

EAG

Евразийская группа по противодействию легализации
преступных доходов
и финансированию терроризма

Eurasian Group on Combating Money Laundering
and Financing of Terrorism

REPUBLIC OF UZBEKISTAN
1ST ENHANCED FOLLOW-UP REPORT
(WITH RE-RATING)

2023



I. Introduction

1. The mutual evaluation report of the Republic of Uzbekistan (MER) was adopted at the 36th EAG Plenary in June 2022.
2. The FUR presents an analysis of the results achieved by the Republic of Uzbekistan since June 2022 to March 2023 to address the deficiencies in the TC identified in the MER. The request for TC re-rating was considered with respect to those recommendations, where substantial improvements in the national AML/CFT system have been provided.
3. For informational purposes, the FUR also includes information on the progress of the Republic of Uzbekistan in implementing measures recommended by assessors on other FATF Recommendations.

II. Findings of the MER

4. According to the MER, the Republic of Uzbekistan has been assigned the following TC ratings¹ on the FATF Recommendations (please refer to Table 1. Current TC ratings). The Republic of Uzbekistan is under the enhanced follow-up of the EAG.

Table 1: Current TC ratings

R. 1	R. 2	R. 3	R. 4	R. 5	R. 6	R. 7	R. 8	R. 9	R. 10
LC	C	LC	LC	LC	PC	PC	PC	LC	LC
R. 11	R. 12	R. 13	R. 14	R. 15	R. 16	R. 17	R. 18	R. 19	R. 20
LC	PC	LC	LC	LC	LC	LC	PC	LC	C
R. 21	R. 22	R. 23	R. 24	R. 25	R. 26	R. 27	R. 28	R. 29	R. 30
LC	PC	LC	LC	PC	PC	LC	LC	C	C
R. 31	R. 32	R. 33	R. 34	R. 35	R. 36	R. 37	R. 38	R. 39	R. 40
C	C	LC	LC	PC	LC	C	LC	C	LC

5. The analysis of the TC re-rating request and preparation of the FUR was conducted by Mrs. Anzhelika Khadanovich, Head of the financial monitoring methodology department of the banking supervision department of the National bank of the Republic of Belarus. The coordination was conducted by Mr. Sharipov Mirzosharif, Administrator of the EAG Secretariat.
6. Section III of the FUR presents an analysis of AML/CFT system changes to improve TC, and Section IV contains the conclusion of the analysis and a list of Recommendations for which ratings have been upgraded.

III. Overview of changes to improve TC

7. The section presents an analysis of changes in the legislation of the Republic of Uzbekistan aimed at addressing the deficiencies on TC identified in the MER on Recommendations 6, 7, 18 and 22.

3.1. Changes to address TC deficiencies identified in the MER

8. The Republic of Uzbekistan has demonstrated progress in addressing the deficiencies identified in the MER for R. 6, 7, 18, and 22, for which PC ratings have been assigned. As a result of the progress achieved ratings on R. 6, 7 and 22 were upgraded from the current level of "PC" to "LC". The EAG also welcomes the progress achieved by Uzbekistan in order to improve its technical compliance with R.18. However, this does not justify an upgrade of this Recommendation's rating at this stage.

¹ C (compliant), LC (largely compliant), PC (partially compliant).

Recommendation 6

9. The PC rating was assigned due to the following factors:

- *Criterion 6.1 a):* the competent authority responsible for submitting proposals on persons/entities to the relevant UNSC Committee was not specified;
- *Criterion 6.2. d):* the basis for designation of a person/entity on the grounds of UNSCR 1373 on the country's own initiative (inclusion in the national List) are conditional upon the existence of a criminal proceeding with the exception of the availability of an enforceable court decision of the Republic of Uzbekistan to recognize an organization as terrorist and to liquidate it or ban its activities on the territory of the Republic of Uzbekistan;
- *Criterion 6.4:* the legislation does not fully provide for "without delay" implementation of the TFS, as the inclusion of a person/entity in the international or national Lists and the subsequent freezing of assets, may take the time not considered "without delay";
- *Criterion 6.5 a):* the obligation to freeze (suspend operations) funds and other assets was not stipulated for all natural and legal persons;
- *Criterion 6.5 b):* no provision for freezing (suspension of operations) without delay of funds and other assets derived or generated from funds or other assets that are owned (controlled) directly or indirectly by designated persons or entities;
- *Criterion 6.5 d):* the "without delay" principle of communicating designations to the financial sector and DNFBPs, as well as de-listing and unfreezing of assets, was not fully implemented;
- *Criterion 6.5 f):* the legislation does not provide for the protection of professional risk for employees of the FIU, FIs and DNFBPs for their actions to suspend operations or freezing of assets;
- *Criterion 6.6 d):* the procedure for interaction with the UN on de-listing natural persons does not imply any detailed mechanisms (specifics) for expedited proposals for de-listing from the 1988 Committee;
- *Criterion 6.6 e):* NLAs do not regulate the obligation and procedures for informing natural persons and organizations about the availability of the Office of the UN Ombudsman, according to UNSCRs No. 1904 (2009), No. 1989 (2011) and No. 2083 (2012).

