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Mutual Evaluation Report of Turkmenistan



2023

EAG

ЕВРАЗИЙСКАЯ ГРУППА
по противодействию легализации преступных доходов
и финансированию терроризма

EURASIAN GROUP
on combating money laundering
and financing of terrorism

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EXECUTIVE SUMMARY

1. This report summarizes the anti-money laundering and counter-terrorist financing measures in place in Turkmenistan as at the date of the on-site visit (August 2 – 17, 2022). It analyses the level of compliance of Turkmenistan with the FATF 40 Recommendations and the level of effectiveness of the national AML/CFT system. The report also provides recommendations on how the national AML/CFT system could be strengthened and how the effectiveness of AML/CFT measures taken by the competent authorities could be improved.

Key Findings

1. Turkmenistan has made significant efforts to identify, assess and understand its ML/TF risks and to develop mitigating measures. The NRA-1 and NRA-2 findings regarding ML risks are reasonable, but the threat level of such crimes as theft is underestimated. The country understands the TF risks to a large extent and is taking the necessary measures to maintain a low level of TF risk in the country.
2. The greatest understanding of ML/TF risks was demonstrated by the LEAs and the FMS. The understanding of the risks by supervisory authorities and the private sector varies significantly
3. The tasks of the competent authorities are largely consistent with the Action Plans and other strategic documents developed and adopted by Turkmenistan. In general, the competent authorities are focused on preventive measures. The country ensures that NRA findings and conclusions are communicated to the private sector.
4. Interagency AML/CFT cooperation and coordination is carried out by Turkmenistan at a high level. A legal framework has been established, and a significant number of interagency commissions regulating various areas contributing to ML/TF risk mitigation operate in the country. However, there is limited operational cooperation and coordination on CPF issues.
5. In Turkmenistan, the FMS and LEAs have legal and institutional mechanisms to cooperate and exchange financial intelligence and other information for the purpose of detecting and investigating ML and TF. All LEAs and FMS have access to a wide range of financial intelligence. financial intelligence is used by the LEA to a greater extent (51%) for the application of administrative sanctions to accrue taxes, penalties and fines and to a moderate extent (32%) used in operational and investigative activities and criminal investigations. At the same time, spontaneous disseminations from the FMS are used to a moderate extent to detect and investigate ML/TF and high-risk predicate offences. The usefulness of the STRs submitted for operational analysis is inadequate, as these STRs are submitted without applying a risk-based approach
6. The information exchange between the FMS and LEAs is not fully aligned with ML risks. Based on the country context and low level of TF risk there was no exchange of information on TF and no STRs on TF were sent.
7. Detection and investigation of potential ML cases in Turkmenistan is carried out using all tools available to LEAs.
8. Virtually all the ML detections represent self-laundering. Cases of detection of third party ML were sporadic, while facts of money laundering abroad were not detected at all. Professional money laundering activities are not widespread, and there was no ML in predicate offences committed abroad.
9. Turkmenistan pays considerable attention to the issue of confiscation of criminal proceeds in the course of criminal proceedings. Confiscation of property as one of the objectives of criminal law policy has been the subject of analysis and consideration at various government levels.

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10. Confiscation of criminal property within the country is used quite extensively. Confiscation is most actively used in criminal cases of corruption and fraud, embezzlement and misappropriation. In most ML cases, the amount of confiscation is substantially greater than the criminal proceeds received, which also covers possible proceeds derived from the use of criminal property.
11. Search, seizure and confiscation of criminal assets within the country are carried out at a considerable level.
12. Turkmenistan has regulatory framework and trained personnel in competent authorities to identify and investigate the facts of TF. There are no recorded terrorist crimes, including TF, in the country. CFT activities are mainly aimed at preventing such acts.
13. The Turkmen authorities have largely integrated countering TF into national anti-terrorist strategies and are implementing preventive measures in support of counter-terrorism policy.
14. Turkmenistan has a unified legal framework for the application of the TFS for TF and PF. existing practice of List dissemination to the FIs and DNFBPs, as well as their application of appropriate measures does not fully ensure the application of the TFS without delay
15. There is a significant level of application of enhanced measures against all NPOs in the country. Despite the absence of a RBA, the country has sufficient resources to apply these measures, given the low risk of NPOs misuse for TF purposes.
16. Understanding of ML/TF risks among FIs and DNFBPs is at a moderate level. Considering country contextual factors, FIs apply sufficient risk mitigation measures commensurate with their sector and client base, based on RBAs. FIs moderately fulfil their AML/CFT responsibilities. There are shortcomings related to the identification of beneficial owners who exercises control by other means. DNFBPs understand and fulfil their AML/CFT responsibilities at a moderate level, taking into account sector specificities.
17. Supervisors moderately supervise and monitor the degree of compliance of FIs with AML/CFT requirements in order to mitigate risks. At the same time, overarching state controls, currency controls, strict requirements and procedures for obtaining a banking license, and restrictions on cash withdrawals act as deterrents and impact the efficiency of supervisory measures.
18. Understanding of the vulnerability to ML/TF and level of misuse of the legal entities established in Turkmenistan for ML/TF purposes is insufficient and this understanding varies among the competent authorities.
19. The competent authorities take certain steps to prevent the use of legal persons for ML/TF purposes. At the same time Turkmenistan takes sufficient measures in relation to legal persons with foreign capital or foreign founder.
20. Turkmenistan has legal and institutional mechanisms for the constructive and timely execution of international mutual legal assistance (MLA) and extradition requests. The LEAs and the judiciary cooperate internationally mainly for the detection and investigation of predicate offences, using established channels of communication and cooperation, as well as Interpol channels, within the framework of the concluded international treaties.

Risks and General Situation

2. Since 2020, there has been a steady trend towards reduction in number of identified ML cases. This downward trend is primarily due to overall decline of crime rate and decrease in number of predicate offences.
3. In 2018, Turkmenistan conducted its first national risk assessment (NRA-1) in which all competent authorities and a significant number of the private sector participated. There is a generally

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significant understanding of national ML/TF risks based on the findings of the NRAs by LEAs and FMS, however, the understanding of risks by supervisory authorities and the private sector differs.

4. According to the NRA-2, it was revealed that the most common types of predicate offences generating high criminal profits that contributed to the receipt of criminal proceeds were bribetaking; fraud; tax evasion by natural persons; illegal production, processing, acquisition, storage, transportation and shipment of narcotic drugs or psychotropic substances for sale; smuggling
5. According to the NRA-2 findings, TF risk level was assessed to be low. This level is based on the number of factors - the absence of interethnic and inter-religious conflicts, socio-cultural characteristics (e.g., the absence of significant extremist movements), a strict migration policy, a combination of measures by the competent authorities aimed at preventing crimes related to the financing of terrorist activities.
6. Furthermore, during the onsite mission, the competent authorities (especially MNS and FMS) demonstrated a good understanding of the potential threats posed by terrorists, their organizations and accomplices, as well as terrorist financiers. This is expressed, despite the lack of TF investigations, in an awareness of the persons posing a TF threat, TF methods that could be used in the territory of Turkmenistan and by its citizens outside the country.
7. Turkmenistan recognizes the threats associated with the long border with Afghanistan, the possibility of infiltration of persons involved in terrorism and TF, including from Afghanistan, as well as from other territories in the combating terrorist acts zones (Syria). The competent authorities also understand that there is a risk that some of them may fall under influence of the violent extremism and terrorism ideology and be recruited by terrorists.
8. There was no evidence of misusing NPOs for TF purposes at the time of the mission. According to the NRA-2 findings, the country decided to classify all public associations and religious organizations as NPOs falling under the FATF definition and requiring the application of TF risk mitigation measures. However, the competent authorities, especially the supervisory authorities, demonstrated their understanding of TF risks in this sector as well as their awareness-raising work among NPOs being conducted

Overall Level of Compliance and Effectiveness

9. Turkmenistan has made significant progress in building an effective AML/CFT/CPF system. Significant positive changes have been made to the AML/CFT/CPF legislation in preparation for the Mutual Evaluation.
10. Turkmenistan has made some improvements in the overall level of technical compliance with the FATF Recommendations, although many deficiencies remain. Since the previous mutual evaluation (2011), most of the legal acts and other legislation relevant to the issues under review have undergone significant changes. Legislation regulating the powers of the LEAs and the competence of the FIU in general is in line with AML/CFT/CPF standards. ML and TF offences have been criminalized and asset freezing and confiscation mechanisms have been established, which however need to be improved. The powers of competent authorities to coordinate and cooperate in the field of AML/CFT/CPF at both the national and international levels have been regulated. Measures on the application of CDD, data storage and STR reporting by reporting entities have been legislated.
11. Turkmenistan has demonstrated a significant level of effectiveness in the implementation of national AML/CFT/CPF policies and understanding of existing ML/TF risks. Turkmenistan has demonstrated a significant level of effectiveness in the confiscation of criminal proceeds during criminal proceedings, as well as developed an effective system for preventing and combating TF offences at a significant level.

Assessment of risks, coordination and policy setting (Chapter 2 – IO.1, R.1, R.2, R.33 & R.34)

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12. In 2018, Turkmenistan conducted its first National Risk Assessment (NRA-1) in which all competent authorities and a significant number of the private sector participated. A second national risk assessment (NRA-2) was carried out between 2020 and 2021. The NRA 2 updated the risks identified in NRA 1, as such both reports can be seen as a single two-stage process. Several working groups were formed to assess threats and vulnerabilities as part of the ongoing assessment and analysed all the information received.
13. Based on the findings of NRA-1 and NRA-2, the country developed and approved two Action Plans on ML/TF/PF risk management in Turkmenistan.
14. The Action Plan on control, reduction and elimination of ML/TF/PF risks for 2020-2021 is aimed at improving the regulatory framework, improving the knowledge of staff of competent authorities, improving the material and technical base of state bodies, increasing the interaction of state bodies, etc.
15. The Action Plan on ML/TF Risk Management for 2021-2022 (NRA-2) includes 6 strategic directions: national threats - reduction of risks related to national threats; reduction of risks related to terrorism financing and PF; national vulnerabilities - reduction of risks related to national vulnerabilities; improvement of the risk reduction mechanism related to vulnerabilities in financial sector; vulnerabilities related to identification of beneficiaries and beneficial owners; reduction of risks related to vulnerabilities in non financial sectors.
16. Overall, the competent authorities demonstrated a good level of understanding of national ML/TF risks, based on the findings of the NRA 2, as well as the approaches to its methodology.
17. There is an awareness amongst the private sector of the findings of the NRA-2 and the ML/TF risks identified, but the depth of understanding of the risks varies depending on the size and development of the sector.
18. In order to manage and mitigate risks Turkmenistan developed and approved the following strategic documents and programmes, which include AML/CFT/CPF issues: Turkmenistan's National Strategy on Preventing Violent Extremism and Countering Terrorism for 2020-2024 and the Action Plan for its implementation; Plan of Measures to Combat and Prevent Crimes with a Certain High and Medium ML/TF/PF Threat Identified by the National ML/TF Risk Assessment for 2021-2023; National Anti-Corruption Programme in Turkmenistan and its Implementation Action plan for 2020-2024.
19. Public authorities have used various forms of dissemination and communication of NRA results to the private sector. The assessors were provided with the records of NRA dissemination meetings and events, which were attended by the majority of participants from the FI and DNFBP sectors.

Financial intelligence, ML investigations, prosecutions and confiscation (Chapter 3 – IO.6, 7, 8; R.1, R.3, R.4, R.29-32)

20. In Turkmenistan, the Financial Monitoring Service under the Ministry of Finance and Economy of Turkmenistan (FMS) was established in 2018, which until then had functioned within the Ministry itself.
21. The FMS collects, processes, analyses and transmits information on transactions with cash or other property from FIs and DNFBPs relating to predicate offences related to ML/TF. In addition, it provides information on transactions or operations on its own initiative or at the request of the relevant state authorities. The financial intelligence obtained from various sources of information is used by the LEAs to a greater extent (51%) for tax accruals, penalties and fines, which to some extent confirms the application of a risk-based approach to mitigate ML risks and related tax crimes and to a moderate extent (32%) is used in operational and investigative activities and criminal investigations. At the same time, the financial aspects of a criminal activity are not fully investigated in the course of PIA, pre-investigation check, inquiry and preliminary investigation. There is moderate use of FMS spontaneous disseminations to detect and investigate ML/TF and high-risk predicate offences.

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22. In the period between 2017 and 2021, only financial institutions and lawyers provided STRs. Other FIs and DNFBPs did not submit STRs, at the same time the usefulness of the received STRs is insufficient for operational analysis, due to the fact that the STRs are sent without a risk-based approach.
23. The FMS to a certain extent supports the activities of the competent authorities by developing spontaneous disseminations and responding to requests. However, there is insufficient awareness of the FMS capacity among the LEAs and that the FMS intelligence is not sufficient to support the operational needs of the LEAs. The strategic analysis carried out by the FMS and the communication of its findings provide negligible support to the needs of the competent authorities.
24. In assessing the effectiveness of identifying and investigating ML in Turkmenistan, the existing contextual factors of the country need to be taken into account. Due to a certain closed economy, domestic legal provisions, as well as a strict visa regime, the country is not largely interesting for transnational criminals to launder money on its territory, as well as for the transit of criminal money.
25. The ongoing investigations and prosecutions for ML are consistent with the nature of national threats and risks and national AML policies. The extent of the ML threats from robberies and theft is probably underestimated.
26. Identification and investigation of potential ML cases in Turkmenistan are carried out using all available for LEAs tools. The process of detecting and investigating ML offences can go through several stages: OIA, pre-investigation, and preliminary investigation.
27. Almost all of the detected cases of ML are self-laundering. Cases of detection of money laundering by third parties were single, while facts of money laundering abroad were not detected at all. Professional money laundering activities are not widespread and there was no ML from predicate offences committed abroad.
28. LEAs have sufficient resources (both human and technical) to detect and investigate predicate offences and ML. There is no systematic and planned centralised professional advanced training on the detection and investigation of ML in specialized LEA institutions.
29. In complex cases, the establishment of investigative teams comprising representatives of other LEAs (in some cases also investigative intelligence officers) is practiced. In predicate offences and ML investigations, parallel financial investigations are conducted by the LEAs and the procedures are set out in the relevant legal framework.
30. However, there are significant deficiencies in detecting criminal assets abroad as part of parallel financial investigations and in identifying ML cases where the predicate offence is committed abroad. The varying level of access by LEAs to information used in criminal investigations, including ML, does not contribute to the effectiveness of the ongoing investigations.
31. Courts can treat different types of ML offences to the same extent. Generally, the focus is on mandatory conviction for the predicate offence, even though there is no legal requirement to do so.
32. The courts apply sanctions against natural persons that are sufficiently proportionate, dissuasive and effective. Sanctions against legal entities are limited and not effective.
33. Turkmenistan devotes considerable attention to the confiscation of the proceeds of crime in criminal proceedings. Confiscation of proceeds, instrumentalities and means of crime is seen as one of the main objectives of criminal law policy.
34. Domestic tracing, seizure and confiscation of criminal assets are implemented at a significant level. A restraining factor in the implementation of confiscation is the lack of direct access of LEAs to certain information resources (electronic databases) of state authorities (information is obtained on request), as well as the legislative restriction of LEAs to obtain information that constitutes bank secrecy.

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35. Confiscation is most actively applied in criminal cases of corruption and fraud, misappropriation and embezzlement. In practice, in most of the demonstrated ML cases, the courts confiscate significantly more than the direct proceeds of crime.
36. Despite the active application of confiscation in LEA practice, statistical records are kept by state authorities in relation to the damage caused by crime, and its voluntary and compulsory reparation. No statistical records are kept of crime proceeds, their equivalent and income derived from the use of a criminal property. In general, statistics on the detection, investigation, and prosecution of ML, as well as on confiscation and provisional measures, are not comprehensive.
37. The mechanism of seizure, removal, management and confiscation of VAs is not defined by the legislation, and there is no practice of dealing with such assets in criminal cases. This is due to the insignificant spread of the possession of VAs within the country due to the existing regime of restrictions on the speed of Internet access, control over online activity and the lack of possibility to top-up crypto-purses inside the country.
38. Confiscation in relation to undeclared (misdeclared) cross-border currency movements as well as instruments of customs offences is applied domestically and, in conjunction with the country's visa restrictions and other measures, is largely preventive for the movement of funds and BNIs for ML and TF purposes.
39. A significant number of confiscations exist in cases of theft and robbery. The level of threat in NRAs of theft and robbery may be somewhat underestimated. In other cases, confiscation practices correlate with those conducted by NRAs.

Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R.1, 4, 5-8, 30, 31 & 39)

40. The level of terrorist threat in Turkmenistan is low. No terrorist acts or any other forms of terrorist activity have been recorded in the country. This has also been confirmed by international surveys in this area. The TF risk is considered to be low. The competent authorities adequately understand and assess the threats posed by terrorists, their organizations and supporters, as well as those who finance terrorism.
41. There are units within the country's LEAs that deal with terrorism and its financing. The LEAs use the full range of OIM and investigative measures provided for in legislation for TF evidence.
42. The LEAs do not have full access to various sources of information and databases, including financial intelligence, which are used to detect TF. The legislation does not allow the OIA to obtain bank secrecy information independently from financial institutions in any case, while the investigative authorities do not have access to any information about other persons who are not under investigation in a criminal case (i.e. are not suspects or accused). This circumstance may reduce the possibility of timely and effective detection of TF.
43. Operational-level cooperation in the TF detection and implementation of preventive measures is carried out only upon request, there are no permanent or temporary formats for cooperation between the competent authorities. Competent authorities are involved in international cooperation at global and regional levels.
44. Preventive measures taken by the LEAs also cover persons travelling outside of Turkmenistan and those arriving from abroad.
45. The authorities of Turkmenistan have largely integrated counter-terrorism issues into national counter-terrorism strategies and are implementing preventive measures in support of counter-terrorism policies.
46. The sanctions for TF against individuals are sufficiently proportionate and dissuasive. Criminal and administrative liability of legal persons for TF is not stipulated by the legislation of Turkmenistan.
47. Despite legislative amendments, the existing practice of List dissemination to the FIs and DNFBPs, as well as their application of appropriate measures does not fully ensure the application of the TFS without delay.

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48. Overall, the FIs and DNFBPs have demonstrated a moderate understanding and implementation of their obligations with regard to the implementation of TFS measures.
49. The absence of Turkmenistan's proposals for designation to the UNSC sanctions lists should not be considered as a shortcoming, given the low level of TF risk in the country and the absence of persons on the national List.
50. Turkmenistan is taking significant measures to prevent the use of NPOs for terrorist financing purposes. Sufficiently strict control and oversight of NPO activities, including the scrupulous and multi-level monitoring of donations coming from abroad, as well as the subsequent expenditure of funds, offset and sufficiently mitigate the risk of NPOs being misused for terrorist financing purposes.
51. Turkmenistan have adopted the requirements for the internal control rules for NPOs, that have similar requirements for ICRs for FIs and DNFBPs. NPOs in Turkmenistan sufficiently understand the vulnerabilities of its organizations to be misused for TF. In the period under review, no instances of NPOs' involvement in TF activities were identified.
52. Turkmenistan has a unified legal framework and established competent authorities to respond to the issues of TFS on combating TF and PF. The mechanism of implementation of the UN Security Council PF sanctions lists does not fully ensure the application of the TFS without delay. FIs and DNFBPs have demonstrated moderate understanding and fulfilment of their obligations regarding the TFS application, including on the identification of direct or indirect links with the designated persons, as well as sanction evasion.
53. The country has an effective customs and export controls system in place, which involves authorized agencies, including the SCS, the Ministry of Trade and Foreign Economic Relations, the Ministry of Defence, and which encompasses licensing the movement of dual-use goods and other strategic goods.

Preventive measures (Chapter 5 – IO.4, R.9-23)

54. All FIs and DNFBPs participated in the NRA and showed knowledge of the risks identified in this assessment. In addition to the NRA, sector risk assessments have been conducted by a number of FIs and DNFBPs sectors. Banks, securities market participants, the Post and the commodity exchange have the most comprehensive understanding of the risks inherent in their activities, while insurance organisations have a moderate understanding (due to the underdeveloped nature of the sector and the low risk of their operations). Among DNFBPs, the following sectors demonstrated a high understanding of ML/TF risks: notaries, lawyers, legal aid providers and auditors. Realtors and precious metals dealers sector representatives showed a theoretical understanding, as opposed to full implementation. Understanding of AML/CFT obligations by FIs and DNFBPs is also quite adequate.
55. In general, FIs apply sufficient risk mitigation measures proportionate to their sector and customer base, with regard to country-specific contextual factors. The measures taken by FIs are risk-based. However, some FIs have demonstrated incomplete understanding of high-risk and suspicious transaction criteria. A number of DNFBPs have taken measures to reduce the level of risk specified in the NRA as demonstrated by SRA (auditors and real estate agents). Customer ML/TF risks, first of all, are reduced in the process of customer on-boarding. At the same time, in most DNFBP sectors customer risk is not assessed on an on-going basis.
56. FIs sufficiently apply measures to identify the customer, their beneficial owners with a controlling ownership interest (holding 25% of the capital) and record keeping. At the same time, they do not take sufficient measures to identify those BOs exercising control of the legal person through other means. Some DNFBP sectors (notaries, lawyers, legal aid providers, and auditors) understand their CDD obligations to a significant extent. In the DPMS sector, in the case of jewelry retailing, CDD is irregular and non-uniform, despite the industry's awareness of the relevant obligation.
57. FIs apply enhanced CDD measures to national and foreign PEPs to a moderate extent, and no practice has been demonstrated to identify family members or close associates of the national PEPs.

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Turkmenistan applies effective special measures when launching new products/services and technologies by approval of these products with the Cabinet of Ministers and the President of Turkmenistan. FIs have moderately demonstrated the use of special measures for targeted financial sanctions in relation to TF in terms of timely updating the sanctions lists, as well as re-screening of the existing customers against these lists. Banks have provided some examples of identifying false positives with the sanctions lists. The DNFBP sectors theoretically understand issues related to the risks and specifics of providing services to foreign PEPs; however, taking into account the context of the country, this risk is mitigated at the stage of obtaining a permit for economic activities in Turkmenistan. All DNFBPs have mentioned their understanding of the necessity of assessing the ML/TF risks of new products and technologies before using them, but have not demonstrated any examples due to their absence. All DNFBPs understand their obligations to implement the TFS, however, their implementation is not regular and comprehensive.

58. FIs understand their obligations to identify transactions (above the threshold value) and file mandatory STRs to the FMS according to the approved special forms (except for the commodity exchange), as well as non-tipping-off obligations not to disclose to the customers the fact of filing STRs. However, the level of identification of STRs and their quality appears to be inadequate. FIs exercise internal audit/inspection of the effectiveness of the AML/CFT internal control system. Not all DNFBPs file STRs to the authorized body: the largest number of reports has been submitted by the notaries sector, and there are examples of STRs being filed by the legal aid providers. DNFBPs have demonstrated that they have standard internal control systems, as well as mechanisms for internal assessment of the effectiveness of the AML/CFT internal control systems.

Supervision (Chapter 6 – IO.3, R.14, 26-28, R.34-35)

59. Licensing and registration requirements, as well as the checks of the managers and founders of the majority of FIs sufficiently prevent criminals and their accomplices from directly owning FIs, i.e. being their founders or managers. This check is carried out for residents through special commissions, by the Cabinet of Ministers, and for non-residents by the Risk Agency. However, supervisory authorities do not establish and, therefore, do not conduct appropriate checks of beneficiary owners that have indirect, considerable or controlling interest in FIs (when beneficiary owners are not founders). In the lawyer and notary sectors, access of criminals is efficiently blocked; other sectors have considerable limitations related to the admission to profession of licensees/applicants that have a criminal record, but does not have this opportunity in respect of beneficiary owners.
60. Supervisory authorities participated in the NRA and have adequate understanding of the ML/TF risks of the reporting sectors taking into account the contextual factor.
61. Supervisory authorities apply a risk-based approach to a moderate degree, i.e. the risk levels of supervised entities are not always taken into account when determining the frequency and depth of inspections. However, it should be noted that the contextual factors such as strict (comprehensive) government control, currency control, strict licensing requirements and procedures to conduct banking activities, limitations on cashing out of funds serve as constraints and impact the efficiency of supervisory measures. In addition, in most sectors, the entities are state-owned and in some sectors only one or two entities carry out activities covered by the FATF standards. For this objective reason, the number of supervised entities does not allow for any kind of ranking.
62. Supervisory authorities identify AML/CFT violations to a moderate degree. Supervisory authorities (except CB) appear not to pay sufficient attention to the checks of the requirements to apply TFS by reporting entities.
63. Supervisory authorities apply corrective measures, proportionate and dissuasive sanctions to FIs to a small extent. However, the assessors assume that the Interbank Board acts as an additional effective tool to take corrective measures by CB. Disciplinary measures may be applied to notaries, which, taking into account their status of civil servant, appears effective.

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64. Supervisory authorities significantly promote the FIs' and DNFBPS' clear understanding of their AML/CFT obligations and ML/TF risks.

Transparency of legal persons and arrangements (Chapter 7 – IO.5, R.24-25)

65. Information on the establishment and categories of legal persons in Turkmenistan is available to the general public and is posted on the website of the government authorities.
66. The country has taken steps to analyze ML/TF risks associated with activities of legal persons (the NRA contains the relevant section). However, this analysis is neither sound nor comprehensive. The competent authorities (except for LEAs) have insufficient practical understanding of the ML/TF vulnerabilities and the extent of potential misuse of legal persons established in Turkmenistan for ML/TF purposes.
67. Competent authorities take insufficient actions to prevent legal entities formed by residents from being misused for illegal actions, while takes adequate measures to legal entities with foreign capital or foreign founders. There are no measures in place to prevent misuse of bearer shares and securities for ML/TF purposes due to the conflict of laws.
68. Basic information is adequate, accurate and current, but BO information is not cross-checked and verified by the registration authority and, therefore, is not always accurate. Basic information on all legal persons is not publicly available and is provided to the general public upon request in form of extracts within 10 days (in practice, within 3 days). Information contained in the Single State Register of Legal Entities (SSRLE) is directly accessed by some competent authorities of Turkmenistan the LEAs obtain information from the SSRLE upon request within 3-10 days, i.e. not in a timely manner.
69. The LEAs have a good understanding of the beneficial ownership concept and use the criminal intelligence gathering methods and the capabilities of the FMS, including information maintained by FIs and DNFBPs, for identifying beneficial owners. Financial institutions and DNFBPs also understand their obligations related to identification of beneficial owners and generally do not face difficulties in identifying BOs. Criminal intelligence operations conducted by the LEAs revealed only few instances when founders were not beneficial owners, and, in most cases, founders and beneficial owners were the same persons.
70. Taking into account the features of the legal framework, legal arrangements as defined in the FATF Recommendations may not be established in Turkmenistan; at the time of the on-site mission legal arrangements operating in Turkmenistan have not been identified.
71. Legal persons are not subject to sanctions for submission of incorrect data in the course of registration. Sanctions are only imposed if discrepancies are detected when tax authorities conduct inspections. In Turkmenistan, measures in respect of the correctness of information on beneficiary owners are not applied. In general, competent authorities have a limited range of measures that prevent legal entities from submitting incorrect information.

International co-operation (Chapter 8 – IO.2, R.36-40)

72. Turkmenistan has sufficient legal and institutional mechanisms for the constructive and timely execution of international requests for ML and extradition, in connection with the investigation and prosecution of ML, predicate offenses, and TF. The main cooperation is carried out with the CIS countries and countries that are trading partners of Turkmenistan. International MLA and extradition requests are mainly sent and received through diplomatic channels.
73. LEAs have bilateral agreements on the exchange of information and cooperation with foreign LEAs, which are sufficiently implemented in practice. In general, LEAs take sufficient measures to provide law enforcement and other available information to foreign counterparts in an appropriate and timely manner, but due to legal restrictions are not able to provide full assistance in providing banking secrecy information.
74. The LEAs, if necessary, may consider creating interstate investigative teams with the authorities of foreign states, if the international treaties of Turkmenistan provide for this.

EXECUTIVE SUMMARY

75. All registered MLA assignments are subject to control over their execution. The competent authorities of Turkmenistan make efforts, in order to quick and qualitative execution of the requests for MLA and extradition.
76. There were no MLA requests for the return of assets confiscated by a court decision in Turkmenistan. In rare cases, the competent authorities use legal mechanisms provided for in international conventions to recover assets illegally transferred abroad.
77. The competent authorities of Turkmenistan were active in making international requests for the extradition of the perpetrators of crimes. In most cases, extradition is requested for perpetrators of fraud, theft, drug trafficking, human trafficking, and forgery. However, the effectiveness of outgoing international cooperation in extradition matters is significantly reduced by the lack of facts of the transfer of criminal cases for further prosecution abroad.
78. The effectiveness of international cooperation on MLA, extradition and recovery of assets from abroad is affected by deficiencies of the technical compliance of the legislation.
79. The FMS exchanges information (receiving and sending requests) with foreign FIUs primarily through the Egmont Group communication channel and diplomatic channels. The FMS sends a sufficient number and receives a small number of requests for the exchange of AML/CFT information.
80. Supervisors have bilateral agreements in place with a small number of foreign supervisors and have sufficient resources that create the ability to exchange information of a general nature.
81. Competent authorities have the ability to execute international requests for the identification and exchange of basic and beneficial ownership information on legal persons. In practice, however, such an exchange of information takes place in very few instances.

Priority Actions

It is recommended to Turkmenistan:

1. Ensure that all competent authorities, FIs and DNFBPs have a uniform understanding of ML/TF risks, including by updating the national risk assessment. Conduct a comprehensive analysis of threats and vulnerabilities of the use of legal entities and virtual assets, as well as real estate and DPMS sectors for ML/TF.
2. FMS should enhance STR-based and pro-active operational and strategic analysis, including through intensive outreach activities to FIs and DNFBPs aimed at the improvement of the quality of STRs. Ensure regular strategic analysis, that results in the development of ML/TF typologies and guidelines for STR reporting and update of suspicious criteria
3. LEAs should increase the intensity of information exchange with the FMS when pursuing parallel financial investigations.
4. Ensure in practice an equal priority in the investigation of both predicate offences and ML, to avoid the possible negative impact of the LEA's emphasis on detecting predicate offences in relation to the detection and investigation of ML committed by third parties.
5. Ensure the maintenance of comprehensive in ML detecting, investigating and prosecuting spheres as well as on confiscation and provisional measures;
6. Improve the mechanism and practice of TFS application in order to ensure the application is made without delay;
7. Increase reporting entities' understanding of ML/TF risks, high-risk and suspicious transaction criteria, as well as ML/TF typologies, including by developing guidelines (methodology, instructions, etc.) and providing feedback that can assist reporting entities in applying measures for AML/CFT purposes, in particular on monitoring and analyzing customer transactions, identifying suspicious transactions and sending STRs;
8. Supervisory authorities (except for the CB) should implement and the CB should enhance risk-based approach taking into account ML/TF risks and the outcomes of the NRA;
9. Supervisory authorities should enhance mechanisms for the identification and appropriate screening of beneficiary owners;
10. Turkmenistan should provide direct access to the Single State Register of Legal Entities to all competent authorities that constitute a part of AML/CFT/CPF national framework;
11. Continue to improve NLAs and their application practices to ensure full implementation of ratified international AML/CFT/CPF conventions;
12. Ensure comprehensive and inclusive statistics on MLA and other international cooperation are maintained.

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Effectiveness and Technical Compliance Ratings

Table 1. Effectiveness Ratings

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
SE	SE	ME	ME	LE	ME	ME	SE	SE	ME	ME

Table 2. Technical Compliance Ratings

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

MUTUAL EVALUATION REPORT

Preface

82. This report summarizes the AML/CFT/CPF measures in place in Turkmenistan as at the date of the on-site visit. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT system, and recommends how the system could be strengthened.
83. This evaluation was based on the 2012 FATF Recommendations, and was prepared using the 2013 Methodology. The evaluation was based on information provided by Turkmenistan in the technical compliance and effectiveness questionnaire, and information obtained by the AT during its on-site visit to the country on August 1-17, 2022.
84. The evaluation of Turkmenistan under the second round of the EAG Mutual Evaluations was conducted by an AT consisting of:
 - Mr. Ivan Benedis (Republic of Belarus);
 - Mr. Aliaksandr Prakapenka (Republic of Belarus);
 - Ms. Zhyldyz Imanbaeva (Kyrgyz Republic);
 - Mr. Chyngyz Kenenbaev (Kyrgyz Republic);
 - Mr. Dmitry Furmavnin (Russian Federation);
 - Mr. Khurshid Akhmadaliev (Republic of Uzbekistan);
 - Mr. Dzmitry Varabyou (EAG Secretariat);
 - Mrs. Nazerke Zhampeis (EAG Secretariat);
 - Mr. Aibek Turdukulov (EAG Secretariat).
85. The report was reviewed by the representatives of the following EAG Member States and observers: People’s Republic of China, MONEYVAL Secretariat and FATF Secretariat.
86. The previous mutual evaluation of Turkmenistan was conducted in 2011 using the 2004 FATF Methodology. The Mutual Evaluation Report of Turkmenistan was adopted by the 14th EAG Plenary in June 2011. The report is a public document accessible on the EAG website.¹
87. Following the adoption of the first MER, Turkmenistan was placed in the EAG enhanced follow-up process. In November 2015, Turkmenistan presented the 6th detailed follow-up report at the 23rd EAG Plenary Meeting for removal from the EAG follow-up process. During the period after the adoption of the first MER in June 2011, Turkmenistan has made progress in complying with the key and core Recommendations. The 6th follow-up report is accessible on the EAG website.²

¹ [First MER of Turkmenistan dated 2011](#)

² [Sixth Follow-up Report of Turkmenistan](#)

CHAPTER 1. ML/TF RISKS AND CONTEXT

88. Turkmenistan is located in the western part of Central Asia, north of Kopet Dag Mountains and between the Caspian Sea to the west and the Amu Darya River to the east. The territory of Turkmenistan is 491,200 square kilometers. The territory of the country stretches 1,100 kilometers from south to north. Turkmenistan borders Kazakhstan in the north, Uzbekistan in the east and north-east, Iran in the south, Afghanistan in the south-east, with the 600 km-long Caspian Sea shore in the west. The country comprises of five provinces (velayats), namely Ahal Province, Balkan Province, Dashogyz Province, Labap Province and Mary Province, with the city of Ashkhabad as its capital having the status of a velayat. The population of Turkmenistan is over 6.2 million people.
89. Turkmenistan is a democratic, rule-of law and secular state with the form of state governance as a presidential republic. Turkmenistan has the status of permanent neutrality, which is enshrined in law and recognized by the international community. The supreme state power and control in Turkmenistan are exercised by the President of Turkmenistan. The President is the head of the state and the highest official of Turkmenistan who determines the nation's domestic and foreign policies and ensures proper operation of all government authorities. The executive power (including all competent AML/CFT authorities) is exercised by the Government. The President of Turkmenistan is the Chairman of the Cabinet of Ministers of the country. The Parliament (Milli Geňes), consisting of two chambers - Halk Maslahaty (the upper chamber) and Mejlis (the lower chamber), is the national representative legislative body. The SC is the highest judicial body of Turkmenistan. (See Constitution of Turkmenistan).
90. The national legislative acts are the primary sources of law in Turkmenistan. The Constitution is the fundamental law of Turkmenistan and has the supreme legal force and direct effect. Laws and other legislative acts contradicting the Constitution are legally invalid. The Law on Legislative Acts adopted on August 26, 2017 defines the system of legislative acts of Turkmenistan and differentiates legal status of different types of legislative acts.
91. Turkmenistan is not part of any supranational jurisdiction and has no territories or zones in which different AML/CFT regime applies or whose activities may affect the mutual evaluation.

1.1. ML/TF Risks and Scoping of Higher Risk Issues

1.1.1. Overview of ML/TF risks

92. Since 2020, there has been a steady trend towards reduction in number of identified ML cases. This downward trend is primarily due to overall decline of crime rate and decrease in number of predicate offences.
93. The most widespread offences that generate high criminal proceeds and allow for making illegal profits are: bribe-taking (CC Art.184); fraud (CC Art.228); evasion of taxes by natural persons (CC Art.262); illegal production, processing, acquisition, storage, transportation and shipment of narcotic drugs or psychotropic substances for sale (CC Art. 292); and smuggling (CC Art.254). The real estate and DMPS sectors have been identified as exposed to increased vulnerability.
94. In order to mitigate ML risks, the competent authorities have taken a number of significant measures: risk management action plan developed, new legislation framework approved, workshops and trainings on relevant topics organised, interaction between all competent authorities strengthened.
95. The risk of terrorism and terrorist financing is at the low level, which is based on the number of factors (the absence of interethnic and inter-religious conflicts, socio-cultural characteristics (e.g., the absence of significant extremist movements), a strict migration policy, a combination of measures by the competent authorities aimed at preventing crimes related to the financing of terrorist activities). Nevertheless, there are risks arising from the geographic location of Turkmenistan, in particular due to its long border with Afghanistan, vicinity to the areas of

operation of terrorist organizations, and general impact of the regional trends which may spread across the entire Middle Asia region.

