

## CHAIRMAN'S COLUMN



Dear colleagues,

At the moment, the range of problems that face international and national AML/CFT systems is expanding. Correspondent banking services, concealment of data on beneficial ownership, escalation of terrorism and violation in certain regions – here is a list of key issues, considered by the FATF Plenary in October.

In this regard, the initiative of enhancing FIUs' role in the organization by the new FATF President Juan Manuel Vega is more important as ever. EAG countries support this initiative, first of all via strengthening the expertise potential of national financial units' staff. Traditionally, we organize educational events that include in their agenda relevant issues of preparation and performance of assessment missions for the regular round of mutual FATF/EAG evaluations.

Another top priority is expansion of partnership in the field of personnel training for national anti-money laundering systems and search for global financial security solutions. To this end, a joint AML/CFT Institute and BRICS Business Schools Association conference was held in Moscow for the second time.

The current year is an important benchmark for the FIU of the Russian Federation, which is one of the Eurasian group's founding members. Within the framework of events dedicated to the 15th anniversary of Rosfinmonitoring, negotiations with delegations of EAG member-countries, FATF representatives, Egmont Group, MONEYVAL and other organizations took place. Our partners are sure that only joining our efforts we will be able to counter existing threats and challenges. By enhancing global security, we contribute to the stability of the global financial system and environment for its successful development.

**EAG Chairman,  
Yury Chikhanchin**

## EAG Delegation's Participation in FATF Plenary

*The EAG delegation, led by Eurasian Group Chairman Yury Chikhanchin, took part in the FATF Plenary in Paris on October 16-21, 2016*

### Efforts to Combat Terrorist Financing

Against the backdrop of rising terrorist threats, the FATF's efforts during the plenary were focused on the development of effective measures to combat the financing of terrorist groups, raising awareness about terrorist financing risks and ways to mitigate them.



In July 2016, the FATF reported to G20 on its on-going work to tackle terrorist financing, including the effective implementation of measures to criminalise terrorist financing and freeze terrorists' assets since February 2016. The G20 welcomed this progress and called for swift and effective implementation of FATF standards worldwide as a priority.

The FATF continues to prioritise efforts to strengthen the understanding of the terrorist financing threats, maintain up-to-date and effective tools to identify and disrupt terrorist financing and ensure that countries are appropriately and effectively implementing these tools. Delegates discussed progress in FATF's on-going work on terrorist financing.

The FATF has revised the Interpretive Note to Recommendation 5 (Terrorist financing offence) to reflect the provisions of the UNSC key anti-terrorist resolutions (2199 and 2253) and to ensure the inclusion of ISIL funding sources. The revision covers a broad range of economic support to terrorists, including trade in oil and other natural resources, and other assets which could be used to obtain funds.

In 2015, the FATF reviewed the global implementation of key counter-terrorist financing measures in 194 jurisdictions. The review revealed some countries had gaps in the respective legislation.

Delegates approved the Guidance on criminalizing terrorist financing.

The guidance sets out the specific elements that a country must implement to comply with the United Nations International Convention for the Suppression of the Financing of Terrorism (1999) and relevant United Nations Security Council Resolutions, and gives examples of various approaches that countries have used to implement them in the context of their different legal and operational frameworks. The guidance expands the scope of the terrorist financing offence to cover trade in oil and clarifies certain elements of the FATF standards, including the interpretation of the financing of individual terrorists in the absence of a link to a specific terrorist act and of foreign terrorist fighters (FTFs), as well as the relationship between criminalization requirements and application of targeted financial sanctions.

### Update information on ISIL funding

The understanding of ISIL/Daesh methods to raise, move and use funds, remains an important tool to disrupt their access to funding and



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deprive them of the ability to finance terrorist attacks. The FATF continues to monitor closely and analyse developments in this regard. During the Plenary, delegates discussed changes to the financing of ISIL.

The Plenary approved the proposal of the FATF's Risks, Trends and Methods Working Group to publish regular updates of the report as new information on ISIL funding is made available by FATF members.