10. The Republic of Uzbekistan has demonstrated progress in addressing deficiencies on R. 6. The State Security Service (SSS) has been identified as the competent authority responsible for proposing natural persons and organizations to the UNSC Committees 1267/1989/2253/1988 and 1718 on the DPRK for designation under the established forms and procedures (*criterion 6.1 a*).

11. The Republic of Uzbekistan has ensured implementation of TFS within 24 hours, as required by the FATF Standards. The List is prepared in one hour after DCEC obtains information from the UN website and immediately, but not later than the end of the working day when it concerns information from the competent authorities of the Republic of Uzbekistan or foreign countries. The List is brought to the attention of reporting entities and other natural and legal persons within one hour by posting it on the DCEC's website or by sending it through electronic channels. Reporting entities, in case of detection of funds or other assets of persons included in the List, shall freeze them without delay (*criteria 6.4 and 6.5 d*).

12. To implement the relevant UNSC Resolutions requiring the freezing of assets, the Regulation on freezing² establishes a comprehensive prohibition on all persons and organizations to make available, directly or indirectly, any funds or other assets or to allow access to such services to designated persons on the List, as well as to associated persons and organizations. The prohibition on any operation covers transfer, conversion, disposition or movement of any funds or other assets owned or controlled by designated persons or organizations, including the property of the designated person, which is in control of a natural or legal person, so it is equivalent to freezing (*criterion 6.5 a*).
13. Operations are suspended and funds or other assets are frozen if assets are obtained/acquired through the use of funds or other assets directly or indirectly owned or controlled by persons included in the List (*criterion 6.5 b*).
14. The procedure of interaction with the UN on de-listing, including expedited de-listing proposals, is conducted in accordance with the procedures approved by the UNSC Committee 1988, including the mechanism of application to the Contact Point established in accordance with UNSCR 1730 (2006). The NLAs of the Republic of Uzbekistan regulate the procedures for informing natural and legal persons of the availability of the Office of the UN Ombudsman, in accordance with the UNSCR 1904 (2009) (*criteria 6.6 d and 6.6 e*). Procedures for informing designated persons and organizations on availability of the Office of UN Ombudsman are publicly available.
15. Deficiencies on *criteria 6.2. d and 6.5 f* have not been addressed. Assessors note that measures taken by the Republic of Uzbekistan to implement the requirements of the R. 6 to a large extent address identified deficiencies. The Republic of Uzbekistan has ensured the implementation of TFS according to procedures and timelines provided for in the FATF Standards.
16. The Republic of Uzbekistan has taken considerable measures to address most of the shortcomings on R. 6 identified in the MER. The remaining deficiencies are minor in the overall structure of the Recommendation and so the **rating for R. 6 is upgraded from "PC" to "LC"**.

Recommendation 7

17. The PC rating was assigned due to the following factors:
 - *Criterion 7.1*: the legislation does not fully provide for "without delay" implementation of the TFS, as the inclusion of a person/entity in the international or national Lists and the subsequent freezing of assets, may take the time not considered "without delay";
 - *Criterion 7.2 a*): the obligation to freeze (suspend operations) funds and other assets is provided only for organizations carrying out operations with funds or other assets, but not for all natural and legal persons;
 - *Criterion 7.2 b*): no provision for freezing (suspension of operations) without delay of funds and other assets derived or generated from funds or other assets that are owned (controlled) directly or indirectly by designated persons or entities;
 - *Criterion 7.2 d*): the "without delay" principle of communicating designations to the financial sector and DNFBPs, as well as de-listing and unfreezing of assets, was not fully implemented;
 - *Criterion 7.2 f*): the legislation does not provide for the protection of professional risk for employees of the FIU, FIs and DNFBPs for their actions to suspend operations or freezing of assets;
 - *Criterion 7.5 b*): no provisions in the NLAs on the procedure for conducting payments under a contract entered into force prior to the designation of a natural or legal person.