96. Turkmenistan is involved in implementation of large-scale economic projects in the energy, infrastructure, transport, communications and industrial sectors of Afghanistan. These include, for example, construction of the Turkmen section of the regional Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline; erection of Turkmenistan-Afghanistan-Pakistan (TAP) power transmission and fiber-optic communication lines; and development of a solid infrastructure for extension of transport routes with Afghanistan, including construction of the cross-border railways from Imamnazar (Turkmenistan) to Aqina (Afghanistan) and from Serhetabat (Turkmenistan) to Turgundi (Afghanistan) as part of the Lapis Lasuli transport corridor linking Afghanistan to Türkiye via Turkmenistan, Azerbaijan and Georgia. Turkmenistan also continuously provides humanitarian aid and support to Afghanistan: the Turkmen government has provided high capacity power generating equipment for the needs of the Afghan economy; delivers food products and commodities for population; and supplies electricity at discounted prices.
97. In order to mitigate the aforementioned threats related to Afghanistan and the TF risks in general, the competent authorities of Turkmenistan have introduced an effective system for controlling the entry and exit of Turkmen citizens, foreign nationals and stateless persons into and out of the country; information and preventive work with NPOs as well as with the population and the private sector is constantly carried out. Serious attention is being given to border and customs control, the material and technical equipment of border posts has been upgraded and full customs control of the movement of goods has been implemented.
98. No instances of abuse of non-profit organizations for TF purposes have been identified in Turkmenistan. The risk mitigation factors in the NPO sector include the following: a special registration procedure of non-profit organizations; requirements for the internal control rules of NPOs; and mechanisms set out in the legislation for strict monitoring of receipt and targeted use by NPOs of domestic and foreign gratuitous aid (funds and assets).
99. The assessment of risks in the virtual assets sector and the use of legal entities for ML/TF are missing in the NRA.

1.1.2. Country's risk assessment & Scoping of Higher Risk Issues

100. In 2018, Turkmenistan conducted its first national risk assessment (NRA-1) in which all competent authorities and a significant number of the private sector participated.
101. The risk assessment was built on the derived threat and vulnerability levels of Turkmenistan's sectors. Initially, the LEAs analysed the crime situation in the country and identified the crimes (threats) that generated the highest revenues. Each sector was then assessed in order to form a view of the vulnerabilities.
102. Turkmenistan conducted its second National Risk Assessment (NRA-2) in the period between 2020-2021. The NRA 2 updated the risks identified in NRA 1. In the opinion of the AT, NRA 1 and 2 reports can be seen as a single two-stage process. NRA-1 identified general country risks, but the report did not adequately assess the extent of specific risks; therefore, it was decided to conduct NRA-2. Therefore, NRA-1 is considered as the basis for NRA-2, while the methodology for NRA-2 has been significantly refined and the sources of information used for analysis have been expanded.
103. The NRA-2 exercise involved consultations with the government authorities and private sector, which covered such issues as development of the questionnaire for reporting entities engaged in transactions with funds or other assets (hereinafter reporting entities), review of description of the variables used for assessment, and elaboration of further steps to be implemented after the assessment.
104. The private sector was actively engaged in the NRA exercise. All supervisory authorities disseminated the relevant questionnaires to their reporting entities, reviewed the received responses

and provided the analysis results to the FIU. The final NRA report reflects the concerted stance of all competent ministries and agencies of Turkmenistan.

105. The final section of the NRA reports presents the ML/TF/PF Risk Management Action Plan aimed at mitigation of the identified risks.
106. The unclassified NRA findings were posted on the FMS website, while the full version of the report was disseminated to the government authorities via secure channels. For communicating the outcomes of the NRA exercise to the private sector, special workshops and other meetings were held where the NRA-2 findings were presented to the participants.
107. The AT agrees with the NRA-2 findings related to assessment of ML and TF risks and considers them well substantiated. At the same time, However, in the evaluation period (which partially includes the NRA-1 period and fully includes the NRA-2 period), according to statistics on crimes committed and damages sustained, theft and robbery are the predominant type of predicate offences in the aggregate, and also there are prosecutions for ML from thefts and robberies. However, such facts (ML from thefts and robberies), compared to the total number of these predicate crimes, account for a small percentage of the laundering of the proceeds of crime. This is primarily due to the fact that, in the vast majority of cases, the perpetrators of thefts and robberies do not pursue the purpose of their subsequent laundering or concealment of the criminal origin. They use criminal incomes to satisfy their domestic needs without changing their legal nature. Nevertheless, existing cases of ML from theft and robbery may indicate that this type of predicate crime may pose some increased threat to ML. At the same time, NRA-1 and NRA-2 note that thefts and robberies are assessed as low-level ML threats.
108. The AT reviewed information on ML/TF risks provided by Turkmenistan as well as information from reliable third-party sources (such as reports of other international organizations, etc.) in order to identify issues for enhanced focus in the course of this mutual evaluation. The assessors paid increased attention to the following issues that, to a certain extent, coincide with the NRA findings:
 - **Corruption, including bribery of Turkmen officials by foreign corporations:** Corruption remains a serious problem in Turkmenistan, which is also confirmed by the NRA findings. The AT focused on the effectiveness of identification and investigation by the LEAs of cases involving legalization (laundering) of corruption proceeds, including proceeds received as bribes by the Turkmen officials from foreigners, and on the level of international cooperation in these matters. In this context, increased attention was also paid to monitoring and reporting of financial transactions carried out by national politically exposed persons.
 - **Fraud:** According to the statistics contained in the NRA-2 report, the number of fraud offences and the amount of confiscated funds (and, therefore, the amount of fraud-related proceeds) grew steadily until 2020, and certain decline in the number of detected fraud offences was recorded only in 2020. In view of amount of confiscated proceeds, it can be assumed that this category of offences generates substantial criminal proceeds. In this context, the AT focused on the following issues: what types of fraud proceeds are laundered most frequently; whether the amount of confiscated funds is consistent with the amount of generated proceeds; and whether this type of ML is correctly assessed in the NRA as posing medium level of threat.
 - **Illicit drug trafficking:** In view of geographical vicinity of Turkmenistan to Afghanistan and lack of proper assessment of trans-border and regional risks, the assessors paid enhanced attention to identification, investigation and prosecution of cases related to laundering of drug trafficking proceeds and international cooperation (with both countries of origin and destination) in these matters.
 - **Smuggling of cash, gold and other goods:** In view of multiple attempts of illegal cross-border movement of goods and cash from some neighboring countries into Turkmenistan, the Turkmen authorities consider smuggling as posing high ML. Besides that, in their responses to the international cooperation related questionnaire, some of the surveyed countries indicated breaches of the customs legislation by natural persons by way of non-declaration and concealment of currency cash in attempt to circumvent customs controls. In this context, the

AT paid enhanced attention to the identified instances of ML/TF related to these types of criminal activities and the effectiveness of response measures taken by the competent authorities.

- **Risk Understanding and Interagency Cooperation:** the assessors paid special attention to how all participants of the national AML/CFT system understand ML/TF risks and how the relevant bodies engage in interagency cooperation in the context of AML/CFT and CPF.
- **TF Detection, Investigation and Prosecution:** The NRA-1 and NRA-2 findings reveal that the level of internal threat of terrorism and terrorist financing was classified as low, but the common border with Afghanistan increases the level of external threat of terrorist financing in Turkmenistan. The assessors conducted a detailed analysis of how the country understands TF risks, identifies and investigates potential TF cases, inter alia, involving international cooperation, and how the competent authorities apply TF preventive measures.
- **Application of targeted financial sanctions (TFS):** the AT examined how well the FIs and DNFBPs comply with the requirements of the UNSCRs under R6 and R7, and examined the level of understanding of the TFS obligations by competent authorities, their outreach programmes and supervisory functions. The focus was also on the implementation of the TFS mechanism in relation to TF, namely the freezing of funds, the level of urgency for the identification, designation and exclusion of persons involved in TF to the national and international sanctions lists.
- **Shadow Economy:** The AT focused on the effectiveness of measures that seek to improve transparency and traceability of cash payments, and the monitoring of foreign cash exchange. The AT also looked into the prevention and detection of trade-based ML in Turkmenistan, since cash-intensive businesses and economies tend to be particularly exposed to this category of crimes.
- **FIs and DNFBPs:** According to NRA-1 and NRA-2, the banking sector has the largest share of the financial system in Turkmenistan and is more developed than other areas. The overall level of ML/TF risk in the banking sector is assessed as "upper medium". Vulnerability to the risk of cash transactions, foreign currency exchange transactions, and international payment transactions is assessed as "upper medium". Taking into account the ML/TF risks in the sector, as well as certain weaknesses identified by the supervisory authority, the AT examined the AML/CFT internal control systems at FIs (especially banks), the sector's understanding of ML/TF risks, measures taken by banks to mitigate ML/TF risks and CDD in relation to high-risk customers and suspicious transactions, interaction of bank employees with compliance services, and the effectiveness of corrective measures and sanctions applied by the supervisory authorities. With regards to DNFBPs, the AT analysed the efficiency of preventative measures and supervision over real estate agents and dealers in precious metals and stones.

1.2. Materiality

109. In 2021, the gross domestic product (GDP) of Turkmenistan amounted to USD 50.6 billion, while the GDP per capita stood at USD 7,425.3.
110. Turkmenistan is an export-oriented economy. With large reserves of natural gas, crude oil and other natural resources, Turkmenistan is one of the major exporters of fuel in the Central Asia.
111. Turkmenistan's financial sector has the following characteristics: high state involvement and its underdevelopment, with the exception of the banking sector; the existence of foreign exchange controls and regulations³; and comprehensive state controls, including on entities with foreign capital.

³ Law of Turkmenistan "On Currency Regulation and Currency Control in Foreign Economic Relations" of 01.10.2011 No. 230-IV.

112. The banking sector is the most important sector of Turkmenistan's financial system in terms of assets, customer base and operations. As of 01.07.2022, the total assets of the banks amounted to 138,853.5 million manat or 99% of the total assets of the FIs. A distinctive feature of Turkmenistan's banking sector is that the state owns the capital of 8 banks out of a total of 10. Of the remaining two, one bank is a branch of a foreign bank and only one bank established by individuals. There are no other financial institutions in Turkmenistan. It is the banking sector that provides most of the financial services, while banks, in addition to their core activities, act as exchange offices, MVTS and professional participants in the securities market.
113. Other sectors such as insurance companies, securities market participants, post office, commodity exchange have little weight in terms of risk and scale of operations, are underdeveloped, mainly focused on the domestic market and pose low ML/TF risk. As in the case of the banking sector, the Ashgabat Stock Exchange (a participant in the securities market), the State Insurance Organisation (the only life insurance company), Turkmenpochta (the only MVTS apart from banks) and the State Commodity Exchange are state-owned organisations. The latter has the status of a ministry by presidential decree.
114. DNFBPs of Turkmenistan focus exclusively on domestic services; the number of contracts concluded with foreign counterparts is measured in sporadic cases.
115. The market volume of services provided appears to be insignificant in monetary terms. For example, the total value of all real estate transactions carried out and registered in Turkmenistan in 2021 was only about USD 5.2 million. During this period (2021), only about 25 thousand pieces of jewellery were sold in the country by representatives of the DPMS sector, which, given the context of Turkmenistan and the national tradition of citizens to own such goods, also seems very insignificant. The main risks associated with the purchase and sale of DPMS are concentrated not at dealers within the country, but based on the purchase of a large volume of jewellery items by citizens of Turkmenistan in foreign jurisdictions and subsequently exported. In other words, the level of risk assigned in the NRA refers not to dealers in DPMS, but to the subject matter of the transactions itself - the precious metals and stones. The notary sector in Turkmenistan performs rather auxiliary functions related to the mandatory certification of a number of transactions (for example, with real estate), execution of powers of attorney, securing inheritance rights, and essentially only in isolated cases provides services required by the FATF standards. Also noteworthy in this regard is the fact that notaries of Turkmenistan are classified as public servants. Real estate agents, in most cases, are not directly involved in the conclusion of real estate purchase/sale transactions, limiting themselves to advisory services and assistance in the selection of properties, which reduces the risk of their involvement in illegal ML/TF schemes. In fact, auditors, lawyers and those providing legal assistance to the public also do not carry out the activities set out in the FATF standards, as the first ones provide the majority of services in the field of mandatory and voluntary audit, lawyers - in the field of judicial defense and legal representation, and the latter - in preparing various statements, including lawsuits, complaints and drafting other documents requiring legal skills. These sectors do not provide services related to the registration, management or support of the company's financial and economic activities.
116. No significant risks have been identified by the AT in all of the DNFBPs sectors and there appears to be little gradation in the level of importance between sectors in practice: DPMS dealers and notaries are identified as the moderately important, all other sectors are the less important.
117. Overall, Turkmenistan cannot be classified as a major financial centre, trade centre or company creation and management centre.

1.3. Structural elements

118. Turkmenistan has all the key structural elements required for an effective AML/CFT system, including political and institutional stability, a high-level commitment to address AML/CFT issues and concerns across government, government accountability, the rule of law and a professional judiciary.

119. The changes underway are more aimed at enhancing the effectiveness of the system and the coordination of its actors. The political system and institutions are stable. There is high-level commitment to AML/CFT issues. Significant efforts are being made to ensure government accountability, the rule of law and to strengthen the independence of the judiciary.

1.4. Background and Other Contextual Factors

120. Turkmenistan established its AML/CFT regime in 2009, when the Law "On Combating Money Laundering" was adopted, defining measures aimed at combating ML/TF and regulating the existence of a specially authorized body (FIU) in the AML/CFT sphere. Since then, the existing AML/CFT regime has been significantly developed and the powers of the FIU have been significantly expanded.

121. Corruption remains a significant problem for Turkmenistan and the degree of ML threat from corruption in the NRA is assessed as very high, however it should be noted that the reforms underway are having some positive effects.

1.4.1. AML/CFT strategy

122. The national AML/CFT/CPF system of Turkmenistan is a combination of government and other authorities as well as natural and legal entities engaged in transactions with funds or other assets and non-profit organizations that cooperate with each other within their purview for achieving the established goals.

123. The national AML/CFT policy of Turkmenistan includes the following strategic documents:

- Programme of Development of Economic, Financial and Banking Systems of Turkmenistan for 2018-2024 adopted by Turkmen Presidential Resolution No.716 dated March 29, 2018;
- National Anti-Corruption Programme for 2017-2021 adopted by Turkmen Presidential Resolution No.236 dated June 1, 2017;
- National Anti-Corruption Programme in Turkmenistan adopted by Turkmen Presidential Resolution No.1547 dated December 23, 2019 and its Implementation Action plan for 2020-2024;
- National Programme of Development of Banking Sector until 2030 adopted by Turkmen Presidential Resolution No.11498 dated January 28, 2011;
- National Programme of Gradual Development of System of State Registration of Real Estate Property and Real Estate Transactions for 2015-2020 adopted by Turkmen Presidential Resolution No.11498 dated January 28, 2011;
- Foreign Trade Development Programme for 2020-2025 adopted by Turkmen Presidential Resolution No.1527 dated December 6, 2019;
- National Strategy of Preventing Violent Extremism and Combating Terrorism for 2020-2024 adopted by Turkmen Presidential Resolution No.1525 dated December 6, 2019;
- National Action Plan for Implementation of the National Strategy for Preventing Violent Extremism and Combating Terrorism in 2021-2024 adopted by Turkmen Presidential Resolution No.2007 dated December 4, 2020;
- National Programme of Development of the System of Internal Affairs Bodies of Turkmenistan for 2017-2021 adopted by Turkmen Presidential Resolution No.137 dated April 3, 2017;
- Working Programme for Promoting Healthy Lifestyle and Ensuring Security of Healthy Society for 2016-2020 adopted by Turkmen Presidential Resolution No.14314 dated June 30, 2015;
- The 2018-2022 Action Plan of Turkmenistan aimed at complying of UNSCR 1540. The Plan includes measures related to state control (monitoring) of export from, import to and transit transportation through the territory of Turkmenistan of hazardous chemicals, their precursors, dual-use chemical materials and related equipment. At present, a draft Law on Trade in Strategic

Materials is being developed in Turkmenistan;

- Concept of Development of Digital Economy in Turkmenistan in 2019-2025 adopted by Turkmen Presidential Resolution No.984 dated November 3, 2018;
 - Concept of Foreign Policy of Neutral Turkmenistan adopted by Turkmen Presidential Resolution No.3 dated February 18, 2017;
 - National Action Plan for Combating Human Trafficking for 2016-2018 adopted by Turkmen Presidential Resolution No.14672 dated March 18, 2016. After expiration of period of implementation of this Plan, a new Action Plan for Combating Human Trafficking for 2020-2022 was adopted by Turkmen Presidential Resolution No.1524 dated December 6, 2019;
 - National Cybersecurity Programme for 2017-2021 adopted by Turkmen Presidential Resolution No.137 dated April 3 2017, and National Cybersecurity Programme for 2022-2025 adopted by Turkmen Presidential Resolution No.2623 dated March 2, 2022;
 - Programme of Provision by Turkmenistan of Humanitarian Aid and Assistance to the Islamic Republic of Afghanistan for 2020-2022 adopted by Turkmen Presidential Resolution No.1680 dated February 20, 2020;
 - Concept of Development of Digital Economy of Turkmenistan in 2019-2025 adopted by Turkmen Presidential Resolution No.984 dated November 30, 2018. Application of digital technologies under this Strategy will facilitate integration of Turkmenistan into the global economy, attract investments, improve export potential, strengthen cooperation between public and private sectors, etc.;
 - Based on this Concept, the Action Plan for Implementation of the National Programme of Development of Digital Economy of Turkmenistan for 2021-2025 was developed and adopted by Turkmen Presidential Resolution No.2136 dated February 12, 2021. Pursuant to this Plan, the ministries and agencies adopted their own digital economy development action plans;
 - Strategy of Development of the System of Customs Authorities of Turkmenistan in 2022-2028 and Action Plan for Implementation of this Strategy adopted by Turkmen Presidential Resolution No.157 dated July 5, 2022 (official use only). The Strategy contains a separate section related to suppression of breaches of the customs and criminal legislation of Turkmenistan, including AML/CFT/CPF violations.
124. In 2018, Turkmenistan completed the first national risk assessment (NRA-1) which covered the 2015-2017 period. The second national risk assessment (NRA-2) covering the period from 2018 through the first half of 2020 was conducted by Turkmenistan in 2020. The NRA-2 Report and the Risk Management Action Plan were adopted in April 2021.
125. The FMS coordinated the process of national risk assessments and preparation for the mutual evaluation, which was conducted with active engagement of the public and private stakeholders of the Turkmen AML/CFT/CPF system.

1.4.2. Legal and institutional framework

126. The national legislative acts are the primary sources of law in Turkmenistan. The Constitution is the fundamental law of Turkmenistan and has the supreme legal force and direct effect. Laws and other legislative acts contradicting the Constitution are legally invalid. The Law on Legislative Acts adopted on August 26, 2017 defines the system of legislative acts of Turkmenistan and differentiates legal status of different types of legislative acts.
127. One of the priorities of the Turkmen authorities is improvement of the national anti-money laundering, counter-terrorist financing and counter-proliferation system and extension of international cooperation consistent with the common international standards. To that end, Turkmenistan takes measures to improve its national legal framework, including the AML/CFT/CPF legislation. The authorities undertake ongoing efforts and steps to bring the national legislation in line with the international AML/CFT/CPF standards.

128. In Turkmenistan, the AML/CFT/CPF system is based on the Law of Turkmenistan on Combating Legalization of Criminal Proceeds, Financing of Terrorism and Financing of Proliferation of Weapons of Mass Destruction. The Turkmen legislation provides for active involvement of the ministries, agencies, LEAs, defense agencies, credit and FIs and private sector entities in the AML/CFT/CPF system.
129. The legal system of Turkmenistan is based on the civil law traditions. The primary sources of law in Turkmenistan are:
- Legislative acts: constitutional laws; codes; laws; and resolutions of the Parliament (Milli Geňeş);
 - Regulations: Presidential decrees and resolutions, Cabinet of Ministers' resolutions; orders of ministries and agencies; resolutions of local representative authorities; and resolutions of governors.
130. The AML/CFT system consists of the following authorities: The Financial Monitoring Service (FMS) under the Ministry of Finance and Economy of Turkmenistan operates in the capacity of the independent specialized government agency and is authorized to take necessary steps and actions for pursuing the national anti-money laundering, counter-terrorist financing and counter-proliferation financing policy.
131. According to the Law of Turkmenistan on Combating Legalization of Criminal Proceeds, Financing of Terrorism and Financing of Proliferation of Weapons of Mass Destruction, the FMS has operational independence in carrying out its AML/CFT/CPF functions and is capable of making decisions freely for accomplishing the goals and objectives in compliance with the Turkmen legislation.
132. **The Ministry of Finance and Economy (MFE)** develops and pursues the national policy and conducts legal regulation of the financial, budgetary, tax, insurance, auditing, accounting and financial reporting activities.
133. The Ministry of Finance and Economy is responsible for licensing the activities of:
- Gambling operators;
 - Professional securities market participants;
 - Insurance institutions;
 - Auditors;
 - Real estate agents (until April 1, 2020)
134. **The Central Bank of Turkmenistan (CB)** - According to the Law on the CB of Turkmenistan, the goals and objectives of the CB include, among other things, the following:
- Developing and strengthening the banking system of Turkmenistan;
 - Arranging for banking regulation and banking supervision;
 - Safeguarding the interests of financial institutions' creditors and depositors;
 - Combating money laundering and terrorist financing in accordance with the Turkmen legislation
135. With a view to accomplishing the goals and objectives assigned to it, the CB of Turkmenistan performs the following functions: it conducts banking regulation and banking supervision; registers financial institutions and licenses banking activities and activities involving trade in precious metals and precious stones; and monitors implementation of AML/CFT measures by financial institutions and dealers in precious metals and precious stones.
136. **The Supreme Court (SC) of Turkmenistan** is the highest judicial instance. The SC supervises civil, arbitral, administrative and criminal trials (including cases on ML/TF) in a manner established by the procedural law and discharges other functions in accordance with the Turkmen legislation.
137. **The Ministry for National Security of Turkmenistan (MNS)**, And the national security bodies of Turkmenistan are special government bodies that are subordinated to the President of

Turkmenistan and tasked with ensuring security of citizens and society and protecting the national sovereignty, constitutional order, territorial integrity and economic, technological and defense capabilities of the country within their respective purview.

138. One of the priorities of the national security bodies is detection, prevention and suppression of terrorism and other subversive activities aimed at dismantlement of the constitutional order and infringement of territorial integrity of Turkmenistan.
139. **The General Prosecutor's Office (GPO) of Turkmenistan** ensures strict and consistent compliance with the laws of Turkmenistan, decrees and resolutions of the President, Cabinet of Ministers and Mejlis (Parliament) of Turkmenistan and other regulations adopted in line with the requirements of the Turkmen legislation (including issues related to AML/CFT).
140. **The Ministry of Internal Affairs of Turkmenistan (MIA)** is an executive government authority tasked with steering and coordinating the activities of all national internal affairs bodies and is responsible for safeguarding public order, ensuring public security and preventing, suppressing, detecting and investigating criminal offences as provided for in the legislation. Structurally, MIA includes Police and Interior Troops.
141. **The Ministry of Justice (Adalat) (MJ) of Turkmenistan** is tasked with licensing legal service providers in accordance with Article 17 of Law on Justice Authorities No.407-V. The MJ also monitors compliance by legal service providers (that provide legal services to natural and legal persons) with the AML/CFT/CPF legislation.
142. According to Article 8 of Law on Justice Authorities No.407-V dated June 18, 2016, public notary offices are part of the system of justice authorities of Turkmenistan.
143. The MJ is the AML/CFT supervisory body for notaries and legal aid providers
144. **The State Customs Service of Turkmenistan (SCS)** is an executive government authority that pursues the national policy regulating the operation of the national customs system, ensures compliance by Turkmenistan with its international customs obligations, and is involved in combating smuggling and other crimes and administrative offences within its purview.
145. **The State Migration Service of Turkmenistan** is an executive government authority that regulates the operation of the national migration system, pursues the national migration policy and ensures compliance by Turkmenistan with the international migration-related treaties and agreements.
146. According to the Turkmen Law on Combating Terrorism, the State Migration Service of Turkmenistan is tasked with counteracting terrorism by way of monitoring compliance by foreign nationals with the rules of staying in Turkmenistan and preventing, detecting and suppressing attempts of terrorists to pass through migration checkpoints at the state border of Turkmenistan.
147. Since terrorism (due to its nature) poses continuously changing and evolving threat, some proven approaches and countermeasures are improved and enhanced on an ongoing basis. In this context, it should be noted that, in the course of discharging its passport control functions, the Migration Services extensively applies modern technologies, uses the Interpol network and screens travellers against the lists of terrorists designed by the NU Security Council Resolutions. Besides that, persons applying for entry visas are subject to screening and preliminary profiling.
148. **The State Border Service of Turkmenistan (SBS)** - a unified system of border troops of Turkmenistan comprises of the State Border Service headquarters, other border guard formations and units tasked with the protecting the state border of Turkmenistan, and the educational and training institutions.
149. The State Border Service of Turkmenistan is an executive government authority responsible for pursuing the national policy related to protection of the state border, territorial waters and maritime economic zone of Turkmenistan in accordance with the Constitution and Military Doctrine of Turkmenistan.

150. **The Ministry of Foreign Affairs of Turkmenistan (MFA)** pursues the foreign policy of Turkmenistan and represents and protects the rights and legitimate interests of Turkmenistan, its citizens and legal entities abroad.
151. **The Tax Department under the Ministry of Finance and Economy (TD MFE)**, being part of the MFE, is a government authority that pursues the state tax policy and is responsible for regulating and administering the taxation processes. With a view to obtaining necessary information, the Tax Department also closely cooperates with the FMS and LEAs.
152. **The Agency for Protection of Economy against Risks under the Ministry of Finance and Economy of Turkmenistan** was established by Turkmen Presidential Resolution No.12759 dated January 11, 2013. The Agency implements risk management measures for protecting the national economy against possible political, economic, financial, legal, international, regional and natural risks. All legal entities that have foreign capital and a foreign founder prior to registration are subject to a check by this agency.

1.4.3. Financial sector, DNFBPs and VASPs

153. This section provides general information on the size and composition of the existing sectors of FIs and DNFBPs in Turkmenistan.

FIs

154. The respective weight of different types of FIs was assessed by the AT taking into account the size of sectors, ML/TF risks and the following country contextual factors:
- high state involvement in the financial sector and its underdevelopment, with the exception of the banking sector;
 - comprehensive state controls, including on entities with foreign capital, foreign exchange controls and regulation⁴.
155. The assigned sector weights have been used in this report to analyse the positive and negative aspects of compliance and as a basis for expert judgement, especially in assessing the achievement of Immediate Outcomes 3 and 4.
156. The financial sector as a whole is the most important sector in Turkmenistan's financial system in terms of assets and transactions. The structure of Turkmenistan's financial sector is presented below.

Table 1.1. Structure of the financial sector as at 01.07.2022

FIs	Number	Size of sector (million manat)		
		Assets	Net worth	Capital
Banks (including 1 branch of foreign banks)	10	138 853,5	10 346,6	11 286,2
Professional participants of the securities market	2	4,7	4,7	4,7
Insurance organisations	4	755,3	659,2	149,6
Organizations providing money and value transfer services (Turkmenpochta)	1	153,4	99,8	53,6
State Commodity Exchange of Turkmenistan	1	727,498	395,100	332,397
TOTAL	18	140 494,398	11 505,4	11 826,497

Most important sectors:

157. **The banking sector is the most important sector** of Turkmenistan's financial system in terms of assets, customer base and operations. As of 01.07.2022, the total assets of the banks amounted to 138,853.5 million manat or 99% of the total assets of the FIs. The amount of client deposits is 15,764.1 million manat or \$4,504.03 million, of which 0,021% are deposits made by non-residents. A distinctive feature of Turkmenistan's banking sector is that the state owns 8 banks out of a total

⁴ Law of Turkmenistan "On Currency Regulation and Currency Control in Foreign Economic Relations" of 01.10.2011 No. 230-IV.

of 10. Of the remaining 2, 1 bank is a branch of a foreign bank and only 1 bank is established by private individuals.

158. There are no other financial institutions in Turkmenistan. It is the banking sector that provides most of the financial services and banks act as exchange offices, MVTs and professional participants in the securities market in addition to their core activities. By law, the exchange of foreign currency in cash is possible exclusively through banks. Cash transactions, currency exchange transactions, international payment transactions, and money transfers are the most high-risk banking services, according to the NRA results, with which the assessors agree.

Less important sectors:

159. Other sectors such as insurance companies, securities market participants, post office, commodity exchange have a insignificant weight in terms of risk and scale of operations, are underdeveloped, mainly focused on the domestic market of the country and present a low ML/TF risk. As in the case of the banking sector, the Ashgabat Stock Exchange (a participant in the securities market), the State Insurance Organisation (the only life insurance company), Turkmenpochta (the only one apart from banks) and the State Commodity Exchange are state-owned organisations. The latter has been given ministerial status by presidential decree.
160. **Money and value transfer service providers (MVTs)**, which are provided only by banks and one postal organisation, Turkmenpochta. The founder of Turkmenpochta is Turkmenaragatnashyk Agency of the Ministry of Industry and Communication of Turkmenistan. The employees of the company have the status of civil servants. Turkmenpochta has 148 subdivisions throughout the country. According to the statistics provided by the country, the total volume of payment transactions is 14,198,531.97 manats, of which only 3.39% is accounted for transactions (incoming and outgoing) with foreign countries. Domestic postal money transfers by individuals and legal entities can be made up to 3,000 (three thousand) manats (\$857) in one day, mainly on the basis of court enforcement orders for alimony payments. There are also restrictions on international money transfers: the monthly amount of a single postal money order from individuals outside Turkmenistan must not exceed the equivalent of US\$50⁵ in manat, which are intended for the transfer of pensions, scholarships, alimony (enterprises, organizations), postgraduate students, students of educational institutions, and parents. At present time international postal money transfers are executed only to Russia, Belarus and Azerbaijan in the frameworks of agreements on exchange of postal money transfers between postal organizations of these countries (agreements were provided in the frameworks of on-site visit). International money transfers are carried out only in the central office of Turkmenpochta in Ashgabat. Given the underdevelopment (the number of transfers per year is very low) and the restrictions imposed on postal money transfers, this sector represents a low ML/TF risk (ML/TF risk in this sector was also assessed as low by the NRA).
161. **Insurance sector:** As of 01.07.2022, there are 4 insurance organisations in the country (with total assets of 755.3 million manat), of which only the state-owned insurance organisation (Turkmengosstrakh) provides life insurance. According to information provided by Turkmenistan, the total number of life insurance clients is insignificant at 58 contracts. The insurance companies are mainly oriented towards the domestic market of the country. Following the risk mitigation measures implemented as a result of the NRA, the risk vulnerability of insurance organisations by the Ministry of Finance was assessed as lower than medium.
162. **Securities market:** the main professional participants are banks (6 banks) and the Ashgabat Gazna stock exchange. The only private brokerage company "Ynamdy Delal" was founded only in 2021 and had not yet conducted any transactions at the time of the on-site visit. This area has a low turnover. Following the risk mitigation measures implemented as a result of the NRA, the risk of vulnerability of securities market participants by the Ministry of Finance was assessed as lower than medium.

⁵ According to Order No. 2 of 13.01.1994 of the Deputy Chairman of the Cabinet of Ministers of Turkmenistan (provided during the on-site mission).

163. **The State Commodity and Raw Materials Exchange** is the central body of state administration providing state management of the wholesale commodity market and exchange trade in Turkmenistan. According to the Decree of the President of Turkmenistan, the State Commodity Exchange has the status of a ministry. The role of the state commodity exchange in the field of AML/CFT is as follows: it monitors and analyses prices in export/import transactions in order to prevent malicious under/overpricing, keeps statistics on transactions with high-risk states. The Commodity Exchange does not settle transactions, only registering contracts for import/export transactions.

VASP Sector

164. There are no registered VASPs in Turkmenistan. The legislation of Turkmenistan does not regulate activities related to virtual assets, VASPs are not reporting entities under the AML/CFT/CPF Law. At the same time there is no direct prohibition in the legislation. According to the legislation, cryptocurrency mining is not listed as an activity in the State Classifier of Economic Activities of Turkmenistan and therefore is not listed as a licensed activity and it is illegal to engage in such activities.

DNFBP Sector

165. This section provides general information on the size and composition of existing DNFBP sectors in Turkmenistan. Based on the results of the assessment, the AT ranked DNFBPs based on the information available on their relative importance, materiality, nature and scope of their activities, vulnerability to ML/TF and level of ML/TF risk exposure. In this regard, it should be noted that no significant risks have been identified across all DNFBP sectors and there appears to be little gradation between sectors in practice.

Moderately important sectors:

166. **Dealers in precious metals and stones (DPMS)** are identified as the sector with the moderate weight due to the statistics provided by Turkmenistan on confiscated property divided by predicate, according to which precious metals and jewellery were regularly seized from 2016 to 2020, as well as due to the NRA, according to which ML risks using the DPMS market are identified by Turkmenistan as significant. In addition, the number of DPMS sector entities among the other activities identified as DNFBPs under the FATF Recommendations is the most significant (148 entities at the time of the assessment). However, the assessment found that the main risks associated with the purchase and sale of DPMS are not concentrated at domestic dealers, but are based on the purchase of large volumes of jewellery by Turkmen nationals in foreign jurisdictions and subsequently exported. The volume of such transactions exceeds the domestic market by a multiple. In other words, the level of risk assigned in the NRA refers not to DPMS dealers, but to the subject matter of the transactions itself - the precious metals and stones.

167. **Notaries sector is also assigned a moderate weight**, which is also confirmed by the above-mentioned confiscation statistics, due to the widespread use of real estate transactions to conceal the criminal origin of funds. Notaries, by virtue of their statutory obligations, are an indispensable element in the registration of all real estate transactions in Turkmenistan. A total of 89 notaries operate in the country. However, despite the higher value of real estate objects compared to the volume of DPMS transactions, assessors place the notary sector in second place due to the status of notaries as civil servants, their considerable control over the transactions carried out and their comprehensive reporting to the competent authority.

Less important sectors:

168. Other sectors, such as real estate, lawyers, auditors and legal assistance providers are weighted insignificantly in terms of risks and scale of their activities.

169. The sector of **real estate agents**, despite Turkmenistan's assignment of a high level of risk to this sector during the NRA, the assessors assigned insignificant weight to the sector due to the small number of sector entities (only 8 organisations), the absence in most cases of direct participation

in the conclusion of real estate purchase/sale transactions, being limited only to consulting services and assistance in the selection of objects to be purchased. Furthermore, in the case of real estate, the said risk should be considered in relation to the real estate object itself, as the subject of the contract, rather than the real estate services rendered in the area of search and organization of communication between the seller and the buyer. It also takes into account the system of control over the transfer of ownership of real estate in Turkmenistan, where real estate services are only a primary link before further notarisation of the contract and state registration of rights.

170. The sectors of **lawyers** (209 entities), as well as **auditors** (19 entities and 3 individual auditors) and **legal assistance providers** (109 entities): these sectors provide sporadic services envisaged by the FATF recommendations. Thus, lawyers are overwhelmingly engaged in activities related to legal defence, auditors are exceptionally involved in the provision of accounting services due to the established business tradition of having their own accountants within each organization, and legal aid providers are predominantly engaged in serving the public in terms of drafting legal documents (statements of claim, complaints, etc.). No casinos or trust and company service providers are currently operating in Turkmenistan.
171. However, it should be noted that in general Turkmenistan's DNFbps provide a purely domestic market for relevant services and the volume of their activities is not comparable to those of FIs. For example, according to the information provided by the country, in 2021 about 27.5 thousand real estate transactions were carried out on the real estate market for a total amount of just over USD 5.2 million (respectively less than USD 200 per transaction). Thus, a significant part of the transactions carried out on the real estate market is not in the form of purchase/sale, but under agreements of exchange, privatisation, inheritance, etc. In the DPMS sector, some 25,000 gold items weighing just over 24kg were sold in 2021. Accordingly, the average weight of one jewel is about 9 grams, which indicates a small volume of transactions carried out, and a small number of items whose value may exceed the established threshold amount.
172. Taken together, the above indicates that there are local risks in the activities of DNFbps for Turkmenistan, however they do not represent significant vulnerabilities for the national AML/CFT system as a whole.