As part of the work dedicated to monitoring of ISIL funding sources, the Plenary approved Russia's proposal to launch a new study on recruitment of terrorists, particularly by ISIL.

In 2013, the FATF and the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) published a report on terrorist financing in West Africa. Continuing violence in the West and Central African Region has made this area particularly vulnerable. Over the last years, Boko Haram has developed as one of the deadliest terrorist organizations in the region. The report looks at the contextual factors and the challenges that the West and Central African Region faces. It acknowledges that further work is needed in the area; in particular, it highlights the need for countries in the region to work closer together as well as with the broader international community to identify and disrupt terrorist financing.

Delegates approved a FATF report on Terrorist Financing in West and Central Africa, prepared with the involvement of two African FSRBs (GIABA and GABAC) and the delegation of Spain. The report further develops the topic touched on in 2013 and represents an updated version of the information and best practice papers introduced earlier.

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### FATF work to improve transparency and beneficial ownership information

Improving transparency and beneficial ownership has been in FATF's focus since 2003. The FATF standard on beneficial ownership was strengthened in 2012 to address vulnerabilities such as bearer shares and sets out comprehensive measures to ensure transparency and to prevent the misuse of corporate vehicles.

Today, the FATF Recommendations on beneficial ownership remain and are recognised as the gold standard globally. Nevertheless, recent developments, as well as the review of the first nine assessments in the fourth round of mutual evaluations, reveal that countries are still not fully and effectively implementing the measures to prevent the misuse of companies, trusts and other corporate vehicles. The FATF will undertake the following work:

- undertake a detailed study on the mechanisms used to hide and obscure the beneficial ownership of companies, trusts etc., including by focusing on the role played by professional intermediaries;
- prepare a study on the effective supervision and enforcement of beneficial ownership obligations, to review the different models that countries can use to exercise oversight and ensure they are properly applying the FATF requirements;

- focus on beneficial ownership in the follow-up processes to FATF mutual evaluations;
- provide clear and consistent recommendations to assessed countries on how to improve effective implementation of beneficial ownership requirements;
- enhance co-operation between the FATF and the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) to reinforce each other's work for improvement of beneficial ownership transparency.

In addition, the FATF Forum lent support to the Risks, Trends and Methods Working Group's proposal to launch a joint FATF/Egmont Group study on beneficial ownership and the role of intermediaries.

### Approval of the Guidance on Correspondent Banking Services

The Plenary approved the FATF Guidance on Correspondent Banking Services. The G20 initiated the process due to the need for further clarification of regulatory expectations. Correspondent banking services play an important role in the global economy. An incorrect understanding of AML/CFT measures can increase the costs of doing business, and cause unnecessary pressure on banks to end correspondent relationships.

The so-called 'de-risking' practice has negatively impacted correspondent banking, prompting some financial institutions to terminate business

relationship with entire regions or classes of customers. This is not in line with the risk-based approach, which is in the centre of the FATF Recommendations. De-risking can result in financial exclusion, less transparency. The loss of correspondent banking services complicates the process of making cross-border payments in some countries and could potentially harm the resilience and stability of the financial system.

This guidance examines the problem of de-risking and explains how to effectively manage money laundering and terrorist financing risks in the context of correspondent banking services and customer-to-customer value transfer services.

The FATF developed this guidance with input from the private sector, and in collaboration with the Financial Stability Board.

### Forum of the Heads of FATF Financial Intelligence Units

Strengthening the role played by financial intelligence units (FIU) in the FATF's work is one of the priorities of the newly elected FATF President Juan Manuel Vega-Serrano (Spain). In the margins of this Plenary meeting, the first forum of Heads of FIUs took place, which focused on improving information sharing and cooperation among the key agencies.

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The Plenary updated the list of jurisdictions with strategic deficiencies in the national anti-money laundering and countering the financing of terrorism (AML/CFT) systems.