² Item 2 of the Regulation on freezing of October 19, 2021.

18. The Republic of Uzbekistan has demonstrated progress in addressing deficiencies on R. 7. There is a single legal and regulatory framework with regard to the application of TFS on TF and PF in Uzbekistan (*criterion 7.1*). The legislation of Uzbekistan provides for the comprehensive prohibition on all persons and organizations to directly or indirectly provide any funds and other assets to designated persons and organizations and to their associated persons and organizations (*criterion 7.2 a*). Please also refer to the analysis on *criterion 6.5 a*.
19. For measures to meet the requirements of *criteria 7.2 b and 7.2 d*, please refer to the analysis of *criteria 6.5 b and 6.5 d* for details.
20. Measures to protect the rights of *bona fide* third parties acting in good faith are not regulated in the legislation (*criterion 7.2 f*).
21. The Regulation on freezing establishes the procedure for payments under a contract entered into force prior to the designation of a natural or legal person (*criterion 7.5 b*). According to item 35 of the Regulation on freezing a person included in the List on the basis of the sanctions lists or relevant UNSC resolutions may be granted access to frozen property for the purposes provided for in UNSC resolutions 1718 (2006), 1737 (2006), 2231 (2015) and their successor resolutions.
22. Access shall be granted subject to compliance with the requirements of UNSC Resolutions 1718 (2006), 1737 (2006), 2231 (2015) and successor resolutions (including in cases where payments are made under a contract concluded by a person prior to his inclusion on the List, if the contract (operation) does not involve any prohibited items, materials, equipment, goods, technology, assistance, training, financial support, investment, brokering or services referred to in UNSC Resolution 2231 (2015) and its successor resolutions, and if the payment is not received, directly or indirectly, by a person subject to measures provided for in UNSC Resolution 2231 (2015), and notification has been sent to the UNSC to authorize the receipt or sending of such payments or in cases of providing access to frozen funds or other property within the prescribed time frame).
23. Therefore, assessors note that all the requirements of *criterion 7.5. b* are met.
24. The Republic of Uzbekistan has taken considerable measures to address most of the shortcomings on R. 7 identified in the MER. The remaining deficiency is minor in the overall structure of the Recommendation and so the **rating for R. 7 is upgraded from "PC" to "LC"**.

Recommendation 18

25. The PC rating was assigned due to the following factors:
 - *Criterion 18.1 a*): the person in charge of AML/CFT at FIs does not belong to the management team and, for major FIs, is limited to the position of the head of the internal control service;
 - *Criterion 18.1 b*): the requirements for business reputation of the FI employees (except for employees of internal control units, heads of banks and NBCIs, controllers of professional securities market participants) were not established;
 - *Criterion 18.1 b*): no requirements for business reputation of persons in charge of AML/CFT in the exchange trading sector and leasing companies;
 - *Criterion 18.1 d*): the internal audit of AML/CFT systems is established only for banks and NBCIs;
 - *Criterion 18.2 b*): FIs (except banks) do not apply group AML/CFT programs.
26. The Republic of Uzbekistan has demonstrated some progress in addressing deficiencies on R. 18. In terms of NBCIs there is a requirement for a person in charge of AML/CFT to belong to the executive staff (*criterion 18.1 a*) and to apply group AML/CFT programs. However, for other FIs (other than banks and NBCIs) these deficiencies remain (*criterion 18.2 b*). There are no requirements for qualification and business reputation of the employees of certain FIs and for the reputation

of persons in charge of AML/CFT in the sector of exchange trading and leasing companies (*criterion 18.1 b*).