1.4.4. Preventive measures

173. In accordance with the Turkmen AML/CFT/CPF Law all types of FIs and DNFbps are covered by the legislative requirements and are obliged to take measures for preventing AML/CFT/CPF breaches and mitigating ML/TF/PF risks and report the relevant transactions to the FMS.

1.4.5. Legal persons and arrangements

174. According to Article 52 of the CivC, all legal entities created in the country shall be registered in the Single State Register of Legal Entities (SSRLE).
175. The state registration of companies is performed by the MFE Registration Department and its local departments in velayats (provinces) and Ashgabat city based on the Turkmen Law on Companies and Turkmen Presidential Resolution No.11896 on Improvement of State Registration of Legal Persons dated November 11, 2011. The state registration data are recorded in the Single State Register of Legal Entities held by the MFE.
176. The Single State Register is intended for: keeping the unified records and the central database of companies, institutions and organizations operating in Turkmenistan and registering changes in their identification data; monitoring the registered companies, institutions and organizations by the government authorities; and keeping records of ultimate beneficiaries of registered non-government legal entities. All types of incorporated entities operating in Turkmenistan (except for unincorporated individual entrepreneurs) are subject to state registration and inclusion in the Single State Register of Legal Persons.

177. According to Article 52, Par.1 of the CivC, the information contained in the Single State Register of Legal Entities is publicly accessible. Any (natural and/or legal) person may obtain basic information about registered legal entities by way of filing an official request.
178. The Single State Register contains the following information: registration data (registration number and date of registration (re-registration or liquidation) of a legal entity; name of a legal entity, form of incorporation of a legal entity; information about founders (both natural and legal persons); legal address; phone number; information about director(s); size of authorized capital; reference codes of core business activities and other statistical reference codes; taxpayer details; banking details; information on registration with the pension fund; information on ultimate beneficiaries; and information on registered branches and representative offices of non-government legal entities.
179. Companies with foreign capital and their branches and representative offices as well as branches and representative offices of foreign legal entities are registered directly by the Ministry of Finance and Economy (MFE Registration Department) subject to approval by the Interagency Commission for Protecting the Economy against Risks.
180. The following types of companies operate in Turkmenistan:
- Government-owned companies;
 - Private companies (individual enterprises);
 - Cooperative companies;
 - Joint ventures;
 - Companies of public associations;
 - Business enterprises;
 - Joint-stock companies

Table 1.2. Types of legal persons registered in the country

Types of legal persons registered in the country	As of 01.01.2016	As of 01.01.2017	As of 01.01.2018	As of 01.01.2019	As of 01.01.2020	As of 01.01.2021	As of 01.01.2022	As of 01.07.2022
Government-owned companies (institutions)	5,557	5,427	5,307	5,118	5,048	4,079	4,063	4,098
Private companies (individual enterprises)	11,287	1, 581	11,699	11,783	12,013	5,451	6,217	6,599
Dayhan farms	2,359	3,244	3,326	3,403	3,603	2,077	2,664	2,789
Subsidiaries	330	324	320	319	315	49	46	46
Public organizations/ associations and their companies and institutions, religious organizations, political parties	782	786	800	784	778	436	439	439
Consumer societies, unions and cooperatives	251	229	207	184	163	107	106	106
Business enterprises	2,057	2,216	2,305	2,369	2,494	2,247	2,568	2,703
Joint ventures	3	3	3	6	10	10	10	10
Joint-stock companies	222	220	221	222	229	116	140	146
Cooperatives	270	269	267	266	265	12	13	13
Limited liability companies	1,778	1,775	1,766	1,748	1,731	40	40	40
Dayhan associations	568	561	560	561	554	488	466	461
Other types of legal persons	67	63	59	58	58	2	2	2
Total	25,531	26,698	26,839	26,821	27,261	15,114	16,774	17,452

181. One of the basic documents submitted for state registration of a company is a registration application signed by a founder(s) of the company or by a person(s) authorized by the founders to create the company. The registration application includes boxes for indicating information about ultimate beneficiary, passport details and criminal record (if any). Founder of a company bears responsibility for the reliability and accuracy of information contained in the registration application and attached documents.
182. Information about beneficial owners contained in the submitted registration applications is recorded in the Single State Register of Legal Entities.

183. According to the Law on Companies, assets contributed to the authorized fund of a company shall be owned by the company founder (member), which makes the founder(s) of a legal entity its beneficial owner(s).
184. The Turkmen legislation does not provide for creation of trusts and other similar legal arrangements.

1.4.6. Supervisory arrangements

185. Turkmenistan has AML/CFT supervisory authorities for different sectors and activities. FI and DNFBP sectors are strictly regulated. Government registration as a business entity is not sufficient to conduct their respective activities and each of the DNFBP sectors is additionally burdened with licensing/ registration/validation procedures. AML/CFT supervision of the FI and DNFBP sectors is decentralised and is structured in the following table.

Table 1.3. Supervisory authorities

Supervisory authority	FI/DNFBP Sector
Central Bank	<ul style="list-style-type: none"> •Banks •DPMS
Ministry of Finance and Economy	<ul style="list-style-type: none"> •Insurance organisations •Securities market participants •Real estate agencies •Audit organisations and individual auditors
Turkmenaragatnashyk Agency	<ul style="list-style-type: none"> •Turkmen post (MVTs)
Ministry of Justice	<ul style="list-style-type: none"> •Lawyers •Notaries
FMS	Persons providing legal aid <ul style="list-style-type: none"> •Commodity exchange

1.4.7. International cooperation

186. Turkmenistan faces international ML/TF risks and threats due to the following threat factors: (1) it is a transit territory for drug trafficking, and (2) it has the longest border with Afghanistan.
187. The main external threat to TF is international terrorist organizations and other illegal armed groups operating in the territory of other countries. There are opportunities for the propaganda of terrorist ideology from abroad, including via the Internet, and radicalization of Turkmenistan citizens studying and/or working abroad.
188. Turkmenistan also has a long border with Iran. A branch of the Iranian bank (100% foreign capital) has been operating in Turkmenistan since May 1992, which was created on the basis of a trade and economic agreement between Turkmenistan and Iran in 1992.
189. The main external threats to ML are trafficking in narcotic drugs and precursors and the smuggling of cash, gold and other goods.
190. The existing visa regime with all countries of the world significantly limits the entry of persons fleeing from the criminal justice system and, accordingly, affects the volume of assistance provided by the MLA both in terms of extradition and other procedural actions. Between 2020-2021, due to the spread of the COVID-19 pandemic worldwide, Turkmenistan has taken restrictive measures related to the cessation of ground and air passenger movement, with the exception of the return of its own citizens to the country. This also had an impact on the statistics and the amount of MLA provided.
191. International treaties of Turkmenistan are concluded on behalf of Turkmenistan (interstate), The Cabinet of Ministers (Government) (intergovernmental), and Ministries and departments (interdepartmental). Turkmenistan's international agreements are subject to ratification when their subject matter are basic human and civil rights and freedoms, mutual friendship, cooperation and assistance, mutual non-use or threat of use of force, peace treaties, treaties on the territorial

delimitation of Turkmenistan with other States, agreements providing for the adoption, amendment or repeal of laws of Turkmenistan or containing other rules than those contained in the legislation of Turkmenistan, agreements related to the defense and security of the State, multilateral or long-term treaties of an economic nature, treaties on inter-State unions and other associations.

192. Turkmenistan has signed bilateral and multilateral agreements, including the Minsk Convention on legal assistance and legal relations in civil, family and criminal matters; the Agreement between Turkmenistan and Turkiye on legal assistance in civil and criminal matters; the Agreement between the Government of Turkmenistan and the Government of Belarus on cooperation in combating crime; the Agreement between Turkmenistan and the United Arab Emirates on legal assistance in criminal matters; the Agreement between the Government of Turkmenistan and the Government of the Islamic Republic of Iran on mutual legal assistance in criminal cases in which the competent authorities procedurally provide legal assistance.
193. The GPO and the SC are the central bodies providing assistance on all requests for MLA.
194. Turkmenistan can provide MLA on the basis of the principle of reciprocity, and has ratified almost all the fundamental UN conventions in the field of combating crime, which provide for the provision of MLA in criminal cases.
195. Turkmenistan cooperates directly with the LEAs of other countries. The LEAs have concluded bilateral agreements (more than 60 different kinds of agreements, treaties, memorandums, etc.) on the exchange of information and cooperation with the LEAs of foreign states. The most active exchange is with the Russian Federation, the Republics of Belarus, Uzbekistan, Kazakhstan, Turkiye and Ukraine.
196. The National Bureau of Interpol has been established within the MIA and exchanges information within the framework of cooperation with Interpol.
197. The FMS has concluded bilateral agreements and memoranda on information exchange and cooperation with 22 FIUs of foreign countries (Belarus, Russian Federation, China, Tajikistan, Romania, Ukraine, Latvia, Turkiye, Japan, Uzbekistan, Kyrgyzstan, Iran, Moldova, Georgia, Afghanistan, Qatar, Pakistan, Kazakhstan, Armenia, Korea, Serbia, India).
198. The State Customs Service (SCS) of Turkmenistan develops and extends its international cooperation based on the international treaties and agreements. In 2018-2022, the Government and the State Customs Service of Turkmenistan signed nearly 12 international agreements related to cooperation in customs matters.

CHAPTER 2. NATIONAL AML/CFT POLICIES AND COORDINATION

2.1. Key Findings and Recommended Actions

Key Findings

1. Turkmenistan conducted NRA-1 in 2018 and in 2020-2021 – NRA-2, both assessments can be seen as a single two-stage process, where NRA-1 is considered as the basis for NRA-2. The NRA-1 and NRA-2 findings regarding ML risks are reasonable, but the threat level of such crimes as theft is underestimated.
2. The risks associated with the misuse of legal persons for ML/TF purposes, as well as NPOs were not fully assessed in the NRA.
3. LEAs and FMS has demonstrated significant understanding of ML/TF risks, the understanding of risks by supervisory authorities and the private sector varies, some of the private sector representative have only a general understanding of the country's risks.
- 4.
5. The country is largely aware of the TF risks and is taking the necessary measures to maintain a low level of TF risk in the country, however the country has not analyzed the virtual assets sector, as well assessed the use of other new methods for ML/TF purposes.
6. Based on the NRA-1 findings, Turkmenistan adopted in 2020 the Action Plan to control, mitigate and eliminate AML/CFT/CPF risks. Based on the NRA-2 findings, the country adopted in 2021 the second Plan. Given the short time to implement the NRA-1 findings, certain Action Plan items were incorporated into the Action Plan based on the NRA-2 findings.
7. The outcomes of the Turkmen NRAs did not result in any changes to simplified or enhanced measures. There are no legal provisions that allows for non-application of any FATF Recommendations, that require FIs and DNFBPs to take certain measures.
8. The tasks of the competent authorities are largely consistent with the Action Plans and other strategic documents developed and adopted by Turkmenistan. In general, the competent authorities are focused on preventive measures.
9. Interagency AML/CFT cooperation and coordination is carried out by Turkmenistan at a high level. A legal framework has been established, and a significant number of interagency commissions regulating various areas contributing to ML/TF risk mitigation operate in the country.
10. There is limited operational cooperation and coordination on CPF issues.
11. Information on ML/TF risks in Turkmenistan is communicated to FIs and DNFBPs, and necessary measures are taken to raise awareness of the private sector about the identified ML/TF risks and risk mitigation measures.

Recommended Actions

1. Continue to focus on ensuring that all competent authorities, FIs and DNFBPs have a uniform understanding of ML/TF risks, including by updating the national risk assessment.
2. Conduct a comprehensive analysis of the virtual asset sector, analyze vulnerabilities and threats to its use for ML/TF purposes.
3. Conduct a comprehensive vulnerability and threats analysis of legal persons, real estate and DPMS sectors.

4. Strengthen the interaction of competent authorities on CPF issues, including at the operational level.

199. The relevant Immediate Outcome considered and assessed in this Section is IO.1. The Recommendations relevant for the assessment of effectiveness under this section are R.1, 2, 33 and 34, and elements of R.15.

2.2. Immediate Outcome 1 (Risk, Policy and Coordination)

2.2.1. Country's understanding of its ML/TF risks

200. Turkmenistan largely understands the ML/TF risks inherent in the country and has made significant efforts to identify, understand, assess and subsequently mitigate them by developing appropriate measures. The AT reached this conclusion based on interviews with competent authorities and the private sector during the on-site mission, as well as on the analysis of national risk assessment reports, policy material provided and other sources of information.
201. In 2018, Turkmenistan conducted its first national risk assessment (NRA-1) in which all competent authorities and a significant number of the private sector participated.
202. The risk assessment was built on the derived threat and vulnerability levels of Turkmenistan's sectors. Initially, the LEAs analysed the crime situation in the country and identified the crimes (threats) that generated the highest revenues. Each sector was then assessed in order to form a view of the vulnerabilities.
203. Turkmenistan conducted its second National Risk Assessment (NRA-2) in the period between 2020-2021. The NRA 2 updated the risks identified in NRA 1. In the opinion of the AT, NRA 1 and 2 reports can be seen as a single two-stage process. NRA-1 identified general country risks, but the report did not adequately assess the extent of specific risks; therefore, it was decided to conduct NRA-2. Therefore, NRA-1 is considered as the basis for NRA-2, while the methodology for NRA-2 has been significantly refined and the sources of information used for analysis have been expanded.
204. The AT reached the following conclusions regarding the understanding of ML/TF risks by individual authorities and private sector representatives.
205. LEAs and the FMS demonstrated significant understanding of the risks, risk components and knowledge of the most commonly used ML/TF typologies. Thus, these competent authorities assessed that the crimes of corruption, fraud, tax evasion, smuggling, unlawful entry, embezzlement and misappropriation pose the greatest threat to ML. For further details see IO.7 and 9.
206. The level of understanding of ML/TF risks by supervisors and the private sector varies. The best understanding of the risks among supervisory authorities was demonstrated by the CB and the MJ, while the rest of the supervisory authorities were moderate. CB and MJ have demonstrated ownership and a clear rationale for the risk assessment carried out (precious metals and jewellery sectors, notaries, lawyers and legal aid providers (lawyers)), have knowledge of the main typologies of ML/TF. In determining the higher risk level in the DPMS sector, the supervisory authority relied on the existence of confiscated precious metals and precious stones from persons convicted of predicate offences; the existence of gold smuggling cases in foreign jurisdictions; and the lack of oversight of the sector. In the sectors reporting to the MFE (insurance organisations, realtors, auditors), there are some discrepancies in the interpretation of the risks and vulnerabilities identified by the NRA. For more details see IO. 3.
207. The level of risk understanding by FIs and DNFBPs is reflected in details in IO.4.
208. The following Working Groups were established as part of the assessment for assessing threats and vulnerabilities and analyzing the received information:
- Group 1 – assessment of national vulnerabilities and threats;

- Group 2 –vulnerabilities in the banking sector;
 - Group 3 –vulnerabilities in the securities, insurance, stock exchange and MVTS sectors;
 - Group 4 –vulnerabilities in the DNFBP sectors.
209. Based on the analysis of external and internal threats, sector vulnerabilities, analysis of statistical data, and expert discussions, Turkmenistan has identified high-level ML/TF risks (see Table 1.1).
210. The results of NRA-1 and NRA-2 were disseminated to all competent authorities through closed communication channels and the material was presented to the private sector at numerous seminars. In addition, the public part of NRA-2 is made available on the FMS website⁶.

ML Risks

211. The results of the NRA-2 showed that the most common types of predicate offences generating high criminal profits are bribery (CC, art. 184); fraud (CC, art. 228); tax evasion (CC, arts. 262 and 263); illegal production, processing, acquisition, storage, transportation and transfer of narcotic drugs or psychotropic substances with intent to sell (CC, art. 292); and smuggling (CC, art. 254).
212. Table 1.1 provides a view on the most widely used ML methods, depending on the type of crime, with a breakdown by the number of crimes committed, the amount of criminal proceeds and the significance (importance of the consequences) for the country.
213. The competent authorities demonstrated a good awareness of the most common methods of money laundering depending on the source of the proceeds of crime. The assessors reached similar conclusions, based on the analysis of statistical data and interviews with the competent authorities in the framework of the on-site mission.
214. This shows that the competent authorities have a good understanding of the ML risk areas and take timely measures to detect and suppress such cases.

Table 2.1. Information on the most frequent ML typologies according to the predicate offence

Category of crime	Most frequent ML typologies (methods)
Corruption offences	Purchase of movable and immovable property and other valuables, currency exchange, purchase of commercial real estate
Fraud	Purchase of movable and immovable property, purchase of jewellery
Tax evasion	Purchase of commercial real estate, movable and immovable property, depositing money into accounts
Illegal manufacturing, processing, acquisition, storage, transportation, forwarding of drugs or psychotropic substances for the purpose of selling	Currency exchange, purchase of movable and immovable property, purchase of jewellery
Smuggling	Currency exchange, purchase of movable and immovable property and other valuables
Misappropriation or embezzlement	Purchase of movable and immovable property and other valuables, currency exchange

215. In order to mitigate the aforementioned ML risks, the competent authorities, following the approval of the NRA reports, have taken a number of significant measures: (risk management action plan developed, new legislation framework approved, workshops and trainings on relevant topics organised, interaction between all competent authorities strengthened), and with regard to the previously mentioned high-risk predicate offences, the country has taken the following steps as a matter of priority:
- Corruption offences: Strategic documents have been developed and approved (National Anti-corruption Programme in Turkmenistan and its Implementation Action plan for 2020-2024), the Law on Combating Corruption has been amended, the Law on Prevention of Corruption Offences has been developed and approved, a new article 184-1 on Corruption has been added to the CC, sanctions and amnesty for corruption offences have been increased, and memoranda

⁶ Public versions of NRA-1 and NRA -2 on the official FMS website: <https://www.turkmenfmd.gov.tm/ru/node/913>

on cooperation to increase effectiveness have been signed;

- Fraud: Departmental strategic documents and programmes for the development of internal affairs departments' systems and the prevention of fraud-related offences were adopted, and a law on the prevention of offences was adopted at the legislative level;
- Tax evasion: The number of audits of the financial and economic activities of legal persons and their compliance with tax legislation, with the participation of experts from the relevant ministries and agencies, has been increased. The MIA, together with the Tax Department of MFE, are conducting joint inspections, and preventive measures have been implemented to prevent tax evasion offences committed by individuals and the law on prevention of offences has been enacted at the legislative level;
- Illicit manufacturing, processing, acquisition, storage, transportation and transfer of narcotic drugs or psychotropic substances for the purpose of sale: sanctions have been increased under the relevant articles of the CC and amnesty excluded; intra-agency plans for the prevention, detection and suppression of acquisitions have been drawn up and approved; border protection and logistical and material resources have been strengthened for the relevant authorities and the number of personnel involved in countering illicit sales has been increased;
- Smuggling: sanctions have been increased under the relevant article of the CC, and the material and technical resources of the competent authorities have been strengthened;
- Misappropriation or embezzlement: Preventive measures and institutional plans have been strengthened.

216. Supervisors have also taken measures to mitigate the most common ML methods used. Measures have been developed, inter alia, as a result of NRAs.

- Purchase of movable and immovable property and other tangible assets: new suspicion indicators have been developed and approved, an automated information system based in MJ on real estate transactions on the territory of Turkmenistan has been introduced, including providing online access to the LEAs, a list of PEPs is maintained. The tariff for notarial acts in relation to real estate has been changed to exclude the interest of the parties in understating the value of the real estate (instead of a rate depending on the value of the object, a fixed fee is applied). Developed and approved or updated the existing Requirements for Internal Control Regulations, approved the "Regulation on Enhanced Due Diligence Measures for Public Officials for AML/CFT/CPF purposes".
- Purchase of jewellery: The internal control rules for DPMS have been developed or updated, risk ranking of customers, including PEPs and related persons has been applied, the number of unscheduled inspections to detect illicit trade in jewellery has been increased;
- Currency exchange: limits on currency exchange transactions in the regulated market were introduced and all FIs were connected to a single database of currency exchange transactions; unregulated market was analysed; the number of unscheduled inspections to detect illegal currency exchange was increased. FIs updated their internal control rules and suspicious transaction indicators.

217. The assessors note the lack of a comprehensive analysis of the risks associated with the misuse of legal persons for ML purposes. This is described in more detail in IO 5.

TF Risks

218. The low level of TF risk in Turkmenistan is based on the following factors - the absence of interethnic and inter-religious conflicts, socio-cultural characteristics (e.g., the absence of significant extremist movements), a strict migration policy, a combination of measures by the competent authorities aimed at preventing crimes related to the financing of terrorist activities, as well as aimed at controlling and restricting external financial economic flows. In addition, Turkmenistan is not a global or regional financial centre.

219. The assessors share the view that the level of TF risk in the country is low. This conclusion is supported by the absence of recorded acts of terrorism and its financing in the country. Also, no cases of terrorist financing have been recorded in Turkmenistan, nor have individuals linked to the financing of terrorism activities been identified, and there is no evidence that Turkmenistan is a potential target for the movement of financial flows for terrorist purposes. In addition, no activities, including meetings, distribution/dissemination of materials or links to suspected or known extremist or terrorist groups have been registered and detected in Turkmenistan. No individuals have been listed in the country as associated with TF, either at the national level or internationally (including the UN mechanisms).
220. In addition, during the mission, the competent authorities (primarily the MNS and the FMS) demonstrated a good understanding of the potential threats posed by terrorists, their organisations and supporters, as well as the financiers of terrorism.
221. Turkmenistan's international economic transactions are not well developed and their integration into the international financial system is limited. These circumstances are due to strict state control over financial institutions and currency regulation. The competent authorities have introduced certain conditions for obtaining a banking licence, which are strict. Also, in transactions involving foreign currency and foreign trade transactions, the subject of the transaction is checked for compliance with market prices, characteristics, etc., and the purpose of the transaction is confirmed. In order to ensure accounting and reporting on foreign exchange transactions, a transaction passport is drawn up where the information on the foreign trade transaction is recorded. In addition, there are restrictions for individuals to carry out foreign currency transactions, and there are restrictions on international transfer of funds by individuals. There is also no possibility of remote bank account management and no possibility of remote financial transactions.
222. Thus, factors such as state supervision of FIs, currency controls, strict banking licensing requirements and procedures, restrictions on cash withdrawals and non-economic transactions, including the transferring funds abroad by nationals have an impact on maintaining a low level of TF risk.
223. Given the lengthy border with Afghanistan and the associated TF risks, the assessors discussed these issues in great details during the meetings with the competent authorities of Turkmenistan. The country is taking preventive measures to mitigate the threats associated with Afghanistan and the possibility of infiltration of individuals involved in terrorism and TF, including from other areas of increased terrorist activity (Syria), and is also working to prevent the recruitment of Turkmenistan citizens living in the border areas with Afghanistan.
224. In order to mitigate the aforementioned threats related to Afghanistan and the TF risks in general, the competent authorities of Turkmenistan have introduced an effective system for controlling the entry and exit of Turkmen citizens, foreign nationals and stateless persons into and out of the country; information and preventive work with NPOs as well as with the population and the private sector is constantly carried out. Serious attention is being given to border and customs control, the material and technical equipment of border posts has been upgraded and full customs control of the movement of goods has been implemented.
225. In order to mitigate the risks of recruitment and spread of extremist and terrorist materials, Turkmenistan constantly monitors websites and regulates the access to the Internet and communication technologies, including to avoid propaganda and public incitement, radicalism leading to terrorism; planning, preparing and committing acts of terrorism; and destabilizing the activities of State structures. The competent authorities in Turkmenistan have the ability to prohibit or restrict access to, or the transmission or dissemination of, terrorist or extremist material, thereby contributing to reducing the threat level.
226. In light of the above, the assessors have positively assessed the preventive measures taken by the country in relation to TF. However, the competent authorities are less aware of the possibilities of using the collection and movement of funds for TF using new technologies (virtual assets, crowdfunding, online donation services, etc.). According to the AT, the lack of mechanisms for

search, identification, seizure and confiscation of virtual assets is a shortcoming for Turkmenistan, but this shortcoming is to some extent mitigated by the monitoring of Internet resources and regulation of access to them, as well as their blocking.

227. There was no evidence of NPOs abuse for TF purposes in the reporting period. The competent authorities, especially the supervisors, demonstrated a good understanding of TF risks in this sector, as well as their awareness-raising work among NPOs being conducted (see IO.10).

2.2.2. National policies to address identified ML/TF risks

228. Turkmenistan's national AML/CFT policy adequately addresses the identified ML/TF risks. This justification has been confirmed through meetings with the competent authorities of the country and the FMS, as well as through the review by the AT of the NRA action plans, internal plans of ministries, programmes and other strategic documents aimed at mitigating the identified ML/TF risks.

229. Based on the results of NRA-2 and on the findings of NRA-1, Turkmenistan has developed and approved an action plan to mitigate the identified risks and threats and to strengthen the effectiveness of the AML/CFT system overall. This plan included various measures to improve the AML/CFT system and raise the level of knowledge of the competent authorities and the private sector staff. In particular, the following activities were included in the Action Plan:

- harmonization of Turkmenistan's AML/CFT/CPF legislation in line with international standards;
- training and capacity building for government agencies, private sector and non-profit organizations in the field of AML/CFT/CPF in accordance with the AML/CFT/CPF legislation of Turkmenistan and the FATF Recommendations;
- improvement of the maintenance of comprehensive statistics and database of public institutions for AML/CFT/CPF purposes;
- improvement of the AML/CFT/CPF analytical work of the FMS;
- improvement of risk-based approach and control mechanisms in supervisory bodies, etc.

230. However, the Action Plan does not fully include measures to allocate resources based on the risks identified, in particular the allocation of resources is ensured in the LEAs to improve AML/CFT mechanisms in such authorities, and to improve measures to combat smuggling crimes by reallocating and allocating the necessary resources.

231. There is no single strategic document on AML/CFT/CPF, however other strategic documents and policies compensate for AML/CFT/CPF issues (see paras. 242-243).

232. The approved Action Plan identifies the improvement of Turkmenistan's legal framework as a priority.

233. In particular, the FMS prepared amendments to the Law on AML/CFT/CPF and a new version of this normative act was adopted on 18.12.2021. The Decrees of the MFE were also adopted regulating the procedure of compilation and dissemination of the lists of persons with regard to whom there is information on involvement in terrorism, TF and PF, the procedure of providing information on operations or transactions with funds or other property subject to mandatory control, the provision on measures against countries with inadequate AML/CFT/ CPF systems. The FMS developed new model requirements for ICR based on the results of the NRAs, and all supervisory authorities approved their own new requirements, while reporting entities updated their own ICRs or developed new ones in their absence.

234. On the basis of the action plans based on the results of the NRAs, a ministerial order of the MIA approved a departmental plan to improve the work of the internal affairs agencies to combat and prevent crimes that form the proceeds of crime. Within the framework of these plans, the Roadmap for combating and preventing ML/TF crimes and the Action plan on the implementation of the national Anti-Corruption Programme in Turkmenistan for 2020-2024 were also approved.

Amendments were made to a number of relevant regulations ("On Approval of the Procedure for Completion of the Passenger Customs Declaration", "Instruction on the organization of customs control using the risk management system for the movement of cash and bearer negotiable instruments across the customs border of Turkmenistan", etc.).

235. In order to improve the effectiveness of the GPO, orders have been issued (on improving prosecutorial oversight of AML/CFT/CPF legislation, on organising prosecutorial oversight on the implementation of anti-corruption legislation), which prioritise actions undertaken to prevent such offences.
236. In order to improve financial investigations, a joint order of the GPO, the MNS and the MIA on the approval of the Instructions on the Procedure for Examining Financial Aspects of Criminal Activity during Operational and Investigative Activities, Pre-investigation, Inquiry and Pre-trial Investigation was issued.
237. The CC has been amended with regard to the criminalisation of the offence of corruption, the sanctions for these offences have been substantially increased, and amnesty and pardon are no longer applicable to those convicted.
238. The SC of Turkmenistan has analysed cases involving corruption offences and drug related crimes and has proposed practices for the consideration of such cases by the courts.
239. Amendments were made to Turkmenistan's tax legislation regarding the possibility of providing information containing tax secrets to LEAs, the judiciary and the FMS in order to effectively combat ML/TF and predicate offences.
240. The MNS of Turkmenistan conducts an analysis of internal and external threats of terrorism and terrorism financing, based on which it annually develops intra-agency action plans to ensure that terrorism and terrorism financing risks are kept at a low level. Particular attention is paid to border interdiction by citizens, verification is carried out against special databases (including those received from the 3rd countries and international organizations) and proactive work is carried out with the population.
241. In order to mitigate the risks identified as a priority, Turkmenistan has developed and approved the following strategic documents and programmes on AML/CFT/CPF issues: National Anti-Corruption Programme in Turkmenistan and its Implementation Action plan for 2020-2024, Plan of Action to Combat and Prevent Crimes with Certain High and Medium Threat of ML/TF/PF for 2021-2023, National Strategy for the Prevention of Violent Extremism and Countering Money Laundering.
242. In addition, the country has various other strategic documents that also address AML/CFT/CPF issues in order to improve the effectiveness and mitigate the identified ML/TF risks: Programme for Development of Economic, Financial and Banking Systems of Turkmenistan for 2018-2024; State Programme for Development of the Banking Sector for the period until 2030, etc. The AT positively evaluate the approved Action Plan and the dynamic response of all agencies of the anti-money laundering system through the effective implementation of the Plan and other activities aimed at mitigating the identified ML/TF risks.

2.2.3. Exemptions, enhanced and simplified measures

243. The NRA does not apply to justify exemptions or application of simplified measures, as the legislation does not provide for such measures and exemptions.
244. The NRA investigated in detail different types of vulnerabilities, including geographic, economic and sectoral ones. The legislation establishes obligations to apply enhanced measures in relation to PEPs, correspondent banks, high-risk countries and territories, complex and unusual transactions (Articles 9, 10 of the AML/CFT Law). FIs have demonstrated an understanding of the need for enhanced or special measures in high-risk cases (examples provided during the on-site mission). For DNFBPs, despite the awareness of the private sector of the NRA findings and the available

justifications for the need to apply enhanced measures in case of high-risk situations in the DNFBP sectors, the cases of their application were not confirmed during the assessment.

245. It should be noted that the NRA resulted in amendments to ICRs by all FIs and DNFBPs, which, among other things, addressed the high-risk criteria, indicating that measures were taken in-country to eliminate the identified risks. However, their implementation by the DNFBPs sectors is still limited, with the exception of a number of subjects supervised by the MJ.

2.2.4. Objectives and activities of competent authorities

246. The results of the risk assessments are taken into account when setting objectives and taking action by the competent authorities in Turkmenistan. At the operational level, public authorities have aligned their policies, functions and priorities with the results of the NRA-2, by developing roadmaps, action plans, programmes, internal normative acts, etc.
247. One of the key results of the NRA was the amendments made to the Basic Law, as well as amendments made to numerous bylaws, departmental instructions, guidelines, etc., in this regard. The FMS and supervisory authorities, in response to the risks identified, revised the suspicion criteria and updated the procedure for suspension of transactions by reporting entities, amended the methodological guidance to the ICR rules, and developed a procedure for reporting information on transactions and operations subject to mandatory monitoring. The LEAs took measures to raise awareness of ML/TF risks among its staff, updated the composition of the State Counter-Terrorism Commission, numerous memoranda of understanding were signed between the FMS and the competent authorities to enhance and further develop cooperation and information exchange.
248. During the meetings with the MIA, the AT was shown preventive measures examples implemented by the MIA on an ongoing basis: establishing the legality of origin and use of criminal proceeds, jewellery and religious goods, conducting surveillance of internet space, organizing educational activities, training courses for MIA officers, careful outreach work is carried out with the population in the border areas, as well as enhanced border control is being conducted. Training manuals have been developed for MIA officials on countering terrorism and extremism, corruption and money laundering, which may be the source of their financing.
249. Significant work has been done to strengthen the human and technical capacity of the competent authorities in preventing and combating money laundering and predicate offences. A working group (more than 100 officers of the MIA) has been set up to work on improving the AML/CFT mechanism in the internal affairs bodies. Also, the MIA has developed a unified information system to which various competent authorities are connected and exchange information for AML/CFT purposes.
250. The SCS, in accordance with the national risk mitigation plan, has established a customs procedures automation department in 2019, which ensures faster-electronic data exchange between agencies, customs authorities of foreign countries.
251. GPO has issued an order to establish a permanent investigative and operational team to respond to risks and threats in a timely manner.
252. To mitigate ML/TF risks and for predicate offences, the judicial authorities carry out annual analyses of the status of offences committed:
- Criminal case summaries on ML/TF and predicate offences (theft, embezzlement, white collar crime, etc.);
 - Seminars with judges and court officials on ML/TF risks and predicate offences;
 - Preventive work in all areas is carried out in conjunction with the LEAs;
 - Criminal courts make private rulings (decisions) to address the causes and conditions of crimes or other offences.
253. The MJ has developed information systems (Unified Notary Information System, Electronic State Register of Rights to Immovable Property and Related Transactions) that allow reporting entities

to store information obtained through CDD, check clients against PEPs lists, terrorist lists, and access up-to-date regulations.

254. The competent authorities also pay special attention to train their staff on AML/CFT/CPF topics, seminars with demonstration on the results of the conducted NRAs, as well as interagency seminars and trainings, with the involvement of foreign experts, are conducted.
255. In connection with the risks identified and the amendments made to the AML/CFT/CPF Act, all supervisory authorities updated the requirements to the ICRs, upon which reporting entities updated their ICRs, or developed and approved them in their absence. Supervisors have carried out significant outreach to their reporting entities in the form of training and seminars on risk mitigation. Competent authorities take measures to mitigate ML/TF risks according to the Action Plan and their actions (policies) are adjusted to reflect changes in ML/TF risks.
256. As a result of the meetings with all competent authorities in Turkmenistan, review of plans, programmes, strategic documents and other publicly available materials, the AT positively concluded on the prioritization of competent authorities' tasks and their implementation in accordance with the identified ML/TF risks.

2.2.5. National coordination and cooperation

257. In the opinion of the AT the cooperation and interaction of the competent authorities of Turkmenistan is at an appropriate level. Based on the results of the meetings, the assessors concluded that in general there is sound coordination and cooperation between the agencies, regular consultations on improving AML/CFT policy and legislation are held at the interagency commission level, as well as discussions on conducting risk assessments and updating them. Adequate personnel with relevant AML/CFT experience and expertise are engaged in cooperation and coordination at the national level
258. One of the available tools is the AML/CFT ICC established in 2022, which ensures cooperation and coordination in the development and implementation of AML/CFT policies and activities and, where appropriate, in the field of countering the financing of proliferation of WMD. AML/CFT ICC is composed of representatives of 16 ministries and agencies at the level of heads and deputy heads of agencies, led by the Minister of Finance and Economy. The meetings of the commission are held on a quarterly basis and there is also the possibility of more frequent meetings as decided by the chairman of the commission. This commission is based on the former Interagency Coordination Working Commission on AML/CFT.
259. As stated, since 2011, AML/CFT issues were coordinated by the Interagency Coordination Working Commission on AML/CFT, which consisted of representatives of various ministries and agencies at the level of heads of structural units. This working commission was eliminated due to the creation of AML/CFT ICC in 2022, also with the aim to support AML/CFT issues at the high political level of the country. As a result of the work of the previous Commission a number of strategic documents were approved, including NRA-1 and NRA-2, consideration of changes to the basic law and bylaws, issues of reorganization and legal form of FIU, including preparation for acquiring membership in the Egmont Group, as well as creation of the temporary interdepartmental commission on preparation for the next mutual evaluation.
260. There are also other inter-agency commissions established to coordinate various issues, including those related to AML/CFT. In particular:
 - The State Commission against Terrorism;
 - The Interdepartmental Commission to Combat Corruption;
 - The State Coordination Commission to Combat Narcotics;
 - The Commission for the Control of Issuance of Visas;
 - The Interdepartmental Commission on Protecting the Economy from Risks;
 - The State Commission on Cyber Security;

- The Interdepartmental Commission on compliance with Turkmenistan's international human rights obligations and international humanitarian law.
261. In addition, agreements and memorandums have been concluded to coordinate operational cooperation between government agencies, under which information is exchanged.
 262. The country has established a digital information management system of the MIA, under which the FMS, MJ, MFA, CB, MFE, courts and other bodies have appropriate access and the ability to exchange information promptly.
 263. Coordination in the sphere of CPF is carried out by the AML/CFT ICC. However, less attention has been given to the CPF issues by Turkmenistan, cooperation and coordination is limited. CPF related issues have mainly been considered during the preparation of amendments to the Basic Law, as well as discussed at the specially established working group on the draft law on the control of trade in strategic goods. However, there has been no interaction of the competent authorities at the operational level on CPF related issues.