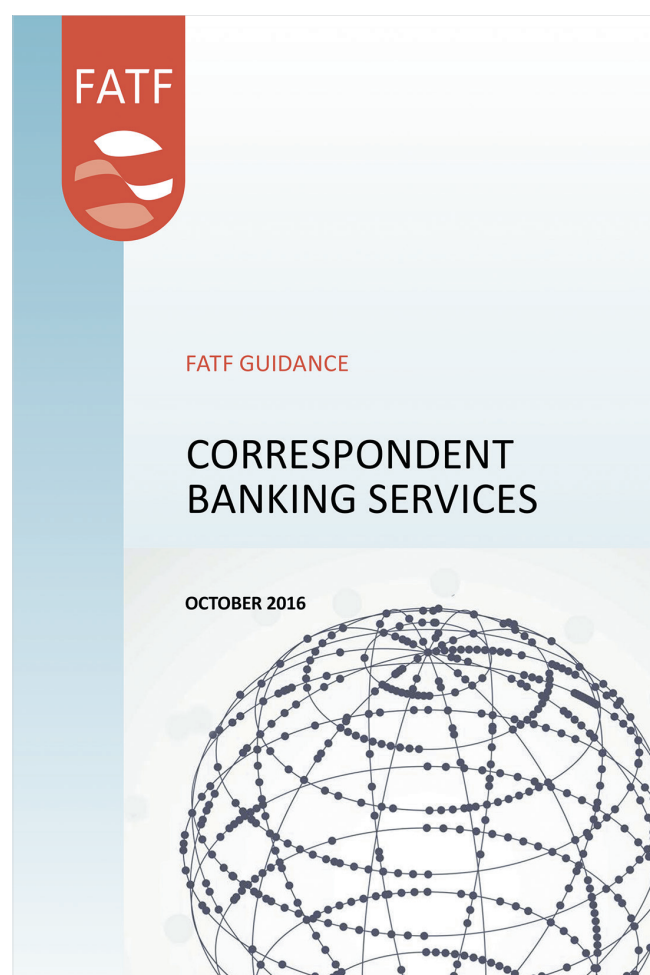
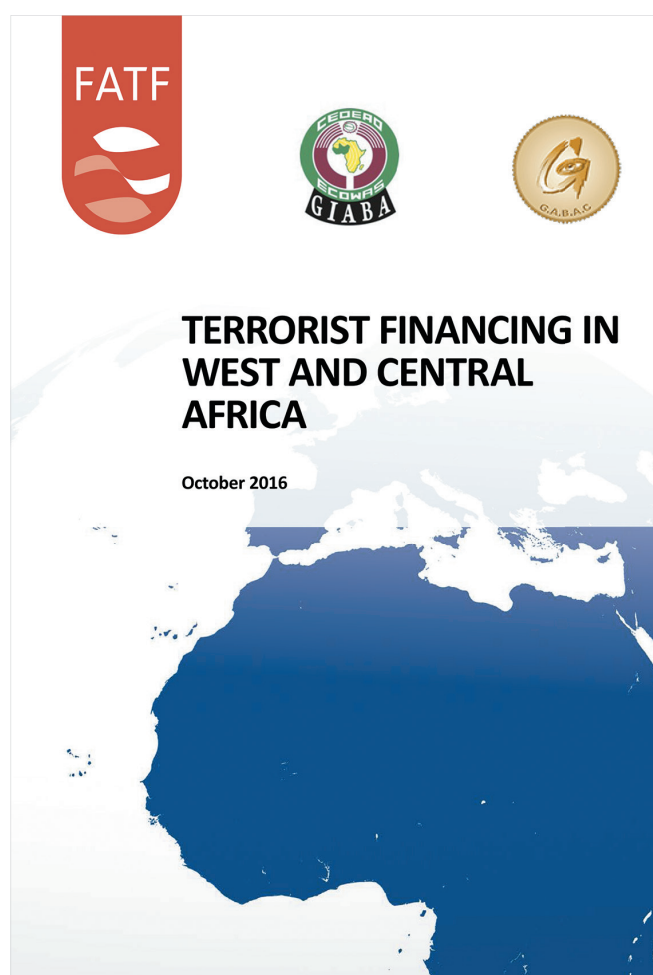
Following a review of progress made in the period since June 2016, the blacklist remained unchanged (North Korea and Iran). In respect of Iran, the Plenary confirmed the suspension of countermeasures until June 2017.

