

# **International Cooperation in Combating Money Laundering and Terrorist Financing: A Central Asian Perspective**

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## Abstract

The purpose of this study was to analyse the general situation concerning combating money laundering and support for terrorism by examining the trends and dynamics of this vector in the countries of Central Asia. The main research methods were statistical, using which the key qualitative and quantitative indicators of the sphere were identified, and system analysis, using which the basic components of the subject under study were determined. The situation regarding illicit financial transactions and terrorist financing in Europe is worsening, with an increasing number of risks to this area of political activity.

## Keywords

economic system – money laundering – criminal activity– mutual evaluation – bank secrecy.



## Introduction

In the 21st century, in the conditions of rapid development of all components of democratic society, establishment of market economy and globalisation, there are all possibilities for rapid and harmonious development of financial systems of the overwhelming majority of countries. The quality of the reforms, the level of political maturity of the governing bodies, and the consciousness of the citizens directly determine the effectiveness of this process. However, along with the improvement of information and service tools in the sector, there is a growing threat of part of the economy becoming “shadowed” – by legalising financial flows obtained illegally. The study of countering unauthorised financial transactions and support for terrorist groups is a relevant and prompt assignment. Illegal money transactions are a major threat to the financial and economic system of any country. Since such operations are illegal, they are not included in official statistics and forecasts, making it extremely difficult to predict their impact on the overall situation.

Central Asia is a strategically important region because of its location, acting as a link between major powers and offering access to abundant natural resources such as oil, gas, and minerals. Central Asia is also important in the context of international security, as it plays a critical role in the stability of the broader Eurasian region, especially in light of its proximity to Afghanistan, a country facing ongoing conflict and political instability. Central Asia is witnessing a gradual shift toward modernization and development, with some countries, such as Kazakhstan and Uzbekistan, making strides in economic reform and political liberalization. Challenges remain, including issues of governance, corruption, ethnic tensions, and human rights abuses. The region is also grappling with environmental concerns, such as water scarcity and the legacy of the Aral Sea disaster. Despite these challenges, Central Asia remains a crucial region, both for its potential to contribute to global energy supplies and its strategic importance in regional security dynamics.

The international definition of anti-money laundering (AML) includes three stages: placing illegal funds into the financial system, disguising them through complex financial transactions, and integrating these funds into the legal economy. Terrorist financing includes the provision of funds to terrorist organizations, regardless of whether these funds are legal or illegal. The current level of anti-money laundering and combating the financing of terrorism (AML/CFT) varies between countries: developed countries have sophisticated legal and financial systems to prevent such crimes, but many countries, especially in developing countries, have problems with infrastructure, enforcement and international cooperation. The main ideas in the academic debate concern the balance between strict regulation and economic growth, the effectiveness of international standards and their application to different socioeconomic realities, and the role of financial institutions in ensuring compliance with standards.

Due to the improvement of systems of financial support of all life processes in the state, committing wrongdoing in this sector has become a fairly simple and quick task. The weaker and more unprepared the structure of the state as a whole or its individual actors (financial institutions), the greater the amount of damage and the higher the chances of reputational losses. Many banks and other participants of financial and economic relations – both at the level of the state and region, and internationally – are trying to solve this issue by developing universal mechanisms and instruments of monitoring and control. Due to many reasons (e.g., different levels of socio-economic development, differences and inconsistencies in the regulatory environment), additional obstacles to cooperation among all states to find a solution to this problem are created.

One of the most relevant and key elements of successful state development is a mature and well-functioning financial system – with a maximally legal, democratic and transparent functioning regime. D. Tatarinov and M. Doszhanova<sup>1</sup> believed that the rapid development of new tools and methods of market economy, along with the formation of free access to all its services for as many citizens as possible, is the key to the successful transfer of money flows at the international level. The innovative banking sector, with innovative solutions and advanced technologies, creates preconditions for an increase in the amount of illegally obtained money, especially, according to C.N. Cotoc et al.<sup>2</sup>, it concerns developing countries with a transitional economic regime. Various institutions regulating the sphere, such as the Financial Action Task Force on Money Laundering (FATF), according to the assumptions of N. Vnukova,<sup>3</sup> contribute to accelerating the pace of problem solving and consolidate international cooperation in the context of combating illegal assets. According to B. Tatibekov and K. Fatehi,<sup>4</sup> shadow economy, financial transactions “on the side” and support of criminal groups are the key problems of development of this sector in the countries of Central Asia. However, the researchers did not focus on the fact that, when considering individual regions or geographical areas, it is necessary to capture the minute features of each particular country in the context of analysing the methods of combating financial crime.

Comparing some states through the lens of their readiness to counter the processes of legalisation of illicit money assets, G. Pavlidis<sup>5</sup> discusses the significance of a priority analysis of international cooperation in this regard, preferably with partners with a higher level of development of financial systems. To intensify international cooperation in countering terrorist financing through offshore zones, E. Sigayev and B. Aliyeva<sup>6</sup> considered that studying the FATF’s practices in Central Asian countries is practical in terms of borrowing some useful skills and methods. At the same time, however, the experts did not consider the use of the results and experience of other countries in this area to be critical for the Central Asian countries to improve their anti-money laundering systems. In terms of effective methods of combating criminal and illegal operations in the banking sector at the level of interstate and interagency cooperation, V. Bodoyan<sup>7</sup> considered such a method as targeted control over the growth of the number of offshore zones, D. Godbersen<sup>8</sup> – statutory regulation

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1 D. Tatarinov, & M. Doszhanova, ‘Offshore, as a way to optimize tax payments and method of tax evasion from organizations at the international level’, *International Relations and International Law Journal*, 2:86, 2019, 74-80,

2 C.N. Cotoc, M. Nitu, M. Scheau, & A.C. Cozma, ‘Efficiency of money laundering countermeasures: Case studies from European Union member states’, *Risks*, 9:6, 2021, 120,

3 N. Vnukova, ‘The evolution of the model of international interaction at the global level in the fight against terrorism’, in *International Scientific and Practical Online Conference Dedicated to the 30th Anniversary of Independence of the Republic of Kazakhstan* (pp. 51-54), Karaganda: Idylia, 2021,

4 B. Tatibekov & K. Fatehi, ‘Informal employment in the transitional economy of Kazakhstan’, *Competition Forum*, 18:1-2, 2020, 208-223,

5 G. Pavlidis, ‘The dark side of anti-money laundering: Mitigating the unintended consequences of FATF standards’, *Journal of Economic Criminology*, 2, 2023, 100040.

6 E. Sigayev & B. Aliyeva, ‘Comparative characteristics of systems Anti-money laundering and combating the financing of terrorism mechanisms Republic of Kazakhstan and Russian Federation’, *The Journal of Economic Research & Business Administration*, 143:1, 2023, 184-191.

7 V. Bodoyan, ‘Offshore business and international experience of its regulation’, *Economics Finance and Accounting*, 2:12, 2023, 35-45.

8 D. Godbersen, ‘International law enforcement, judicial cooperation and criminal investigations under the new EU and UK cooperation agreement: What are the implications for data sharing, mutual legal assistance and extradition?’, 2022, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4265899](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4265899).

of the sphere of cooperation, while M. Mitra and S. Roy<sup>9</sup> emphasised the significance of introducing modern information technologies in the structure of financial security of each state.

The purpose of this study is to identify the specific features of the sphere of combating illicit money trafficking and financing of criminal groups through the analysis of current trends in the Central Asian region. The objectives of the study were to identify the general situation in the AML/CFT sphere in the 21st century; to identify the key features of the development of the sphere of combating money laundering; to investigate the specific features, as well as qualitative and quantitative indicators of the Central Asian countries in the context of the subject under study; to develop general recommendations for improving the quality and level of performance of tasks following the FATF recommendations.

## Materials and Methods

Using a variety of qualitative and quantitative statistical data, the study investigated the key indicators of change trends and dynamics in the development of the sphere of countering illicit money trafficking and the financing of terrorist activities. The positions of countries with different levels of financial system development in the context of resistance to money laundering were also analysed. The fundamental stages of policy formation regarding anti-money laundering in the EU countries are compared and considered in the context of analysing certain time periods (the late 1990s of the 20th century, the beginning of the 21st century).

To obtain a more detailed picture of the vector of anti-money laundering, a comparison and delineation of some functions of a series of relevant international organisations (e.g., FATF, Eurasian Group on Combating Money Laundering and Financing of Terrorism) was performed. Through the lens of defining the basic elements and key components of the subject under study, such indicators and definitions of the sphere of counteraction to illegal financial transactions as the subject and methodology of the study, goals and objectives, main characteristics and features were summarised.