2.2.6. Private sector's awareness of risks

264. The assessors concluded that the country is largely ensuring that the findings and conclusions of the NRA are communicated to the private sector and is taking necessary steps to raise awareness of the private sector on the ML/TF risks identified and measures to mitigate them. This conclusion has been reached after careful examination of various protocols and meeting agendas, as well as confirmed at the meetings with the representatives of FIs and DNFBPs.
265. The FIs and DNFBPs subject to AML/CFT requirements has been directly involved in conducting national risk assessments. In particular, in preparation for NRA 1 and NRA 2 in 2018 and 2021, a questionnaire survey was conducted involving interested public authorities and a large segment of the private sector.
266. Public authorities applied various forms of dissemination and communication of NRA results to the private sector. The assessors have reviewed the protocol decisions signed by the vast majority of FI and DNFBP sector participants, which confirms that they are familiar with the results of the NRA. In addition, the results of the NRA (open part) were sent to the email addresses of the sector participants.
267. The MFE and the MJ conducts meetings of DNFBP sector representatives with a view to bringing to their attention amendments to the AML/CFT legislation, issued methodological recommendations, during which the problematic issues of implementation of the legislation and existing risks in the activities of the private sector representatives are also discussed.
268. Since the approval of the NRA, sector risk assessments are ongoing in most sectors and the private sector is actively involved, but at the time of the on-site mission the work was still ongoing in the vast majority of the DNFBP sectors. The auditors' own SRAs identified inherent risks in these sectors that do not fully correlate with the findings of the NRA-2 vulnerability assessment because of contextual factors such as the number of entities operating, the frequency of services provided. These SRAs were conducted with the overwhelming participation of sector participants in a face-to-face discussion, with risk mitigation proposals developed and the results recorded in the form of protocol decisions.

Overall conclusion on IO.1

269. Turkmenistan has made significant efforts to identify, assess and understand ML/TF risks and to develop measures to mitigate them. Between 2018 and 2021, the country conducted two National ML/TF Risk Assessments, which clearly reflect the risks, threats and vulnerabilities inherent in the country. Overall, AML/CFT stakeholders have demonstrated a good understanding of the ML/TF risks on the part of government authorities. Among the private sector, the FIs and DNFBPs that are supervised by the MJ have the most comprehensive understanding, while the remaining DNFBPs showed a moderate level of understanding. At the same time, assessors note that there is scope for

further enhancing the private sector's understanding of risks, as well as the practical use of NRA findings in developing comprehensive inter-agency plans to mitigate the identified risks. The competent authorities have adjusted their activities in response to the risks identified, strategic documents have been developed and agencies are taking steps to mitigate the risks in accordance with the action plans.

270. The country has a substantial level of understanding of the TF risks, the assessment of this risk is driven by factors such as the absence of recorded terrorist financing cases, the absence of identified individuals associated with terrorist financing, and the lack of evidence that Turkmenistan is a potential target for the movement of financial flows for terrorist purposes. In addition, Turkmenistan's financial system has limited integration into the international financial system. In order to maintain the established level of TF risk, the competent authorities take measures to strictly control the financial system, including foreign economic payments, transfers between individuals, to monitor internal and external threats of terrorism and to prevent them.
271. The shortcomings associated with the lack of analysis of the virtual asset sector, as well as an assessment of the use of other new methods for ML/TF purposes, are minor, due to the preventive measures taken by the government at the financial system level, as well as the underdeveloped foreign economic relations.
272. Coordination of AML/CFT/CPF activities of government agencies is carried out by the AML/CFT ICC, as well as other interagency and operational groups, whose activities are aimed, inter alia, at mitigating the identified ML/TF risks. At the same time, there is limited operational cooperation in combating CPF in the country.
273. The findings and conclusions of the NRA have been communicated to all participants in the country's anti-money laundering system, including the private sector. Awareness of the findings of the NRA is evaluated by the assessors to a significant extent, but further work is needed to increase the understanding of the risks inherent in each sector's activities.
274. Given the medium level of ML risk and low level of TF risk identified as a result of the NRA-2, the minor weaknesses identified above, and the country's ongoing efforts to mitigate the identified risks, Turkmenistan requires moderate improvements to the understanding of ML/TF risks and inter-agency coordination.
275. **Turkmenistan is rated as having a substantial level of effectiveness for IO. 1.**

CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL ISSUES

3.1. Key Findings and Recommended Actions

Key Findings

Immediate Outcome 6

1. In Turkmenistan, all LEAs (GPO, MNS, MIA) and the FMS have access to a wide range of financial intelligence. According to statistics, financial intelligence obtained from various information sources is used by the LEA to a greater extent (51%) for the application of administrative sanctions to accrue taxes, penalties and fines, which to some extent confirms the risk-based approach to mitigate ML risks and related tax crimes and to a moderate extent (32%) used in operational and investigative activities and criminal investigations. At the same time, spontaneous dissemination from the FMS are used to a moderate extent to detect and investigate ML/TF and high-risk predicate offences.
2. The FMS receives moderate quality STRs, the usefulness of the STRs submitted for operational analysis is inadequate, as these STRs are submitted without applying a risk-based approach, i.e. for high-risk predicate offences no STRs are generated and submitted as there are no suitable criteria and most of the STRs related to structuring and gratuitous support are submitted. Prior to the outreach programmes held in 2019, which were aimed at enhancing private sector knowledge and awareness, STRs were submitted inaccurately, hence there were no spontaneous disseminations to LEAs. There is a lack of methodological guidance on the identification and reporting of STRs tailored to each type of FI and DNFBP using a risk-based approach and considering the specificities of FIs and DNFBPs, as well as most FIs lack practice in identifying complex schemes and linked transactions during subsequent monitoring and in practice they apply standard, simple criteria for suspicious transactions, which in turn affects the overall analysis of the FMS.
3. The FMS to some extent supports the work of competent authorities by spontaneous disseminations and responding to requests. However, the information provided does not support the effective use of spontaneous information in criminal investigations, including high-risk offences. Moreover, LEAs detect ML on their own initiative within the framework of the PIA, or directly approach financial institutions or supervisory authorities to obtain relevant information, thus bypassing the FMS. As a result, LEAs are not sufficiently aware of the capabilities of the FMS and the FMS spontaneous disseminations are insufficient to support the operational needs of the LEAs. The strategic analysis carried out by the FMS and the communication of its findings supports the needs of the competent authorities to a negligible extent.
4. The FMS and LEAs have demonstrated a strong understanding of the importance and need for close cooperation in the collection and use of financial intelligence for the effective investigation of ML and related predicate offences, and TF. There is a moderate level of interaction and exchange of information and financial intelligence between the FMS and LEAs, given the relatively low number of requests sent by LEAs to the FMS, as well as spontaneous disseminations by the FMS to the LEAs. However, the information exchange between the FMS and LEAs is sporadic and the few positive cases do not allow to conclude that the interaction is systematic, as well as it is not fully commensurate with the ML risks. There were no instances of cooperation and information exchange to detect and investigate TF in practice, which is generally consistent with the risk of TF in Turkmenistan. At the same time, legal and institutional mechanisms to ensure smooth and timely information exchange between competent authorities, FIs and DNFBPs are well established in Turkmenistan.

Immediate Outcome 7

5. Turkmenistan's LEAs have at their disposal and use sufficient tools and resources (human and technical) to identify and investigate potential ML cases. The detection and investigation of ML do not require a mandatory conviction for the predicate offence, but the initial focus of LEA's activities is on the detection of predicate offences.
6. Self-laundering is the predominant type of ML activity in the country and, accordingly, in the structure of detected and investigated cases of ML. Facts of detection of money laundering by third parties (as well as the commission of ML) were sporadic. The activity of professional money launderers in Turkmenistan is unlikely and has not been detected, there are no MLs from predicate offences committed abroad.
7. Facts of laundering outside the country of criminal proceeds received inside Turkmenistan were not detected, which may have been facilitated by shortcomings in the search for criminal assets abroad as part of parallel financial investigations.
8. Different levels of access by LEAs to information used in criminal investigations, including ML, as well as restrictions for LEAs in obtaining bank secrecy information reduce the effectiveness of ongoing investigations.
9. Criminal statistics on the detection and prosecution of ML are not comprehensive.
10. ML investigations and prosecutions are consistent with the nature of national threats and risks as well as national AML policies, with the likely exception of an underestimated ML threat posed by robbery and thefts.
11. Sanctions against physical persons are sufficiently proportionate, dissuasive and effective. Sanctions against legal entities for ML are not effective and do not apply.

Immediate Outcome 8

12. Turkmenistan pays considerable attention to the issue of confiscation of criminal proceeds in the course of criminal proceedings. Confiscation of property as one of the objectives of criminal law policy has been the subject of analysis and consideration at various government levels. There is confiscation of proceeds of crime within the provisions of the CC and CPC, property of equivalent value within the framework of other legal acts and established judicial practice.
13. Search, seizure and confiscation of criminal assets within the country are carried out at a considerable level. In practice, there has only been one case of confiscation and repatriation of proceeds moved abroad. In many cases, confiscation in an amount substantially more significant than the immediate criminal income is carried out, which also covers the possible proceeds derived from the use of criminal property.
14. There are moderate deficiencies in the organisation of confiscation statistics as well as limitations in the powers of the LEAs due to deficiencies in technical compliance with legislation (R.31, R.32 and R.33), which are offset in practice.
15. Non-conviction based confiscation is not applied due to the existence of competing permissive and prohibitive rules of law.
16. The mechanism of seizure, removal, management and confiscation of VAs is not defined by the legislation, there is no practice of working with such assets in criminal cases as the VA circulation in the country is not developed. Facts of ML or TF with the use of VAs have not been identified by the LEAs.
17. Control of cross-border movement of cash and foreign currency, BNIs is carried out by the SCS officers in a comprehensive and systematic manner. Confiscation of undeclared or falsely declared funds, which constitutes an administrative offence under AOC Article 391, was not carried out due to the absence of this penalty in the AOC. This shortcoming does not have a significant impact on the overall level of the fight against the illegal cross-border movement of cash, but it is noteworthy that the NRA assesses the threat of cash smuggling as high.

18. Confiscation of proceeds and instrumentalities of crime largely reflect ML/TF risk assessments and national AML/CFT policies and priorities.

Recommended Actions

Immediate Outcome 6

1. It is recommended that the FMS in conjunction with the supervisory authorities intensify outreach activities to FIs and DNFBPs in order to strengthen the quality of STRs, adopting a risk-based approach;
2. FMS to strengthen the analysis of reports on transactions above the threshold amount and reports on the import into or export from Turkmenistan of declared goods and other property, in order to detect transactions related to ML/TF and high-risk predicate offences;
3. FMS to enhance STR-based and pro-active operational analysis with the application of a risk-based approach;
4. FMS to ensure qualitative strategic analysis, using a risk-based approach and various sources of information;
5. FMS based on the results of the strategic analysis, should develop ML/TF typologies and guidelines for STR reporting and regularly update STR criteria based on the results of the analysis and typologies;
6. FMS to ensure that detailed statistics are maintained during operational and strategic analysis.
7. Turkmenistan is recommended to prioritise regular inter-agency cooperation in PIA, pre-investigations checks, inquiries and preliminary investigations of high risk predicate offences, with appropriate statistics captured to monitor progress.

Immediate Outcome 7

8. Turkmenistan should, in practice, ensure equal priority in the investigation of both predicate offences and ML, to avoid the possible negative impact of the LEA's focus on detecting predicate offences in relation to the detection and investigation of ML committed by third parties.
9. LEAs should increase the intensity of information exchange with the FMS when pursuing parallel financial investigations, including the search for assets abroad.
10. The country should provide LEAs with direct, immediate and unhindered access to a wide range of databases and information resources of state bodies, including information constituting banking secrecy, necessary to obtain information promptly, both by making appropriate changes to the NLAs and by ensuring their practical application.
11. Ensure the accumulation and maintenance of centralized, comprehensive criminal statistics on detection, prosecution, and conviction for ML.
12. Ensure that dissuasive and proportionate sanctions against legal persons for engaging in ML, or using them for ML purposes, are enshrined in law, and that they are effectively applied.

Immediate Outcome 8

13. Strengthen the work of the LEAs in detecting the transfer and repatriation of proceeds of crime outside the country.
14. Ensure the maintenance of comprehensive statistical records of confiscation data in criminal proceedings.
15. Use financial investigations not only to determine the amount of criminal damage and property to be confiscated, but also to determine the amount of criminal proceeds received, property of equivalent value, and proceeds derived from the use of criminal property.

16. Ensure amendments to the legislation and the establishment of the practice of non-conviction-based confiscation, including through the recovery of criminal income or its equivalent in civil proceedings in the absence of a conviction in the case, or non-application of confiscation by the sentence, determination (ruling) of the court. Consider the possibility of introducing the institution of confiscation of unexplained incomes of officials in the framework of anti-corruption legislation.
17. Develop a mechanism for seizure, removal, management and confiscation of VAs in criminal cases.
18. Continue to improve the detection of cash smuggling and cooperation in identifying cash couriers. Ensure the application of confiscation for an administrative offence under Article 391 of the AOC, including by amending legislative acts.

276. The relevant Immediate Outcomes considered and assessed in this Section are Immediate Outcomes 6-8. Recommendations 3, 4, 29-32 are used in assessing effectiveness in this Section.

3.2. Immediate Outcome 6 (Financial Intelligence ML/TF)

3.2.1. Use of financial intelligence and other information

277. In Turkmenistan, all LEAs (GPO, MNS, MIA) and the FMS have access to a wide range of financial intelligence. According to the statistics provided, the financial intelligence obtained from various sources of information is used by the LEAs to a greater extent (51%) for the application of administrative sanctions for tax accruals (approximately 23%), penalties and fines, which to some extent confirms the application of a risk-based approach to mitigate ML risks and related tax crimes and to a moderate extent (32%) is used in operational and investigative activities and criminal investigations. At the same time, the financial aspects of a criminal activity are not fully investigated in the course of PIA, pre-investigation check, inquiry and preliminary investigation. There is moderate use of FMS spontaneous disseminations to detect and investigate ML/TF and high-risk predicate offences, however in only 4% of cases the information was used to initiate and investigate criminal proceedings. According to the AT, this shortcoming is most likely due to the recent (01.08.2022) adoption of the relevant Financial Investigation Instruction and the lack of experience and knowledge in financial investigations.
278. As Table 3.1 shows, competent authorities have access to 34 types of registers, databases and information through a variety of means:
- GPO - to 28 registers, databases and information;
 - FMS to 21 registers, databases and information;
 - MNS - to 21 registers, databases and information;
 - MIA - to 18 registers, databases and information.
279. Based on the analysis of STR statistics, FMS spontaneous disseminations, LEAs requests and interviews with competent authorities, the AT concludes that despite having access to a rather extensive list of information, their use by competent authorities remains at a moderate level and requires significant improvements.

Table 3.1. List of available information to the competent authorities

No.	Information and database name	Information and database owner	FMS	GPO	MIA	MNS
Direct access (online) to the databases						
1.	Register of rights to immovable property	Service for State Registration of Rights on Real Estate and Related Transactions	+	+	+	+
2.	Single State Register of Legal Entities of Turkmenistan	Registration Chamber of the Ministry of Finance and Economy	+	+		
3.	Register of lease and privatization of state property	Ministry of Finance and Economy	+	+		+

4.	Registry of tax and registration information of natural and legal persons	Tax Department	+	+		+
5.	Register of issued licenses on precious metals and precious stones	CB	+	+		
by sending an electronic request or a regular upload of the database						
6.	Information on transactions for the purchase of shares of joint stock companies	Ashgabat Stock Exchange	+	+		
7.	Information on life insurance	State Insurance Organization	+	+		+
8.	Register of declarations of goods	State Customs Service	+	+	+	+
9.	Register of imported/exported goods		+	+	+	+
10.	Register of transported precious jewelry		+	+		
11.	Information on grants	MJ	+			
12.	Information on licenses for providing legal aid		+	+		
13.	Information on the transactions made with movable and immovable property	Notary's offices	+	+		+
14.	Information on pledges		+	+		
15.	Information on powers of attorney for any transactions abroad		+			+
16.	Register of concluded contracts	Commodities Exchange	+	+		
17.	List of registered contracts involving legal persons from offshore jurisdictions		+			+
18.	Registry of individual entrepreneurs	Tax Department		+		+
19.	Information on the legal entities audited	Audit and Control Department of the Ministry of Finance and the Economy		+	+	
20.	Database of recipients of pensions and benefits	Ministry of Labor and Social Protection		+	+	+
21.	Information on entrance to and exit from Turkmenistan	Migration Service	+	+		+
22.	Register of passports of Turkmen citizens	Ministry of Internal Affairs			+	
23.	Information about persons with residence permits		+	+	+	+
24.	Address bureau		+	+	+	+
25.	Register of lost passports			+	+	+
26.	Criminal records database			+	+	+
27.	Wanted criminals database			+	+	+
28.	Operational records database (several types)				+	
29.	Motor transport records database		+		+	
30.	Stolen cars database			+	+	+
31.	Hunting weapons database			+	+	+
32.	Database of persons brought to administrative liability			+	+	+
33.	Database of criminal cases			+	+	+
34.	Interpol National Bureau database (internal records)			+	+	

280. The most expeditious and convenient exchange of information between competent authorities is carried out through the information and telecommunication network of the MIA of Turkmenistan, based on the joint orders of the state bodies connected to this network (SC, MFE, MFA, Ministry of Education, MJ, Ministry of Labour and Social Protection, Migration Service, CB, Central State Archive, the Mayor's Office of Ashgabat). Through the information telecommunication network, the competent authorities can obtain accessible information on natural and legal persons and other relevant information necessary for the investigation of ML/TF cases.

281. The LEAs (GPO, MNS, MIA) and the FMS (including cases without prior receipt of STRs) have the right to request and receive information on any operations (transactions) and from any legal and natural persons, by submitting a written request.

282. The FMS collects and maintains such types of financial intelligence as: STRs; CTRs; reports of bank account (deposit) transactions; reports on transactions with movable and immovable property; reports on cross-border movement of currency and bearer negotiable instruments; reports on transactions in foreign currency; and reports on electronic money transfers.
283. The following types of information are received by the FMS from government agencies on a regular basis (presented in more detail in Table 3.2):
- The customs authorities submit information on the declared goods and other property entering or leaving Turkmenistan, including vehicles imported into, exported from and in transit through Turkmenistan, cultural property, foreign currency in cash, certificated bearer securities, bills of exchange, cheques, compiled by the customs authorities of Turkmenistan;
 - The Traffic Police of the MIA provides information on vehicle registration and other property subject to State registration;
 - The State Registration of Immovable Property Rights and Related Transactions Service of the MJ provides information on the registration of immovable property rights and related transactions.

Table 3.2. Statistics on information, provided by other state authorities

Name of the authority	Type of information	2017	2018	2019	2020	2021	Total
Service for the State Registration of Rights to Immovable Property and Related Transactions under the MJ	Information on the registration of rights to immovable property and related transactions	43271	73862	73094	79482	90077	359786
Customs authorities	Information on the import into or export from Turkmenistan of declared goods and other assets	149065	37038	14149	8034	6185	214471
Police Traffic Supervision Service of the MIA	Information on the registration of vehicles and other property	137438	234377	832714	820741	818655	2843925
TOTAL		329774	345277	919957	908257	914917	3418182

284. In the view of the FMS, the information received from the above state authorities contains adequate and accurate information, which to some extent assists the FMS in its operational and strategic analysis in the capacity of operational and supporting information.
285. Given its membership in the Egmont Group, the FMS actively engages with foreign FIUs to gather financial intelligence to assist in investigations (see also [IO.2](#) for more details on the international cooperation of the FMS).
286. The LEAs stated that in some cases they approach the CB or the FMS in order to obtain a bank secrecy information, as well as request the relevant information directly from the financial institutions. According to the AT, such actions are largely due to the LEAs' lack of awareness of the FMS capabilities. During the meeting with the private sector, the possibility of providing the requested information to the LEAs was reported, with no cases of refusal referring to banking or other secrecy protected by law.
287. In accordance with the legislation of Turkmenistan, the FMS, based on the results of operational analysis, disseminates spontaneous information to the GPO, as indicated in Table 3.3, out of 23 FMS spontaneous disseminations, in 61% of cases the information was used to apply administrative sanctions to accrue taxes (approximately 20%), penalties and fines, and only 1 FMS spontaneous information resulted in the initiation and investigation of a criminal proceeding, which in comparison with the number of requests received from LEAs is quite low and requires from the FMS and GPO to intensify efforts in this regard.

Table 3.3. Statistics on the use of the FMS spontaneous information by GPO

Type of GPO decision on the use of FMS information	2017	2018	2019	2020	2021	Total	%
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Total received from the FMS, of which:	0	6	7	4	6	23	-
- used to accrue taxes, penalties and fines	-	6	7	-	1	14	61%
- taken into consideration	-	-	-	3	1	4	17%
- verification is performed	-	-	-	-	4	4	17%
- used for the initiation and investigation of a criminal proceeding	-	-	-	1	-	1	4%

288. Case 3.1 below demonstrates that the FMS possesses wide opportunities for obtaining prompt financial and other information both within the country and abroad, however, following the meetings with the LEAs and the statistics presented in Table 3.3, the AT came to the conclusion that the FMS is not the main source of the information for the LEAs and for this reason it is feasible to enhance the intensity of the information exchange with the FMS.

Case Study 3.1. Access to FMS intelligence

Citizen "A", using her official position by prior collusion with Citizen "B" in order to receive a bribe in an especially large amount in 2014-2018, performed actions, for the benefit of the bribe giver to an insurance representative of several foreign companies, provided assistance in choosing representatives or brokers. In order to assist in any way in the interests of these companies over an extended period of time, she received a bribe of \$989,093 through the mediation of her husband, Citizen "B." With the purpose of legalizing the bribe received and illicit enrichment, she committed a crime by using those funds in the business activities of Citizen "B", acquired equipment for the stores, vehicles, apartments and other valuables worth 9 704 916,52 manat (9 704 916,52/3,5 = 2 772 833,29 US dollars).

Also, the investigation revealed that citizen "G", the head of the joint stock company "ZZZZZ", with the purpose of receiving a particularly large benefit, made an illegal banking operation by prior agreement with the citizen "D" - the director of IE "XXXX" and an official of the Insurance organization a citizen "E" illegally on behalf of the IE "XXXX" headed by the citizen "D" with the purpose to illegally cash out non-cash funds transferred to the foreign company, received 282 086 USD in cash and thereby caused damage to the state in especially large scale.

In addition, citizen "G", in order to make a profit in an especially large amount, in order to conduct an illegal banking transaction with citizen "E" during the period from 2014 to 25.01.2019, received cash from unidentified businessmen transferred non-cash funds, amounting to 501,629 U.S. dollars through foreign companies.

As part of the preliminary investigation, a request was sent to the FMS to conduct a parallel financial investigation.

In order to fulfill the request, the FMS collected information from the relevant agencies of Turkmenistan, as well as monitored the information base, mandatory control reports and STRs received by the FMS.

Also, in order to obtain additional information, the FMS used international information exchange channels, through which requests were sent to foreign FIUs to identify the beneficial owners, beneficiaries, managers and bank accounts of companies.

After analyzing the information received from the foreign FIU counterparts, it was found that citizen "G" is the beneficial owner and manager of the foreign company "AAAA" and the company "BBBB" and that the company was used to conceal the true income received, the withdrawal of funds abroad and tax evasion from the actual profit, with the further purpose of giving the legal appearance of concealed income.

According to the results of the operational analysis conducted by the FMS, all the information and relevant materials were sent to the requested LEA with suspicions of money laundering, tax evasion and other financial frauds.

As a result of the investigation, it was found that citizen "G" entered into a criminal conspiracy with the director of "XXXX" - citizen "E" for the purpose of concealing tax on a particularly large scale. Despite the fact that in 2018 on the account in the foreign company "AAAA" and the company "BBBB" registered in the name of Citizen "G" carried out trade transactions totaling 13 824 841 U.S. dollars committed the crime without paying tax in the amount of 387 096 manat, according to the "Law on Taxes of Turkmenistan".

Citizen "A" was sentenced to 20 years' deprivation of liberty, without the right to work for 3 years in managerial positions, under article 184, paragraph 3 (a), article 242, paragraph 3, article 181, paragraph 2, and article 184, paragraph 2 (a, b, ç, e) of the CC.

Citizen B was sentenced to 20 years' deprivation of liberty, including 17 years in strict regime, under article 184, paragraph 3 (a), article 242, paragraph 3, and article 181, paragraph 2. Art. 181, part 2, and paras. "a, b, ç, e" paragraph 2 of article 184 of the CC.

Citizen "B" was sentenced to 10 years' imprisonment, without the right to engage in business activities for 3 years under art. 186 part 2, part 2, art. Art. 242 part 2 of the CC.

289. As shown in Table 3.4, during the reporting period the FMS sent 59 responses to requests from LEAs investigating ML cases. For example, in 2017-2021 out of 30 ML cases detected by the MIA, only 13 materials were received from the FMS (Table 3.7). This fact may indicate that not even in all ML cases in financial investigations the MIA used the capabilities of the FMS, let alone the investigation of predicate crimes. In view of the limitations on the availability of bank secrecy information for LEAs (see R.31 for details), this circumstance may have a negative impact on the ability to identify potential cases of ML.

Table 3.4. Summary statistics on the use by LEAs of the information requested from the FMS

Type of decision on the use of the FMS information	2017	2018	2019	2020	2021	Total	%
Total received from the FMS, of which:	13	5	23	6	10	59	-
- used to accrue taxes, penalties and fines	7	3	16	3	1	30	51%
- used for initiating and investigating criminal cases used in police intelligence activities	2	-	1	5	2	10	17%
- verification is in progress	3	1	1	1	3	9	15%
- noted	1	-	2	-	3	6	10%
	-	1	1	1	1	4	7%

290. Given that Turkmenistan's LEAs are not fully aware of the capabilities of the FMS, the requests are mainly related to obtaining information about legal entities and available bank accounts in the country or abroad, as well as to search for assets of those involved in a criminal case, whereby the information obtained is used to a lesser extent for the investigation of ML.
291. According to the LEAs representatives, when making requests, the FMS provides quality responses, which to a large extent meet their needs. At the same time, as it was noted earlier, LEAs use the practice of collecting and analyzing information independently, without making full use of the FMS capabilities.
292. According to the authorities of Turkmenistan, no crimes of a terrorist nature, including TF, have been recorded in the country. Activities to counter TF are mainly aimed at prevention of these acts. In this regard, the exchange of information between the LEAs and the FMS in the area of TF is mainly carried out in terms of screening potential individuals for involvement in terrorist activity and terrorism financing. At the same time, no official requests were sent by the LEAs or by the FMS during the reporting period (For more details, see [IO. 9](#)). Additionally, there are several successful cases of the use of TFS system of Turkmenistan (private sector, FMS and LEAs) in processing and issuing decisions without delay on false positives against sanctions lists (more details in [IO. 10](#)).

3.2.2. STRs and other reports received and requested by competent authorities

293. FMS is receiving moderate quality STRs, the usefulness of the STRs for operational analysis is insufficient, since the STRs are submitted without applying a risk-based approach, i.e. for high-risk predicate crimes STRs are not generated and submitted, as there are no suitable criteria and most of the STRs are related to structuring and gratuitous assistance. There is no methodological guidance on the identification and reporting of STRs produced for each type of FIs and DNFBPs using a risk-based approach and taking into account the specifics of FIs and DNFBPs, moreover, most FIs have no practice of detecting complex schemes and interlinked transactions during follow-

up monitoring and in practice they apply standard, simple criteria for suspicious transactions, which in turn affects the overall FMS analysis process.

294. The FMS receives STRs and other transaction reports that contain relevant information to assist the them in fulfilling their responsibilities. However, the usefulness of the received STRs is insufficient for operational analysis, due to the fact that the STRs are sent without a risk-based approach. There is no methodological guidance for identifying and sending STRs, and most FIs do not have a practice of identifying complex schemes and interlinked transactions during follow-up monitoring and in practice they apply standard, simple criteria for suspicious transactions, which in turn affects the overall FMS analysis process.
295. Between 2017 and 2021, the FMS received more than 1.2 million threshold and suspicious transaction reports (see Table 3.5). The vast majority of these come from threshold reports (99.69%) and STRs (0.31% or 99.95% of all STRs) from financial institutions. Other FIs and DNFBPs have not sent STRs during this period, as they have not detected suspicious transactions, which is not fully commensurate with the ML risks identified in the NRA. For example, according to the NRA, one of the ML threats in Turkmenistan are corruption crimes, yet no STRs related to PEPs were sent during the period under assessment.
296. Regarding other ML risks (DPMS sector and realtors), the AT have taken into account the contextual factors of the country: the small number of realtors in general and the extent of their participation and involvement in transactions (either absent at all or only providing advice on the selection of real estate), the turnover of DPMS market, which mainly consists of products of low value, but quantitatively large due to national characteristics. It should also be noted that one of the reasons for the increased risk of the DPMS sector were factors independent to the country and related to the prosecution of citizens of Turkmenistan for smuggling in foreign jurisdictions.

Table 3.5. Statistics on received STRs and transactions above the threshold amount

Type of reporting by the FIs and DNFBPs	2017	2018	2019	2020	2021	Total
Suspicious transactions						3 887
Financial institutions	2 371	1 206	182	98	28	3 885
Lawyers and other legal aid licensees	-	-	-	2	-	2
Threshold transactions						1 233 173
Financial institutions	213 797	175 699	184 331	210 083	239 986	1 023 896
Commodity exchange	17 137	22 669	26 525	23 422	24 356	114 109
Notaries	11 591	15 695	16 977	21 202	28 461	93 926
Insurance organisations, insurance brokers	28	29	259	325	439	1 080
Persons engaged in the sale and purchase of PMS, articles thereof and scrap	14	8	69	24	39	154
Realtors and estate agents	8	-	-	-	-	8
TOTAL	244 946	215 306	228 343	255 156	293 309	1 237 060

297. It should be noted that virtually all STRs received are based on predetermined suspicion criteria (there are 232 STR criteria). An analysis of the criteria for the received STRs revealed (Table 3.6) that STRs are sent without applying a risk-based approach, i.e. no STRs are generated or submitted for high-risk predicate offences, as there are no suitable criteria and most are sent for structuring and gratuitous assistance.
298. As stated in the [IO.4](#), most FIs (except for a few banks that have a consolidated group policy) have no practice of identifying complex schemes and related transactions during follow-up monitoring and in practice they apply standard, simple criteria for suspicious transactions. This indicates that there is no in-depth analysis of customer transactions and that the identification and referral of STRs may be done on a formal basis, resulting in a lack of quality.
299. In addition, the main reason for the lack of STRs sent by other FIs and DNFBPs is the absence of methodological guidance on the identification and reporting of STRs developed for each type of FI and DNFBP using a risk-based approach and taking into account the specifics of FIs and DNFBPs,

as well as the lack of awareness among staff of FIs and DNFBPs of the importance and seriousness of identifying and reporting STRs using a risk-based approach.

Table 3.6. STR criteria statistics

STR criteria	2017	2018	2019	2020	2021	Total
Client conducts structuring of transactions equal to or less than the established threshold within 10 calendar days	1 257	859	32	63	13	2 224
Gratuitous financial assistance	706	211	59	20	11	1 007
Conducting electronic payment transactions through FIs located in offshore zones or designated in the list of countries with an inadequate system	111	48	2	1	1	163
Systematic conduct of high-risk operations by the participant	0	1	0	10	0	11
Refusal of a client to provide additional information or documents to justify actions that are not clearly and logically substantiated and are inconsistent with a client's business	9	0	0	2	0	11
Refusal of a client to accept more favorable terms and offers given by financial institutions	0	0	0	0	3	3
Other	285	87	83	2	0	457
TOTAL	2 371	1 206	182	100	28	3 887

300. As can be seen from Table 3.5 and 3.6, after 2019 the situation with communications from reporting entities is changing, this is due to the following factors which are aimed at improving the quality of reporting and the analytical methods of reporting entities:

- conducting awareness-raising activities by the FMS on the appropriate application of STRs based on the suspicion criteria;
- conducting training events to improve AML/CFT knowledge and skills of employees of financial institutions;
- strengthening supervision and improving the quality of compliance by the CB and FMS;
- upgrading the software of financial institutions, which enables the compliance officer to conduct an initial analysis of suspicious transactions.

301. In 2017-2019, the main reason for submitting STRs in large quantities was a lack of knowledge among employees of financial institutions regarding the methods of identifying STRs and misinterpretation of the STR criteria.

302. According to the statistics presented in Table 3.6 on the STRs criteria submitted by reporting entities, the AT concluded that a comprehensive database on STRs that are potentially relevant to competent authorities, including in high-risk sectors, is not being developed. It should be noted that prior to 2019, STRs were submitted inaccurately, hence there was no spontaneous disseminations to the LEAs, starting from 2019 an average of 3% of the STRs received are used to forward information to the LEAs, the remaining 97% of STRs are not proven to be suspicious as a result of the analytical work of the FMS. There are some positive cases of STR-based operational analysis (case study 3.2), but the AT believe that the limited amount of information sent to LEAs is not fully commensurate with the level of ML/TF risks in Turkmenistan and that significant improvements in STR reporting are necessary.

Case Study 3.2. STR-based operational analysis

The FMS performed analysis based on the STR submitted by a person providing legal aid to natural and legal persons under a license (Legal Aid Provider). The received STR was related to the provision by that person legal aid to the client (hereinafter the Client) who was engaged in economic activities in Turkmenistan.

The legal aid provided for services on representation of the Client's interests in the court of Turkmenistan in a dispute with a natural person who was an entrepreneur in Turkmenistan (hereinafter the Entrepreneur). While preparing documents and materials for the Client, the Legal Aid Provider discovered that the Entrepreneur was carrying out his activities with a clear, premeditated violation of the Turkmen legislation in the tax sphere, therefore, an STR was submitted.

Based on the received STR, the FMS initiated an operational analysis, during which information was gathered through the use of the FMS database and by sending requests to the relevant authorities.

At the same time, based on an application from the Client involved in litigation with the Entrepreneur, a request was received from the GPO of Turkmenistan to establish the Entrepreneur's right to possess companies or assets located abroad.

During the gathering of information regarding the Entrepreneur, his activities, bank accounts and other assets in the territory of Turkmenistan were established, and then through the use of opportunities provided by international cooperation requests were sent to establish the availability of assets in the territory of a foreign country with which the Entrepreneur had business relations for a long time.

As a result of an international information exchange, it was established that companies whose beneficial owners have a surname similar to that of the Entrepreneur are engaged in economic activity in a foreign country. On the basis of the information received, it was found that the beneficial owners of the foreign companies affiliated with him were close relatives of the Entrepreneur.

Upon completion of the operational analysis, the chronology of all the Entrepreneur's actions was revealed. In particular, it was found that the Entrepreneur concluded contracts with companies in Turkmenistan to provide services for the search, registration and management of real estate intended for residence of the Client's foreign employees, as well as for use as office space. Payments from these activities went to the accounts of affiliated foreign companies, the beneficial owners of which are close relatives of the Entrepreneur. The funds were used to import foodstuffs from a third country into Turkmenistan, the prices of which, according to customs authorities, differed from the prices indicated when the goods were sent from the country of origin (gray import).

As a result of operational analysis, information and relevant materials were submitted to the GPO, which, in turn, conducted an inspection, investigated the criminal case and referred it to court.

After the criminal case was considered in court, a sentence was issued on tax evasion, fraud and legalization of money or other property gained illegally and financial penalties were applied in the amount of TMT 435,870.00 (equivalent of USD 124,534.00) and USD 54,310.00.