As part of the 4th round of FATF mutual evaluations, which began in 2014, delegates approved the mutual evaluation reports of the United States and Switzerland. Following their review, both countries were placed on the enhanced follow-up process and required to report their progress in addressing the identified deficiencies on an annual basis.

Importantly, in line with the Plenary's decision, Russia and the FATF Training and Research Institute (TREIN) will jointly host the FATF traditional joint expert typologies workshop in Moscow in March-April 2017, one of the FATF's key annual events attended by the majority of world-class experts.

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The next FATF Plenary will be held in Paris, in February 2017.





## Ready for Evaluation



On **September 12-16, 2016** Moscow hosted a training workshop for experts of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG). The event, dedicated to the analysis of mutual evaluations, theoretical explanations and practical application of best practices, was held under the auspices of the International Training and Methodology Centre for Financial Monitoring.

Mutual evaluations allow FATF and FSRBs member countries to assess other participants in the international AML/CFT system in order to reach an objective conclusion: whether the country has implemented the FATF procedures and

recommendations and to what extent its practices meet international standards. The methodology of the upcoming evaluation is fairly new, having been approved by the FATF in 2013 following the adoption in 2012 of the revised 40 Recommendations.

Among the responsibilities of the FATF-style regional bodies are the dissemination of information about the FATF standards, conducting mutual evaluations of its members and promoting political decision making aimed at their implementation.

The workshop was attended by international experts, representatives of financial intelligence units, general prosecution, ministries of internal affairs, national security and supervisory authorities, members of EAG observer delegations, as well as personnel of the ITMCFM and EAG Secretariat.

Trainings were conducted by EAG Secretariat experts, who shared with participants their unique practical experience of participation in mutual evaluations.

Representatives of attending countries were split into teams of assessors (several members in each team) and tasked with evaluating the AML/CFT

system of a fictional country. During the training participants went through all real-life phases of the evaluation process: risk assessment, technical compliance analysis, and interviews with the "representatives" of state agencies and the private sector. Particular attention during the training was paid to effectiveness assessment, an area that had previously been assessed in the context of other processes rather than as a stand-alone block.

One of the outcomes of the workshop was an increase in the number of experts and in their awareness of the procedures for conducting mutual evaluations as well as drafting, presenting and defending a report at FATF plenaries.

At the end of the workshop, trainers expressed hope that the acquired knowledge and skills would help participants better prepare for participation in the upcoming mutual evaluation.

### Thomas Mathew, General Manager, Department of Banking Regulations - Anti Money Laundering (AML) Division, Reserve Bank of India:



"I am familiar of assessment concept, but theory and practice are two different things. Even if there are lots of books and literature available on websites but this is not like reality. We got the practical

inputs in this seminar that was tremendous. Basically in the seminar practical situation was simulated which gives us what kind of issues could be confronted when we go for a real assessment. It also helps us to prepare our country for facing an assessment that is a major thing.

It should be noted that it's a multi country, multi region thing we will interact with people from different regions and we can know best practices. That's why it's very helpful to interact with representatives of different countries.

It should be emphasized that people who were conducting the workshop were quite experienced and their insights were very useful for us to understand what's happening, what are the things to be careful about, things that we need to treat consciously. So everything was very interesting. Workshop was well organized, the structure of the program was very systematical."

### Ainur Zhunusova, acting Head of F8 Department, Financial Monitoring Committee of Kazakhstan's Finance Ministry:



"The high qualification level of the EAG Secretariat staff involved in the training process and the quality of professional knowledge acquired by participants were impressive.

Among the highlights are the high organizational level, attention to detail, impressive hand-out materials and the quality of issues selected for discussion.