The following materials were selected, reviewed, and analysed to better understand the subject matter under study in the context of analysing activities aimed at anti-money laundering and combating the financing of terrorism: regulations (Law of the Republic of Kazakhstan No. 191-IV “On Combating the Legalisation (Laundering) of Proceeds of Crime and the Financing of Terrorism”,<sup>10</sup> Law of the Republic of Uzbekistan No. 660-II “On Combating the Legalisation of Proceeds of Crime, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction”,<sup>11</sup> Law of the Kyrgyz Republic No. 87 “On Countering the Financing of Terrorist Activities and Legalisation (Laundering) of Criminal Proceeds”,<sup>12</sup> Law of the Republic of Tajikistan No. 1404 “On Countering the Legalisation (Laundering) of Proceeds of Crime, the Financing of

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9 M., Mitra & S., Roy, ‘Enhancing anti-money laundering efforts with AI and ML a comprehensive approach to financial crime prevention’, *International Journal of Novel Research and Development*, 6:9, 2021, 14-19.

10 Law of the Republic of Kazakhstan No. 191-IV ‘On Combating the Legalisation (Laundering) of Proceeds of Crime and the Financing of Terrorism’, 2009, [https://adilet.zan.kz/rus/docs/Z090000191\\_](https://adilet.zan.kz/rus/docs/Z090000191_).

11 Law of the Republic of Uzbekistan No. 660-II ‘On Combating the Legalisation of Proceeds of Crime, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction’, 2004, <https://lex.uz/docs/284542>.

12 Law of the Kyrgyz Republic No. 87 ‘On Countering the Financing of Terrorist Activities and Legalisation (Laundering) of Criminal Proceeds’, 2018, <https://cbd.minjust.gov.kg/111822/edition/2757/ru>.

Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction”,<sup>13</sup> Law of the Turkmenistan No. 335-VI “On Combating the Legalisation of Proceeds of Crime, the Financing of Terrorism and the Financing of Proliferation of Weapons of Mass Destruction (New Version)”,<sup>14</sup> International Convention for the Suppression of the Financing of Terrorism,<sup>15</sup> United Nations Convention against Corruption,<sup>16</sup> Counter-terrorism in Central Asia<sup>17</sup>; official reports and documents of state bodies (A New Strategic Agenda 2019-2024,<sup>18</sup> Timeline: EU Action against Money Laundering and Terrorist Financing<sup>19</sup>); analytical materials and regulatory documents of international organisations (Agreement on the Eurasian Group on Combating Money Laundering and the Financing of Terrorism<sup>20</sup>, Convention on Legal Assistance and Legal Relations in Civil, Family and Criminal Matters,<sup>21</sup> Agreement on Combating the Legalization (Laundering) of Proceeds from Crime and the Financing of Terrorism when Moving Cash and (or) Monetary Instruments across the Customs Border of the Customs Union,<sup>22</sup> Agreement on the Formation of the Council of Heads of Financial Intelligence Units of the Member States of the Commonwealth of Independent States, FATF Recommendations<sup>23</sup>, Study on the Payment Attitudes of Consumers in the Euro Area (SPACE) – 2022,<sup>24</sup> Fight against Money Laundering and Terrorist Financing in the EU<sup>25</sup>); statistical data (Suspicious Transaction Reports in Numbers<sup>26</sup>, Basel AML Index<sup>27</sup>, Statistical Agency under the President of the Republic of Uzbekistan<sup>28</sup>); information and reference

13 Law of the Republic of Tajikistan No. 1404 ‘On Countering the Legalisation (Laundering) of Proceeds of Crime, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction’, 2017, [https://track.unodc.org/uploads/documents/BRI-legal-resources/Tajikistan/7\\_-\\_pdf](https://track.unodc.org/uploads/documents/BRI-legal-resources/Tajikistan/7_-_pdf).

14 Law of Turkmenistan No. 335-VI ‘On Combating the Legalisation of Proceeds of Crime, the Financing of Terrorism and the Financing of Proliferation of Weapons of Mass Destruction (New Version)’, 2021, <https://minjust.gov.tm/ru/hukuk/merkezi/hukuk/426>.

15 International Convention for the Suppression of the Financing of Terrorism, 1999, [https://www.un.org/ru/documents/decl\\_conv/conventions/terfin.shtml](https://www.un.org/ru/documents/decl_conv/conventions/terfin.shtml).

16 United Nations Convention against Corruption, 2004, [https://www.unodc.org/documents/brussels/UN\\_Convention\\_Against\\_Corruption.pdf](https://www.unodc.org/documents/brussels/UN_Convention_Against_Corruption.pdf).

17 United Nations, ‘Counter-terrorism in Central Asia’, 2024, <https://www.un.org/counterterrorism/cct/counter-terrorism-in-central-asia>.

18 European Council, ‘A New Strategic Agenda 2019-2024’, 2019, <https://www.consilium.europa.eu/en/press/press-releases/2019/06/20/a-new-strategic-agenda-2019-2024/>.

19 European Council, ‘Timeline: EU Action against Money Laundering and Terrorist Financing’, 2024, <https://www.consilium.europa.eu/en/policies/fight-against-terrorism/fight-against-terrorist-financing/timeline/>.

20 Agreement on the Eurasian Group on Combating Money Laundering and the Financing of Terrorism, 2011, <https://eurasiangroup.org/files/uploads/files/Agreement.pdf>.

21 Convention on Legal Assistance and Legal Relations in Civil, Family and Criminal Matters, 2002, <https://cbd.minjust.gov.kg/17401/edition/297440/ru>.

22 Agreement on Combating the Legalization (Laundering) of Proceeds from Crime and the Financing of Terrorism when Moving Cash and (or) Monetary Instruments across the Customs Border of the Customs Union, 2011, [https://www.consultant.ru/document/cons\\_doc\\_LAW\\_123791/](https://www.consultant.ru/document/cons_doc_LAW_123791/).

23 FATF, ‘International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation’, 2023, <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>.

24 European Central Bank, ‘Study on the Payment Attitudes of Consumers in the Euro Area (SPACE) - 2022’, 2022, [https://www.ecb.europa.eu/stats/ecb\\_surveys/space/shared/pdf/ecb.spacereport202212-783ffdf46e.en.pdf](https://www.ecb.europa.eu/stats/ecb_surveys/space/shared/pdf/ecb.spacereport202212-783ffdf46e.en.pdf).

25 European Council, ‘Fight against Money Laundering and Terrorist Financing in the EU’, 2024, <https://www.consilium.europa.eu/en/policies/fight-against-terrorism/fight-against-terrorist-financing/>.

26 Suspicious Transaction Reports in Numbers, 2023, <https://anti-money-laundering.eu/suspicious-transaction-reports-in-numbers/>

27 Basel AML Index, ‘Global Ranking in 2023’, 2023, <https://index.baselgovernance.org/ranking>.

28 Statistical Agency under the President of the Republic of Uzbekistan, ‘Number of Registered Crimes in the Economic Sphere (total)’, 2024, <https://stat.uz/ru/ofitsialnaya-statistika/crime-and-justice>.



materials<sup>29, 30, 31</sup>, Mutual Evaluation Reports<sup>32</sup>) These materials have provided support for more detailed analyses in the context of research into ways and mechanisms for countering illicit money trafficking as it relates to the financing of criminal activities in Central Asian countries.

## Results

### *The sphere of counteraction to laundering of illegal proceeds in the 21st century*

The post-war period, which came at the end of the Second World War, was marked by the beginning of independence and strengthening of the financial sector in many countries of the world (USA, UK, Australia).<sup>33, 34</sup> The rapid growth and increased pace of cash-related transactions have reached their highest point since the beginning of this political initiative. This refers to the significant growth and increase in the speed of financial transactions, particularly those involving cash, that began after World War II. This growth peaked following policy initiatives aimed at liberalizing and strengthening the financial sector, especially in countries such as the United States, United Kingdom, and Australia. This expansion of financial activities was a direct result of policy decisions aimed at developing the financial industry and opening up global markets, which led to a rapid growth in cash transactions that became increasingly dynamic and widespread over time. As the volume of financial transactions grew, so did the number of illegal money transactions. By the mid-1990s, the number of offshore zones exceeded 40, and already at the beginning of the 21st century it was over 100<sup>35, 36</sup>. Due to improvements in banking operations and financial instruments, there have been increasing trends in the number of suspicious wire transfers (Figure 1).

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29 European Council, 'Exchange of Experiences and Practices between Europe and Central Asia on Asset Recovery and Asset Management', 2022, <https://pjp-eu.coe.int/en/web/central-asia/-/exchange-of-experiences-and-practices-between-europe-and-central-asia>

30 'Almost 36 billion tenge was the Damage from Economic Crimes in the Republic of Kazakhstan', 2023, <https://inbusiness.kz/ru/last/pochti-36-mlrd-tenge-sostavil-usherb-ot-ekonomicheskikh-prestuplenij-v-rk-v-yanvare-iyune-2023-goda>.