303. According to the FMS, there have been no cases of STR leakage (disclosure) to date. The supervisory authorities to a large extent conduct checks of FIs and DNFBPs regarding the reporting of transactions above the threshold and STRs to the FMS. More detailed information on reporting issues is provided in the analysis under [IO.4](#).
304. The FMS and supervisors continue to work on improving reporting by reporting entities through training, outreach and updating the criteria for suspicious transactions.

3.2.3. Operational needs supported by FIU analysis and dissemination

305. The statistics presented in Table 3.7 on the operational analysis indicate that the FMS to a certain extent supports the activities of the competent authorities by developing spontaneous disseminations and responding to requests. However, the information provided does not support the effective use of spontaneous materials in criminal investigations, including for high-risk offences. Moreover, LEAs identify ML independently within the framework of PIA, or directly contact financial institutions or supervisory authorities to obtain relevant information, thus bypassing the FMS.
306. No detailed statistics on the use of FMS information are maintained by the LEAs and there are only a few examples of positive interactions. In this regard, the AT concluded that there is insufficient awareness of the FMS capacity among the LEAs and that the FMS intelligence is not sufficient to support the operational needs of the LEAs.

Table 3.7. Statistics on the FMS operational analysis

Quantity	2017	2018	2019	2020	2021	Total	%
Number of materials prepared on the basis of operational analysis, of which:	13	11	32	29	24	109	-

- at the request of LEAs	13	5	21	10	10	59	54%
MNS	10	4	18	2	-	34	
MIA	3	1	1	2	6	13	
GPO	-	-	2	6	4	12	
- at the request of FIUs of foreign countries	-	2	2	11	10	25	23%
- according to the analysis of STRs	-	-	7	3	4	14	13%
- On the initiative of FMS	-	4	2	5	-	11	10%

307. In accordance with the legislation of Turkmenistan, the FMS is the national centre for the collection, processing and analysis of financial and other operational information. The FMS carries out operational and strategic analysis of the information received in accordance with the established procedure, for AML/CFT/CPF purposes. These types of analyses are carried out by the staff of the Department of Financial Information Collection and Analysis, which consists of 8 persons; in the opinion of the assessors, the number of FMS analysts is adequate and sufficient taking into account the number of STRs received and the country context.
308. The FMS has a well-developed IT system, with direct access to various databases of state authorities (see Table 3.1. List of information and databases available to competent authorities) and a commercial database (world-check), which is used for operational and strategic analysis. The FMS uses information from open sources (internet, mass media), requests additional information from state authorities, FIs and DNFbps as well as from FIUs of foreign countries, if necessary.
309. The FMS has set up a daily automatic input control of incoming electronic and hard-copy reports for further manual input into the database. In addition, staff members are able to filter and sort information independently and to carry out appropriate verification of the reports received. Reports received are uploaded to the information system for recording, processing and analysing information to be used in analytical activities.
310. The statistics presented in Table 3.8 indicate some results in the use of operational analysis developed by the FMS, for example, out of 82 materials received from the FMS (both spontaneously and at the request of the LEAs) 44 were used for tax accruals, penalties and fines, and 11 for initiation and investigation of criminal proceedings. However, no statistics on the type and number of predicate offences are kept for the materials prepared on the basis of operational analysis. In addition, the FMS does not apply a risk-based approach to operational analysis, in particular to identify ML and related high-risk predicate offences (except tax offences).

Table 3.8. Summary statistics on the use by LEAs of spontaneous and requested information from FMS

Type of decision on the use of FMS information	2017	2018	2019	2020	2021	Total
Total received from FMS, out of which:	13	11	28	14	16	82
- used in PIA	3	1	1	1	3	9
- used to initiate a criminal proceeding	2	-	1	6	2	11
- used for tax accruals, penalties and fines	7	9	23	3	2	44
- being verified	1	-	2	-	7	10
- taken into consideration	-	1	1	4	2	6

311. Cases 3.3 and 3.4 below present examples of operational analysis conducted by the FMS and positive interaction with the LEAs, which demonstrates the functionality and usefulness of the involvement of the FMS in financial investigations. However, as noted above, such examples are sporadic and further intensification of interaction between LEAs and FMS is required, including in the preparation of spontaneous disseminations.

Case Study 3.3. Use of financial intelligence and other information

FMS received a request from the GPO of Turkmenistan (GPO) regarding natural persons who were residents of Turkmenistan. In the course of the operational analysis, requests were made to the relevant institutions in Turkmenistan and the database and reports received were monitored for information related to the subjects of the enquiry.

As a result of the information base monitoring, it was found that the FMS received reports on transactions subject to mandatory control, as well as related to the cashing of funds from the current

account in large amounts over a certain period of time in relation to the persons specified in the request. Also, during the information gathering, their activities, availability of bank accounts and other assets in the territory of Turkmenistan were established.

After receiving responses to requests from the relevant agencies, it was found that

- the individuals in question carried out construction and trade activities, including for the needs of the state, and entered into import contracts with companies registered in offshore jurisdictions;
- a large volume of imported goods were brought into the country through offshore "LP" companies, which had bank accounts outside the place of registration of the legal entity, including the liquidated Latvian bank "ABLV Banka".

In connection with the publication of information by the US FIU regarding "ABLV Banka" related to suspected ML and currency control evasion, as well as in connection with suspected "grey imports" and possible ML, the FMS sent requests to foreign partners requesting certain information related to the persons involved in the analysis. Upon receipt of the responses to the requests, it was revealed that the beneficiaries and managers of the bank accounts of the offshore LP companies are the subjects of the request received from the GPO.

Following the analysis and examination of the additional information received, schemes with indications of the use of offshore companies as intermediaries for use in the process of "grey import" of goods into Turkmenistan and distribution of funds, with the aim of disguising income to the accounts of established companies in different jurisdictions were identified.

It was also found that the total turnover of funds in the bank accounts of the shell companies together exceeded USD 500 million and EUR 40 million.

As a result, the FMS compiled and sent information in accordance with the requested information from the GPO.

The information sent included indications of concealment of true income, tax evasion in accordance with the tax legislation of Turkmenistan, manipulation of prices for imported goods, which were further sold to the state structures and resulting in ML.

Parallel to this, information was received from the relevant LEA that one person from the conducted analysis was put on the international wanted list by INTERPOL, on the basis of his absence in Turkmenistan, in connection with the charges of ML under the criminal legislation of Turkmenistan. Later, the FMS received information that, with the close cooperation of the State Police and other LEAs of Turkmenistan with the competent authorities of a foreign State, the wanted person had been found and extradited to Turkmenistan.

According to the information received from the GPO, the individuals involved in the criminal case were charged under articles of Turkmenistan's criminal legislation, such as ML, embezzlement, forgery, manufacture, sale of forged documents, stamps, seals, letterheads or use of a forged document, bribery, abuse of power, establishment of an organized group, a criminal association.

The criminal case was sent to court, according to the court decision the above mentioned persons were found guilty in commitment of the abovementioned crimes, 13 residential premises, 7 different buildings, 21 vehicles, 11 purebred horses, 8 300 524 manat and 371 325 US dollars were confiscated and given to the state.

Case Study 3.4. Supporting the operational needs of LEAs

The FMS conducted an analysis in accordance with the STR submitted by the Turkmen financial institution. The STR received was due to the fact that entrepreneur Sh replenished his current account with cash in the amount of TMT 137,693,400.00 between January 1, 2018 and October 1, 2018 for subsequent conversion and transfer of funds to the accounts of foreign companies.

Based on the STR received, the FMS initiated an operational analysis, during which information was gathered through the use of the FMS database and requests were sent to the relevant authorities.

At the same time, as part of the verification of information on illegal actions of entrepreneur Sh, a

request was received from the MIA to establish the purposeful use of converted funds for payment to foreign companies under the contract for import of flour.

In the course of the analysis, another request was received from the GPO to establish the true beneficial owners of 23 foreign companies to which entrepreneur Sh transferred money for the purchase of flour.

During the gathering of information about entrepreneur Sh, his activity, bank accounts and other assets in the territory of Turkmenistan was established. In order to obtain the relevant information, requests were sent to establish the availability of assets in the territory of a foreign country, with which entrepreneur Sh had business relations for a long time.

As a result of international information exchange, it was found that entrepreneur Sh is the beneficiary of company M registered in Turkiye, with whom he signed a contract to import flour and between December 6, 2018 and February 13, 2019 transferred money from his current account amounting to USD 13,887,500 in 6 transactions.

Upon completion of the operational analysis, the chronology of all activities of entrepreneur Sh was revealed. In particular, it was found that entrepreneur Sh concluded contracts on the import of flour and transferred funds to company M, of which he was the beneficiary. According to the customs authorities, the price of imported goods differed from the prices indicated when sending the goods from the country of origin (gray import).

Based on the results of the operational analysis, the information and relevant materials were submitted to the GPO, which, in turn, conducted an inspection, investigated and referred the criminal case to court.

After considering the criminal case in court, a conviction was issued for forgery, making, selling of counterfeit documents, stamps, seals, blanks or use of false documents (Article 218), illegal banking (Article 240), failure to return funds from abroad in foreign currency (Article 260), tax evasion (Article 262) and consumer fraud (Article 264).

Entrepreneur Sh was subjected to financial sanctions in the amount of TMT 53,790,408.25 (USD 15,324,902.65), USD 9,147,417.00, as well as confiscation of the baked goods manufacturing plant worth USD 7,517,169, residential building with contents in the amount of TMT 3,043,035 (USD 866,867.14), Mercedes car worth TMT 297,000 (USD 84,857.14), money in a current account at a financial institution in the amount of TMT 1,098,839.57 (USD 313,954.16) and USD 13,384.34.

312. Strategic analysis is aimed at improving the effectiveness of the national AML/CFT/CPFT system of Turkmenistan as well as examining trends and patterns of illegal ML/TF/PF activities. The planning of the strategic analysis is reflected in the plan of activities of the FMS which is developed for the next calendar year and approved by the Chairman of the FMS, and the actual strategic analysis is carried out no later than the end of the first quarter of the current year. The strategic analysis is organised and controlled directly by the Head of the Financial Information Collection and Analysis Department of the FMS in close cooperation with other departments of the FMS. At the end of the strategic analysis, a report with conclusions and proposals shall be drawn up and approved by the FMS Chairman. At the same time, in the opinion of the AT, the results of the strategic analysis do not reflect on the evolving trends and risks.
313. As an example, information on the AML/CFT strategic analysis conducted in 2019 was presented to the AT, the objectives of which were to improve and enhance the productivity of the FMS and to improve the quality of interaction between the participants of Turkmenistan's anti-money laundering system. No other material was provided. Thus, based on the results of the strategic analysis it was decided to strengthen the work of the competent authorities to improve the knowledge of reporting entities related to the identification and reporting of STRs, as well as to conduct preliminary analysis. In addition, the most common type of ML was identified (tax evasion by concealing the true amount of income received from the tax authorities, the use of front companies registered in foreign countries whose beneficial owners were citizens of Turkmenistan).
314. In order to enhance the understanding of this typology, new suspicion criteria have been introduced by the FMS and a number of training events have been held for representatives of supervisory

authorities and the private sector. Based on the statistics on the use of FMS information for tax accruals (Table 3.2.8), the assessors find the steps taken by Turkmenistan in the strategic analysis to be positive. Meanwhile, information on other strategic analysis reports for other years was not provided, nor was any other information provided, including on the use of feedback from competent authorities and other ML/TF typologies in the strategic analysis. In view of the above, the AT concluded that the strategic analysis carried out by the FMS and the communication of its findings provide negligible support to the needs of the competent authorities.

3.2.4. Cooperation and exchange of information/financial intelligence

315. The FMS and the LEAs interact and exchange information and financial intelligence to a moderate extent, given the relatively low number of requests sent by the LEAs to the FMS, as well as the spontaneous disseminations by the FMS to the LEAs. LEAs approach the FMS whenever necessary, in some cases seeking information from the CB and financial institutions. At the same time, the information exchange between the FMS and the LEAs is not fully consistent with the risks of ML. There have been no examples of cooperation and information exchange to detect and investigate TF in practice, which is broadly consistent with the risk of TF in Turkmenistan.
316. During the onsite mission, the FMS and LEAs demonstrated a high level of understanding of the importance of inter-agency cooperation in order to more effectively investigate ML, predicate offences and TF. In some cases, in the course of ML investigations, FMS officers are involved in the investigative teams for initial information gathering and obtaining clarifications. The FMS regularly (every 3 months and semi-annually) monitors the information sent to the LEAs in order to enhance the effectiveness of its use. However, as previously noted, such interaction is sporadic (Case Study 3.5 below) and the few positive cases do not allow to conclude that the interaction between the FMS and other competent authorities is systematic. In addition, the communication between the mentioned agencies is not fully aligned to ML risks, which is also reflected in the statistics provided by the country.

Case Study 3.5. Cooperation and information sharing

As part of the investigation of the criminal case by the investigative authorities of the GPO, on January 23, 2019, the FMS received a request concerning person A, who, while working as director of insurance organization C, using her official position, for selfish purposes and abusing her power, entered into a criminal conspiracy with subordinate person G, head of the relevant department, who, between 2014 and 2018 received bribes from representatives of foreign companies for being selected as a reinsurer of various facilities in Turkmenistan, as well as concerning foreign company T registered in Hong Kong, whose beneficiary was resident of Turkmenistan N, and the movement of funds through the bank accounts of this company.

At the same time, the request clarified that the corruption scheme was carried out through company T, to whose bank account the money from foreign companies in the form of bribes was transferred, as well as to the bank account of the Turkish company BD, which in turn was a major supplier of construction and cargo machinery in the region.

The bribery funds transferred to the bank account of company T, whose beneficiary was resident of Turkmenistan N, were regularly given in cash to his acquaintance, resident of Turkmenistan G.

According to preliminary information, these funds were obtained illegally and individual N provided money transfer services.

Also, for the money transferred to the bank account of the Turkish company BD, the company delivered construction and cargo-handling equipment.

Based on the request received, in order to obtain complete information on the founders, beneficial owners, directors and bank accounts of the company, the FMS sent requests to obtain information from foreign FIUs.

According to the information received, it was revealed that resident of Turkmenistan N, on the basis of a general power of attorney, acted as a proxyholder that managed the company and the company's bank accounts.

The analysis of bank transfers of foreign company T established that over a period of several years transfers were made to the bank account of Turkish company BD.

The analysis also revealed a second foreign company of individual N registered in the UAE. This company was also used as an intermediary in concluding contracts with residents of Turkmenistan, in order to speculate on the prices of imported goods and to conceal the true income.

The above-mentioned company T was used by resident N to conceal his true income, avoid paying taxes under the Turkmen tax laws and manipulate the prices of goods imported into the country.

As a result of the FMS operational analysis, all information was submitted to the GPO with suspicions of ML schemes, tax evasion and other related financial fraud.

According to the feedback received, the total amount of bribes was USD 989,093, which individuals A and G divided among themselves. Individual A kept most of the money, namely USD 750,450.

The preliminary investigation revealed the following cash flow scheme: part of the corruption money received from foreign companies was transferred to the account of company BD and part to the bank account of company T, which later was given by individual N to individual G in cash. In order to conceal the illegally received money, individual A handed it to his relative, person D, who purchased houses, cars and other valuable items in the names of his relatives.

Thus, during the preliminary investigation it became necessary to establish the circle of contacts of the suspects, their relatives, co-workers, friends, and to carry out appropriate work on these persons in order to identify valuable items and objects, which could have been bought with the money of individuals A and G.

They also made appropriate work in the places of residence of the criminal group, as well as with persons who might be in possession of items obtained by criminal means.

Also, during the investigation, prosecutors had to establish the origin of movable and immovable property held by the relatives of individual G.

The investigation resulted in seizure of: various gold jewelry worth TMT 330,092 and one house worth TMT 3,066,738 owned by individual A; two houses worth TMT 3 099 806 and three cars worth TMT 1,244,000 owned by individual G; two houses worth TMT 1,594,038 and two cars worth TMT 214,200 owned by individual K. Individuals A, G and N were found guilty by the court and sentenced to different years of imprisonment. The damage caused in the amount of about one million USD was also compensated.

317. As mentioned above, in some instances LEAs requested relevant information directly from financial institutions or supervisory authorities, for example, between 2017 and 2021 the CB received 97 requests from LEAs on banking activities and customers of financial institutions. Thus, the number of requests from LEAs to the CB exceeds the requests to the FMS, which further suggests to the AT that LEAs are not well informed about the capabilities of the FMS and that information from the FMS is not sufficient to support the operational needs of the LEAs.
318. In the view of the AT the FMS and the competent authorities of Turkmenistan significantly protect the confidentiality of the information they share and use for official purposes. During the onsite mission the AT was convinced that the FMS and competent authorities have the legal and technical mechanisms in place to ensure both personal and information security and have sufficient resources to fulfil its functions, which includes IT technology to protect the confidentiality of the information exchanged.
319. Employees of the FMS and competent authorities have appropriate levels of access to confidential documents, are warned of responsibility and are legally liable in case of disclosure of confidential information. Access to devices and information is strictly regulated by departmental acts.

320. Remote access to the databases of government bodies and organizations occurs through closed communication channels, using personal logins and passwords provided by the relevant body or organization and is used only for the purpose of exercising official powers. The FMS and the competent authorities have mechanisms in place to prevent unauthorized access and there is constant video surveillance and monitoring on the issue.
321. Information received through international channels is transmitted to the competent authorities of Turkmenistan in accordance with their competence, solely with the permission of the transmitting competent authority of the foreign state, for the purposes determined by that authority.
322. The exchange of information between the FMS and LEAs, as well as other competent authorities is carried out through postal (courier, special) communication channels and secure electronic communication channels. The transferred FMS information has a stamp of restriction (for official use or higher). Secret information is transferred in accordance with legislation on protection of state secrets. In practice, letters and results of the FMS analysis are sent to the GPO and/or other relevant government authorities of Turkmenistan in a sealed envelope marked "For Official Use Only" and/or "Secret".
323. The FMS, when sending its materials to LEAs, specifies conditions on non-disclosure of the provided information to third parties and its non-use as evidence in court.

Overall conclusion on IO.6

324. In Turkmenistan, all LEAs (GPO, MNS, MIA) and the FMS have access to a wide range of financial intelligence. The financial intelligence obtained from various sources of information is used by the LEAs to a greater extent (51%) for tax accruals, penalties and fines, which to some extent confirms the application of a risk-based approach to mitigate ML risks and related tax crimes and to a moderate extent (32%) is used in operational and investigative activities and criminal investigations. At the same time, despite having access to a rather extensive list of information, their use by competent authorities remains at a moderate level and requires significant improvements.
325. The FMS receives STRs and other transaction reports that contain relevant information to assist the FMS in discharging its responsibilities. However, the usefulness of the STRs sent for operational analysis is insufficient, as the STRs are sent without applying a risk-based approach. There is no methodological guidance for identifying and sending STRs, and most FIs do not practice identifying complex patterns and interlinked transactions during follow-up monitoring and in practice they apply standard, simple criteria for suspicious transactions, which in turn affects the overall analysis capabilities of the FMS.
326. Despite the aforementioned shortcomings, the FMS and LEAs have demonstrated a high level of understanding of the importance and necessity of close cooperation for the collection and use of financial intelligence for the effective investigation of ML and related predicate offences, and TF. FMS to a certain extent supports the activities of the competent authorities by developing spontaneous disseminations and responding to requests. However, the information provided does not support the effective use of spontaneous materials in criminal investigations, including for high-risk offences. There is insufficient awareness of the FMS capacity among the LEAs and that the FMS intelligence is not sufficient to support the operational needs of the LEAs. Strategic analysis carried out by the FMS and the communication of its findings provide negligible support to the needs of the competent authorities.
327. The FMS and the LEAs interact and exchange information and financial intelligence to a moderate extent, given the relatively low number of requests sent by the LEAs to the FMS, as well as the spontaneous disseminations by the FMS to the LEAs, however in only 4% of cases the information was used to initiate and investigate criminal proceedings. LEAs approach the FMS whenever necessary, in some cases seeking information from the CB and financial institutions. At the same time, the information exchange between the FMS and the LEAs is not fully consistent with the risks of ML. There have been no examples of cooperation and information exchange to detect and

investigate TF in practice, which is broadly consistent with the risk of TF in Turkmenistan. The country has established the necessary legal and institutional mechanisms to ensure smooth and timely information exchange between competent authorities, FIs and DNFBPs. The competent authorities of Turkmenistan significantly protect the confidentiality of the information they share and use for official purposes.

328. Given the average ML risk level and low TF risk level identified by the NRA-2 and the decrease in crime rates in Turkmenistan over the past three years, substantial improvements are needed to improve the effectiveness of ML/TF financial investigations.
329. **Turkmenistan is rated as having a moderate level of effectiveness for IO.6.**

3.3. Immediate Outcome 7 (ML Investigation and Prosecution)

3.3.1. ML identification and investigation

330. When assessing the effectiveness of ML detection and investigation in Turkmenistan, the existing contextual country factors should be taken into account. Due to a closed, to some extent, economy, internal legal provisions, as well as a strict visa regime, the country's territory to an overwhelming extent is not interesting for ML by transnational crime, as well as for the transit of criminal money. There is a control commission on visa issues to prevent criminal elements and criminal money from entering the country.
331. However, in the view of the AT, the above circumstance and the considerable simplicity of existing ML schemes in the country may to some extent affect the awareness of the AML/CFT system stakeholders about new ML schemes related to the use of high-tech financial services and banking products, VAs, etc.
332. The detection and suppression of predicate crimes in the country are referred to the competence of bodies carrying out PIA, and the detection and investigation of predicate crimes - to the competence of bodies of inquiry and preliminary investigation. The legislation of Turkmenistan places the investigation of ML crimes in the competence of the GPO. However, if the MIA or the MNS discovers a fact of ML in a criminal case under its investigation, the investigation of the ML case is carried out by the agency which discovered the predicate offence (except for cases, when the prosecutor determines other investigative jurisdiction).
333. The list of bodies carrying out criminal investigations, bodies of inquiry and preliminary investigation and their competence are set out in [Criterion 30.1](#) of the Annex on technical compliance. Such bodies have established structural subdivisions for the performance of PIA (except for the GPO), and the preliminary investigation bodies (the MIA, the MNS and the GPO) have established investigative subdivisions.
334. The division of competence of the MIA, the MNS and the GPO in the investigation of predicate crimes is based on the assignment of a particular predicate crime to the competence of the respective body of the preliminary investigation.

Table 3.9. Competence of the investigative units of the GPO, the MNS and the MIA.

Body of preliminary investigation	Exclusive investigative competence for predicate offenses	Alternative investigative competence for predicate offenses (can be investigated by different competent bodies)
GPO	<ul style="list-style-type: none"> • Participation in organized criminal groups and racketeering • Murder • Kidnapping • Unlawful deprivation of liberty and hostage-taking • Trafficking in human beings • Corruption and bribery 	<ul style="list-style-type: none"> • Forgery (forgery in office)

	<ul style="list-style-type: none"> • Currency counterfeiting (counterfeiting) • Environmental crimes • Insider dealing and market manipulation 	
MNS	<ul style="list-style-type: none"> • Terrorism, including the financing of terrorism 	<ul style="list-style-type: none"> • Smuggling (except smuggling of goods or other items with respect to which special rules are established for the movement across the customs border of Turkmenistan on a large scale, and smuggling of narcotic drugs or psychotropic substances and their precursors, devices used in the manufacture of narcotic drugs or psychotropic substances, drugs containing tramadol hydrochloride (other tramadol products) or other psychoactive substances on a large scale)
MIA	<ul style="list-style-type: none"> • Sexual exploitation, including sexual exploitation of children • Causing grievous bodily harm • Illicit trafficking in drugs and psychotropic substances • Illicit trafficking in weapons • Illicit trafficking in stolen and other goods • Fraud, counterfeiting and counterfeit products • Robbery (robbery, burglary) or theft • Extortion (except racketeering) • Tax crimes (related to direct and indirect taxes) 	<ul style="list-style-type: none"> • Smuggling (large-scale transportation across the customs border of Turkmenistan of goods or other items subject to special regulations for transportation across the customs border of Turkmenistan, and large-scale smuggling of narcotic drugs or psychotropic substances and their precursors, devices used in the manufacture of narcotic drugs or psychotropic substances, medicines containing tramadol hydrochloride (other tramadol products) or other psychoactive substances) • Forgery (forgery, manufacture, sale of forged documents, stamps, seals, letterheads, or use of a forged document)

335. The number of predicate offences designated by the FATF and detected in Turkmenistan is shown in the table below.

Table 3.10. Statistics on the detection of predicate offences under the FATF list

Designated categories of predicate offences (according to the FATF terminology)	2017	2018	2019	2020	2021	TOTAL	SHARE
Participation in an organised criminal group and racketeering (CC Articles 274, 275)	15	12	5		1	33	0,15%
Terrorism, including terrorist financing (Article 271, 271-1)						0	0,00%
Human trafficking and migrant smuggling (CC Article 129-1) Illegal migration is not criminalized	1					1	0,00%
Sexual exploitation, including sexual exploitation of children (CC Articles 139, 140, 142)	114	57	47	34	33	285	1,33%
Illicit trafficking in narcotic drugs and psychotropic substances (CC Articles 292, 293, 294, 295)	432	497	590	406	245	2170	10,10%
Illicit arms trafficking (CC Article 287, 291)	56	48	26	25	26	181	0,84%
Illicit trafficking in stolen and other goods (CC Article 237 237)	14	28	13	18	11	84	0,39%
Corruption and bribery (CC Articles 181, 184, 184-1, 185, 186, 199)	1140	712	468	234	208	2762	12,85%
Fraud (CC Article 228)	853	803	719	677	679	3731	17,36%
Counterfeiting currency (CC Article 252)	12	8	9	11	2	42	0,20%
Counterfeiting and piracy of products (CC Articles 247, 255)	1	4		1	2	8	0,04%
Environmental crime (CC Chapter 31)	46	39	12	65	30	192	0,89%
Murder, grievous bodily injury (CC Articles 101, 107, 108)	742	708	486	471	450	2857	13,29%
Kidnapping, illegal restraint and hostage-taking (CC Articles 126, 130 YK)	2	2	3	-	4	11	0,05%
Robbery (brigandism) or theft	1354	1667	1306	1070	907	6304	29,33%

(CC Articles 227, 229, 230, 231, 233)							
Extortion (excluding racketeering) (CC Article 232)	47	38	46	22	22	175	0,81%
Smuggling (including in relation to customs and excise duties and taxes) (CC Article 254)	170	171	158	79	51	629	2,93%
Tax crimes (related to direct taxes and indirect taxes) (CC Articles 260, 261, 262, 263)	13	9	11	7	7	47	0,22%
Forgery (CC Articles 187, 218)	635	537	367	225	218	1982	9,22%
Piracy						0	0,00%
Insider trading and market manipulation (CC Articles 245-1, 250-1)						0	0,00%
TOTAL	5647	5340	4266	3345	2896	21494	100%

336. The country adopted the National Anti-Corruption Programme in Turkmenistan, for the implementation of which an Action Plan for 2020-2024 was developed (approved by Order of the General Prosecutor No. 18e dated September 25, 2020). The said plan takes into account AML issues.
337. For example, the plan provides for analysis and supervision over cases (transactions) with funds and other assets, identification and prevention of potential methods and areas of money laundering, as well as the establishment of relations with various international groups (CARIN, ARIN-WCA and others) on combating money laundering (including asset search abroad).
338. Detection and investigation of potential ML cases in Turkmenistan are carried out using all tools available to LEAs.
339. In a number of cases, this process begins with PIA aimed at obtaining and verifying primary information about the ML offence elements and the persons involved. As a rule, such activities are conducted covertly in accordance with the law.
340. When during the PIA the data indicating the elements of ML offence is obtained, further work is carried out based on the pre-investigation check materials. At this stage, information and documents on events, facts and persons related to the identified act having ML indicators are gathered in an open manner.
341. When sufficient information is received during the pre-investigation check that an ML offence has been committed, the decision is made to initiate a criminal case on its own, or to refer the gathered materials to the competent LEA for such a decision to be made. As part of the proceedings, evidence is gathered and preserved.
342. Thus, the process of detecting and investigating ML crimes can go through several stages: PIA, pre-investigation checks and preliminary investigation. Methods of PIA can be used in parallel with the preliminary investigation in the course of execution of a separate assignment of the investigator in a criminal case.

Case Study 3.6. ML detection using PIA

The MIA operational unit has identified individual K, who during the period from 2015 to 2018, working as a director in the state trading company D, abusing his official powers for personal gain, by embezzlement and misappropriation of property entrusted to him, caused damage to the State in the amount of TMT 14,643,016. Moreover, by threatening and intimidating his subordinate employees, he forced them to give and accept bribes in the amount of TMT 50,000.

To conceal the illegal origin of the funds obtained through crime and legitimize the possession, individual K purchased a Mercedes-Benz car in the name of his relative, individual A, as well as two houses in the name of his brother, individual C, and his friend, individual B.

The materials on the illegal actions of individual K gathered in the course of the police intelligence activities were transferred to the Investigative Department of the MIA, where a criminal case was opened for committing crimes covered by CC Article 229, Part 4, Article 181, Parts 1 and 2, Article 181¹, Parts 1 and 2, Article 187, Article 184, Part 2, Article 184¹, Part 2, Article 188, Part 2 and Article 242, Part 3 (ML).

In May 2020, the accused individual K was sentenced by the Ashgabat court to imprisonment for a term of 13 years. Under the court verdict, the seized cash in the amount of TMT 10,646,820, 1 car and 2 residential buildings were confiscated to the State in order to compensate criminal income and the damage caused.

343. The data obtained during the on-site mission testify that the majority of ML cases (72%)⁷ were detected in the course of criminal prosecution for predicate offences without conducting PIA. This may indicate that LEAs are primarily focused on detecting predicate offences, since, based on the case studies and RLAs provided, a conviction for ML requires the establishment of the fact of the commission of such an offence or conviction for its commission. At the same time, ML in most cases is understood as an additional episode of the suspect's criminal activity.

Table 3.11. ML statistics by predicates, detection method and LEAs.

Designated categories of predicate offences		2017		2018		2019		2020		2021		TOTAL BY CATEGORY
		PIA	INVESTIGATION	PIA	INVESTIGATION	PIA	INVESTIGATION	PIA	INVESTIGATION	PIA	INVESTIGATION	
Illicit trafficking in drugs and psychotropic substances (CC Articles 292, 293, 294, 295)	GPO											2
	MIA	1		1								
	MNS											
Corruption and bribery (CC Articles 181, 184, 184-1, 185, 186, 199)	GPO				1	6	4	1				30
	MIA				2	2	5		1			
	MNS		7		1							
Fraud (CC Article 228)	GPO										2	7
	MIA		1							1	3	
	MNS											
Environmental crimes (CC Chapter 31)	GPO				1							2
	MIA				1							
	MNS											
Robbery (brigandism) or theft (CC Articles 227, 229, 230, 231, 233)	GPO											12
	MIA		5		3	1		1	1	1		
	MNS											
Legalization (CC Article 242, not within the predicate offence)	GPO				1	1	3					5
	MIA											
	MNS											
TOTAL BY DETECTION METHOD		1	13	1	10	10	12	2	2	2	5	58
TOTAL BY YEARS		14		11		22		4		7		58
TOTAL BY LEAs	GPO	0	0	0	3	7	7	1	0	0	2	20
	MIA	1	6	1	6	3	5	1	2	2	3	30
	MNS	0	7	0	1	0	0	0	0	0	0	8

344. Statistics on the types of ML crimes (self-laundering, by third parties, outside the country, etc.) are not kept and are apparently collected by the competent authorities in an analytical way.

345. As shown in Table 3.11, the main results of ML detection and suppression are achieved through the work of the MIA units (over 50% of criminal cases in 2017-2021).

⁷ It should be noted that the country provided contradictory statistics. The measures taken in the course of the on-site mission succeeded in determining the total number of identified ML cases in the assessed period (58). However, it was not possible to eliminate the contradictions in the information on the distribution of this number by year and by LEA which detected ML cases. In this regard, the data provided by each LEA separately was accepted and used in the report as the most relevant data.

346. This may be due to the fact that a significant number of ML cases (21%) involve the laundering of criminal proceeds from robberies and thefts. These types of crimes account for 29% of the FATF predicate offences identified in the country in the assessed period and fall under the MIA's purview.
347. The MNS detected the smallest number of ML offences, which may be due to the agency's focus on detecting and preventing terrorism, extremism and TF.
348. Since 2020, there has been a steady downward trend in the number of identified ML cases. Overall, in the assessed period, the number of ML cases has decreased from 14 in 2017 to 7 in 2021.
349. This is primarily due to a decrease in the overall level of crime and the number of predicate offences (some crimes of medium and minor gravity are not prosecuted due to the humanization of punishment). For example, the number of annually initiated criminal cases for main predicate offences has almost halved: from 5,647 in 2017 to 2,896 in 2021 (see [Table 3.10](#)).
350. LEAs' representatives pointed out during interviews that there are no professional launderers in the country, which is connected both with the measures taken and with the reluctance of criminals to share and disclose themselves to other people. Facts of professional launderers' activity were not detected by the bodies engaged in the PIA. Given the contextual factors (closed economy, visa regime), the AT agree with the arguments of representatives of the country's competent authorities. As mentioned above, the activity of money laundering by foreigners in Turkmenistan is unlikely, and the activity of professional launderers abroad to launder the proceeds of crime taken out of Turkmenistan is much more likely. As for the citizens of Turkmenistan, the existing most used ML schemes (purchase of real estate, jewelry) are less likely to involve professional launderers.
351. Prosecutors have initiated 5 criminal cases of ML without a predicate offence, confirming that a conviction for a predicate offence is not required for an ML investigation. Subsequently, they were heard by the court jointly with the predicate crime.
352. Since the GPO does not have the right to conduct the PIA, officers of the agency identify ML cases primarily during the investigation of predicate offences. However, an investigator of the GPO, as part of the criminal case under investigation, may give a separate assignment to conduct the PIO to the body of inquiry, which has the right to conduct the PIA. In the assessed period, the GPO investigators issued 10 such assignments.

Case Study 3.7. Instruction to the body of PIA to carry out PIO

A GPO investigator was investigating a criminal case against X, an official of state enterprise MMM, who received 1 million USD in bribes from commercial executives in 2017-2018 for the provision of document processing services.

In the above case, the MIA unit was ordered to:

- establish the relatives and the circle of contacts of individual X, vehicles registered in their name;
- check the source of funds for the purchase in 2018 of an apartment registered in the name of the wife of individual M, who is a deputy of individual X;
- check the source of funds for the purchase of a store in 2017 by the cousin of individual X;
- find out the origin of the money with which the sister of defendant X built a beauty salon in 2018;
- wiretap the cellular communication line for 5 subscriber numbers;
- provide information on the departure in 2017-2018 of individual X and persons with close ties to him outside of Turkmenistan, indicating the countries.

353. LEAs during the investigation of predicate offences and ML pursue parallel financial investigations, the procedure for implementation of which is set out in the Instruction on the procedure for the examination of financial aspects of criminal activity during PIA, pre-investigation check, inquiry and preliminary investigation approved by joint order of GPO, MNS and MIA No. 12e/6/132 dated August 1, 2022.

354. In accordance with the above Instruction, in criminal cases of ML, TF, corruption, as well as in crimes that have caused especially large damage or as a result of the commission of which the income was obtained in an especially large amount, such investigations are mandatory.
355. Parallel financial investigations include a wide range of activities to investigate the financial aspects of criminal activity, allowing identifying and tracing of property subject to confiscation, including proceeds of crime, TF funds and instrumentalities of crime, identifying criminal schemes and connections, and identifying and exposing accomplices to the crime.
356. The mechanism of parallel financial investigations is used when issuing investigative assignments to agencies engaged in the PIA. Thus, during the preliminary investigation, in particular, of ML cases, the investigator has the right to give a separate assignment to search for assets (real estate, property) for the purpose of their possible confiscation and establish the amount of income derived from criminal activity in order to recover it ([Case Study 3.7](#)).
357. During meetings, representatives of various LEAs (MIA, MNS, GPO, etc.) named various information resources to which these agencies have direct, unimpeded access. There is no single information data bank for LEAs, which integrates all the necessary information resources of government authorities and organizations. The AT believes that the different levels of access of LEAs to information used in the investigation of criminal cases, including ML, do not contribute to the effectiveness of investigations.
358. Besides that, LEAs receive a significant portion of relevant information (on banking and tax secrecy, registration of small vessels, etc.) through written requests, which clearly does not meet the requirement to provide information in a timely manner.
359. LEAs reported that their own resources and operational capabilities are used to access the relevant financial information required for ML investigations. Examples of successful obtaining of financial intelligence were provided, despite the limitations in access to information that constitutes bank secrecy.
360. According to the competent authorities, the FMS information is not used as evidence in a criminal case but serves as a basis for proposing and verifying versions, and further gathering of evidence.
361. In accordance with the law, the FMS sends proactive materials to the GPO. For the period of 2017-2021, 23 such submissions were made. Besides that, the FMS sent 63 responses to requests of LEAs investigating ML cases in the assessed period.

