



Countering the Misuse of Virtual Assets & Virtual Asset Service Providers for Terrorism Financing Purposes

Handbook Based on EAG Practices



For an in-depth exploration of the findings, read the full report. **Scan the barcode.**



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INTRODUCTION

Virtual Assets (VAs) and Virtual Asset Service Providers (VASPs) are rapidly and increasingly integrated into the global financial system, but their potential misuse for criminal and terrorist financing (TF) purposes also poses a significant and evolving challenge.

The anonymous and borderless nature of VAs transactions complicates the ability of States to identify, track, and intercept illicit transactions using VA/VASPs, making it easier for criminals or terrorist entities to exploit these characteristics. While their potential misuse for criminal and terrorist financing (TF) purposes is a concern, the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) Member States have shown commendable progress in addressing these questions - some demonstrating a high degree of sophistication and robustness in identifying and mitigating the risks associated with the use of VAs for TF purposes. These efforts include VA-specific investigative techniques, prosecutorial practices, and adequate mechanisms for securing virtual asset seizures.

While these advancements are work in progress, there is a need for a more cohesive and harmonized approach across

the region to further strengthen the effectiveness of these initiatives. Consistent legal and regulatory frameworks will be crucial in reducing vulnerabilities posed by the misuse of VAs and enhancing the collective security of the EAG region.

The report developed by the United Nations Counter-Terrorism Centre (UNCCT) of the United Nations Office of Counter-Terrorism (UNOCT) in collaboration with the EAG and the Federal Service for Financial Monitoring of the Russian Federation (Rosfinmonitoring) offers an analysis of the existing frameworks and practices adopted by EAG Member States to meet the requirements established by the Financial Action Task Force (FATF) in its Recommendation 15. It highlights both the achievements and the areas where continued efforts can ensure that EAG Member States remain at the forefront of combating the misuse of VAs for TF purposes.

To inform this publication, three regional consultations were held, drawing on the expertise of public institutions, the private sector, and academia.

Russian Federation AUG '23

The first consultation was organized in Moscow, the Russian Federation, on August 24, 2023, where 1200 people representing over 20 countries attended both online and in-person.

Kyrgyz Republic SEP '23

The second consultation took place in Issyk-Kul, the Kyrgyz Republic, on September 4-5, 2023, with a total of 30 experts attending in-person.

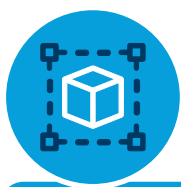
Uzbekistan NOV '23

The third consultation was organized in Tashkent, Uzbekistan, on November 13-14, 2023, and was attended in-person by a total of 140 experts.

China DEC '23

The preliminary results were presented at the EAG Plenary meeting in Sanya, China, 9 December 2023.

KEY HIGHLIGHTS



International framework to combat the misuse of VA/VASPs for TF purposes

FATF provides a comprehensive framework to prevent the criminal misuse of VAs. EAG Member States have made considerable progress in implementing these standards, though opportunities remain for further alignment. Strengthening this alignment will reinforce the region's resilience against threats to regional and global security.



Threats of misuse of VA/VASPs for TF purposes in the EAG

The report delves into specific cases, profiles and methodologies employed by terrorist entities in the EAG States to exploit VAs and VASPs, revealing that the region is not immune from the threat. By showcasing both the challenges and the practices implemented, the report illustrates the need to remain alerted and prepared to address the threat of misuse of VAs/VASPs for TF purposes.



How do EAG members address the risk of misuse of VA/VASPs for TF purposes?

As VA-based activities grow, EAG members have responded with varying degrees of regulation for VAs and VASPs in response to FATF Recommendation 15 pertaining to new technologies. The report examines how these regulations are being applied within the different EAG Member States, all presenting different geopolitical, security and economic contexts, while also identifying opportunities for enhancement.

MOVING FORWARD

This report can serve as a basis for further implementing an urgent and collaborative response from the EAG Member States for significantly reducing the risks associated with VAs and VASPs for TF.

1. Enhancing Legal and Regulatory Frameworks

The alignment of laws, regulations, and practices with international standards, particularly FATF recommendations, is imperative. This includes ensuring compliance with international law, encompassing humanitarian, human rights, and refugee laws, which is fundamental to implementing effective mitigation strategies. The publication underscores the importance of establishing harmonized regulations and rigorous enforcement of FATF standards aligned on a risk-based approach to address these risks.

2. Strengthening Cooperation Across the EAG Region

The publication highlights successful examples of information sharing and joint initiatives that have enhanced the region's capacity to respond to TF threats associated with the misuse of VAs/VASPs. It advocates for the expansion of these cooperative efforts, recognizing that a collective approach is more effective than isolated actions.

3. Encouraging Public-Private Partnerships

Public-private partnerships play a crucial role in countering organized crime and TF through VAs. The report emphasizes the importance of ongoing dialogue and collaboration between government agencies and the VA/VASP sector. Such partnerships not only improve the understanding of risks both ways but also ensure that regulatory requirements are met in a manner that is effective and practical. The report provides case studies demonstrating how these partnerships have led to tangible improvements in risk management and regulatory compliance.



Join the effort to combat the misuse of VAs/VASPs

The UNCCT within UNOCT is committed to supporting EAG Member States in their endeavor to ensure that the implementation of FATF Recommendation 15 is strengthened in accordance with international standards. Through continued collaboration, capacity-building initiatives, and the sharing of good practices, we can collectively make significant strides in countering the misuse of VAs for TF purposes.

CONTACT

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Disclaimer

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