31 '63% of Economic Crimes in the Kyrgyz Republic are Abuse of Power', 2022, <https://www.akchabar.kg/ru/news/629-ekonomicheskikh-prestuplenij-prihoditsya-na-prevyshenie-polnomochij/>.

32 'Mutual Evaluation Reports', 2024, <https://eurasiangroup.org/en/mutual-evaluation-reports>.

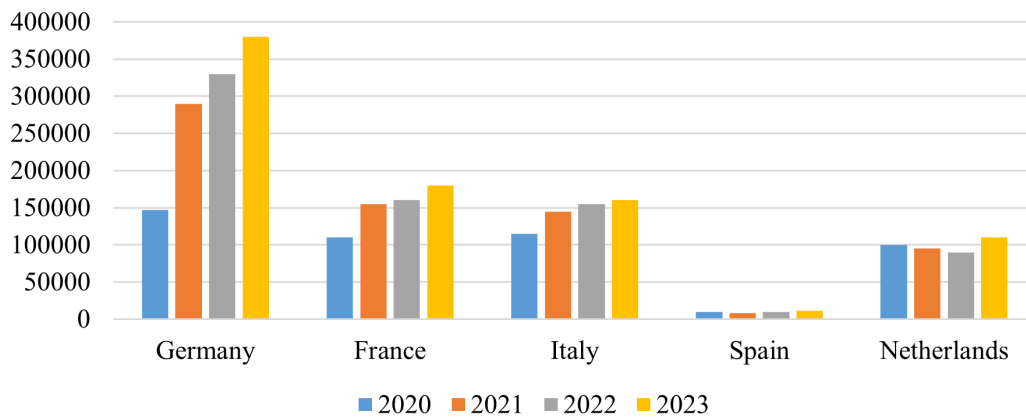
33 A. Japinye, 'Integrating machine learning in anti-money laundering through crypto: A comprehensive performance review', *European Journal of Accounting, Auditing and Finance Research*, 12:4, 2024, 54-80.

34 M. Svensson, "'Dirty money exploits weakness to enter": A narrative literature review on the challenges of combatting money laundering', Malmö: Malmö University, 2021, <https://www.diva-portal.org/smash/get/diva2:1584657/FULLTEXT02.pdf>

35 D. Tatarinov, & M. Doszhanova, 'Offshore, as a way to optimize tax payments and method of tax evasion from organizations at the international level', *International Relations and International Law Journal*, 2:86, 2019, 74-80.

36 V. Bodoyan, 'Offshore business and international experience of its regulation', *Economics Finance and Accounting*, 2:12, 2023, 35-45.

**Figure 1.** Number of suspicious transaction reports in some EU countries for 2020-2023



Source: compiled by the author of this study based on <sup>37, 38, 39</sup>.

Before starting to consider the vector of international cooperation in the field of combating financial fraud, it is necessary, first of all, to understand the basic concepts and terms. Thus, the definition of the phrase “money laundering” does not have a clearly defined interpretation; in general terms, this phenomenon can be described as the transformation of illegally obtained money into legal income by concealing its source through a non-transparent system of transactions (Table 1).

**Table 1.** The main stages of money laundering and its legalisation by illegal means

Placement		Differentiation	Integration
Obtaining money by illegal means	Introduction of money into the financial system of the state	Transfer of money to the bank account of firm A	Investment of money in the purchase of property (movable, immovable)
		↓↑ Transfer of money from firm A to firm B (credit, loan)	
		↓↑ Transfer of money from firm B to firm A for certain services	

Source: compiled by the author of this study based on <sup>[2; 25; 37]</sup>.

37 European Council, ‘Fight against Money Laundering and Terrorist Financing in the EU’, 2024, <https://www.consilium.europa.eu/en/policies/fight-against-terrorism/fight-against-terrorist-financing/>.

38 Suspicious Transaction Reports in Numbers, 2023, <https://anti-money-laundering.eu/suspicious-transaction-reports-in-numbers/>.

39 M. Bergström, ‘The EU’s fight against money laundering and terrorist financing in a digital and fragmented world’, in *The Borders of the European Union in a Conflictual World* (pp. 177-203), Cham: Palgrave Macmillan, 2024.



Together with illegal financial transactions, such concepts as legalisation of income, deshadowing of financial activities are used as antonyms. In the middle of the 20th century, the massive financial flows and the amount of remittances that took place in the financial system of countries such as, for instance, Switzerland, allowed them to become the leading economies of the world through profit making by saving monetary investments from other nations. This practice was noticed by the United States, which, through the reform of legislation, made the process of transferring foreign capital as easy as possible, which caused a large-scale surge in the illegal movement of drugs and other illicit substances, as well as the purchase of real estate to offshore accounts (such as those located in countries where there is no taxation on income earned outside of these countries).<sup>40, 41, 42</sup> The measures applied by Washington (tax increases, tightening of credit restrictions) have not had the desired effect.

In 1970, the Bank Secrecy Act was passed, under which banks were obliged to hand over information about a customer who made a transaction of USD 10,000 or more.<sup>43</sup> International organisations (e.g., the United Nations (UN) and the EU) have also followed the US example by including this norm in their strategies and plans to combat corruption and organised crime. Thus, based on the existing practices and experience of member countries, under the auspices of the UN, a universal AML/CFT structure was developed, based on a series of regulatory documents (e.g., the International Convention for the Suppression of the Financing of Terrorism,<sup>44</sup> the United Nations Convention against Corruption<sup>45</sup>), including a range of preventive measures (Figure 2).

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40 D. Godbersen, 'International law enforcement, judicial cooperation and criminal investigations under the new EU and UK cooperation agreement: What are the implications for data sharing, mutual legal assistance and extradition?', 2022, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4265899](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4265899).

41 Bieler, 'Peeking into the house of cards: Money laundering, luxury real estate, and the necessity of data verification for the corporate transparency act's beneficial ownership registry', *Fordham Journal of Corporate & Financial Law*, 27:1, 2022, 193-258.

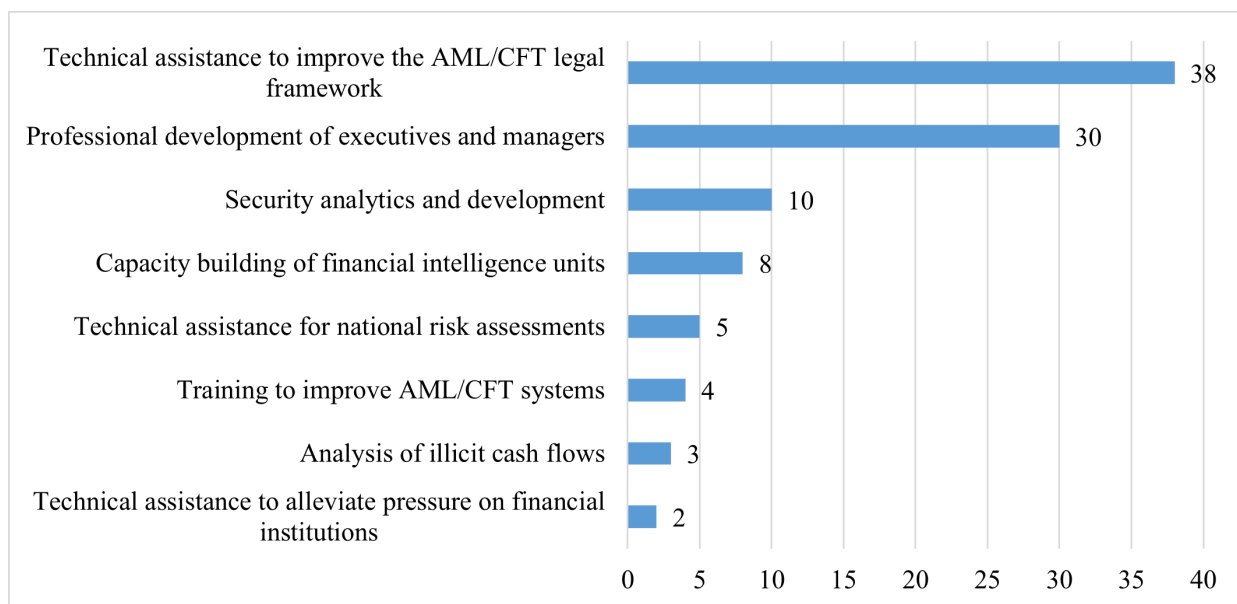
42 L. Agustino, I. Fitriani, F. Reyta, & G. Fajar, 'Beneficial ownership transparency strategy in law enforcement of the money laundering act involving corporations', *Corporate & Business Strategy Review*, 4:3, 2023, 148-158.