Table 3.12. Statistics of FMS responses to LEAs' requests

Agency	2017	2018	2019	2020	2021	Total
GPO	0	0	2	7	7	16
MNS	10	4	18	2	0	34
MIA	3	1	3	0	6	13
Total	13	5	23	9	13	63

362. For 30 ML cases identified in 2017-2021, the MIA received only 13 responses from the FMS. This fact may indicate that not even in all ML cases did MIA use the FMS capabilities in financial investigations, let alone in investigations of predicate offences. Given the limitations of LEAs in obtaining bank secrecy information (see [R.31](#) for details), this circumstance may have a negative impact on the ability to identify potential ML cases.
363. ML investigation in prosecution agencies is carried out by investigators of GPO of districts, cities, and regions, as well as by the Department for Investigation of Especially Important Cases under the General Prosecutor of Turkmenistan. The functions of this department include the investigation of the most complex and time-consuming cases, including ML. At the same time, there is no specialized unit for ML investigations.
364. In addition, the GPO, as a supervisory body for compliance with the law by bodies that conduct PIA, inquiries and preliminary investigations, also supervises the investigation of all criminal cases in the country, including ML. When necessary, prosecutors review criminal cases of ML that are

pending investigation by bodies of preliminary investigation and respond to investigators who have not filed charges in ML in those cases where there is evidence of its commission.

365. Courts examining criminal cases, when establishing violations of the law and significant shortcomings in the investigation, which cannot be compensated in court, send criminal cases for additional preliminary investigation. There was 1 such fact in the ML cases, but it was not related to the shortcomings of the ML prosecution. Thus, in 2021, the Ashgabat City Court sent one criminal case against two defendants under Article 228, 267, 218, 242 (ML) of the CC for re-investigation due to the need to involve a third person for committing predicate offences in complicity. All three were convicted by the court of predicate offences and two of them of ML. An internal audit is conducted after the facts of sending cases for re-investigation and the case is discussed by the Prosecutor's Office Board. The investigator was held disciplinarily liable in the above-mentioned case.
366. This category of criminal cases is investigated by investigators who primarily specialize in economic crimes. For this reason, the ML criminal case may be assigned to the most experienced and trained investigator, but not previously involved in investigations of cases of this category. This may affect the investigation quality.
367. In complex cases, it is common practice to create investigative teams that include representatives of other LEAs (in some cases PIA bodies officers as well). This interaction makes it possible to promptly resolve issues that arise during the investigation. In the assessed period, investigative teams were created in 14 criminal cases.

Case Study 3.8. Creation of the joint investigative teams

Given the complexity and significance of the case under investigation by the GPO on the fact that the head of one of the industries received a bribe of USD 500,000, an investigative group was created. It consisted of four investigators from the GPO, one assistant prosecutor and three MNS field service officers.

368. Also, during the on-site mission, the AT was shown cases of referring complex criminal cases for investigation to the GPO from the territorial prosecution offices (2 cases) and the MNS (2 cases). These facts indicate the prioritization of criminal investigations, including ML cases.

Case Study 3.9. Transmission of the criminal case to the higher unit

In 2017, the regional prosecutor's office prosecuted the case against the director of the enterprise, who received bribes totaling 1.1 million TMT and 1.6 million USD from directors of bakeries located in different cities of Turkmenistan. Given that the case had many episodes, its wide territorial coverage and the criminal income amount, the case was referred to the GPO's Department for Investigation of Especially Important Cases.

369. LEAs have sufficient resources (both human and technical) to detect and investigate predicate offences and ML. In particular, the number of investigators in LEAs is comparable to the number of criminal cases prosecuted each month, generating income that can be legalized.
370. During the meeting the GPO staff demonstrated to the AT a sufficient level of understanding of the ML investigation specificities. The experience in this area is summarized in the guidance manual entitled "Organization of investigation of crimes under article 263 (242) of the CC of Turkmenistan", which is intended for use by investigative agencies and operational units during the investigation of crimes of this category.
371. The manual provides a general description of the ML offence and the types of transactions (in monetary funds in cash and non-cash forms, movable and immovable property and securities) that can be conducted in the process of legalization. It is also noted that legalized property can be obtained by criminal means both in Turkmenistan and abroad.
372. The manual addresses the issues of the organization of ML investigation. The main sources of information on the ML facts are considered pending criminal cases, results of the PIA, and

materials of tax authorities and FIU. It emphasizes the critical importance of conducting a set of the PIO by operational units for the detection of ML cases due to their high latency.

- 373. It also describes the features (indicators) of possible ML facts, as well as the procedure and specifics of the evidence gathering in ML cases (a separate section on the tactics of investigative actions). It reflects the importance of the participation of the FIU and its role in this process, the essence and the goals of parallel financial investigations.
- 374. In order to maintain the qualifications of the LEA officers, trainings and workshops on combating ML are held in agencies, and the results of practical activities are summarized and analyzed. Generalized methodological materials containing information on ML typologies and methods of their detection are forwarded to subordinate officers for their information and use in their further work.
- 375. LEAs officers attend training events and share their experience in countering ML during international secondments.

Table 3.13. MIA officers' international secondments to share their experience in countering ML

Year	2017	2018	2019	2020	2021
Number of secondments	2	5	3	-	-

- 376. Out-of-country training at training events organized by international organizations was conducted until 2020, no training was conducted afterwards due to the COVID-19 pandemic.
- 377. Professional development of prosecutors on the basis of educational institutions is not currently carried out, the organization of such courses is planned. At the same time, prosecutors have the opportunity to upgrade their qualifications at the Academy of the GPO of the Russian Federation (an agreement was signed in 2019).
- 378. MIA investigators undergo advanced training. Training for young investigators is conducted three times a year. Vocational training is conducted in the units.
- 379. However, there is a lack of systematic, scheduled, centralized professional development at specialized educational institutions of LEAs on the issues of ML detection and investigation. This circumstance may negatively affect the ability to detect and investigate complex ML cases.
- 380. The country provides some examples of parallel financial investigations that have revealed a significant amount of illegally obtained property, including fictitiously registered under the ownership of third parties.

Case Study 3.10. Conducting a parallel financial investigation to identify laundered property

In 2019, the investigative bodies of the prosecutor's office investigated a criminal case against person A, who, while working as director of organization C, using his official position, for selfish purposes and abusing his power, entered into criminal collusion with a subordinate person G, head of the relevant department, and received bribes from representatives of foreign companies for choosing them as executors of large contracts between 2014 and 2018. The total amount of bribes was USD 989,093, which they divided among themselves. Person A kept most of the money, namely USD 750,450

During the preliminary investigation the following scheme of money movement was revealed: individual A in order to hide the illegally received money handed them to individual D, her spouse, who purchased houses, cars and other valuable items, in the name of his relatives.

Besides that, the circle of contacts of the suspects, their relatives, co-workers and friends was established in order to find the property, which could be purchased with the money of individuals A and G.

The investigation resulted in seizure of: various gold items worth TMT 330,092 owned by individual A; one house worth TMT 3,066,738, two houses worth TMT 3,099,806 and three cars worth TMT 1,244,000 owned by individual G; two houses worth TMT 1,594,038 and two cars worth TMT 214,200 owned by individual T.

381. However, there are significant deficiencies in searching for criminal assets abroad in parallel financial investigations and identifying ML cases where the predicate offence is committed abroad. For these purposes, it is advisable to increase the intensity of information exchange with the FMS, which has ample opportunities to obtain financial intelligence and other information both domestically and abroad.
382. The AT concludes that the initial focus of the LEA's activities is on the detection and investigation of predicate crimes, and ML is usually investigated as an additional episode of the suspect's criminal actions, which was also confirmed by the statistics and case studies provided, as well as during interviews with representatives of the LEA and the judiciary. However, this situation in the detection of self-laundering as a type of ML does not significantly threaten the quality of detection and investigation of this type of ML. At the same time, the focus on the initial detection of the predicate crime can have a negative effect on the identification and investigation of other types of ML (by third parties, in foreign countries, etc.).
383. In view of the above, LEAs' activities aimed at detecting and investigating ML are at a moderate level.

3.3.2. Consistency of ML investigations and prosecutions with threats and risk profile, and national AML policies

384. According to NRA-1 and NRA-2, the following crimes were classified as high-level threats to ML: bribery (Article 184 of the CC), fraud (Article 228 of the CC), embezzlement (Article 229 of the CC), bribery (Article 185 of the CC), smuggling (art. 254 of the CC), tax evasion (art. 262, 263 of the CC), illegal manufacturing, processing, purchase, storage, transportation and transmission of drugs or psychotropic substances for the purpose of selling (art. 292 of the CC). The assessment was carried out not by the number of ML convictions for the relevant predicate offences, but by the ratio of the number of convictions for the predicate offences and the amount of criminal income established for them. This estimate generally correlates with national data on predicate offences ([Table 3.10](#)). Theft and robbery are rated as low-level ML threats because, relative to the number of crimes committed, the value of stolen property is significantly lower than the damage done or the criminal proceeds from other predicate offences.
385. Robbery and theft, fraud, murder and serious bodily injury, corruption and bribery, and drug trafficking account for the largest share of predicate offences ([Table 3.10](#)). According to [Table 3.11](#), the greatest number of ML incidents was detected for proceeds of corruption and bribery, robbery and theft, fraud and drug trafficking. Given the amount of income generated by these offences (while murders and infliction of serious bodily injuries generally do not generate income), the overall pattern of detected ML by type of criminal income correlates with the overall pattern of detection of predicate offences that generate such income.
386. The statistics provided by the country on the conviction of persons for ML and related predicate offences also correlate with the main risks and threats identified by the country. The majority of convicted criminals (48) laundered the proceeds of corruption crimes (CC Article 181 - "Abuse of Power").

Table 3.14. Information on the number of persons convicted for ML, indicating the main predicate offence

Year	Main predicate offence (CC Article)	Number of persons convicted	Additional offences in the charge (CC Article)
2017	181	26	181, 185, 186, 187, 229, 227, 228, 254, 262, 292, 303, 317, 317/1, 346
2018	181	14	187, 181, 184, 187, 188, 210, 229, 237, 267, 269, 292, 303, 317, 358,
2019	181	18	33.187, 48, 106, 129, 181, 184, 185, 186, 187, 200, 218, 228, 229, 239, 240, 262, 263, 264, 317
2020	262	2	181, 187, 188, 218, 228, 239, 254, 262, 267
	229	5	
	184	5	

2021	228	6	181, 187, 218, 220, 222, 228, 254, 267, 317
	229	2	

387. LEAs demonstrated a good awareness of the most common methods of money laundering, depending on the source of criminal proceeds.

Table 3.15. Information on the most commonly used ML methods depending on the predicate offence being committed

Category of offence	Most frequent ML methods (typologies)
Bribe-taking	Purchase of movable and immovable property, currency exchange, purchase of commercial real estate
Fraud	Purchase of movable and immovable property, purchase of jewelry
Tax evasion by natural persons	Purchase of commercial real estate, movable and immovable property, depositing money in accounts
Illegal production, processing, acquisition, storage, transportation and shipment of narcotic drugs or psychotropic substances for sale	Currency exchange, purchase of movable and immovable property, purchase of jewelry
Smuggling	Currency exchange, purchase of movable and immovable property and other valuables
Misappropriation or embezzlement	Purchase of movable and immovable property and other valuables, currency exchange
Abuse of power	Purchase of movable and immovable property and other valuables, currency exchange

388. In order to minimize the risk of ML through currency exchange transactions and to counteract the illegal currency exchange market in the country, the competent authorities carry out certain work.

389. The AOC has Article 279, which stipulates responsibility for the illegal implementation of transactions for the purchase and/or sale of foreign currency.

Table 3.16. Results of activities of internal affairs bodies to identify persons engaged in illegal currency exchange

Article 279 of AOC	2019	2020	2021
Number of persons held liable	79	59	44
Fines amount	122,500 TMT	93,500 TMT	79,300 TMT

390. Also, the size of the country's shadow economy is influenced by the fact that citizens receive income from illegal business activities.

Table 3.17. Results of activities of internal affairs bodies to identify persons engaged in illegal business activities

Article 283 of AOC	2017	2018	2019	2020	2021
Number of persons held liable for illegal business activities	6,674	7,098	7,031	5,602	5,676

391. This may indicate that LEAs have a good understanding of high-risk ML areas and that they are taking timely steps to detect and suppress such facts.

Case Study 3.11.

Individual N being an official, head of the branch, by promising unimpeded and timely shipment of goods under previously concluded contracts received a bribe of USD 1,055,650 and TMT 10,000 from a representative of a foreign company. Having the intention to legalize the money obtained by criminal means, he purchased an apartment in the name of individual B and other material valuables by registering them in the name of third parties.

Individual N was convicted under CC Article 181, Part 2; Article 184, Part 3, Clause a; and Article 242, Part 3 (ML) and sentenced to imprisonment for a term of 17 years, deprivation of the right to work in managerial positions for 2 years and confiscation of property worth a total of USD 1,055,650 and TMT 10,000.

392. In NRA-1 and NRA-2 tax evasion by individuals and legal entities (Articles 262, 263 of the CC) were assessed as predicate crimes with a medium level of ML threat, because despite the relatively

low number of such crimes they generated a high criminal income. At the same time in the assessed period, there were no cases of ML from tax crimes, but there was a conviction against 2 persons for ML for tax evasion by a natural person.

393. It is established that under the CC (note to art. 239) a person who has committed a crime for the first time (including those under art. 262, 263) shall be exempt from criminal liability for the committed crime if he/she has fully compensated the damage caused to individuals, legal entities or the state and transferred to the state money in the double amount of the damage caused.
394. It is common practice in Turkmenistan that using the above mechanism, tax evaders are deprived not only of the criminal income but also of additional funds in the double amount of the criminal income, which eliminates the possibility of their further legalization.

Case Study 3.12. Exemption from criminal liability in case of compensation for damages

During a tax audit of the company "A", the tax service for the period from January 1, 2017, to July 1, 2021, revealed non-payment of taxes in the amount of 300,000 TMT, financial penalties of 162,000 TMT were applied and a penalty was assessed in the amount of 53,950 TMT.

During the pretrial investigation it was proved that the Head of "A" had evaded paying large amounts of taxes, but taking into account full compensation of damage and transfer of additional sums of money to the state in the double amount of the damage caused, he was exempted from criminal liability for non-payment of taxes in accordance with the note of Article 239 of the CC.

395. In this regard, the AT concludes that the degree of threat of ML from tax crimes is correctly defined by the country. At the same time, convictions for ML related to tax crimes (Article 262 of the CC) in respect of only two persons (out of 78 persons prosecuted for ML) due to the above circumstances generally correspond to the profile of the country risk (the potential threat of ML from tax crimes is realized in rare cases).
396. In connection with the revealed threats of corruption-related crimes, appropriate anti-corruption measures were taken in the country. The efforts of LEAs of Turkmenistan in this area were strengthened. In particular, the State Service for Combating Economic Crimes was established and operated until January 2019. As a result of targeted anti-corruption measures, the number of relevant criminal cases initiated annually in 2017-2021 decreased by a factor of 5: from 1,140 to 208. Given the fact that the specified offence was the main predicate for ML in the assessed period, the reduction in corruption-related cases has largely led to a decrease in the number of ML offences.
397. The AT notes that in the evaluation period (which partially includes the NRA-1 period and fully includes the NRA-2 period) there are multiple prosecutions for ML from robberies and thefts. At the same time, NRA-1 and NRA-2 noted that robberies and burglaries were assessed as low-level ML threats. Considering that such ML was a significant proportion of the investigation, the AT concludes that ML is not consistent with the nature of national threats and risks in this part of the investigation, and the degree of ML threat from robbery and theft is probably underestimated.
398. For the remainder, ML investigations and prosecutions are consistent with national threats and risks, as well as national AML policies.

3.3.3. Types of ML cases pursued

399. Virtually all the ML detections represent self-laundering. Cases of detection of third party ML were sporadic, and facts of money laundering abroad were not detected at all. Professional money launderers were not detected, and there was no ML in predicate offences committed abroad.

Table 3.18. ML investigations by types of money laundering

Money laundering types:	2017	2018	2019	2020	2021	Total
- Third-party ML	-	2	5	-	-	7

- Stand-alone ML ⁸	-	-	-	-	-	-
- Self-laundering	14	9	17	4	7	51
- ML when the predicate offence is committed in another country	-	-	-	-	-	-
Total ML investigations:	14	11	22	4	7	58

400. This situation can be explained by contextual country factors (strict visa regime, level of wealth of the population, prevalence of cash circulation, etc.). In this regard, there are objective obstacles to the free transfer of criminal assets abroad, since the main criminal proceeds, based on the provided practices of LEAs, are formed at the expense of corruption crimes when the illegal remuneration is received by criminals in the form of property or cash.
401. Besides that, criminals use the simplest ML schemes where they purchase jewelry and real estate in the name of relatives. In such schemes, the services of professional launderers are not required. In this case, at the stage of initiation of a criminal case on the fact of self-laundering, the investigators already know the amount of damage and areas of spending the money. In this case, there is no need to search for criminal assets abroad.

Case Study 3.13. Third-party money laundering, criminal case investigated without a predicate

In 2019, a criminal case under CC Article 242, Part 3 (ML) was initiated by a GPO investigator against individual K. During the preliminary investigation, it was found that he took over the management of three restaurants located in Ashgabat from his brother, individual C, against whom another criminal case was initiated and who had been prosecuted (including for ML) under CC Articles 181, 184, 242, 235, 254. These restaurants were purchased with ill-gotten funds. Individual K knew about this and as a result of their operation received income of TMT 100,000. Individual K was charged under CC Article 242, Part 3. During the preliminary investigation, three restaurants were seized and confiscated by a court sentence and individual K was sentenced to 8 years of imprisonment.

402. However, the fact that the competent authorities and the private sector have voiced information about the existing schemes (typologies) of money transfer abroad and their subsequent possible laundering with their entry back into the country (including in the form of goods) may indicate a lack of attention to detecting and combating cross-border ML, including ML committed by third parties and professional launderers.
403. Court statistics on case outcomes and sentences are maintained and accumulated by the SC.

Table 3.19. Judicial proceedings of ML cases for 2017-2021.

Year	Total cases/persons	Supreme court cases/persons	Velayat court (regional court) cases/persons	District court cases/persons	Appeals against court sentences	Changes / cancellations of sentences	Special rulings (decisions)
2017	14/26	4/6	9/17	1/1	3	0/2	10
2018	10/14	2/5	2/2	6/7	2	0/0	10
2019	13/18	8/11	4/5	1/2	2	0/0	6
2020	5/12	1/3	2/7	2/2	0	0/0	3
2021	5/8	0/0	3/5	2/3	4	1/0	3

404. The difference in the number of completed ML criminal cases and the number of cases prosecuted by the courts is due to the different approaches to their recording in LEAs and court statistics. In particular, in LEAs statistics cases are recorded on the basis of the number of identified counts of criminal activity (whereby several counts may be combined into one criminal case), while in court statistics cases are recorded on the basis of the actual criminal cases received for prosecution, regardless of the number of counts in them.
405. There were no acquittals in ML cases, and prosecutors did not drop the charges.
406. Special rulings of the court as a means of responding to violations of the law were submitted to organizations, but they were not sent to investigative agencies and bodies engaged in PIA. One

⁸ Individual ML criminal cases, although identified at the initial stage without initiating a criminal case for the predicate offense, were subsequently investigated in conjunction with the predicate offense.

special ruling was sent to a place of detention for inadequate supervision of a convicted person. No officials were prosecuted under Article 423 of the AOC for failure to take action according to special rulings of the court on ML cases.

407. Specialization of judges in ML criminal cases does not apply, but the experience of judges is taken into account when assigning cases to the courts. The caseload of criminal judges is approximately 10 cases per month, indicating a sufficient number of judges to handle ML cases.
408. Advanced training for judges is conducted under the auspices of the SC, and workshops are also held at the velayat (regional) courts.

Table 3.20. Advanced training for judges

Measures taken	2018		2019		2020		2021	
	April	October	April	October	April	October	April	October
Advanced training course for judges and court officers	62	63	62	63	62	63	62	63
Including the number of ML/TF and predicate offences	5	6	5	6	5	6	5	6

409. No requests for MLA related to ML have been submitted to the SC for execution. No cases for ML prosecutions have been referred to foreign judicial authorities and no cases have been received from foreign courts.
410. In general, the focus is on the mandatory conviction for the predicate offence, despite the fact that there are no legal requirements for it. There are no precedents of conviction for ML as a result of administrative offences.
411. There are also no examples of ML convictions where the predicate offence is committed abroad.
412. The SC in 2021 carried out a generalization of the judicial practice of ML cases considered. Based on the generalization, the Resolution of the expanded Plenum of the Supreme Court On Judicial Practice in Cases Involving the Legalization (Laundering) of Money or Other Property Obtained through Crime and the Acquisition or Sale of Property Knowingly Obtained through Crime No. 9 dated December 18, 2021 was adopted.
413. Reviews of legal precedents are submitted to lower-level judges for use in hearing criminal cases in courts, but they are not available to LEAs, which does not contribute to a uniform understanding of ML qualifications and investigation practices.
414. The AT concludes that the courts are equally able to consider different types of ML crimes, and the established practice of considering in courts only self-laundering and third party money laundering cases is due to the results of LEAs' efforts, which have not identified in the assessed period cross-border ML offences, ML associated with predicate offences committed abroad, professional launderers and complex ML schemes.

3.3.4. Effectiveness, proportionality and dissuasiveness of sanctions

415. Courts impose sufficiently strict and effective sanctions on natural persons, which can be confirmed by the absence of repetition of ML offences.

Table 3.21. Number of persons convicted by term of imprisonment

Court sentence	2017	2018	2019	2020	2021
All convictions for ML criminal cases					
Up to 2 years	1	0	0	0	0
3 to 8 years	3	21	3	3	0
9 to 15 years	27	22	9	3	6
16 to 25 years	25	21	5	6	2
Persons convicted of money laundering					
Up to 2 years	0	0	0	0	0
3 to 8 years	1	5	0	9	6

9 to 15 years	5	2	4	0	0
16 to 25 years	18	7	4	0	0

416. As shown in Table 3.21, the courts apply differentiated punishment depending on the circumstances of the specific ML offence.
417. During the on-site mission, representatives of the SC gave an example of a ML case being sent for re-investigation, which resulted in the identification of another person involved in the commission of the offence.

Case Study 3.14.

By the Bagtyyarlyk District Court order of February 15, 2021, the case against individuals A and B, who were charged under Article 228, Part 4, Article 267, Part 2, Article, 218 Part 2, Article 2018, Part 3 and Article 242, Part 3 of the CC of Turkmenistan, was sent for re-investigation due to the fact that another participant in the crime was not prosecuted.

After the re-investigation, the criminal case was re-opened for consideration and by a verdict of the above court of April 26, 2021, individuals A, B and C were sentenced under the above-mentioned articles to imprisonment and confiscation of property.

418. Also, in 2017, two convictions were overturned and the cases were sent for re-investigation to involve other persons.
419. At the same time, representatives of the judiciary system demonstrated a high level of understanding of the specificities of ML investigation and prosecution.
420. As stated in [Criteria 3.10](#) of the Annex on Technical Compliance, sanctions against legal persons are limited. There are no examples of such sanctions for the participation of legal persons in ML or their use for such purposes. Given the contextual factors that characterize the risk profile of Turkmenistan, the use of legal persons in illegal activities is more likely for predicate crimes (embezzlement of funds of businesses under overpriced contracts, providing bribes by increasing the cost of goods, works and services (kickbacks), etc.) than for ML purposes (the entry of criminal proceeds from abroad is unlikely and uninteresting, the simple ML schemes in [Table 3.15](#) are used domestically). In this regard, the AT concludes that the limited nature of sanctions against legal entities is a moderate disadvantage, but these sanctions for ML are not sufficiently effective.

3.3.5. Use of alternative measures

421. In cases where a conviction for ML cannot be obtained, a conviction for the predicate offence or prosecution for other offences (usually economic or corruption) may be used as alternative measures.
422. It should also be noted that during the evaluation period, no decisions were made by the criminal prosecution bodies to refuse to initiate criminal proceedings under ML or to terminate them. All of the initiated cases were sent to court and considered with sentencing, including for ML. This demonstrates that if ML is present, the OTP seeks convictions for such acts. Since there were no cases where the OTP could not prove ML, no alternative measures to conviction for ML were necessary.

Overall conclusion on IO.7

423. Detection and investigation of potential ML cases in Turkmenistan is carried out using all tools available to LEAs. LEAs have sufficient resources (both human and technical) to identify and investigate predicate offences and ML.
424. LEAs activities are primarily aimed at detecting predicate crimes, ML in most cases is investigated as an additional episode of the criminal actions of the suspect.
425. Virtually all the ML detections represent self-laundering. Cases of detection of third party ML were sporadic, and facts of money laundering abroad were not detected at all. Professional money launderers were not detected, and there was no ML in predicate offences committed abroad.

426. LEAs are significantly limited in obtaining bank secrecy information and have different levels of access to information resources depending on the agency. LEAs' varying levels of access to information used in criminal investigations, including ML, do not contribute to the effectiveness of ML investigations. LEAs receive a significant portion of relevant information (on banking and tax secrecy, registration of small vessels, etc.) through written requests, which clearly does not meet the requirement to provide information in a timely manner.
427. Parallel financial investigations are effectively conducted domestically, but the practice of pursuing parallel financial investigations into assets transferred out of the country is lacking sufficient, as is the practice of identifying the laundering of money obtained through predicate offences committed abroad or cross-border ML.
428. The intensity of information exchange of LEAs with the FMS, which has wide opportunities for obtaining financial intelligence and other information both domestically and abroad, is insufficient.
429. There is no systematic, scheduled, centralized professional development at LEAs' specialized training institutions on detecting and investigating ML. This may negatively impact the ability to identify and investigate complex ML cases.
430. The overall picture of ML detections and investigations by type of criminal income correlates with the overall detection statistics for predicate offences generating such income, as well as the risk assessment results of NRA-1 and NRA-2, except the ML from robberies and thefts.
431. Courts apply sufficiently strict and effective sanctions to natural persons. No sanctions are applied to legal persons.
432. **Turkmenistan is rated as having a moderate level of effectiveness for IO.7.**

3.4. Immediate Outcome 8 (Confiscation)

433. When assessing this Immediate Outcome, it is important to take into account the overall context of the country (geographic location, strict visa policies, a certain closed economy), which to a substantial and significant extent makes the country uninteresting for criminals from the outside to use for the purpose of ML and TF, as well as for the transit of criminal money.

3.4.1. Confiscation of proceeds, instrumentalities and property of equivalent value as a policy objective

434. Turkmenistan pays considerable attention to the confiscation of criminal proceeds in the course of criminal proceedings. Confiscation of property as one of the objectives of criminal law policy has been the subject of analysis and consideration at various government levels.
435. Although, the issues of seizure and confiscation of criminal proceeds are not included in global policy documents of the State (concepts, strategies, etc.), except for the NRA and the action plan based on its outcomes, but they are regularly considered at the operational level in the form of interagency and departmental commissions, briefings, panel meetings, etc.
436. Data on the amount of damage established in criminal cases and the amount of property seized, including for the purpose of securing confiscation, are included in departmental statistical reports and are a criterion for evaluating the activities of the relevant operational and investigative units. Only MNS representatives pointed out that this indicator is not predominant due to the specific nature of the ministry's activities.
437. Since, in accordance with Article 126 of the CPC, the circumstances and consequences of the crime committed, as well as the nature and amount of the damage caused by the crime, are circumstances to be established and proven during the preliminary investigation or enquiry, as well as during court proceedings, the experts conclude that the obligation to establish the amount of the criminal income and to ensure its confiscation is one of the objectives of criminal law policy of the state.
438. The importance of criminal property confiscation and the systematic approach of the judiciary to this issue is evidenced by the fact that provisions obliging the judiciary to resolve confiscation issues and explaining complex issues arising in its application in criminal cases are included in

resolutions of the Plenum of the Supreme Court on court practice on various categories of crime (resolutions of the Plenum of the Supreme Court dated 17.10. 2020 No. 4 "On judicial practice in cases of theft of another's property", 17.04.2020 No. 1 "On judicial practice in the application of legislation on combating drug-related offences", 28.04.1997 No. 5 "On judicial practice in cases of bribery", 17. 08.08.2019 No. 2 "On Judicial Practice Related to Confiscation of Property", 18.12.2021 No. 9 "On Judicial Practice Related to Legalization of Money or Other Property Acquired by Criminal Means" and others).

439. The MIA holds monthly operational meetings on investigations, inquiries and PIA that address, among other things, compensation for damages, seizure of property and securing confiscation.

Case Study 3.15. Example of a meeting at the MIA on the seizure of property in criminal cases and ensuring confiscation

On May 8, 2021, May 7, 2022 and July 30, 2022, the Minister of Internal Affairs chaired meetings with the heads of subordinate departments on combating crime and ensuring public order, during which reports were heard from the heads of units engaged in investigation and police intelligence activities, including on the issues of detection of illegal property and seizure of criminal property for the purpose of confiscation.

440. The importance of confiscation issues is similarly assessed by the GPO, where these issues, along with other investigative matters, are the subject of regular consideration at the GPO collegium meetings.
441. On the basis of General Prosecutor's Order No. 26e, as amended on September 17, 2021, On Improving Prosecutorial Supervision over Compliance with Legislation on Combating Money Laundering, the Financing of Terrorism, Extremism and the Proliferation of Weapons of Mass Destruction, when receiving information or materials on the economic activity with corruption or large or especially large damage, as well as concerning ML, and also during the investigation of such criminal cases, the prosecutor's bodies instruct the FMS to conduct a financial investigation to identify companies, movable, immovable and other property that are owned by persons involved in ML or their relatives. Every year, prosecutors analyze the current situation in the implementation of the AML/CFT/CPF legislation, as well as the practice of prosecutorial supervision. Reports on the results of prosecutorial activities in this area are submitted annually (not later than January) to the GPO.
442. The country has centrally taken measures to ensure the uniform practice of LEAs of financial investigations, detection and confiscation of criminal proceeds.
443. At the interagency level, an NLA aimed at the completeness of the detection of proceeds of crime and ensuring their confiscation was adopted (Joint Order of GPO, MNS and MIA No.12c/6/132 On Approval of the instruction on the procedure for the examination of financial aspects of criminal activity during PIA, pre-investigation check, inquiry and preliminary investigation dated August 1, 2022). It was not possible to assess the practical results of the document adoption at the time of the mission, due to the short duration of its validity.
444. In view of the above, as well as the practice of securing and applying confiscation in criminal cases of various categories (Core issue 8.2), the AT concludes that confiscation of proceeds, instrumentalities and property of equivalent value is considered one of the main objectives of criminal law policy⁹.

3.4.2. Confiscation of proceeds from foreign and domestic predicates, and proceeds located abroad

445. In Turkmenistan, there are two types of confiscation of criminal proceeds established de facto by the law: as an additional penalty and as a means of resolving the fate of physical evidence. The

⁹ The regulation of the concept of equal (equivalent) property is now provided for in the new version of the CC in force from 01.01.2023 (approved by the Act of 17.04.2022).

legal provisions governing confiscation and provisional measures are contained in the CC and CPC of Turkmenistan. In accordance with CC Articles 44, 45 and 52, confiscation of property is an additional type of penalty and consists in the forcible, uncompensated expropriation by the State of the criminally obtained property owned by a convicted person. In addition to the confiscation of property used as a penalty, CPC Article 130, Part 3 establishes grounds for the forfeiture to the State (confiscation) of certain types of property recognized as physical evidence, in particular, instrumentalities of crime owned by the accused or defendant, as well as money and other valuables obtained through crime. Thus, in fact, regardless of the application of confiscation as an additional punishment, confiscation of the proceeds of crime may be applied in all cases of predicate offenses, even in the absence of an additional punishment of confiscation in the article (see R.4 for details).

446. The practice of confiscation in the criminal cases reviewed shows that domestic confiscation of criminal assets is quite widespread.

Table 3.22. Type and number of offences, as well as the number of persons against whom confiscation of property was applied

CC Articles	2017		2018		2019		2020		2021		Total	
	Number of crimes	Number of persons	Number of crimes	Number of persons	Number of crimes	Number of persons	Number of crimes	Number of persons	Number of crimes	Number of persons	Number of crimes	Number of persons
184 (bribe-taking)	172	104	192	57	157	53	66	37	58	28	645	279
185 (bribe-giving)	298	0	33	3	31	22	10	2	16	9	388	36
186 (intermediation in bribery)	14	10	2	1	11	4	3	1	16	3	46	19
227 (theft)	864	1029	970	1097	849	934	744	809	655	794	4082	4663
228 (fraud)	853	470	803	450	719	377	677	355	677	338	3729	1990
229 (embezzlement or misappropriation)	497	563	522	558	342	317	231	224	164	219	1756	1881
230 (robbery)	104	127	98	97	62	58	45	41	39	37	348	360
231 (brigandism)	53	66	77	84	53	54	50	55	48	47	281	306
232 (extortion)	47	48	38	28	46	27	22	20	22	19	175	142
242 (ML)	10	1	16	2	21	3	5	2	6	0	58	8
252 (counterfeiting money or securities)	12	23	8	14	9	19	11	13	2	1	42	70
254 (smuggling)	170	119	171	100	158	92	79	42	51	55	629	408
275 (organized group creation)	12	25	12	12	5	1	-	-	1	-	30	38
294 (theft of drugs)	4	2	10	1	2	0	11	1	4	1	31	5
Total:	3,110	2,587	2,952	2,504	2,465	1,961	1,954	1,602	1,759	1,551	12,240	10,205

447. As shown in Table 3.22, confiscation of property was used in 12,240 criminal cases in the assessed period, indicating its widespread use as a means of deprivation of criminal income.

448. Statistics on frozen and seized property (assets) are maintained by the MIA, MNS and SC according to their purview. Confiscation statistics account for all types of confiscated proceeds together.

449. Statistical records are kept in relation to the damage caused by an offence (which includes criminal income)¹⁰, its voluntary and forcible reparation. In some cases, the amount of damage may coincide with the amount of criminal income (for example, theft of property), in some cases, it may exceed the criminal income (environmental crimes), and in some cases, it may not exist at all (bribery). Thus, the amount of real criminal income in practice will be less than the damage reflected in the statistics of state authorities ([Table 3.27](#)).

¹⁰ The concepts of "criminal damage" and "criminal proceeds" are not synonymous. All predicate offences can generate criminal proceeds, but they may not involve the infliction of material damage (e.g., in taking a bribe, the accused does not cause any material damage, but receives criminal proceeds).

450. A significant part of the criminal proceeds (32.5%) is voluntarily repaid by suspects during the preliminary investigation, i.e., when the crime has been detected but not yet submitted for trial (Table 3.27). This is called "voluntary reparation of damage" and consists of the voluntary surrender by the criminal of the criminal proceeds or part thereof. Voluntary reparation of damage is regarded by criminal law as a circumstance mitigating the guilt of the accused but does not exempt from liability in general. Amounts of voluntary reparation of damage are not included in tables 3.24 and 3.25, because such property was handed over by the suspect before the court decision. It should be highlighted that in the case of voluntary compensation of damage, the criminal is deprived of the criminal income before the court makes a decision on the criminal case (voluntarily transfers it to the state). In this case, the possibility of further legalisation of the returned part of the proceeds of crime is excluded. Thus, in relation to the deprivation of the proceeds of crime, voluntary restitution can have the same positive effect as confiscation.

