technical compliance.

The outcomes of the mutual evaluation of the Tajik AML/CFT/CPWMD system will be discussed within the framework of the 29th EAG Plenary meeting to be held in November 2018 in Minsk (Republic of Belarus).

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

Telephone: +7 (495) 950-31-46, fax: +7 (495) 950-35-32. More information can be found on our website: <http://www.eurasiangroup.org>

Publisher: Autonomous Non-Profit Organization ITMCFM. Chief editor V. Nechaev. Editorial board: P. Kukushkin, I. Lisina, K. Litvinov, M. Bortnikova.