43 F. Teichmann & M.C. Falker, 'Terrorist financing via the banking sector', *Crime, Law and Social Change*, 2024.

44 International Convention for the Suppression of the Financing of Terrorism, 1999, [https://www.un.org/ru/documents/decl\\_conv/conventions/terfin.shtml](https://www.un.org/ru/documents/decl_conv/conventions/terfin.shtml).

45 United Nations Convention against Corruption, 2004, [https://www.unodc.org/documents/brussels/UN\\_Convention\\_Against\\_Corruption.pdf](https://www.unodc.org/documents/brussels/UN_Convention_Against_Corruption.pdf).

**Figure 2.** AML/CFT constituent elements reported by the UN to member countries, %\*



*Note: \* – the percentage of the level of impact on activities is calculated based on statistical reports and qualitative analyses of the AML/CFT activities of UN member countries in the context of the effectiveness of the implementation of certain measures (e.g., analytics and development of security systems is applied by 10% of companies out of the total number of companies).*

*Source: compiled by the author of this study based on [10; 15-17; 40-42].*

The most significant focus, with 38%, is on technical assistance to improve the AML/CFT legal framework. This reflects the priority placed on enhancing legal infrastructures as a foundational element of AML/CFT efforts. The second largest percentage, 30%, is directed towards the professional development of executives and managers, emphasizing the importance of leadership training in effectively implementing AML/CFT systems. Security analytics and development, at 10%, represents a growing recognition of the importance of data analysis in detecting and preventing illicit financial activities. Capacity building for financial intelligence units, which received 8%, highlights the need for strengthening specialized units that handle financial intelligence and investigation. A smaller share, 5%, is allocated to technical assistance for national risk assessments, underscoring the necessity of identifying country-specific risks related to money laundering and terrorism financing. Training to improve AML/CFT systems accounts for 4%, indicating ongoing efforts to enhance the effectiveness of existing measures. The analysis of illicit cash flows, at 3%, though important, is less emphasized compared to other activities. Technical assistance to alleviate pressure on financial institutions received the least attention, at just 2%, showing that while financial institutions face challenges in compliance, this area is not the primary focus of AML/CFT efforts.

International efforts to combat AML and the CFT are led by bodies like the FATF, which sets global standards through its recommendations, widely adopted by countries. The European Union also plays a significant role, introducing directives like the Anti-Money Laundering Directives to strengthen member states' frameworks, focusing on customer due diligence, reporting obligations, and cooperation between financial institutions. Organizations like the United Nations and the World Bank support countries in building legal and institutional

frameworks and enhancing international cooperation. Despite progress, challenges remain, particularly with cross-border cooperation and regulating new financial technologies, but global and regional efforts continue to evolve in addressing financial crimes.

EU legislation is considered exemplary in terms of borrowing practices in combating the legalisation of illicit assets and the financing of criminal groups.<sup>46, 47</sup> The EU's AML/CFT activities include the prohibition of money laundering and the application of preventive measures against this phenomenon.<sup>48</sup> At the end of the 1990s, Brussels began to revise the then existing structure of anti-money laundering and by the mid-1990s, the AML/CFT system in Europe had been updated and substantially improved (Table 2).

**Table 2.** The key steps of the EU in combating money laundering and terrorist financing in the 21st century

Year	Regulatory document	Activity
2015	EU Council Conclusion on Counter-Terrorism (20 November 2015)	Strengthening of the fight against terrorism, intensification of the process of improving the current EU regulatory framework in the respective area
	EU Conclusion on Further Actions to Combat Terrorist Financing and Money Laundering (17–18 December 2015)	Recommendations are presented to improve the quality of cooperation between financial services in Europe, to tighten control over certain virtual crimes
2016	EU Opinion on Combating the Financing of Terrorism (12 February 2016)	Strengthening cooperation to intensify countering terrorism and the laundering of financial flows in priority areas of economic activity
	Draft Directive on the Anti-Money Laundering and Combating the Financing of Terrorism (19 December 2016)	Member States have made final proposals to the Directive by the European Parliament and the Council of the EU
2018	Amendments to the Anti-Money Laundering and Combating the Financing of Terrorism Directive (14 May 2018)	Tougher action to combat terrorism and the laundering of financial flows; rules for the supervision of banking institutions harmonised

46 D. Godbersen, 'International law enforcement, judicial cooperation and criminal investigations under the new EU and UK cooperation agreement: What are the implications for data sharing, mutual legal assistance and extradition?', 2022, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4265899](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4265899).

47 T. de la Neuville, 'Lessons from applying sanctions and blockades', *Review of Business and Economics Studies*, 9:4, 2021, 23-31.

48 S. Patel, K. Kasztelnik, & M. Zelihic, 'The observational study financial fraud offense themes and financial fraud risk of money laundering to increase financial global sustainability compliance', *Journal of Accounting and Finance*, 23:4, 2023.

2019	New Strategic Agenda 2019–2024 (20 June 2019)	Preliminary agreement reached on the control and monitoring of the EU financial system; strategic objectives and priorities for action defined
2020	Conclusions and Recommendations of the EU Council on Anti-Money Laundering and Combating the Financing of Terrorism (4 November 2020)	A harmonised version of the legal solutions for the financial sector and counter-terrorism regulatory authority was agreed upon
2023	Procedure for selecting a site for the establishment of a new subject authority (18 December 2023)	Amendments and proposals on the procedure for the establishment and functioning of the EU profile body
2024	Agreement on Strengthening the Rules against Terrorism (18 January 2024)	Approved the preliminary version of the instrument on the regulation of the anti-money laundering and combating terrorism

Source: compiled by the author of this study based on <sup>49, 50, 51</sup>.

The EU regulatory framework in this area is mainly based on the relevant Directives. Thus, the key documents in the third millennium in the AML/CFT field in the Union are Directives No. 60 (2005), No. 849 (2015), and No. 843 (2018), as well as the New Strategic Agenda 2019-2024 (dated 20 June 2019).<sup>52, 53</sup> These documents point to the need to intensify AML/CFT related activities and for this purpose all EU regulations should fully comply with international standards and FATF norms. Established in 1989, the institution has been able to bring the processes of anti-money laundering under control and, with varying degrees of success, to monitor and punish violators of international law. According to the estimation of a number of experts<sup>54, 55, 56</sup>, the level of money laundering has reached 2–5% of the world gross domestic product in 2023, therefore FATF is one of the key tools for effective AML/CFT in the 21st century.

In 1990, the FATF began to develop a framework for general AML/CFT recommendations. The final version of the document containing forty Recommendations was adopted in 1996 and some amendments were

49 European Council, 'A New Strategic Agenda 2019-2024', 2019, <https://www.consilium.europa.eu/en/press/press-releases/2019/06/20/a-new-strategic-agenda-2019-2024/>.

50 European Council, 'Timeline: EU Action against Money Laundering and Terrorist Financing', 2024, <https://www.consilium.europa.eu/en/policies/fight-against-terrorism/fight-against-terrorist-financing/timeline/>.

51 N. Milon, 'Gravitating towards artificial intelligence on anti-money laundering a PRISMA based systematic review', *International Journal of Religion*, 5:7, 2024, 303-315.

52 M. Pisa, 'Does the financial action task force (FATF) help or hinder financial inclusion? A Study of FATF Mutual Evaluation Reports', 2019, <https://www.cgdev.org/sites/default/files/does-financial-action-task-force-fatf-help-or-hinder-financial-inclusion-study-fatf.pdf>

53 H. Koster, 'Towards better implementation of the European Union's anti-money laundering and countering the financing of terrorism framework', *Journal of Money Laundering Control*, 23:2, 2020, 379-386.

54 G. Pavlidis, 'The dark side of anti-money laundering: Mitigating the unintended consequences of FATF standards', *Journal of Economic Criminology*, 2, 2023, 100040.

55 M. Pisa, 'Does the financial action task force (FATF) help or hinder financial inclusion? A Study of FATF Mutual Evaluation Reports', 2019, <https://www.cgdev.org/sites/default/files/does-financial-action-task-force-fatf-help-or-hinder-financial-inclusion-study-fatf.pdf>

56 W. Gaviyau & A. Sibindi, 'Global anti-money laundering and combating terrorism financing regulatory framework: A critique', *Journal of Risk and Financial Management*, 16:7, 2023, 313.

made in 2012.<sup>57, 58</sup> In the context of international cooperation in the AML/CFT field, Recommendations 36–40 (section “International Cooperation”) are the most relevant. They include such components as international instruments, mutual legal aid, freezing and confiscation, extradition, and other forms of international cooperation. In addition, apart from the main ones, the Recommendations relevant to the research topic include No. 9 (Financial Institution Secrecy Laws), No. 24 (Transparency and Beneficial Ownership of Legal Entities) and No. 32 (Cash Couriers), the essence of which is the free exchange of relevant information and access to open data.