27. In relation to payment organizations, operators of payment systems and electronic transfer systems there is an obligation of internal audit service (if any) to monitor and evaluate the effectiveness of the internal control system and the performance of a person in charge of AML/CFT (*criterion 18.1 d*). The criterion is partially met since not all FIs have an internal audit service (except for banks, NBCIs, where such service is mandatory, and partially payment sector organizations, where an internal audit service can be established). Where no such service exists, ongoing monitoring and evaluation of the effectiveness of the internal control system of the FI is carried out by the executive body.
28. The Republic of Uzbekistan has demonstrated some progress in addressing deficiencies on R. 18. Assessors have considered the progress of the NBCI sector on *criteria 18.1 a and 18.2 b*. The progress in the sector has been achieved in the implementation of legal provisions establishing an AML/CFT officer's membership in the management team and use of group AML/CFT programs. The deficiencies noted in the MER on other criteria remain.
29. Although the Republic of Uzbekistan has made some progress in implementing the requirements of R. 18, the deficiencies identified in the 2nd round of the ME remain. In this regard, the **rating on R. 18 remains at the level of "PC"**.

Recommendation 22

30. The PC rating was assigned due to the following factors:
 - *Criterion 22.1*: for most DNFBPs it was not clear what information was identified when verifying identity of BO (except auditors); no obligation to conduct CDD (update data) on existing clients when national CDD requirements change; all DNFBPs, except auditors and persons carrying out operations with DPMS, are not required to consider filing STRs when CDD measures cannot be properly applied; no regulation that allows filing STRs instead of conducting CDD when there is risk of disclosure of information to the client;
 - *Criterion 22.1 e*): no AML/CFT/PF was applied to entities acting as agents for the creation of legal persons;
 - *Criterion 22.2*: no requirement to ensure keeping the results of any conducted analysis;
 - *Criterion 22.3*: no control in terms of identifying and providing services to national PEPs was established.
31. The Republic of Uzbekistan has demonstrated progress in addressing the deficiencies on R. 22.
32. Amendments were introduced to the ICRs for all sectors of DNFBPs, which entered into force for: persons engaged in transactions with precious metals and stones (No. 2034-5, February 28, 2022), auditors (No. 3101-2, December 22, 2022), notaries and lawyers (No. 2020-5, January 13, 2023) and, real estate organizations (No. 2257-6, March 17, 2023).
33. For all DNFBPs there is a requirement to verify identity of BO, coming from the ICR and the AML/CFT/PF law.
34. All DNFBPs are subject to the requirement to update the information obtained as a result of CDD. CDD is conducted on all customers. For high-risk customers, enhanced CDD is conducted. The CDD and enhanced CDD measures are established in the ICR for each sector. Thus, the ICRs of each DNFBP contain provisions that the CDD is conducted: a) for all customers at least once a year; b) for high-risk customers more often on the basis of relevance and risks, and if there are changes in the customer information at least once a year. All DNFBPs are obliged to file STRs when CDD cannot be conducted properly and if conducting CDD leads to a risk of disclosure of information to the client. All DNFBPs must keep the results of any analysis conducted (*criteria 22.1 and 22.2*).

35. At the same time, the deficiencies on *criteria 22.1 e and 22.3* were not addressed. In relation to deficiency on *criterion 22.1 e* assessors note that if the agents for creation of trusts and legal persons were added to the DNFBPs, in the current context they would not have a significant impact on the size and weight of the sector. Additionally, the existence of strict control procedures for the registration of companies by registration and tax authorities greatly hinder the illegal activities of agents for creation of trusts and legal persons.
36. Considering explanations on the rating of R. 6, also relating to deficiencies on R. 22, assessors consider that deficiency on *criterion 22.1 e* is not significant in the context of Uzbekistan's risk profile. At the same time the country was recommended to conduct assessment of the ML/TF risks of agents for registration of legal persons and to take measures to mitigate them.
37. The Republic of Uzbekistan has taken considerable measures to address most of the shortcomings on R. 22 identified in the MER. Taking into account the weight of the above-mentioned deficiencies in the overall structure of the Recommendation, assessors consider it appropriate to upgrade the **rating for R. 22 from "PC" to "LC"**.

3.2. General findings related to progress on other Recommendations for which the country does not request re-rating

38. Since June 2022 to March 2023 the following legal acts regulating AML/CFT/PF issues have been adopted in the Republic of Uzbekistan (please refer to Table 2. List of NLAs).