I was also surprised by the unusual format of the workshop, which involved the use of practical scenarios in discussions of the key issues as well as giving each trainee the opportunity to spend a few days playing the role of an assessor, which helped boost their AML/CFT knowledge and skills."

### Botagoz Seytbekova, Chief Expert, Financial Monitoring Committee of Kazakhstan's Finance Ministry:



"I believe the workshop represented an excellent opportunity for all participants to boost their practical experience. The well put together program, high-quality lecture materials and the practical component of the workshop all deserve top marks.

Add to this the professionalism of the EAG Secretariat experts, their excellent lecturing and debating skills, vast personal experience and highly effective work during the workshop.

I'd like to separately highlight the practical nature of the workshop, an approach that allowed us to fully experience the mutual evaluation and report drafting process, share experiences with our colleagues from other countries, and better understand the requirements for assessors and experts and the evaluation methodology. I'm confident that the acquired experience will further boost the professionalism of each participant, thereby making a positive impact on the upcoming round of mutual evaluations."



# FATF, MONEYVAL and Egmont Representatives' Participation in the Moscow International Conference "Threats and Risks to Global Economy"

*The international scientific and practical conference "Threats and Risks to Global Economy" was held in Moscow on November 1-3, 2016. The conference was organized by the network AML/CFT Institute in cooperation with the Federal Financial Monitoring Service and with the participation of the Russian Academy of Sciences and the Federal Agency for Scientific Organizations*



The opening ceremony was attended by Yury Chikhanchin, Chairman of the EAG; David Lewis, FATF Executive Secretary; Vladimir Nechaev, EAG Executive Secretary; Jérôme Beaumont, Egmont Group Executive Secretary; Daniel Thelesklaf, MONEYVAL Chairman; Matthias Kloth, MONEYVAL Executive Secretary; Heads of CIS FIUs; and representatives of the CIS, CSTO, SCO and the Association of BRICS Business Schools. Russia's delegation included representatives of the government agencies and academia as well as heads of the educational institutions comprising the network AML/CFT Institute.

In their speeches, roundtable participants outlined the key elements of the domestic and global financial security system, namely, a modern legislative framework, innovative analytical and forecasting techniques, and highly intelligent detection systems, while highlighting the key role in the fight against the shadow economy played by professional personnel.

In his speech, Yury Chikhanchin stressed the need to expand interagency cooperation, in particular, in the areas of personnel trainings. "By combining our efforts and the efforts of the network AML/CFT Institute with fundamental science, we will be able to achieve a breakthrough in fight against money laundering and terrorist financing. The outcomes of this integration could be felt in the outside world, resulting in the creation of regional and international scientific groups. This is why we should support this decision," said Chikhanchin.

The conference also included a student forum entitled "Future AML/CFT – Safety Zone (risks, challenges and solutions)".

## David Lewis, FATF Executive Secretary:



financial sector integrity and contributing to safety and security.

We're a task force of 37 members and 9 regional bodies working in partnership with the UN, IMF, World Bank and other organizations, including the Egmont Group. The FATF Global Network today includes 198 jurisdictions, all committed at the highest level to implementing the FATF standards and being assessed by their peers.

The FATF does three things: we research the ways criminals launder money and terrorist organizations raise and access funds; we set global standards to make life harder for criminals and terrorists; and we assess how effective countries are at fighting money laundering and terrorist financing."

## Jérôme Beaumont, Egmont Group Executive Secretary:



"Everyone's aware of the key role played by FIUs in the fight against money laundering and terrorist financing. Their three key functions include the receipt of information, its review and dissemination. Another important function concerns international cooperation, whose relevance is highlighted by the ever-increasing intensity of cross-border money laundering and terrorist financing cash flows.

I'd like to highlight the Egmont Group's capacity to tackle operational matters through its secure website. In fact, the group's secure communication system was used by the FIUs comprising the Egmont Group to send and receive over 25,000 information requests last year alone. At the same time, our organization is involved in the development of training programs and conducting AML/CFT research."