### 3.2 Combating financial fraud in Central Asia

Central Asia is a region with a fairly high level of money laundering.<sup>59</sup> According to international rankings<sup>60</sup>, in 2023 only the Republic of Kazakhstan had an average AML/CFT level, ranking 100th (out of 152); in the other Central Asian states the situation is much more difficult (Table 3).

**Table 3.** Countries by AML/CFT level in 2023 (according to Basel AML Index\*)

The highest level			The lowest level		
No.	Country	Score**	No.	Country	Score
1	Haiti	8.25	152	Iceland	2.87
2	Chad	8.14	151	Finland	2.96
3	Myanmar	8.13	150	Estonia	3
4	Democratic Republic of the Congo	8.1	149	Andorra	3.09
5	Congo	7.91	148	Sweden	3.2
6	Mozambique	7.88	147	Denmark	3.36
7	Gabon	7.73	146	New Zealand	3.38
8	Guinea-Bissau	7.69	145	Norway	3.45
9	Venezuela	7.63	144	Lithuania	3.47

57 A. Japinye, ‘Enhancing anti-money laundering and counter-terrorist financing strategies through integrated cybersecurity and compliance measures’, *International Journal of Novel Research in Marketing Management and Economics*, 11:1, 2024, 180-196.

58 Z. Tang, H. E. M. Sun, L. Zhao, R. Wang, & M. Song, ‘Anti-money laundering method based on hierarchical risk control knowledge graph’, in *5th International Conference on Artificial Intelligence and Computer Science (AICS 2023)*, 2023.

59 E. Sigayev & B. Aliyeva, ‘Comparative characteristics of systems Anti-money laundering and combating the financing of terrorism mechanisms Republic of Kazakhstan and Russian Federation’, *The Journal of Economic Research & Business Administration*, 143:1, 2023, 184-191.

60 Basel AML Index, ‘Global Ranking in 2023’, 2023, <https://index.baselgovernance.org/ranking>.

10	Laos	7.44	143	San Marino	3.51
25	Turkmenistan	6.8	142	Slovenia	3.57
41	Kyrgyzstan	6	141	France	3.58
42	Tajikistan	5.91	140	Great Britain	3.66
76	Uzbekistan	5.12	100	Kazakhstan	4.71

Notes: \* – Basel Anti-Money Laundering Index; \*\* – the score is based on indicators such as deficiencies in the system, corruption and bribery, financial transparency and standards, public transparency and accountability, political rights, and the rule of law.

Source: compiled by the author of this study based on <sup>61</sup>.

Proceeding from this circumstance, the activity of the leaders of these countries in recent years has been focused on reforming and unifying the existing AML/CFT systems, minimising the risk of corruption schemes, improving the business climate and increasing the level of business activity<sup>62,63</sup>, because in recent years the dynamics of crimes in the economic and financial sphere has considerably increased. In the context of countering illegal financial transactions, the countries of the region in their work focused on improving mechanisms and instruments of counteraction in this area, namely, methods of countering corruption, economic crimes, money fraud, financing of terrorism. The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), established in 2004<sup>64</sup>, is a regional body analogous to the FATF and is an associate member of that organisation. The EAG was established for countries in the Eurasian region not covered by other FATF regional groups and plays a key role in reducing the threat of international terrorism, ensuring transparency and security of financial systems, and their integration into the international AML/CFT infrastructure. Its establishment coincided with the beginning of efforts to develop effective anti-money laundering systems in the region.<sup>65, 66</sup> All Central Asian countries (Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan, Kyrgyzstan) are EAG members.

The FATF differs from other global bodies in that it has a comprehensive mechanism to assess compliance with all its standards, as well as a peer-to-peer mechanism to address compliance issues. Mutual evaluations are a mechanism that serves as a way of determining the extent to which countries are meeting standards.<sup>67</sup> The assessment results in a joint assessment report, which is submitted to the FATF plenary for approval. It appears reasonable to analyse the results of the mutual examination reports of the Central Asian countries

61 Ibid.

62 B. Tatibekov & K. Fatehi, 'Informal employment in the transitional economy of Kazakhstan', *Competition Forum*, 18:1-2, 2020, 208-223.

63 G. Pavlidis, 'Financial action task force and the fight against money laundering and the financing of terrorism: Quo Vadimus?', *Journal of Financial Crime*, 28:3, 2021, 765-773.

64 Agreement on the Eurasian Group on Combating Money Laundering and the Financing of Terrorism, 2011, <https://eurasiangroup.org/files/uploads/files/Agreement.pdf>.

65 S.A. Ibrahim, 'Regulating cryptocurrencies to combat terrorism-financing and money laundering', *Stratagem*, 2:1, 2019.

66 Parkhomenko, N. 'Instrumentalism of Law-making in the context of the functioning of the modern state', *Scientific Journal of the National Academy of Internal Affairs*, 28:3, 2023, 9-16.

67 Tsvyetkov, A. 'Role and place of the National Bank of Ukraine in Ukraine's accession to the EU and the Eurozone: Experience of central banks of EU countries', *Law Journal of the National Academy of Internal Affairs*, 14:4, 2024, 41-53.



within the framework of the EAG assessment, based on FATF Recommendations No. 36-40 (section “International Cooperation”) and Recommendations No. 9, 24 and 32 (Table 4). 36-40 (section “International Cooperation”), as well as Recommendations No. 9, 24, and 32 (Table 4).

**Table 4.** Results of mutual evaluation of Central Asian countries on international cooperation according to reports conducted in 2018 (Kyrgyzstan, Tajikistan), in 2022 (Kyrgyzstan, Uzbekistan), in 2023 (Kazakhstan)

No.*	Performance Evaluation / Performance Effectiveness by NR 2**
9	<p>Kazakhstan: requirements are generally met, but there are inconsistencies related to sectoral legislation of individual financial institutions. IO 2*** – Significantly compliant.</p> <p>Kyrgyzstan: previous restrictions have been removed, but there are prohibitions on access to bank secrecy. IO – Significantly compliant.</p> <p>Tajikistan: requirements are generally met. IO 2 – compliant.</p> <p>Turkmenistan: requirements are generally met. IO 2 – compliant.</p> <p>Uzbekistan: requirements are generally met, but there are limitations on information exchange. IO 2 – significantly compliant.</p>
24	<p>Kazakhstan: there are no provisions for disclosure of information; there are no regulations on monitoring the quality of assistance from other countries. IO 2 – partially compliant.</p> <p>Kyrgyzstan: there are significant shortcomings in the implementation of the Recommendation. IO 2 – partially compliant.</p> <p>Tajikistan: there are minor shortcomings in the implementation of the Recommendation. IO 2 – significantly compliant.</p> <p>Turkmenistan: there are significant shortcomings in the implementation of the Recommendation. IO 2 – partially compliant.</p> <p>Uzbekistan: there are minor shortcomings in the implementation of the Recommendation. IO 2 – significantly compliant.</p>
32	<p>Kazakhstan: national legislation is generally in line with generally accepted international norms. IO 2 – significantly compliant.</p> <p>Kyrgyzstan: national legislation is generally in line with generally accepted international norms, but there are some limitations, e.g., customs authorities. IO 2 – significantly compliant.</p> <p>Tajikistan: legal provisions are not fully developed. IO 2 – significantly compliant.</p> <p>Turkmenistan: national legislation is generally in line with generally accepted international norms. IO 2 – significantly compliant.</p> <p>Uzbekistan: a basic framework has been developed. IO 2 – compliant.</p>
36	<p>Kazakhstan: most provisions of the international AML/CFT conventions have been implemented. IO 2 – significantly compliant.</p> <p>Kyrgyzstan: some basic international AML/CFT conventions have not been implemented. IO 2 – significantly compliant.</p> <p>Tajikistan: generally implemented, but with limitations. IO 2 – compliant.</p> <p>Turkmenistan: necessary conventions ratified. IO 2 – significantly compliant.</p> <p>Uzbekistan: necessary conventions ratified. IO 2 – significantly compliant.</p>
37	<p>Kazakhstan: national legislation contains all basic norms and principles necessary to perform the tasks under the Recommendation. IO 2 – significantly compliant.</p> <p>Kyrgyzstan: generally implemented, but with some limitations (e.g., timelines and criteria). IO 2 – significantly compliant.</p> <p>Tajikistan: generally implemented, but there are limitations on prioritisation. IO 2 – significantly compliant.</p> <p>Turkmenistan: generally implemented, but with some limitations (e.g., the procedure for handling incoming requests is not detailed). IO 2 – significantly compliant.</p> <p>Uzbekistan: generally implemented. IO 2 – compliant.</p>