Table 3.23. Information on voluntary reparation and seizure of criminal property during the preliminary investigation in predicate offences and ML (including currency, in TMT at the exchange rate of the CB)

		2017			2018			2019			2020			2021			TOTAL		
		Proceeds (damage) ¹¹	Voluntary compensated damage (proceeds)	Seizured property	Proceeds (damage)	Voluntary compensated damage (proceeds)	Seizured property	Proceeds (damage)	Voluntary compensated damage (proceeds)	Seizured property	Proceeds (damage)	Voluntary compensated damage (proceeds)	Seizured property	Proceeds (damage)	Voluntary compensated damage (proceeds)	Seizured property	Proceeds (damage)	Voluntary compensated damage (proceeds)	Seizured property
Designated categories of predicate offences (according to the FATF terminology)																			
	Participation in organized criminal groups and racketeering (CC Articles 274, 275)	MIA						3 952 196	3 952 196								3 952 196	3 952 196	0
		GPO																	
		MNS																	
Terrorism (Article 271)	MIA																0	0	0
	GPO																		
	MNS																		
Terrorist financing (Article 271-1) (the amount of funds intended for TF is specified)	MIA															0	0	0	
	GPO																		
	MNS																		
Legalization of ill-gotten money or other property (CC Article 242)	MIA				241 175	241 175	2 507 123	2 507 123	23 190 714	13 354 283	13 354 283		15 465		15 465		21 381 223	16 452 296	23 447 354
	GPO						5 263 177	5 908 90											
	MNS																		
Human trafficking and migrant smuggling (CC Article 129-1) Illegal migration is not criminalized	MIA															0	0	0	
	GPO																		
	MNS																		
Sexual exploitation, including sexual exploitation of children (CC Articles 139, 140, 142)	MIA															0	0	0	
	GPO																		
	MNS																		
Illicit trafficking in narcotic drugs and psychotropic substances	MIA				396	396	1 600	1 600	92 850	92 850	100 000	100 000	194 846	396	194 450				

¹¹ Damage caused by the crime (criminal income received).

Smuggling (including in relation to customs and excise duties and taxes) (CC Article 254)	MIA	70 400		70 400										5 352 510	58 000	5 352 510	5 422 910	58 000	5 422 910
	GPO																		
	MNS																		
Tax crimes (related to direct taxes and indirect taxes) (CC Articles 260, 261, 262, 263)	MIA	2 897 345	1 345 637		1 894 745	1 687 622		2 505 028	2 307 701		32 386 048	468 833	6 117 615	4 541 340	951 714		44 224 506	6 761 507	6 117 615
	GPO																		
	MNS																		
Forgery (CC Articles 187, 218)	MIA	12 000	12 000		330 166	50 832		26 060 911	2 381 694		3 170 177	3 170 177					29 573 254	5 614 703	0
	GPO																		
	MNS																		
Piracy	MIA																0	0	0
	GPO																		
	MNS																		
Insider trading and market manipulation (CC Articles 245-1, 250-1)	MIA																0	0	0
	GPO																		
	MNS																		
TOTAL		245 112 969	48 474 431	7 832 670	523 718 307	161 051 684	21 583 065	551 855 651	290 925 068	55 978 393	448 985 237	113 067 879	8 142 578	513 654 803	132 531 413	12 635 105	2 283 326 967	746 050 475	106 171 811

451. As can be seen from the table above, during the period under assessment criminals voluntarily transferred 746,050,475.00 TMT to the budget. Taking into account the confiscated money received in the budget and funds from the sale of confiscated property in the amount of 306,701,464.85 TMT the percentage of compensation for damage amounted to 46.1%.

452. The judicial authorities of Turkmenistan provided the following statistics on property confiscation for 2017-2021 in criminal cases.

Table 3.24. Information on the value and composition of confiscated property

Year	Amount of confiscated money and other property
2017	USD 4,461,582.0, TMT 32,337,802.53, Euro 18,145.0, IR 75.0, vehicles - 57 pcs., real estate - 30 pcs., gold - 1,431.76 grams, cell phones - 6 pcs., jewelry - 34 pcs., jewelry worth TMT 1,656,634.78
2018	USD 2,750,400.0, TMT 2,439,700.0, Euro 257,500.0, vehicles - 10 pcs., real estate - 4 pcs., wrist watches - 21 pcs., cell phones - 4 pcs., jewelry - 50 pcs., cattle - 60 pcs.
2019	USD 15,628,090.0, TMT 9,097,571.61, TL 3 200.0, UAE dh 140.0, vehicles - 25 pcs., real estate - 14 pcs., jewelry - 1,111.13 grams, wrist watches - 13 pcs., cell phones - 8 pcs.
2020	vehicles - 20 pcs., real estate - 16 pcs., horses - 17 pcs., internal property of buildings - 2 pcs., jewelry - 41 pcs., computer equipment - 9 pcs., cell phones - 1 pcs., watches - 5 pcs., camera - 1 pc., internal property of stores worth TMT 356.672,70
2021	USD 3,506,000.00, TMT 18,890,779.20, property worth TMT 300,00

453. There are provisions in the CPC (Articles 130, 313) actually regulating non-conviction-based confiscation (this term is not directly envisaged in the law) in relation to instrumentalities of crime owned by the accused, as well as money and other valuables obtained through crime, in the case of termination of criminal proceedings (i) due to absence of corpus delicti in the act; (ii) due to expiration of the statute of limitations; (iii) due to an act of amnesty; (iv) with respect to a person who, at the time of committing a socially dangerous act, had not reached the age at which, according

to the law, criminal liability is possible; (v) with respect to a deceased person; and (vi) on the grounds envisaged in Articles of the Special Part of the CC¹².

454. Despite these legislative norms, in practice, such confiscation is not applied, as well as the practice of the prosecutor to sue for recovery of criminal income in the absence of a sentence in the case, or failure to apply confiscation under the sentence, decision (ruling) of the court. Representatives of the SC indicated that this was due to the requirements of CPC Article 17, according to which the inviolability of property is guaranteed by law, no one may be deprived of their property except by court order.
455. Given the high level of ML risk from corruption and bribery, the AT believes that a mechanism of possible judicial application of confiscation outside of criminal prosecution (for example, confiscation of unexplained income of officials in the framework of anti-corruption legislation), which is currently missing in the legislation, could have a positive effect in the fight against ML.

Table 3.25. Data on confiscated property by type of confiscation

Year	2017	2018	2019	2020	2021
Non-conviction based confiscation	0	0	0	0	0
Conviction-based confiscation	USD 4,461,582.0 TMT 32,337,802.53 Euro 18,145.0 IR 75.0	USD 2,750,400.0 TMT 2,439,700.0 Euro 257,500.0	USD 15,628,090.0 TMT 9,097,571.61 TL 3,200.0 UAE dh 140.0	USD 546,325.02 TMT 22,130,843.53	USD 3,506,000.00 TMT 18,890,779.20

456. It should be noted that in accordance with the Procedure for Seizure, Accounting, Storage, Transfer and Destruction of Physical Evidence by Courts, Prosecution, Investigation, Inquiry and Forensic Examination Bodies approved by Presidential Decree No. 892 dated August 7, 2018, national and foreign currency seized in the case are subject for crediting the deposit account of the body pursuing the inquiry and preliminary investigation or court. If funds of a suspect (accused) are kept in bank accounts, then simultaneously with the seizure of documents on the availability of money in bank accounts, the bodies conducting the criminal proceedings shall send to the relevant financial institutions or organizations engaged in certain types of banking transactions, court orders to seize the property. To enforce a judicial act in terms of transferring money and valuables to the State, confiscation of deposits and other types of savings, a writ of execution shall be issued, which shall be sent to a court bailiff for execution according to territorial principle.
457. Thus, cash seized in criminal cases is converted into non-cash form and kept in special LEAs' accounts, while non-cash funds are blocked in the accounts where they were kept at the time of seizure. In this regard, after the court ruling on the confiscation of the funds, they are freely transferred to the budget.

Table 3.26. Information on the amount of money forfeited to the budget by court order

Offence (by Article)	Currency	2017	2018	2019	2020	2021	Total
184, 185, 186, 227, 228, 229, 230, 231, 232, 242, 252, 254, 275, 294	US Dollar	4,461,582.00	2,750,400.00	15,628,090.00	546,325.02	3,506,000.00	26,892,397.02
	TMT	32,337,802.53	2,439,700.00	9,097,571.61	22,130,843.53	18,890,779.20	84,896,696.87
	Euro	18,145.00	257,500.00	0.00	0.00	0.00	275,645.00
	Turkish Lira	0.00	0.00	3,200.00	0.00	0.00	3,200.00
	Iranian Rial	75.00	0.00	0.00	0.00	0.00	75.00
	UAE	0.00	0.00	140.00	0.00	0.00	140.00

¹² For example, according to the note to CC Article 271¹, a person who has committed a crime under this article as a result of the use or threat of violence against him shall be exempt from criminal liability if he promptly reported it to the government authorities, assisted in the prevention and detection of the crime, and his actions do not contain elements of another crime.

	Dirham						
Total in TMT at the CB rate	TMT	48,016,949 .45	12,968,714 .75	63 796 650,75	24,042,981 .10	31,161,779 .20	179,987,07 5.25

458. In the period under evaluation, the money from the property confiscated by court decision ([Table 3.24](#)) was fully received by the budget (Table 3.26). At the same time, the types of crimes under which money was confiscated (Articles 184, 185, 186 of the CC - corruption, 228 of the CC - fraud, 254 of the CC - smuggling, 294 of the CC - illicit drug trafficking) generally correspond to the risk profile of the country.
459. The sale of non-monetary confiscated property and the crediting of the cash equivalent to the budget is carried out by the TD of MFE.
460. The TD of MFE provided the following information on the sale of property confiscated in the framework of criminal proceedings.

Table 3.27. Information on the sale of property confiscated as part of criminal proceedings into the state revenue

Indicator \ Year	2017	2018	2019	2020	2021	TOTAL
Confiscated property (TMT)*	6,035,710.66	36,602,559.50	85,873,954.37	82,347,556.44	102,230,383.51	X
Confiscated property sold (TMT)	3,794,957.32	6,150,448.30	43,400,889.42	30,133,468.45	43,234,626.11	126,714,389.60
Expenses for the sale of confiscated property (TMT)	276,799.68	398,058.79	2,559,071.09	1,918,123.45	3,597,399.20	8,749,452.21
To be forfeited to the state budget (TMT)	3,518,157.65	5,752,389.51	40,841,818.33	28,215,345.00	39,637,226.91	117,964,937.40
Actual budget revenues (TMT)	3,518,157.65	5,752,389.51	40,841,818.33	28,215,862.50	39,637,226.91	117,965,454.90
Balance of unsold confiscated property (TMT)	2,240,753.34	30,452,111.20	42,473,064.95	52,214,087.99	58,995,757.40	X

* The indicator consists of the balance of unsold property confiscated in previous years and property confiscated in the reporting year

461. Thus, for the period from 2017 to 2021, the budget received confiscated money in the amount of 179,987,075.25 TMT (see Table 3.23) and other confiscated property in the amount of 126,714,389.60 TMT.
462. There are no facts of confiscation as part of combating TF due to the absence of TF criminal cases and designations in the national list.
463. Despite the absence in the legislation of the concepts of the equivalent of criminal property and indirect income, in practice in most of the demonstrated cases confiscation is carried out in an amount significantly higher than the directly obtained criminal income (damage caused by the crime), which covers possible income obtained as a result of the use of criminal property.
464. In this case, apparently, all property of the convicted person, the legality of the obtaining of which is not confirmed, as well as property that is obtained as a result of the subsequent use of the criminal income, is seized.

Case Study 3.16. Confiscation of income derived from the use of criminal property, as well as property of equivalent value

Individual A, holding the position of director of individual enterprise AAA, according to the contract, carried out major repairs in a pre-school institution. By prior agreement with individual B, who held the position of the head of technical production department of the state concern, falsifying the documents on the work performed, specified an amount higher than the actually performed work by TMT 1146.95, thereby causing property damage.

Individual A also illegally seized land with a total area of 3,875.3 m², built a restaurant there and earned TMT 2,802,405 from 2013 to 2017 by rendering services on holding wedding events.

During the preliminary investigation it was established that with the money received from the use of an illegally built restaurant, "A" purchased various items of property.

According to the court's decision, individual A was found guilty of committing crimes under CC Article 229, Part 2, Clause a, Article 242, Part 3, Article 267, Part 2, Article 317¹ and Article 187 and sentenced to imprisonment for a term of 7 years with deprivation of the right to hold certain positions or engage in certain activities for a period of 3 years. The court also confiscated TMT 2,802,405.4 cranes, a restaurant and a car.

Individual B was found guilty of committing crimes under CC Article 229, Part 2, Clauses a, c and Article 181, Part 1 and sentenced to imprisonment for a term of 2 years with deprivation of the right to hold certain positions or engage in certain activities for a period of 3 years.

465. Confiscation is most actively applied in criminal cases of corruption and fraud, misappropriation and embezzlement.

Case Study 3.17. Confiscation of criminal proceeds of fraud

Individual M in October 2018, by deception and abuse of another's trust, on the basis of a forged will made in the name of individual A, sold to individual P a house for TMT 70,000, which caused damage to individual P in an especially large amount.

The Ashgabat court found individual M guilty of committing crimes under CC Article 228, Part 3, Clause a, Article 228, Part 4, Clauses a, b, Article 218, Part 3, Article 242, Part 4 and sentenced to imprisonment for a term of 10 years. The money owned by the defendant in the amount of TMT 4,158,078.70 was forfeited to the State.

Case Study 3.18. Confiscation of criminal proceeds of corruption and interaction with the FIU in identifying property subject to confiscation

As part of the criminal investigation, in January 2019, GPO investigators sent a request to the FMS against person A, who, while working as director of state insurance organization C, entered into criminal collusion with his subordinate G, who was the head of the relevant department, and received bribes from representatives of foreign companies, for providing them with favorable terms of insurance policy in the execution of state orders for large construction projects.

Based on the request received, in order to obtain complete information on the founders, beneficial owners, directors and bank accounts of the company, the FMS sent requests to foreign FIUs.

According to the response to the request, it was found that resident of Turkmenistan N acted as a trustee under a general power of attorney to manage a foreign company T, registered in Hong Kong, China, and the company's bank accounts.

The FMS analysis of bank transfers to foreign company T revealed that, over a period of several years, transfers amounting to approximately 1 million USD were made to the bank account of a Turkish company, which was a major supplier of construction equipment and trucks in the region.

Also, the above-mentioned company T was used by resident N to conceal his true income, evade taxes and manipulate the prices of goods imported into Turkmenistan.

During the investigation, it was found that the total amount of bribes amounted to USD 989,093, which the senior management and his accomplices received from a foreign company for providing a

certificate of insurance and shared among themselves.

The investigation resulted in seizure of: USD 750,450, various gold jewelry items worth TMT 330,092 and 1 house worth TMT 3,066,738 owned by individual A; 2 residential houses worth TMT 3,099,806 and 3 cars worth TMT 1,244,000 owned by individual G; 2 houses worth TMT 1,594,038 and 2 cars worth TMT 214,200 owned by individual K.

Individuals A and G were found guilty of committing crimes under CC Article 181, Part 2, Article 184, Part 3 and Article 242, Part 3 and individual N was sentenced to imprisonment under CC Article 242, Part 3 and Article 240, Part 2.

466. Examples of confiscation of laundered property are provided in [IO.7](#) (Case studies 3.11, 3.13, 3.14, etc.).
467. The AT believes that despite the fact that confiscation is regulated in the law as an additional form of punishment for the committed crime, rather than a criminal law mechanism of seizure of criminal proceeds and instrumentalities of crime, provided for in Article 130 of the CPC, its purpose coincides with the results of the measures taken, assessed as the effectiveness of the system.
468. In order to identify and trace proceeds of crime, TF funds, targets of crime and other assets, including the property of equivalent value, which may be subject to forfeiture and confiscation, as well as to ensure compensation for damages caused by crimes, LEAs are required to conduct parallel financial investigations (Part 4, Clauses 1-2 of the Procedure for the Examination of Financial Aspects of Criminal Activity during Police Intelligence Activities, Pre-investigation Check, Inquiry and Preliminary Investigation No.12e/6/132 dated August 1, 2022).
469. The joint regulatory act stipulates that financial investigation is mandatory for crimes: (1) which have caused especially large damage or have resulted in criminal income in a particularly large amount, as well as corruption-related crimes; (2) involving the legalization of proceeds of crime, including if the predicate offence was committed abroad; (3) of terrorist nature, including TF. In other cases, financial investigation is carried out by the decision of the authorized bodies, including priority to the most common types of predicate offences identified according to the national risk assessment.
470. When receiving information or materials on large and especially large-scale economic and other corruption and ML-related acts and conducting criminal investigations in such areas, the FMS is instructed to obtain information on the registration in the name of the persons involved in ML or their relatives, both domestic and foreign, of movable, immovable and other property, companies, suspicious transactions and financial operations of persons involved in the commission of such offences (Order of the General Prosecutor No. 26e dated September 17, 2021).
471. The search, seizure, and confiscation of criminal assets domestically are at a significant level despite the fact that not all available government information resources are directly and immediately available to LEAs and FMS, which are accessed on request.

Case Study 3.19.

Individual M, with the purpose of concealment and disguise of illegal origin of money in the amount of TMT 15,510,808 illegally acquired by his brother individual K as a result of illegal business activities and large-scale tax evasion, acquired with criminal money a brick factory worth TMT 668,107.63 officially registered in the name of individual O.

By the Turkmenabat court's decision dated August 07, 2017, individual M was found guilty of committing crimes covered by CC Article 185, Part 2, Article 242, Part 3, Article 63, Part 3 and sentenced to imprisonment for a term of 9 years with detention in a strict regime penal colony. The brick factory was forfeited to the State.

Case Study 3.20.

Individual Ya, using a false application on behalf of his father, individual D, illegally obtained a plot

of land with a total area of 1890 m² where he built a wedding hall, and illegally, without a permit, increased the construction area by 1985.3 m². After that, by renting the wedding hall, he received large sums of money from individuals totaling TMT 2,802,405.

In this case, the Balkanabat court found individual Ya guilty of committing crimes under CC Article 229, Part 2, Clauses a, b, Article 33, Part 1, Article 181, Article 218, Part 2, Article 242, Part 3, Article 267, Part 2 and Article 2371 and sentenced him to imprisonment for a term of 7 years. The wedding hall was forfeited to the State.

472. As noted above, the criminal and criminal procedure legislation of Turkmenistan does not regulate confiscation of the property of corresponding value. However, such provisions are contained in the Resolutions of the Plenum of the SC on certain types of crimes under consideration, for example when the subject of the bribe is not found during the commission of the bribery. In such cases, in accordance with Clause 18 of the Resolution of the Plenum of the SC No. 5 “On Court Practice in Bribery-Related Cases” dated April 28, 1997, the unreasonable gains (the bribe amount) are forfeited by court to the State.
473. Compensation of material damage caused by crimes, if it is not paid voluntarily, is carried out through the institution of a civil suit in criminal proceedings. A civil suit shall be brought against the perpetrator by natural or legal person who has suffered harm from the crime, as well as by the prosecutor.
474. Noteworthy is the significant number of facts of confiscation of expensive property (real estate, cars, gold, etc.), which indicates that LEAs have effective tools to identify such property.

Case Study 3.21. Confiscation of immovable and movable property

Individual A, as a manager of market T of individual enterprise U, using her powers, extorted monthly 300 manats from individual B, 100 manats from individual C, as well as from many other individuals, who were engaged in trade activities at the market.

The court found individual A guilty of committing crimes under CC Articles 33, 187, Article 242, Part 3, Article 267, Part 2, Article 269, Part 2 and sentenced to imprisonment for a term of 13 years with deprivation of the right to hold certain positions or engage in certain activities for a period of 3 years.

The court forfeited market T, money in the amount of TMT 388,599 and 1 vehicle to the State.

475. As mentioned above, the restraining factor for the most effective implementation of confiscation is that LEAs have no direct access to certain information resources (electronic databanks) of government authorities, as well as some restrictions on the receipt by LEAs of information that constitutes bank secrecy. At the same time, during meetings with the AT, the representatives of LEAs provided examples of successful obtaining financial intelligence, despite the above-mentioned restrictions.
476. The mechanism of attachment, seizure, management and confiscation of VAs is not defined by legislation and there is no practice of dealing with such assets in criminal cases. No cases of ML or TF with the use of VAs have been detected. This is due to the insignificant spread of VAs possession within the country due to the existing control of Internet activity and the lack of possibility to deposit cryptocurrencies from within the country, strict regulation of financial institutions and their products, established income level of population, preference for traditional assets (cash, real estate, gold), primitive ways of both receiving and laundering of criminal income, restrictions in cross-border movement of persons
477. The AT believes that some possibility of crediting crypto wallets still exists, for example, by other persons abroad, but there is no convincing data on the use of VAs for ML or TF either in the country or in credible public sources.
478. The country has taken steps to confiscate and return the proceeds of crime that have been moved out of the country. This confiscation of the proceeds moved to other countries and the return of assets has occurred in only one case, the reasons for which have been outlined above.

Case Study 3.22. Return of assets from abroad

The head of a large state-owned enterprise, individual B, was prosecuted under the Article of the CC for corruption. The investigation revealed that the accused individual B had a bank account in a bank of one European country, where the proceeds of crime were kept.

In 2019-2020, a trilateral agreement was signed between the Government of Turkmenistan, the European country and the United Nations Development Programme on the return of assets, provided that they are used for the needs of the population of Turkmenistan.

On January 25, 2020, the funds in the amount of USD 1,306,504.47 were transferred to the bank account of the MFE as part of the asset recovery procedure.

479. Judicial authorities did not execute MLA requests related to confiscation and did not send them.
480. The GPO and subordinate prosecutors supervise the conduct of preliminary investigation both by prosecution bodies and other bodies of preliminary investigation and inquiry, including in terms of timeliness of identifying property subject to confiscation and completeness of seizure of such property. If necessary, they give appropriate binding instructions to bodies of preliminary investigation and inquiry.

Case Study 3.23. Supervision by prosecutor's offices over the timely identification and seizure of property

In 2021, the prosecutor's office in one of the velayats (provinces) examined the criminal case against individual I, who was the director of a state enterprise, for the purchase of overpriced metal fittings for the enterprise from company M owned by his relative in order to supervise the quality of the preliminary investigation. The proceeds of crime in the criminal case amounted to TMT 7,350,620 (about USD 2,100,000).

The prosecutor's office gave written instructions to conduct investigative actions and police intelligence operations aimed at identifying movable and immovable property of individual I and his close relatives, the availability of money on accounts and deposits, as well as legal persons under their control, to establish the money and assets of private company M and check its compliance with tax laws.

481. In order to successfully identify property subject to seizure and possible confiscation, preliminary investigation agencies cooperate with agencies engaged in PIA, which assist in the identification of such property through both overt and covert PIO.

Case Study 3.24. Interaction between preliminary investigation bodies and agencies engaged in PIA

In 2021, the investigation department of the Ashgabat police department initiated criminal proceedings against individual A for the crimes under CC Article 229, Part 4, Clause a, Article 267, Part 2, Article 218, Part 2, Article 185, Part 2, and Article 242, Part 3.

During the investigation it was found that individual A, being a founder of three legal persons, fulfilling contractual obligations for the construction of facilities for the government authorities of Turkmenistan, indicated in the work documentation overstated prices for the materials used and equipment installed, as a result of which he received a large amount of criminal income. In order to legalize the received money, individual A used it for entrepreneurial activities and the purchase of movable and immovable property.

As part of the investigation, the investigator instructed the body engaged in police intelligence activities to conduct the police intelligence operations for identifying all movable and immovable property (both official and concealed) obtained by criminal means.

482. Failure of an investigator to take timely measures to search and seize property subject to confiscation, if there is guilt in his actions, is a basis for bringing such an investigator to disciplinary responsibility (reprimand, reproof, demotion or rank, dismissal and others).

483. Based on the available NLAs and mechanisms, the management of seized and confiscated property is carried out directly by the preliminary investigation body and bailiffs under the relevant courts. There is no single centralized accounting and management of seized and confiscated property.
484. Complex forms of management of seized property are not used (for example, an enterprise as a property complex). As a rule, when an enterprise is seized, it is managed by someone who is not prosecuted, or the activity is suspended.
485. The method of providing storage conditions is used for the preservation of seized property. Perishable products are handed over for sale, animals for fattening and keeping.
486. Additional training for officers on the identification of property subject to seizure for the purpose of confiscation is conducted in the investigative departments of the MIA of Turkmenistan at the place of their service, as well as at the training center at the MIA Institute once every 5 years as part of the general programme of professional development.
487. The SC carries out advanced training for judges and bailiffs on confiscation, 12 advanced training seminars were held each year between 2018 and 2021.
488. In view of the above, the AT concludes that in Turkmenistan the identification and confiscation of proceeds of crime and instrumentalities of crime obtained within the country are carried out significantly effectively. Confiscation of the value equivalent of the proceeds of crime, as well as indirect (accrued) income is carried out in practice, although the legislation does not regulate this issue. The country is taking measures to recover assets from abroad, but the effectiveness of efforts to identify criminal proceeds transferred out of the country is at a moderate level, which, however, is offset by the low level of opportunities to transfer such funds abroad.

3.4.3. Confiscation of falsely or undeclared cross-border transaction of currency/BNI

489. Cash smuggling in NRAs as a high level of threat to Turkmenistan. The cross-border movement of cash, foreign currency and BNIs is monitored comprehensively and systematically by the SCS staff
490. In order to continuously analyze the illegal movement of funds and BNIs and develop effective measures to stop violations, an analytical department was established within the SCS in 2017 and a customs procedures automation department in 2019, which provides more rapid electronic data exchange between agencies and customs authorities of foreign countries, as well as with international organizations.
491. It should be noted that the strict visa policy pursued for those entering the country significantly reduces the possibility of criminals and cash couriers using the territory of Turkmenistan to import or transit criminal funds and BNIs.
492. To obtain information on persons entering and leaving the country, the SCS actively cooperates with the SMS within the joint order of the SCS and SMS Chairmen No.74/114 dated July 16, 2016, using their access to the SMS databases on state border crossings by natural persons, which allows identifying persons entering the country repeatedly and to consider enhanced customs control of such persons. Interaction is also carried out as part of a joint coordination plan of action, including the suppression of money smuggling, etc.
493. To increase the efficiency of customs control, the following measures were taken by the SCS: the supplies of technical equipment to border customs posts were increased; the level and potential of staff training were improved; the number of staff at border customs posts was increased; explanatory work on prevention of offences with natural persons and importers/exporters, etc. was carried out.
494. The ASYCUDA World electronic declaration system has been in operation since 2020, and a "single window" system has been established at border road customs posts. All vehicles crossing the customs border are scanned with X-ray equipment and a fixed radiation portal; a GPS tracking system is used to monitor vehicles carrying goods across the customs border; and a video surveillance system is in place at all customs posts. Also, the STC, together with UNDP and UNCTAD, under the "Single Window for Export and Import Operations Project Agreement 2021-

2023", is introducing the Single Window System. In addition to STC, 15 ministries and agencies are involved in the project, including the MIA, SMS, MFE, Ministry of Trade and Foreign Economic Affairs, CB, Commodity Exchange and others. This Single Window system will enable access and exchange of electronic data of the state bodies and further enhance the capacity of the STC for the risk management system, including in the field of AML/CFT/CPF.

495. The regulatory framework governing the SCS activities in the field of declaring and controlling the import and export of cash and BNIs is being actively improved.
496. Given that there are no restrictions on the import of cash and BNIs into the territory of Turkmenistan, a greater number of offences related to non-declaration or false declaration are detected when attempting to export cash from the country.

Table 3.28. Amounts of money illegally transported across the customs border of Turkmenistan detected and confiscated in criminal

Year	Amount of money detected			Amount of money confiscated			Number of initiated criminal cases
	USD	Euro	TMT	USD	Euro	TMT	
2017	445 362	15	50 000	445 362	15	50 000	9
2018	58 400		35 000	58 400		35 000	2
2019	147 737		326 000	147 737		326 000	8

497. In 2020 and 2021 the passenger movement of persons across the border of Turkmenistan was stopped due to the introduction of restrictive measures in connection with the spread of the COVID-19 pandemic.
498. There are no facts of illegal movement of BNIs, as well as facts of detection of money in postal items.
499. In case of detection of non-declaration or false declaration of money or BNIs, depending on the amount of illegally transferred money or BNIs, administrative or criminal liability is imposed on the offender (R.32).
500. At the same time, the criminal liability thresholds are not overestimated, so the number of persons brought to administrative responsibility is significantly lower than the number of criminal cases initiated (more details in [Criterion 32.5](#)).

Table 3.29. Statistics of administrative prosecution under AOC Article 391 for non-declaration or false declaration of cash

Years	AOC Article 391				
	2017	2018	2019	2020	2021
Number of persons	1	1	3	2	0

501. Confiscation for non-declaration or false declaration of funds is established only in the criminal process, for an administrative offence under Article 391 of the AOC, it was not carried out due to the absence of this penalty in the AOC. However, the total number (only 7) of detected cases of non-declaration or false declaration of money in an amount not exceeding \$4,300 (except for the allowed \$10,000) indicates that this lack of technical compliance does not have a significant impact on the effectiveness of confiscation of undeclared or falsely declared transferred funds.

Table 3.30. Statistics of materials submitted by the SCS to LEAs on detected violations of customs regulations associated with the movement across the customs border of cash and bearer negotiable instruments.

	CC Article 254 (Smuggling)				
	2017	2018	2019	2020	2021
Number of materials	8	5	14	4	0

Table 3.31. Statistics on criminal cases of cash smuggling investigated by the MNS

	Number of criminal cases investigated	Number of persons criminally prosecuted
2017	9	15
2018	2	5

2019	8	11
Total	19	31

502. There are no acquittals in cases of cash smuggling.
503. The dynamics of reduction of the number of revealed violations, as well as facts of bringing to administrative and criminal responsibility is due to the introduction by the country in 2020-2021 of the actual ban on cross-border movement of people in connection with the spread of the COVID-19 pandemic in the world.
504. The country provides examples of customs offences related to violations of the procedure for import/export of cash resulting in the application of confiscation.

Case Study 3.25.

- 1) In September 2017, when departing from the international airport of Ashgabat, individual B was detained on suspicion of carrying large amounts of cash across the customs border, concealing it from customs control and not declaring it. The cash in his possession amounted to USD 295,502. The funds were seized and referred to the LEAs together with the materials against individual B for committing a crime under CC Article 254, Part 1 for further investigation. Citizen B was convicted under article 254, paragraph 2 (b), of the CC and sentenced to four years imprisonment and deprivation of the right to engage in business for three years, with confiscation of US\$ 295,502.
- 2) In March 2019, when departing from the international airport of Ashgabat, individual A was detained on suspicion of carrying large amounts of cash across the customs border, concealing it from customs control and not declaring it. The funds in his possession amounted to USD 60,000. The money was seized and together with materials against individual A for committing a crime under CC Article 254, Part 1 were referred to the LEAs for further investigation. Citizen A was convicted under article 254, paragraph 2 (a), of the CC and sentenced to four years imprisonment and confiscation of US\$ 60,000.
- 3) In November 2019, when departing from the international airport of Ashgabat, individual B was detained on suspicion of carrying large amounts of cash across the customs border, concealing it from customs control and not declaring it. The cash in his possession amounted to USD 49,900. The money was seized and together with the materials against individual B for committing a crime under CC Article 254, Part 1 were referred to the LEAs for further investigation. The court found citizen B guilty of committing the crimes referred to in article 254, paragraph 1, of the CC and sentenced him to 3 years imprisonment and confiscation of a sum of US\$ 49,900 for the benefit of the State.

505. According to the materials of the customs authorities, no facts of ML and TF committed through the movement of cash or BNIs have been detected by LEAs, as well as there are no facts of criminal prosecution of persons for such actions. This situation is not the result of insufficient work of LEAs or SCS, but the result of the fact that the transferred undeclared amounts, in the vast majority of cases, are owned by the offenders themselves and are exported for the purpose of subsequent purchase of goods.
506. There are no examples when in cases of illegal movement of money in vehicles such vehicles were recognized as instrumentalities of crime (offence) and confiscated, but, in general, such practice is applied. In particular, during the mission, the SCS representatives provided examples where vehicles were confiscated as an instrumentality of smuggling other goods.
507. Statistics on court sentences for cash smuggling are not provided by the assessed country, which does not allow for a full conclusion about the effectiveness of sanctions applied for this act.
508. The SCS has a departmental Training Center that trains newly hired customs officers and also organizes advanced training courses for customs officers, including AML/CFT/CPF training. The main focus of the advanced training courses is to improve knowledge of the customs, currency, criminal and administrative NLAs. The officers are trained to improve customs control methods and to organize the fight against customs violations, smuggling and illegal movement of cash and BNIs across the customs border, as well as to apply RBA during customs control. The FMS

specialists are invited to the training courses held to improve their qualifications. The SCS, in agreement with the MNS, organises advanced training courses for customs officers on investigative and interrogation activities, including AML/CFT/CPF.

Table 3.32. Information on advanced training courses by SCS departments

	OOTK	OBNTP	OMTS	OTP	OTS	Analytical Department	Total
2017	4	4	4	2	2		16
2018	4	4	4	2	2		16
2019	4	4	4	2	2	2	18
2020	4	4	2	2	2	2	16
2021	4	4	2	2	2	2	16
Total	20	20	16	10	10	6	82

509. Thus, the statistical data provided by the country and examples of law enforcement practice allowed the AT to conclude that, in general, confiscation for cross-border movement of undeclared (falsely declared) currency as well as instrumentalities of customs crimes is applied in the country and in conjunction with visa restrictions and other measures taken by the country, is largely preventive in nature for the movement of funds and BNIs for ML and TF purposes.

3.4.4. Consistency of confiscation results with ML/TF risks and national AML/CFT policies and priorities

510. Based on the country's reported data on the use of confiscation (see above), in general, confiscation is used effectively for predicate offences that pose a high- and medium-level ML threat. The types of crimes for which money was confiscated (Articles 184, 185, 186 of the CC - corruption, 228 CC - fraud, 254 CC - smuggling, 294 CC - drug trafficking) generally correspond to the risk profile of the country.

511. There are also a significant number of confiscations in cases involving theft and robbery. As noted in [IO.7](#), this is primarily due to the fact that they occupy the largest share in the total number of predicate offences committed.

512. Along with the fact that the number of ML cases resulting from thefts and robberies occupies a significant share of the statistics, as well as the number of seizures of criminal proceeds and instrumentalities applied in these cases, the AT conclude that the threat level of thefts and robberies in the NRA may be somewhat underestimated.

513. In other cases, the practice of confiscation correlates with the conducted NRAs.

514. Given these considerations, as well as the practice of securing and applying confiscation in various categories of criminal cases, the AT conclude that confiscation of proceeds and instrumentalities of crime largely reflects ML/TF risk assessments and national AML/CFT policies and priorities.

Overall conclusion on IO.8

515. Turkmenistan pays significant attention to the confiscation of criminal proceeds as one of the objectives of criminal law policy, which is the subject of analysis and consideration at various state levels. The general context of the country (geographical location, visa policy and closed, to some extent, economy) makes the country rather uninteresting for criminals in terms of ML and TF, as well as for the transit of criminal funds, which in turn affects the types of funds confiscated in the country.

516. The search, seizure and confiscation of criminal assets domestically is at a significant level despite the fact that not all available information resources of government authorities are directly and immediately accessible to LEAs and FMS, which are accessed on request. There are moderate deficiencies in the organisation of confiscation statistics as well as limitations in the powers of the LEAs due to deficiencies in technical compliance with legislation (R.31, R.32 and R.33), which are offset in practice.