Table №2. List of NLAs

№	Title of the NLA	Scope
1	Instruction on the procedure of compiling and submitting materials on the recognition of groups, natural persons, legal persons and organizations as terrorist, and on groups, natural persons, legal persons and organizations to be listed (de-listed) on/from the UNSC sanctions lists, approved by a joint decision of the SSS, the GPO, the MIA, the Supreme Court and the MFA from December 31, 2022 (For official use)	Rec. 6
2	Decree of the Minister of Justice No. 168 of July 30, 2022 "On approval of the Regulation on procedures to select NPOs to study their activities by the justice authorities"	Rec. 8
3	Decree of the Head of the DCEC No. 34 of December 29, 2022 "On approval of the standard STR form and information to be attached thereto, and the list of AML/CFT/PF related documents" (reg. No. 3419 of February 7, 2022)	Rec. 20
4	Decree of the Cabinet of Ministers of the Republic of Uzbekistan No. 611 of October 19, 2022 "On additional measures for the organization of state control over the activities of business entities by the regulatory authorities"	Rec. 26

Recommendation 3 (current rating is LC)

39. To criminalize insider dealing and market manipulation, as well as to introduce proportionate sanctions for ML, amendments to the Criminal Code of the Republic of Uzbekistan are expected to be adopted. The draft law on amendments and additions to certain legislative acts of the Republic of Uzbekistan

has passed the domestic approval procedures. According to the suggested amendments, these categories of offences will be criminalized and sanctions will be introduced for ML.

Recommendation 4 (current rating is LC)

40. Please refer to Rec. 3 on the criminalization of insider dealing and market manipulation.

Recommendation 5 (current rating is LC)

41. To criminalize the financing of terrorist organizations, amendments to Article 155-3 (Financing of Terrorism) of the Criminal Code, Article 3 of the AML/CFT/PF law and Article 2 "On combating terrorism" are expected to be adopted. The dispositions of the articles shall be supplemented with words "or a terrorist group". Thus, this category of offences will be criminalized. The draft law on amendments and additions to certain legislative acts of the Republic of Uzbekistan has passed the domestic approval procedures.

42. In addition, to ensure that the TF offence covers the provision of funds to a person to pay for travel to study, amendments to the Law "On combating terrorism" are expected to be adopted, according to which such funds will be regarded as the elements of a crime in defining the TF offence. The draft law on amendments and additions to certain legislative acts of the Republic of Uzbekistan has passed the domestic approval procedures.

43. According to the Decree of the President of the Republic of Uzbekistan No. UP-6252 of June 28, 2021 the Plenum of the Supreme Court issued the Decree No. 32 of November 27, 2021 "On certain issues of judicial practice in criminal cases on financing of terrorism and extremism". The document is intended to serve as a guide for judicial authorities in ensuring the uniform implementation of the provisions of the law in criminal cases involving the financing of terrorism and extremism.

Recommendation 8 (current rating is PC)

44. The Republic of Uzbekistan has launched the next NRA of ML/TF/PF, which plans to study the threats posed by terrorist organizations to NPOs. Decree No. 168 of the Minister of Justice of July 30, 2022, approving the Regulation on procedures to select NPOs to study their activities by the justice authorities was adopted.

45. To encourage NPOs to conduct operations through regulated financial channels, the Ministry of Justice developed "Guidelines for NPOs on CFT" and communicated it to territorial units and NPOs through a training in October 2022.

Recommendation 12 (current rating is PC)

46. To introduce requirements for national PEPs in the legislation, amendments to the AML/CFT/PF Law are expected to be adopted. According to the suggested amendments the Law will include the concept of a "PEP person" and the measures to be taken in relation to such categories of persons. The draft law on amendments and additions to certain legislative acts of the Republic of Uzbekistan has passed the domestic approval procedures.

Recommendation 15 (current rating is LC)

47. In accordance with item 6 of the Decree of the President of the Republic of Uzbekistan No. PP-3832 of July 04, 2018 and item 81 of the ICR for persons engaged in circulation of crypto-assets, sanctions are imposed on the management of a VASP in the form of a ban on such activities by persons involved or suspected of involvement in terrorism or proliferation of WMD or having uncancelled or unexpunged criminal record for committing economic crimes, and crimes related to ML, terrorism and proliferation of WMD and their financing.