38	<p>Kazakhstan: confiscation and freezing occurs within established norms, but there are difficulties in identifying virtual assets. IO 2 – significantly compliant.</p> <p>Kyrgyzstan: there is no appropriate body to perform the tasks of the Recommendation. IO 2 – partially compliant.</p> <p>Tajikistan: there is no appropriate body to perform the tasks of the Recommendation. IO 2 – partially compliant.</p> <p>Turkmenistan: there is no appropriate body to perform the tasks of the Recommendation. IO 2 – partially compliant.</p> <p>Uzbekistan: the possibility of effective execution of a foreign state's confiscation request is present. IO 2 – significantly compliant.</p>
39	<p>Kazakhstan: mechanisms have been developed for extradition of nationals of other countries, as well as simplified mechanisms for extradition of nationals (in special cases). IO 2 – significantly compliant.</p> <p>Kyrgyzstan: mechanisms have been developed, but there are no instruments for simplified extradition. IO 2 – significantly compliant.</p> <p>Tajikistan: mechanisms have been developed, but there are no instruments for simplified extradition. IO 2 – significantly compliant.</p> <p>Turkmenistan: mechanisms have been developed, but there are no instruments for simplified extradition. IO 2 – significantly compliant.</p> <p>Uzbekistan: no simplified extradition procedures are available. IO 2 – compliant.</p>
40	<p>Kazakhstan: all instruments for international cooperation are available, but there are difficulties in communication between financial institutions. IO 2 – significantly compliant.</p> <p>Kyrgyzstan: some tools have not been implemented. IO 2 – significantly compliant.</p> <p>Tajikistan: the tools have generally been developed. IO 2 – significantly compliant.</p> <p>Turkmenistan: many legal provisions are missing. IO 2 – partially compliant.</p> <p>Uzbekistan: the tools have generally been developed. IO 2 – significantly compliant.</p>

Notes: \* – Recommendation number according to FATF Recommendations: 9 (Financial Institution Secrecy Laws), 24 (Transparency and Beneficial Ownership of Legal Entities), 32 (Cash Couriers), 36 (International Legal Instruments), 37 (Mutual Legal Assistance), 38 (Mutual Legal Assistance: Freezing and Confiscation), 39 (Extradition), 40 (Other Forms of International Cooperation); \*\* – Immediate Outcomes; \*\*\* – hereinafter – rating according to a particular FATF Recommendation.

Source: compiled by the author of this study based on <sup>68, 69, 70</sup>.

Table 4 presents the results of mutual evaluations conducted for Central Asian countries, focusing on their performance in areas related to international cooperation in AML and CFT. This evaluation is based on FATF recommendations related to various aspects of financial cooperation between countries. Kazakhstan's performance largely meets international standards, particularly in asset confiscation and mutual legal assistance, though there are challenges, such as difficulties in identifying virtual assets and communication issues between financial institutions. Kyrgyzstan's performance is also generally aligned with international norms, but there are some limitations, such as issues related to customs authorities and asset recovery processes. Tajikistan has made significant progress, although its legal provisions are not fully developed, especially in areas like the confiscation of illicit assets. Turkmenistan, similar to Tajikistan, faces challenges with incomplete legal frameworks in certain areas. Uzbekistan's performance is relatively consistent with international recommendations, although limitations on information exchange were noted. The evaluations

68 United Nations, 'Counter-terrorism in Central Asia', 2024, <https://www.un.org/counterterrorism/cct/counter-terrorism-in-central-asia>.

69 FATF, 'International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation', 2023, <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Fatf-recommendations.html>.

70 M. Korejo, R. Rajamanickam, & M. Said, 'The concept of money laundering: A quest for legal definition', *Journal of Money Laundering Control*, 24:4, 2021, 725-736.

reveal that while substantial progress has been made across the region, key challenges remain, particularly in the areas of asset recovery and legal cooperation.

Having analysed the Mutual Reports of the Central Asian countries, developed within the framework of the EAG activity, it became possible to establish the levels of cooperation of the states of the region in the sphere of AML/CFT. Thus, one of the key unsolved problems is the issue of asset recovery (generally, it is a major problem for most countries to some extent).<sup>71, 72</sup> There are many events and public discussions on this aspect and one of the crucial ones was the seminar on “Asset recovery through improved international cooperation in Europe and Central Asia”, which was held on 27-28 October 2022 in Astana, Kazakhstan.<sup>73</sup> During this event, which was attended by representatives of both Central Asian countries and European states, the desire of specialists from Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, and Turkmenistan to gain practical knowledge and skills in the field of asset recovery and the creation of systems for managing these assets by understanding modern mechanisms and instruments of international law in the context of cooperation between countries in this area was emphasised. During the event, the conclusion was voiced that the lack of direct contracts in this area is a substantial problem for the entire region and that it should be solved as soon as possible.<sup>74, 75</sup>

States are already taking some steps to harmonise their systems according to the rules and regulations of the leading European countries, but many aspects are still not addressed (e.g., the specificities of investigating financial crimes of money laundering). Therefore, further advice on the topic of asset recovery and asset forfeiture was found to be essential for the continuation of AML/CFT activities. In this regard, the existing legal framework of the sphere is being updated, which is based on such basic and highly specialised documents as Convention on Legal Assistance and Legal Relations in Civil, Family and Criminal Matters<sup>76</sup>, Agreement on Combating the Legalization (Laundering) of Proceeds from Crime and the Financing of Terrorism when Moving Cash and (or) Monetary Instruments across the Customs Border of the Customs Union<sup>77</sup>, Agreement on the Formation of the Council of Heads of Financial Intelligence Units of the Member States of the Commonwealth of Independent States<sup>78</sup>, as well as the development of new by-laws (e.g., Law of the Kyrgyz Republic No.

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71 N.V. Thelela, ‘Comparative analysis of anti-money laundering (AML) and counter terrorist financing (CTF) regimes in the UK and USA’, 2022.

72 M. Tiwari, A. Gepp, & K. Kumar, ‘A review of money laundering literature: The state of research in key areas’, *Pacific Accounting Review*, 32:2, 2020, 271-303.

73 European Council, ‘Exchange of Experiences and Practices between Europe and Central Asia on Asset Recovery and Asset Management’, 2022, <https://pjp-eu.coe.int/en/web/central-asia/-/exchange-of-experiences-and-practices-between-europe-and-central-asia>

74 Kuznetsova, L., Kuznetsov, V., & Matiushenko, O. ‘Peculiarities of legal assessment of aiding and abetting the aggressor state: National and international dimensions’, *Law Journal of the National Academy of Internal Affairs*, 14:2, 2024, 41-51.

75 Botnarenko, I., & Kryzhna, V. ‘Energy market manipulation: Criminal law analysis and signs’, *Scientific Journal of the National Academy of Internal Affairs*, 28:2, 2023, 30-40.

76 Convention on Legal Assistance and Legal Relations in Civil, Family and Criminal Matters, 2002, <https://cbd.minjust.gov.kg/17401/edition/297440/ru>.

77 Agreement on Combating the Legalization (Laundering) of Proceeds from Crime and the Financing of Terrorism when Moving Cash and (or) Monetary Instruments across the Customs Border of the Customs Union, 2011, [https://www.consultant.ru/document/cons\\_doc\\_LAW\\_123791/](https://www.consultant.ru/document/cons_doc_LAW_123791/).

78 Agreement on the Formation of the Council of Heads of Financial Intelligence Units of the Member States of the Commonwealth of Independent States, 2012, <https://fiu-cis.org/d/unllTeGk8uQaxgaAETodv8gu3sFaqYpppy5qRZ6b>.

87 “On Countering the Financing of Financing of Terrorism”)<sup>79</sup>, as well as the development of new sub-legislative acts (e.g., Law of the Kyrgyz Republic No. 87 “On Countering the Financing of Terrorist Activities and Legalisation (Laundering) of Criminal Proceeds”<sup>80</sup>, Law of the Turkmenistan No. 335-VI “On Combating the Legalisation of Proceeds of Crime, the Financing of Terrorism and the Financing of Proliferation of Weapons of Mass Destruction (New Version)” [14]).

Assessing the situation in the area of performance of the objectives outlined in the FATF Recommendations and considering the levels of performance in achieving the objectives – Immediate Results 2 described in the Mutual Reports of the Central Asian countries – it can be concluded that the situation is generally satisfactory. State action is productive, the adoption of reforms and transformation of financial systems is prompt. However, there are a series of problems and unresolved issues that should be given more attention to improve the quality of AML/CFT work (Table 5).

**Table 5.** Level of effectiveness of Immediate Outcome 2 (“International Cooperation”) in AML/CFT according to Mutual Assessments of Central Asian Countries \* within the framework of the EAG

Problems	Solutions
Laws on protection of secrecy of financial institutions (Kyrgyzstan, Turkmenistan **)	Bring the regulatory framework in line with the challenges and demands of the nation state and harmonise legislation with EU law
Transparency and beneficial ownership of legal entities (all countries in the region – to a greater extent, Kazakhstan – to a lesser extent)	Develop a mechanism for faster and more flexible provision of reliable prompt data on beneficial owners of legal entities
Cash couriers (all countries in the region)	Bring the regulatory framework in line with the challenges and demands of the nation state and harmonise legislation with EU law
International legal instruments (Kyrgyzstan)	Strengthen the modernisation of the financial system to provide access to open data for international donors and organisations
Mutual legal assistance (Kyrgyzstan, Tajikistan, Turkmenistan)	Establish a unified mechanism (within the region and at the national level) for mutual support and data provision through governmental and intergovernmental information channels
Mutual legal assistance: freezing and confiscation (all states in the region)	Establish close ties with European states for the exchange of practices and training in the investigation of financial crimes of various kinds

79 Agreement on the Formation of the Council of Heads of Financial Intelligence Units of the Member States of the Commonwealth of Independent States, 2012, <https://fiu-cis.org/d/unllTeGk8uQaxgaAETodv8gu3sFaqYyp5qRZ6b>.

80 Law of the Kyrgyz Republic No. 87 ‘On Countering the Financing of Terrorist Activities and Legalisation (Laundering) of Criminal Proceeds’, 2018, <https://cbd.minjust.gov.kg/111822/edition/2757/ru>.

Extradition (all states in the region – to a greater extent, Kazakhstan – to a lesser extent)	Develop a unified algorithm and put into practice the tradition of signing international treaties on extradition (both for foreign citizens and nationals – in special cases) and simplified extradition mechanism
Other forms of international cooperation (Kyrgyzstan)	Authorities and responsible bodies of Kyrgyzstan to provide free access to relevant information for independent experts and international organisations

*Note: \* – Level of effectiveness in achieving Immediate Outcome 2: Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan – significant. Kyrgyzstan – moderate; \*\* – countries for which this problem is the most urgent among others in the region.*

*Source: compiled by the author of this study based on <sup>81,82,83</sup>.*

Table 5 presents an analysis of the level of effectiveness of Immediate Outcome 2, which focuses on international cooperation in AML/CFT, as assessed in the mutual evaluations of Central Asian countries. The table highlights the key problems faced by each country and the proposed solutions to address these issues. The main problems identified across the region include issues with laws protecting the secrecy of financial institutions, the need for greater transparency and beneficial ownership of legal entities, and gaps in the legal framework regarding cash couriers. Kyrgyzstan, Turkmenistan, and Tajikistan are particularly in need of reforms to enhance mutual legal assistance and improve the process of freezing and confiscating illicit assets. Recommendations suggest harmonizing national laws with EU standards, establishing unified mechanisms for mutual support and data sharing, and strengthening cooperation with European states for the exchange of best practices and training in financial crime investigations. While the countries in the region have made progress in adopting international standards, there are still critical areas that require attention, especially in asset recovery and extradition procedures. The table underscores the importance of both national and regional efforts in improving cooperation and enhancing the effectiveness of AML/CFT measures.

Central Asian states have made progress in improving their AML/CFT frameworks, though challenges remain. Kazakhstan has strengthened its legal and institutional framework with the Financial Monitoring Agency and actively participates in regional initiatives. However, it faces issues with virtual asset regulation and asset recovery. Kyrgyzstan has aligned with FATF standards and established a financial intelligence unit, but struggles with enforcement and transparency, particularly in beneficial ownership and cross-border cooperation. Uzbekistan has improved its legal infrastructure and established an FIU, but gaps remain in monitoring cash couriers and legal entity transparency.

81 Law of the Republic of Tajikistan No. 1404 'On Countering the Legalisation (Laundering) of Proceeds of Crime, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction', 2017, [https://track.unodc.org/uploads/documents/BRI-legal-resources/Tajikistan/7\\_-\\_.pdf](https://track.unodc.org/uploads/documents/BRI-legal-resources/Tajikistan/7_-_.pdf).

82 Law of Turkmenistan No. 335-VI 'On Combating the Legalisation of Proceeds of Crime, the Financing of Terrorism and the Financing of Proliferation of Weapons of Mass Destruction (New Version)', 2021, <https://minjust.gov.tm/ru/hukuk/merkezi/hukuk/426>.

83 'Mutual Evaluation Reports', 2024, <https://eurasiangroup.org/en/mutual-evaluation-reports>.

Tajikistan has adopted AML/CFT laws but faces institutional weaknesses and struggles with enforcement and coordination with international agencies. Turkmenistan, while passing some relevant legislation, has limited progress in implementation due to weak enforcement mechanisms and lack of transparency. While Central Asian countries have made strides in AML/CFT, challenges such as weak enforcement, institutional capacity, and international cooperation remain. Strengthening these areas and continuing regional collaboration are crucial for effective financial crime prevention.

In conducting this study in the context of analysing the specifics and identifying the characteristics of international cooperation in the field of AML/CFT in terms of assessing the activities of Central Asian countries, it can be concluded that the overall situation is generally satisfactory. Countries' financial systems seek to function in line with the requirements of the relevant organisations and institutions, modifying their elements according to the points of their strategies. The dynamics of transformation processes in the context of AML/CFT shows that the region is aware of the problem and understands the significance of addressing it. Therewith, there are a series of unresolved problems (e.g., asset recovery, confiscation of property due to money laundering, the procedure of simplified extradition of foreign citizens and nationals – in special cases). They require their immediate solution to accelerate the transition of Central Asian countries to the regime of harmonious financial and economic transformation according to the challenges of the third millennium.

## Discussion

The study of tools and mechanism of interstate cooperation in combating financial crimes will be an extremely relevant and important topic of discussion at all levels of state and social development. The concomitant aspects of cash transfers that become “shadowed” have lasting negative results for all sectors of the development of the democratic order of society. Experts from such countries as the USA, Australia, Malaysia, focused on the specifics of national strategies to combat money laundering, as well as on global methods of combating this phenomenon. Specialists from Central Asian states, first of all from the Republic of Kazakhstan, mainly focused on the characteristics of regional plans and roadmaps in the sphere, besides, they addressed the specific features of European tools in this process – from the standpoint of comparison and borrowing of useful practices. Summarising the main findings of these researchers, the key to countering financial crime will be universal cooperation, mutual assistance, and maximum transparency of the activities of all democratic states for the benefit of harmonious development of the economy on a global scale.

This study emphasizes the importance of cooperation between states, particularly in Central Asia, to effectively combat financial crime, including through the implementation of regional plans and roadmaps, as well as the use of European instruments as an example for good practices. What is new is the emphasis on the need for universal cooperation, mutual assistance and maximum transparency to achieve global economic development, which is the main idea for fighting financial crime. This is directly related to Central Asia's efforts, as the region needs international support and integration to effectively combat money laundering and terrorist financing, and such initiatives can help strengthen local legal and institutional mechanisms.

The causal link between AML/CFT and democratic governance is that effective financial management and the prevention of financial crime are the basis for stable economic development in democratic countries. Transparency, integrity and accountability in economic processes are important elements of democratic governance, which in turn ensures effective fight against corruption and other forms of financial crime.



Regional efforts, including cooperation among Central Asian countries and the use of European practices, contribute to improving such mechanisms and strengthening democratic institutions, which has a positive impact on the overall stability and economic development in the region.

This study highlights the potential risks associated with the rapid growth of financial systems and the banking sector in individual countries, as well as in regions or continents. Such rapid development in the context of globalization is seen as a threat to the stable and secure evolution of political systems (hereinafter referred to as “the state”). Globalization has increased the interconnectedness of financial markets, making them more vulnerable to instability and exploitation, which could potentially undermine the safe transformation of political structures or governance systems. It is emphasized that while financial development is important, it can create vulnerabilities in political systems if not managed properly in a globalized environment. This statement is comparable to the position of N.V. Thelela<sup>84</sup>, who considered the growth of challenges related to attempts of money laundering as a direct consequence of too liberal behaviour towards economic sector actors. It was also argued, however, that excessive international cooperation and the intensive exchange of data and information were also contributing to the increase in financial crime globally.

The financing of criminal activities by transferring money to offshore bank accounts, as a way of legalising money obtained through illegal activities, was referred to in the paper as a critical challenge to the internal security of many countries in Europe and around the world. F. Teichmann and M.C. Falker<sup>85</sup> expressed a similar opinion, who believed that, although there are many restrictions and safeguards in the structure of the banking sector, it is still impossible to trace all frauds in the context of interstate financial transactions. Further adaptation of the banking sector was considered by the researchers as a dangerous venture – precisely from the standpoint of deposit security guarantees.