Recommendation 20 (current rating is C)

48. To improve the current STR forms, by Decree No. 34 of December 29, 2022 the Head of the DCEC approved new STR forms and information attached thereto, and lists of AML/CFT/PF-related documents. The new form is integrated into the personal account of reporting entities on the website of the DCEC.

49. The new STR form includes sections for specifying details of BO, details for identifying financial operations (payment card and e-wallet numbers of natural persons, phone numbers attached to them, Merchant ID details, Terminal ID, IP addresses and IMEI numbers of devices, outgoing and incoming crypto-wallets addresses, blockchain title and crypto-assets).

Recommendation 26 (current rating is PC)

50. Decree of the Cabinet of Ministers of the Republic of Uzbekistan No. 611 of October 19, 2022 approved the Regulation on the application of minimum requirements for "risk analysis" systems of supervisory authorities. The Regulation is a basic document for supervisory authorities, on the basis of which they must adopt relevant documents on the application of the point system when determining the risks of reporting entities.

51. The Decree also approved the minimum requirements for "risk analysis" systems, including on the enforcement of AML/CFT/PF legislation by reporting entities. The "risk analysis" system is established on the basis of the performance results assessment of the reporting entity based on a point system based on the violations of the legislation identified in the course of regular monitoring.

Recommendation 29 (current rating is C)

52. The number of integrated databases of ministries and agencies was increased from 40 to 80 to improve the analytical capacity of the DCEC.

53. To ensure prompt exchange of data with law enforcement authorities, a module has been launched on the website of the DCEC, which allows for smooth transfer and receipt of relevant information.

Recommendation 35 (current rating is PC)

54. To establish a broader range of sanctions for legal persons, amendments to the AML/CFT/PF law are expected to be adopted. The list of current sanctions will be supplemented. The draft law on amendments and additions to certain legislative acts of the Republic of Uzbekistan has passed the domestic approval procedures.

IV. Conclusion

55. The Republic of Uzbekistan has demonstrated considerable progress in addressing the TC deficiencies identified in the MER, and as a result the ratings for the following FATF Recommendations have been revised:

- rating on R. 6 was upgraded from "PC" to "LC";
- rating on R. 7 was upgraded from "PC" to "LC";
- rating on R. 22 was upgraded from "PC" to "LC".

56. As for R. 18, the Republic of Uzbekistan has taken some measures to address the deficiencies identified during the 2nd round of the ME. However, the measures are not considered by assessors to be sufficient to address the deficiencies identified in the MER and to revise the rating.

57. The Republic of Uzbekistan has undertaken a number of measures to address some of the deficiencies identified in the MER on R. 3, 4, 5 with LC ratings and 15 and R. 8, 12, 26 and 35 with "PC" ratings. In addition, some work was carried out to strengthen the current AML/CFT/PF tools in relation to R. 20 and 29 with "C" ratings.

58. The country has not requested a re-rating on the above Recommendations.

59. Considering the progress of the Republic of Uzbekistan in improving the national AML/CFT system after the approval of the MER, the TC ratings under the FATF Recommendations have been upgraded (please refer to Table 3. Updated TC ratings). Therefore, according to item 140 of the Procedures of the EAG 2nd Round of Mutual Evaluations, the Republic of Uzbekistan is transferred from enhanced follow-up to the regular with reporting on further progress on improvement of the national AML/CFT/PF system at the 44th EAG Plenary.

Table 3: Updated TC ratings

R. 1	R. 2	R. 3	R. 4	R. 5	R. 6	R. 7	R. 8	R. 9	R. 10
LC	C	LC	LC	LC	LC	LC	PC	LC	LC
R. 11	R. 12	R. 13	R. 14	R. 15	R. 16	R. 17	R. 18	R. 19	R. 20
LC	PC	LC	LC	LC	LC	LC	PC	LC	C
R. 21	R. 22	R. 23	R. 24	R. 25	R. 26	R. 27	R. 28	R. 29	R. 30
LC	LC	LC	LC	PC	PC	LC	LC	C	C
R. 31	R. 32	R. 33	R. 34	R. 35	R. 36	R. 37	R. 38	R. 39	R. 40
C	C	LC	LC	PC	LC	C	LC	C	LC