Countries such as the US, Switzerland, the UK, and others have been cited in the study as those that are most open to attracting financial assets from other nations. Such a situation, which was also voiced by S. Bieler<sup>86</sup>, may suggest that through the desire to form the most flexible and convenient, in terms of data confidentiality, banking system creates all conditions for the multiplication of fictitious accounts in the banks of these states to support illegal groups and organisations, the purpose of which is to stay undetected and not recorded in any system or database. This state of affairs, in the absence of any reforms aimed at tightening control, may indicate that the situation will become threatening in the near future.

To assess the level of involvement and depth of cooperation of the Central Asian countries, which in the context of this study was the focus of the research, it is important to use generally accepted international standards and norms, which include, among others, the forty Recommendations developed by the FATF. The significance of implementation of these recommendations was also recognised by G. Pavlidis<sup>87</sup>, who concluded that Mutual Evaluations are most effective for the countries of the region, as this work demonstrates the

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84 N.V. Thelela, ‘Comparative analysis of anti-money laundering (AML) and counter terrorist financing (CTF) regimes in the UK and USA’, 2022.

85 F. Teichmann & M.C. Falker, ‘Terrorist financing via the banking sector’, *Crime, Law and Social Change*, 2024,

86 Bieler, ‘Peeking into the house of cards: Money laundering, luxury real estate, and the necessity of data verification for the corporate transparency act’s beneficial ownership registry’, *Fordham Journal of Corporate & Financial Law*, 27:1, 2022, 193-258, <https://ir.lawnet.fordham.edu/cgi/viewcontent.cgi?article=1506&context=jcfl>.

87 G. Pavlidis, ‘Financial action task force and the fight against money laundering and the financing of terrorism: Quo Vadimus?’, *Journal of Financial Crime*, 28:3, 2021, 765-773.

openness of management and transparency of the AML/CFT system. Furthermore, the researcher deemed it significant to regularly review the relevance and timeliness of these recommendations in the light of their relevance to the challenges of the modern world.

The evolution of statutory regulation of the sphere of anti-money laundering and combating the financing of terrorism was named in the study as a consequence of the correct assessment of the current world situation in this area and was considered as a result of the natural development of globalisation processes in the regions. M. Korejo et al.<sup>88</sup>, reviewing the legislative frameworks and regulatory documents of a series of countries and institutions in the field of international cooperation in this context, emphasised the need to follow the norms of national legislation and international law, adhering to all the conditions outlined in the regulations. Therewith, the researchers believed that one should first of all be guided by the legislative acts of one's own state.

The multilevel system of combating money laundering and terrorist financing, which includes such elements as national regulatory frameworks, regulatory acts of international organisations, information and service systems and structures of regional actors, has been highlighted in this study as the most effective scheme of activities in Central Asian countries. A. Japinye<sup>89</sup> also considered this format of cooperation, calling it the most optimal in the context of a prominent level of security threats from radicalised groups. The researcher called the results of the EAG, which includes all Central Asian states, very successful and such that act as a practical basis for further improvement of activities in this area.

The EU has undergone long discussions and debates on new forms and mechanisms of action in the field of countering illicit money flows, which were outlined in the study presented. A multitude of amendments, long negotiations regarding controversial issues and vague wording accompanied the entire legislative process in the country, which, according to M. Bergström<sup>90</sup>, is a good example for those states that have not yet completed their way to creating and strengthening the structure of counteraction to financial crimes, including the countries of Central Asia. Brussels' bi- and multilateral cooperation with the states of the region – in the form of joint projects, conferences, round tables – is a crucial factor for strengthening cooperation not only with the European Union but also with neighbouring countries in the region.

Several factors have been highlighted in dealing with the subject under study, namely the fight against financial fraud and monetary support for illegal criminal organisations. Thus, it was found that this subject has an increased interest among not only the highest levels of government – banking sphere, political management, but also in the environment of public control.<sup>91</sup> There is a strong and growing demand from citizens for a thorough investigation into the specifics of anti-money laundering efforts. This means that, based on the factors previously discussed, there is a significant and growing demand from the public for a thorough

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88 M. Korejo, R. Rajamanickam, & M. Said, 'The concept of money laundering: A quest for legal definition', *Journal of Money Laundering Control*, 24:4, 2021, 725-736.

89 A. Japinye, 'Enhancing anti-money laundering and counter-terrorist financing strategies through integrated cybersecurity and compliance measures', *International Journal of Novel Research in Marketing Management and Economics*, 11:1, 2024, 180-196.

90 M. Bergström, 'The EU's fight against money laundering and terrorist financing in a digital and fragmented world', in *The Borders of the European Union in a Conflictual World* (pp. 177-203), Cham: Palgrave Macmillan, 2024.

91 M. Tiwari, A. Gepp, & K. Kumar, 'A review of money laundering literature: The state of research in key areas', *Pacific Accounting Review*, 32:2, 2020, 271-303.

examination and understanding of specific methods and practices related to anti-money laundering. Citizens are increasingly interested in how money laundering is being combated, reflecting the importance they place on transparency and accountability in the fight against financial fraud and illegal activities. This demand indicates that the public wants to see detailed investigations into how financial systems are prevented from being exploited by criminal organizations. One of the key reasons for this may be the fact that despite the fact that various institutions of general control and monitoring of the situation in the sphere have been developed and are functioning, there are still differences in understanding and acceptance of certain rules and principles of fair and legal conduct of financial transactions in different countries of the world. Therefore, to guarantee the preservation of stable transformation processes and to promote the successful development of financial systems in the countries of the world on the principles of democracy and legal synergy, the institutions responsible for the development of legislative supervision in this area need to improve the tools for international cooperation, reasonably and in a balanced way combining both encouraging aspects and punitive and sanctioning elements.

Having analysed the current situation in the sphere of combating illegal activities in the context of money laundering and financing of terrorist groups in the countries of Central Asia, the positive and negative aspects of the undertaken solutions were identified. To improve the quality of these activities, it is recommended to create information resources containing data on persons and objects related to illegal activities, e.g., cryptocurrency wallets and transactions, financial institutions and accounts, services that can be used for illegal fund transfers. Furthermore, it is necessary to develop a joint document regulating the procedure for joint international financial investigations. It is also necessary to continue to organise activities to raise awareness of existing regional and sub-regional AML/CFT risks in the Eurasian region among employees of all participants of the AML/CFT system.

## Conclusions


After the end of the Second World War and the beginning of a period of stabilisation of the world's political and social systems, elements of the financial sector of the polity began to develop and improve rapidly. Some countries (e.g., Switzerland) began to actively strengthen their international status by concentrating in their financial and banking system the bulk of all monetary transactions in Europe. Therewith, along with the simplification of financial transactions and the removal of many restrictions from banking activities, the phenomenon of money laundering has been actively spreading in the world. In addition, offshore zones are becoming increasingly numerous, with remittances becoming “shadowed”, threatening the economic systems of many countries.

The EU, UN, and other international institutions tried to find a way out of this situation, which resulted in the creation of FATF to counter financial fraud. In turn, the group has developed forty Recommendations to improve the quality and intensify cooperation in the sphere at the international level, which are followed by almost all states of the world. Regional anti-money laundering institutions have also been established and are functioning successfully. One of them is the Eurasian Group on Combating Money Laundering and Financing of Terrorism, which organises and conducts Mutual Evaluations of the details of the member states of this organisation, including the Central Asian states. The practice of mutual evaluation is very effective and efficient, as it facilitates adequate analysis of the current situation in the field of combating financial abuse and support for terrorism, as well as offers prompt identification and correction of negative aspects and controversial issues. Regional cooperation of Central Asian countries and their international cooperation

in the area under study is in dynamic development in the 21st century. With the increasing threat of money laundering and the financing of criminal groups, the states of the region are seeking to unite and act concertedly. Although these activities have increased in the last decade, there are a series of problems and negative aspects, such as the lack of a tool to establish an asset recovery system and the lack of a mechanism for simplified extradition for financial offences.

Limitations of the present study include difficulties in obtaining a wide range of relevant information on AML/CFT measures and reforms undertaken in some countries (e.g., Kyrgyzstan). Other limitations include limited sources of statistical data and accurate quantitative indicators of crimes committed by different actors of the financial sphere – individuals or legal entities. For a more detailed analysis of the subject under study, specifically, the identification of basic methods and tools for anti-money laundering and combating the financing of terrorism, as well as for the development of more practical recommendations, future research should consider the specific features of the financial systems of certain countries in Europe and Central Asia in the context of comparing their capabilities to counter illegal financial transactions.





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