517. The country is taking steps to confiscate and recover the proceeds of crime that have been moved out of the country. In practice, there has only been one case of confiscation and repatriation of proceeds moved abroad.
518. Despite the absence in the legislation of the concepts of the criminal property equivalent and indirect income, in practice, in most of the demonstrated ML cases confiscation is carried out in an amount significantly higher than the directly obtained criminal income, which also covers the income derived from the use of criminal property.
519. The significant level of voluntary restitution creates prerequisites for the timely seizure of illicit proceeds from criminals before their involvement in laundering.
520. Confiscation is regulated in the law as an additional type of punishment (but only concerns the confiscation of criminal proceeds), as well as the criminal law mechanism of seizure of criminal proceeds and instrumentalities of crime provided for in Article 130 of the CPC, hence its purpose coincides with the results of the measures taken, assessed as the effectiveness of the system. Regardless of the method of application of confiscation (under Article 52 of the CC or Article 130 of the CPC), property and proceeds that in the opinion of the court are criminal are confiscated, as this is directly stated in the law.
521. There is no practice of non-conviction based confiscation due to the existence of competing permissive and prohibitive rules of law, nor is there any practice of a prosecutor suing for recovery of criminal proceeds in the absence of a conviction in the case, or of non-application of confiscation under a conviction or court order (ruling).
522. The mechanism for seizure, removal, management and confiscation of VAs is not defined by law since the circulation of VA is not developed in the country. Facts of ML or TF with the use of VAs have not been identified by the LEAs.
523. Confiscation for failure to declare or false declaration of funds in criminal proceedings is carried out at a significant level. Confiscation for the same acts, which constitute an administrative offense under Article 391 of the AOC, was not carried out due to the absence of this punishment in the AOC. This shortcoming does not have a significant impact on the overall level of the fight against the illegal cross-border movement of cash, but it is noteworthy that the NRA assesses the threat of cash smuggling as high.
524. Confiscation practices generally correlate with the AML/CFT risks and national policies.
525. **Turkmenistan is rated as having a substantial level of effectiveness for IO.8.**

CHAPTER 4. FINANCING OF TERRORISM AND FINANCING OF PROLIFERATION

4.1. Key Findings and Recommended Actions

Key Findings

Immediate Outcome 9

1. In general, the competent authorities adequately understand and assess the risks, including those caused by external factors. LEAs, however, do not fully understand the risks of using new technologies for TF purposes.
2. Turkmenistan has a regulatory framework and trained personnel in competent authorities to identify and investigate the facts of TF. There are no recorded terrorist crimes, including TF, in the country. CFT activities are mainly aimed at preventing such acts.
3. The country's LEAs power is limited to some extent in obtaining bank secrecy, which, along with the lack of direct immediate access to a wide range of information resources of competent authorities, insufficient attention to the study of financial aspects of possible criminal activity, reduces the possibility of timely and effective detection of TF. At the same time, the influence of this factor is mitigated by the effectiveness of the country's preventive measures to prevent terrorism and its financing, the absence of such facts and persons in so-called "hot spots," etc., which contributed to the low risk of FT in Turkmenistan.
4. The Turkmen authorities have largely integrated countering TF into national anti-terrorist strategies and are implementing preventive measures in support of counter-terrorism policy.
5. Discussion of the issues of countering TF at the existing coordination platforms is limited to the improvement of legislation. LEAs do not use joint formats of interaction within the framework of preventive measures aimed at identifying and preventing TF.
6. There is a mechanism according to which, a legal entity can be recognized as a terrorist and liquidated (with its activities prohibited), and its property can be confiscated and forfeited in favour of the state by a court order. However, this mechanism does not have a detailed procedure, nor does it have a procedure establishing which agency is responsible for identifying such organizations and collecting materials.
7. LEA and the court do not agree upon the qualification of actions related to the financing of criminal communities (including terrorist ones) under various articles of the CC.

Immediate Outcome 10

8. Turkmenistan has established and operates a system for the TFS application, but the existing practice of List dissemination to the FIs and DNFBPs, as well as their application of appropriate measures does not fully ensure the application of the TFS without delay.
9. The submission of designations to the UN Security Council committees and foreign states, as well as designation of individuals and entities at the national level, based on the information of the competent authorities of Turkmenistan, did not take place, which corresponds to the country's risk profile. No designations at the request of a foreign state took place, however no procedures for considering such requests was in existence until the adoption of the relevant act in July 2022.
10. The FIs and DNFBPs have demonstrated moderate understanding and fulfilment of their obligations regarding the application of the TFS, including tracking changes on the FMS website, measures to verify the List with the client base, procedures for resuming operations and unfreezing of assets.
11. Turkmenistan has decided to classify all public and religious organizations as NPOs. Their activities are monitored by the MJ of Turkmenistan on a continuous basis irrespective of NPO

specifics, which indicates on the absence of a risk-based approach. At the same time, the measures taken by the country with regard to monitoring the activities of NPOs is evaluated at a significant level. NPOs' representatives have shown a good understanding of the risks of their possible involvement in TF.

12. There have been no assets freezing on record, except for the case of a false positive. Other provisional measures have also not been applied, due to the absence of identified facts of TF.

Immediate Outcome 11

13. Turkmenistan has a unified legal framework for the application of the TFS for TF and PF, including the mechanisms of List development and dissemination, as well as measures stipulated under the regime and undertaken by the FIs and DNFBPs. The mechanism of implementation of the UN Security Council PF sanctions lists does not fully ensure the application of the TFS without delay.
14. The TFS regime for PF was legislated in 2021, by supplementing the regulatory framework governing the TFS on TF with provisions related to the application of TFS on PF. The country has provided details on the dissemination of the UN Security Council PF sanctions lists to reporting entities since 2015. At the same time, given that the legal right to freeze assets was not provided by the law, it is unlikely that if assets were detected before 2021, the FIs and DNFBPs would be able to carry out these actions.
15. Banks use automated software to work with the List, other FIs and DNFBPs verify the List manually, which in turn reduced the effectiveness of the TFS application.
16. Over the estimated period, there have been no cases of assets freezing associated with the designated persons, as well as the identification of persons involved in PF.
17. FIs and DNFBPs have demonstrated moderate understanding and fulfilment of their obligations regarding the TFS application, including on the identification of direct or indirect links with the designated persons, as well as sanction evasion.
18. The country has an effective customs and export controls system in place, which involves authorized agencies, including the SCS, the Ministry of Trade and Foreign Economic Relations, the Ministry of Defense, and which encompasses licensing the movement of dual-use goods and other strategic goods.

Recommended Actions

Immediate Outcome 9

1. LEAs should be provided with access to a wide range of information sources, including bank secrecy. LEAs should ensure that the requirements of the joint document regulating financial investigations are implemented. At the same time, it is important to make effective use of the analytical capabilities of the FIU and its powers in obtaining financial and other information in the country and abroad.
2. LEAs should consider the issues of countering TF as an independent activity more often, discuss them at the existing coordination platforms, and consider the introduction of permanent or temporary formats of interaction between competent authorities at the operational level.
3. To improve the existing mechanisms of liability of legal entities so that they make it possible to apply effective, proportionate, and dissuasive sanctions against them for involvement in TF.
4. The competent authorities need to agree on the qualification of crimes that have common features of the objective aspect with the TF.

Immediate Outcome 10

5. Turkmenistan should enhance the mechanism and practices of TFS regime in order to ensure the implementation of TFS without delay.
6. The competent authorities are recommended to strengthen measures aimed at raising the FIs and DNFBPs' awareness and understanding of their obligations related to TFS application, including on the necessity for all FIs and DNFBPs to verify the List with their client base, as well as on issues of resuming operations and unfreezing of assets.
7. The country should conduct a comprehensive assessment of the NPO sector in order to identify entities subject to FATF requirements.
8. Competent authorities should apply a risk-based approach when conducting supervision activities in relation to NPOs.

Immediate Outcome 11

9. Turkmenistan should take measures in order to ensure the full application of TFS without delay in practice, including the dissemination and receipt of the PF list by the FIs and DNFBPs without delay.
10. The country is recommended to ensure in practice that the FIs and DNFBPs are regularly and timely informed of the sanctions lists and ensure that sectors (other than banks) have adequate systems in place for the TFS implementation without delay.
11. It is recommended that the competent authorities enhance their activities aimed at providing guidance to FIs and DNFBPs, as well as other entities and individuals including by developing a specialized manual on the TFS implementation.
12. It is recommended to raise the level of awareness of all competent authorities, FIs and DNFBPs on TFS, including on the identification of direct or indirect links with the designated persons, sanctions evasion, as well as application of TFS in practice by all legal entities and individuals.
13. Supervisory authorities are recommended to strengthen supervisory measures to verify the application of TFS by the reporting entities and the application of appropriate sanctions in the case of violations and shortcomings.

526. The relevant Immediate Outcomes considered and assessed in this chapter are IO. 9-11. The Recommendations relevant for the assessment of effectiveness under this section are R. 1, 4, 5-8, 30, 31 and 39, and elements of R. 2, 14, 15, 16, 32, 37, 38 and 40.

4.2. Immediate Outcome 9 (TF Investigation and prosecution)

4.2.1. Prosecution/conviction of types of TF activity consistent with the country's risk-profile

527. The terrorist threat in Turkmenistan is low. No terrorist acts or any other manifestations of terrorist activity have been recorded in the country. This is confirmed by international studies in this area. Thus, according to the study "Global Terrorism Index"¹³, the rating of the terrorist activity level in Turkmenistan in recent years is 0.0.
528. The country conducted NRA-1 and NRA-2, which found that the risk of TF was low. The absence of terrorist crimes, including TF, as well as individuals and organizations in the national list of persons involved in terrorist activities mainly caused the low level of the TF threat. At the same time, the competent authorities consider foreign communities in Turkmenistan and persons influenced by radical ideology, including the Salafi movement, to be internal threat factors.
529. External factors of the TF threat are primarily due to the geographical location of the country. Turkmenistan has a fairly long border with Afghanistan, where a significant number of

¹³ The Global Terrorism Index and the ranking of countries by terrorism level make a comprehensive study that measures the level of terrorist activity in the countries and shows which of them face a terrorist threat and to what extent, on a scale of 0 to 10, where 10 stands for the highest level of terrorist activity.

international terrorist organizations are based. There was no influx of refugees from Afghanistan after the events of August 2021. There are Turkmen diasporas abroad, including those in Afghanistan, Syria, and Iraq. International terrorist organizations' cells operating in neighbouring and other countries also pose a threat. Moreover, citizens of Turkmenistan travel abroad, where they might be influenced by the radical ideas of terrorist organizations.

530. The country's authorities are well aware of the threats posed by international terrorist organizations and the risks associated with them, including a considerable number of Turkmen citizens traveling to foreign countries for study and work and for other purposes where there is a risk of them falling under the influence of violent extremist ideology, terrorism, and recruitment. According to the country's authorities, no cases of Turkmen citizens' participation in hostilities in Syria, Iraq, or other hot spots have been recorded. Due to the current visa regime with all countries, as well as strict border and migration controls, the Turkmenistan territory is not appealing for the transit of foreign terrorist fighters.
531. LEAs are well aware of various types of TF, such as "zakat", "hawala" schemes, the transfers of funds without opening a bank account and by means of bank cards, and the involvement of cash couriers, as well as commercial structures. However, LEAs understand the risks of using VAs, social networks, and crowdfunding platforms for TF purposes to a lesser extent. Probably, to a certain extent, this is due to the lack of risk assessment for the VAs' circulation. The lack of mechanisms for searching, identifying, seizing, and confiscating VAs also does not contribute to a better understanding of such risks.
532. In general, competent authorities adequately understand and assess the threats posed by terrorists, their organizations and accomplices, as well as persons financing terrorism. This is expressed, despite the absence of facts of the TF investigation, in the awareness of persons posing a threat of TF, the methods of TF that can be used on the territory of Turkmenistan and by its citizens abroad. Nonetheless, LEAs have a somewhat worse understanding of the possibilities for using the collection and movement of funds for TF with the help of new technologies (VAs, social networks, online donation services, etc.). This area requires moderate improvements.

4.2.2. TF identification and investigation

533. Turkmenistan has a regulatory framework for identifying and investigating the collection, movement, and use of funds by terrorists, terrorist organizations and their accomplices. The activities for the identification, disclosure, and investigation of TF are carried out in the form of PIA and pre-trial proceedings. Pre-trial proceedings are carried out in two forms: initial inquiry and preliminary investigation.
534. The MNS and the MIA are directly involved in the identification and investigation of the facts of TF. They conduct public and secret PIO, based on data from their own sources, the analytical materials of the FIU and information from foreign partners, as well as the FMS, whose employees carry out analytical work based on STR and other information received. The results of the investigatory activities are transferred to the investigative bodies, which charge specific persons with committing FT, after which cases along with indictments are transferred to the prosecutor's office and to the court for consideration on the merits.
535. The country's LEAs have units fighting against terrorism and its financing. The Organized Crime Directorate, which is responsible for combating terrorism, as well as the Directorate for Combating Economic Crimes, responsible for monitoring AML/CFT/PF issues, which have territorial subdivisions in the regions and border areas, are engaged in countering TF in the structure of the MIA. The MNS also has units engaged in countering terrorism and TF, as well as the necessary staff of investigators. FMS has divisions and analysts involved, among other things, in countering TF.
536. LEAs use the entire complex of PIO and investigative actions provided for by law for the purposes of proving TF.

537. According to the CPC, criminal cases related to terrorism, including TF, fall within the jurisdiction of the MNS, which, along with the identification, prevention, and suppression of terrorist activities, collects, evaluates, and summarizes information about the activities of foreign and international terrorist organizations. The powers of the MIA in the field of countering TF are limited to the territory of the state. Work with persons abroad goes beyond the competence of the department. In addition, taking into account the jurisdiction of cases in this category, in case the fact of FT is detected and criminal proceedings are to be initiated, the relevant materials will be transferred to the MNS.
538. The prosecutor's office monitors the implementation of AML/CFT/PF legislation. In the prosecutor's office system, there are units that monitor the activities of the Police Intelligence and investigation bodies, including the MIA, the SCS and the SMS, and there is also a separate unit responsible for overseeing the activities of the MNS. By the Orders of the Prosecutor General No. 17e of 18.07.2019 and No. 26e of 17.09.2021, concerning the improvement of the prosecutor's monitoring of the AML/CFT/PF legislation implementation, subordinate prosecutors are ordered to strengthen the prosecutor's monitoring of the legislation implementation in this area. The work plans of the GPO generally include measures to verify the implementation of AML/CFT/PF legislation.
539. In accordance with the instructions of the Prosecutor General, in the judicial review of criminal cases related to TF, lower-level prosecutors are instructed to ensure the participation of experienced public prosecutors. Judges do not specialize in considering cases of TF, but according to Article 62 of the CPC, cases under Article 271¹ of the CC are considered by regional courts.
540. According to the Turkmen authorities, there are no recorded terrorist crimes, including TF, in the country. CTF activities are mainly aimed at preventing such acts.
541. Taking into account the threats caused by the bordering with Afghanistan, the MNS constantly monitors the situation in the border area. According to the country's authorities, the border with Afghanistan is securely guarded, equipped with the necessary means of control, there was no influx of refugees from Afghanistan after the events in August 2021. Pre-emptive work is being carried out with the population of the border territories of Turkmenistan, elders are also involved.
542. During the meetings, representatives of LEAs claimed that control measures in relation to incoming and outgoing persons are carried out. In particular, the identification data of persons are checked against Interpol databases, including those for persons wanted for terrorist crimes and stolen/lost travel documents. When controlling the border crossing with Afghanistan, special operational databases of such persons are used. According to the results of the verification measures, the persons who are in these databases have not been identified. In addition, the authenticity of travel documents is checked, as well as interviews are conducted with persons both at the border and at their place of residence. However, specific examples of the above-mentioned activities are not provided.
543. The visa regime for visiting Turkmenistan has been established for all countries, without exception. All foreigners entering the country are subject to a thorough check when deciding whether to issue a visa. In accordance with the Law "On National Security of Turkmenistan", foreign citizens and stateless persons engaged in illegal activities, including those who were members of or related to a terrorist, extremist, anti-state, or other criminal organization, as well as those convicted of terrorist activities included in the list of terrorists by international organizations, are not allowed to enter the country.
544. Turkmenistan regulates access to the Internet and communication technologies in order to avoid their use for recruitment into extremist and terrorist organizations and radicalization leading to terrorism¹⁴. According to the information of the LEAs, they carry out systematic work to identify Internet resources that disseminate information inciting national discord and religious hatred, terrorist- and other extremist-related materials, and restrict access to them. Intelligence and

¹⁴ <https://www.broadbandchoices.co.uk/features/internet-accessibility-index>

preventive work, providing for the identification of persons and their social network prone to terrorist activities and registering them, are carried out. Counter-propaganda activities in order to prevent the dissemination of terrorism and extremism ideas among youth are also executed, and checks on the storage, use, and transportation of firearms, explosives, toxic and radioactive substances are performed. However, relevant statistics and examples for a full assessment of these activities' effectiveness are not provided due to the secrecy of information.

545. LEAs do not have full access to various sources of information and databases, including operational financial data, which are used to identify TF. The legislation does not allow in any cases for PIA to independently receive information from financial institutions that constitutes a bank secrecy to the Police Intelligence, while the investigative authorities can't receive such information in relation to other persons whose criminal investigation is not being conducted (i.e. not suspects or accused). This circumstance reduces the possibility of timely and effective detection of TF. At the meetings, the representatives of LEAs stated that despite the absence of revealed facts of TF and shortcomings of legislation, they use various secret methods, as well as the capabilities of the FMS to check individuals for involvement in terrorist activities and TF. No written requests were sent to the FMS during the period in question. This situation indicates that the LEAs' powers in studying the financial aspects of criminal activity are limited. At the same time, the influence of this factor is mitigated to some extent by the effectiveness of the country's preventive measures to prevent terrorism and its financing, the absence of such facts and persons in so-called "hot spots," etc., which contributed to the low risk of FT in Turkmenistan.
546. The level of awareness of LEAs about the goals and objectives of conducting parallel financial investigations for the purposes of TF varies, which is most likely due to the absence of a requirement for its mandatory conduct before the adoption of the "Instructions on the procedure for studying the financial aspects of criminal activity in the implementation of operational investigative activities, pre-investigation, inquiry, and preliminary investigation", approved by a joint order of the State Duma, the MIA, MNS of 01.08.2022. However, according to the representatives of the MIA, the work plans for operational accounting (secret documents) include items related to the study of financial aspects of criminal activity.
547. Cooperation at the operational level on the identification of cases of TF and the implementation of preventive measures is carried out only upon request; the competent authorities do not perform the activities of any permanent or temporary formats of interaction. The implementation of such cooperation formats would help to increase the effectiveness of countering TF, which is also indicated in the NRA-2.
548. The MIA, the MNS, GPO, the SCS and the SMS created bilateral interdepartmental documents on cooperation with the FMS. During the estimated period, LEAs did not send requests in the line of countering TF to the FMS. The FMS, in their turn, did not exercise proactive informing. The interaction between LEAs and the FMS was carried out only concerning training.
549. LEAs and the court do not agree on the qualification of crimes that have common features of the objective aspect with TF. During the meetings, the representatives of LEAs and the court could not clearly distinguish between the application of Articles 271¹ (Financing of terrorism), 169 (Mercenary activity) and 275¹ (Financing of criminal structures) of the CC, in terms of acts related to TF. Currently, due to the absence of TF facts, this problem is not acute, but it requires some resolution in the future in order to exclude discrepancies in the qualification of acts.
550. The competent authorities of the country are involved in international cooperation at the global and regional levels. In particular, Turkmenistan is a member of Interpol. The MIA has a National Interpol Bureau, through which LEAs have access to various databases of the organization. The country has registered or put on a so-called "stop list" 23 356 persons wanted by Interpol member countries for committing especially grave crimes, including 11 669 persons involved in terrorist activities. In turn, information about 8 333 lost Turkmen passports has been entered into Interpol databases.

551. Turkmenistan is an associate member of the CIS Antiterrorist Centre and participates in the programmes of this organization; the competent authorities regularly receive lists of persons involved in terrorist activities formed by the Centre and use them in their work.
552. Taking into account the external threat factors faced by the country (see core issue 9.1) the issue of international cooperation becomes important. The preventive measures taken by LEAs also cover persons traveling outside Turkmenistan and arriving from abroad. The lack of bilateral information exchange examples between LEAs and foreign partners directly and through the FIU does not allow us to assess the level of international cooperation of the country's competent authorities in countering TF.
553. Turkmenistan has an educational and methodological base that provides advanced training of specialists in the field of countering terrorism and its financing. The Institute of National Security conducts advanced training for the MNS staff involved in the identification and investigation of TF. For employees of the internal affairs bodies, a three-level training system is provided, including initial training, retraining, and advanced training, organized with the help of the Institute of the MIA Training Centre. During the reporting period, about 100 customs officers underwent advanced training at the departmental training centre. In addition, by agreement with the MNS, training courses for customs officers are constantly organized. LEA have prepared training manuals, including those devoted to countering TF, which are used by employees of these departments in their work. Also, employees of the competent authorities participate in the educational programmes of the OSCE, UNODC and the International Training and Methodology Centre for Financial Monitoring (ITMCFM). The training of judges on the issues related to countering TF is not carried out.
554. Thus, the activities of the competent authorities of Turkmenistan to identify and investigate TF require moderate improvements.

4.2.3. TF investigation integrated with –and supportive of- national strategies

555. There is no national AML/CFT strategy in Turkmenistan. The documents defining the policy in the field of countering FT are the National Strategy of Turkmenistan for the Prevention of Violent Extremism and Countering Terrorism for 2020-2024, approved by the Presidential Decree of 06.12.2019 (hereinafter referred to as the Strategy), as well as the National Action Plan for the implementation of the Strategy (hereinafter referred to as the National Plan), approved by Presidential Decree No. 2007 of 04.12.2020. This circumstance indicates that countering TF is considered in the context of the fight against terrorism, and not as an independent activity.
556. The Strategy and the National Plan cover the issues of countering TF quite well. In particular, the terrorist threats, including TF, are described, based on the results of NRA-1; it is noted that it is necessary to increase the effectiveness of interaction at the national level and further strengthen international cooperation, in particular, at the regional level. Much attention is paid to preventive measures, including work with vulnerable sectors of the population, migrants abroad, and youth, as well as in border areas, which corresponds to the risk profile of the country.
557. The President of Turkmenistan, heading the State Security Council of the country, determines the main directions of state policy in the field of countering terrorism and coordinates counterterrorism activities. Coordination of the activities of state bodies directly engaged in countering terrorism is carried out by the State Commission on Countering Terrorism, which was established by a decision of the President of Turkmenistan and chaired by him. Such a high status of the commission's head certainly demonstrates the importance attached to the issues of countering terrorism in the country. The commission consists of heads of legislative and executive authorities, as well as departments engaged in countering terrorism.
558. The main tasks of the State Commission for Countering Terrorism are: to develop proposals aimed at improving the effectiveness of work to identify and eliminate the causes and conditions that contribute to the emergence of terrorism and the implementation of terrorist activities, as well as the commission of other crimes carried out for terrorist purposes; to collect and analyse information

on the state and trends of the spread of terrorism in the country; to coordinate the activities of state bodies engaged in countering terrorism for the prevention, detection, and suppression of terrorist acts; to develop programmes to counter terrorism, etc.

559. There is no information about the consideration of countering TF issues within the framework of the State Commission on Countering Terrorism.
560. An operational headquarters is set up to directly lead a counter-terrorism operation, but its activities are limited to preventing an act of terrorism being prepared or committed and minimizing its consequences.
561. In order to ensure coordination of the activities of the competent authorities, as well as to develop and implement a policy in the field of countering TF in Turkmenistan, there is a Coordinating Interdepartmental Commission on Countering AML/CFT/PF, which ensures coordination of ministries and departments on the identification and minimization of CFT/PF risks. It should be noted that within the framework of the commission, the issues of countering TF were considered only regarding the improvement of legislation.
562. The Turkmen authorities have largely integrated countering TF into national anti-terrorist strategies and are implementing preventive measures in support of counter-terrorism policy.

4.2.4. Effectiveness, proportionality and dissuasiveness of sanctions

563. According to Article 271¹ of the CC, individuals committing TF are liable for 4 to 10 years of imprisonment, with confiscation of property. At the same time, if a crime is committed repeatedly or on a large scale, by a group of persons by prior agreement, through abuse of office, by a person performing managerial functions in commercial or other organizations, or by the head of a public association, the penalty may be from 8 to 15 years, with confiscation of property.
564. There have been no sentences for TF. Nevertheless, assessors believe that the sanction in the form of imprisonment for a term of 4 to 15 years is proportionate, dissuasive, and effective. Confiscation of property, as an additional measure, strengthens the adequate and deterrent nature of sanctions.
565. The criminal and administrative liability of legal entities for TF is not established by the legislation of Turkmenistan. According to the Law "On Countering Terrorism", a legal entity can be recognized as a terrorist and liquidated (with its activities prohibited), and its property can be confiscated and forfeited in favour of the state by a court order based on an application by the Prosecutor General of Turkmenistan or a prosecutor subordinate to him in the cases provided by law. However, there is no procedure establishing which of the departments is responsible for identifying such organizations and collecting materials, as well as a detailed procedure for this mechanism. Sanctions against legal entities apply to a limited number of subjects, and are dissuasive, but not proportional (see the annex on the TC in part R.5).
566. The sanctions for TF against individuals are sufficiently proportionate and dissuasive. However, the system of norms of responsibility of legal entities involved in criminal activity does not allow making sure that the principle of inevitability of punishment is observed. This situation is compensated by the absence of detected terrorist crimes and cases of involvement of legal entities in terrorist activities. Nevertheless, significant improvements are required in this field.

4.2.5. Alternative measures used where TF conviction is not possible (e.g. disruption)

567. According to the Turkmen authorities, there have been no cases of investigation of terrorist crimes, including TF, and there have been no court sentences for these acts. Nevertheless, the competent authorities indicated that they are considering the possibility of a different crime present in the actions of a person when it will be impossible to get a conviction for TF for any reason.
568. During the evaluation, LEAs provided information on their implementation of preventive measures aimed at preventing the cases of terrorism and TF (see core issue 9.2).

569. In Turkmenistan, there is a special commission on foreign citizens and stateless persons visa assessment, which includes representatives of bodies engaged in countering terrorism and TF. According to the Law "On Migration", one of the grounds for refusing a visa to a foreign citizen or a stateless person is their participation in terrorist, anti-state, extremist or other criminal organizations, or the involvement of the person in these organizations.
570. LEAs stated that they monitor the Internet for the identification of materials and content promoting destructive ideology. According to the Law "On Communications", on the territory of Turkmenistan the use of information sources promoting terrorism, calling for incitement of religious, national, and social hostility, and other prohibited actions using communication networks is prohibited on the basis of a reasoned judgment of the heads of the body conducting PIA or implementing a court decision. At the same time, informing the population about which sites, webpages, profiles in social networks, and materials are radical is not carried out.
571. Considering that the country copes with the terrorist threat inside, and also prevents the penetration of terrorist elements into the territory, taking into account the absence of identified facts of both terrorism and its financing, it is not possible to draw a conclusion about the effectiveness of alternative measures, since their application requires the presence of relevant acts, as well as the lack of the possibility of bringing persons for TF and the specified acts to justice.

Overall conclusion on IO.9

572. The TF threat in Turkmenistan is low. In general, the competent authorities adequately understand and assess the risks, including those caused by external factors. At the same time, LEAs do not fully understand the risks of using new technologies for TF purposes.
573. Turkmenistan has a regulatory framework and generally trained personnel in competent authorities to identify and investigate the facts of TF. There are no recorded terrorist crimes, including TF, in the country. CTF activities are mainly aimed at preventing such acts.
574. Limited power of LEAs in obtaining bank secrecy, along with the lack of direct immediate access to a wide range of information resources of competent authorities, insufficient attention to the financial aspects of possible criminal activity, reduces the possibility of timely and effective detection of TF.
575. The Turkmen authorities have largely integrated countering TF into national anti-terrorist strategies and are implementing preventive measures in support of counter-terrorism policy.
576. The application of proportionate and dissuasive sanctions against individuals is envisaged. Sanctions against legal entities apply to a limited number of subjects, are dissuasive, but not proportionate. It is not possible to assess the effectiveness of the sanctions' application due to the absence of detection of TF and convictions for them.
577. It is necessary to develop common understanding of the qualification of actions related to the financing of criminal communities (including terrorist ones) under various articles of the CC.
578. **Turkmenistan is rated as having a substantial level of effectiveness for IO.9.**

4.3. Immediate Outcome 10 (TF Preventative measures and financial sanctions)

579. During the period under assessment, Turkmenistan's legislation did not fully provide for the TFS application without delay. These shortcomings were remedied following the amendments made during the onsite mission.¹⁵

4.3.1. Implementation of targeted financial sanctions for TF without delay

¹⁵ Order of the Minister of Finance and Economy of Turkmenistan No. 252is.

580. The FMS is responsible for submitting designations to the relevant UN Security Council Committees. Proposals to include individuals in the UN Security Council sanctions lists have not been sent by the country, which is due to the absence persons linked to terrorist activities and cases of organizations being recognized as terrorist.
581. According to the requirements of the Turkmenistan legislation, the formation of a list of persons involved in terrorist activities on the basis of the UN Security Council sanctions lists is not carried out, according to the national legislation the FMS only disseminates the UN Security Council sanctions lists, in particular the lists of designated persons involved in terrorist activities based on the UNSCR 1267 and its successor resolutions, through links on its website to the relevant pages of UN Security Council Committees site. Amendments to the List on the basis of the UN Security Council sanctions lists do not require further approval or endorsement on a national level, which indicates that the obligations to apply the UN Security Council lists on the territory of Turkmenistan are enforceable from the moment the relevant information is published on the website of this organization. Organizations that carry out transactions with cash or other property are required to independently monitor such changes.
582. In addition to this, the FMS notifies supervisory authorities and reporting entities by phone and sends detailed information about changes in the UN Security Council sanctions lists via electronic communication channels and mail.
583. By the order of the Chairman of the FMS of 24.01.2019, an FMS employee was appointed responsible for the continuous monitoring of changes in the UN Security Council sanctions lists. The responsible employee is obliged to check for updates in the UN Security Council sanctions lists at least three times a day (at 09:00, 14:00 and 17:30 local time), including on weekends and public holidays, which clearly demonstrates the regularity of this work and sets a minimum number of update checks and ensures that any changes in the UN Security Council sanctions lists is disseminated to state bodies, persons carrying out operations or transactions with funds or other property without delay.
584. The country provided copies of the log, which records, including on the weekends and public holidays, the date and time when information about changes in the UN Security Council sanctions lists was brought to the supervisory authorities by phone.

Case Study 4.1. Informing the supervisory authorities about changes in the lists of the UN Security Council

On May 1, 2019, one individual was designated in the UN Security Council sanctions list for ISIL, Al-Qaeda and related individuals and organizations, and changes were introduced to the data of 80 individuals and organizations.

On May 2, 2019, before 9:25 am, the supervisory authorities were notified by the FMS of these changes over the phone, this is confirmed through an entry in the log of informing the supervisory authorities.

Case Study 4.2. Informing the supervisory authorities about the changes in the lists of the UN Security Council on the weekends

On May 27, 2022 the UN SC list on ISIL, Al-Qaeda and related individuals and organizations was amended to the date of 6 individuals.

On May 28, 2022 on Saturday before 9.25 am the supervisory authorities were informed by the FMS over the phone of the changes made, this is confirmed through an entry in the log of informing the supervisory authorities.

585. In turn, the supervisory authorities were unable to demonstrate the dissemination of information about changes in the lists of the UN Security Council to their reporting entities without delay.
586. Moreover, apart from the existing mechanism, information about changes in the UN Security Council sanctions lists is also received through the MFA, this information is initially sent by the

FMS to the supervisory authorities with a cover letter by mail, and they, in turn, inform the reporting entities. This information is received by the FIs and DNFBPs after a few days, after the changes are made in the UN Security Council sanctions lists. The mechanism allows for additional control over the comprehensiveness of amendments to the UN Security Council sanctions lists.

587. According to the explanations of the FIs and DNFBPs, some of them, such as banks, commodity exchange, dealers of precious metals and precious stones, and lawyers monitor the FMS website independently, however during face-to-face meetings, these employees demonstrated insufficient knowledge and skills to track changes in the lists of the UN Security Council and the daily nature of this work. Other FIs and DNFBPs, in particular professional participants of the securities market, insurance companies, and the post office are guided by notifications received from the supervisory authority. Absence of electronic communication channels does not ensure the dissemination of information by supervisory authorities to reporting entities without delay (except banks and notaries).
588. The main stages of the TFS regime and their execution in time are as follows.

Table 4.1. The process of communicating the List updates and application of the TFS

Stage	Time interval
Publication of information on the UN Security Council website	The beginning of the countdown
The FMS monitoring of changes on the UN Security Council website, checking for updates in the UN Security Council sanctions lists	Daily at 9.00, 14.00 and 17.30
Publication of up-to-date lists on the FMS website, sending information about changes to the FIs and DNFBPs	Within no longer than 30 minutes
The FIs and DNFBPs' monitoring of the FMS website for changes in the List	Daily on weekdays
The FIs and DNFBPs' receiving the information about changes in the List on the basis of a letter from the FMS	From several hours (when using electronic communication channels) to one day or more (when sent by mail)
Transfer of information by the responsible employee of the FIs and DNFBPs to other employees working directly with clients	No later than 2 hours after receiving the information from the FMS or reading it on the website
Verification of the List with the client base, freezing of funds, blocking of operations and (or) refusal to conduct them	Without delay, but no later than one working day
The general delay in the implementation of the TFS when the list is published on the UN Security Council website, for example, at 14.00 New York time	On working days from 10 hours to 20 hours, in case of independent monitoring of the FMS website by the FIs and DNFBPs, and up to 34 hours or more, in case of receiving updates to the List based on a letter by mail. Taking into account two weekends, up to 68 hours (around 3 days).

589. Thus, considering that some FIs and DNFBPs do not monitor independently the FMS website in practice, but are guided by letters from the supervisory authorities on the updates to the sanctions list, including those received by mail (see [10.11](#)) the application of TFS based on the UN SC sanctions lists is not fully applied without delay in Turkmenistan during the reporting period.
590. The national list is compiled and updated by the FMS in accordance with the information provided by the SC, the GPO, the MNS and the MIA, if the grounds for inclusion of individuals and organizations provided for by law exist. At the same time, the grounds for inclusion of natural persons shall be conditioned by the existence of a criminal case.
591. Individuals and organizations were not included in the national list, which can be explained by the absence of terrorist crimes, as well as cases of recognition of organizations as terrorist and corresponds to the risk profile of the country. During the meetings, MNS representatives explained that an internal document of the agency defined the unit responsible for this work and the relevant procedures.

592. Due to no designations of persons on the National List, it was not possible to fully assess the effectiveness and timeliness of these actions in practice. However, given that the legislation provides for the establishment of the National List without delay, as well as the existing internal procedures within the agencies, as stated by representatives of the competent authorities during the meetings, the AT believe that the mechanism for listing individuals on the National List should such cases of designation arise can ensure the application of these actions without delay.
593. With the adoption of Order No. 19-Ö of 28.07.2022 of the Chairman of the FMS and the amendments to legislation (Order No. 252is of the Minister of Finance and Economy of 17.08.2022) in August 2022 the previously absent procedures for consideration of foreign requests for the application of TFS was established. According to this procedure, the FMS shall without delay, but no later than three hours after receipt of the foreign state's request, prepare all received documents and send them to the SC, the GPO, the MNS and the MIA, which shall examine the information and materials received, after which they shall without delay, but no later than six hours, take the relevant decision and inform the FMS of the decision by official letter.
594. During the reporting period, there was one case of receiving a request for the application of the TFS from the competent authorities of foreign state.

Case Study 4.3. Consideration of a request from a foreign state

On September 8, 2017, the FMS received a request from the FIU of a foreign state to consider the application of the TFS in relation to 419 persons wanted by the LEA of this country for committing crimes related to terrorism.

The FMS conducted a search in its database, the results of which revealed that there were no STRs for the persons specified in the request of the foreign FIU and these persons were not involved in the financial analysis of the FMS.

On September 13, 2017, information about these persons was sent to the CB, the MIA, the State Migration Service, GPO, and the State Border Service. It was found that the persons involved in the request do not have any accounts and assets in financial institutions and did not make financial transactions.

595. The persons indicated in the request were not designated domestically, but their assets were searched, according to the results of which no funds were identified. The country has not provided information on what criteria of sufficiency of grounds the specified request was considered, nor has it provided the information for the decision not to include these persons in the National List, which may be due to the lack of regulation of the procedure for considering requests from foreign states on the application of the TFS until recently.
596. As can be seen from the above example, it took 5 days to make a decision at the request of a foreign state and send letters to the appropriate authorities of Turkmenistan. It should also be noted that only financial institutions carried out the search for the assets of the persons specified in the request.
597. The mechanism and timing for the dissemination of the list, the implementation by the FIs and DNFBPs of their obligations to implement TFS under the UNSCRs sanctions lists (see Table 10.1), which are also applicable to national listing practices, does not allow to fully ensure the implementation of the TFS in accordance with UNSCR 1373 without delay.
598. Due to the absence of identified persons involved in terrorist activities, requests for the use of the TFS were not sent to other countries.
599. The FIs and DNFBPs, when identifying transactions or funds or other property of the client, as well as other participants of the operation designated in the List, have mechanisms for suspending the operation and freezing assets. However, as stated in R. 6 the obligation to freeze funds or other assets does not apply to all natural or legal persons.
600. Banks use automated software (Colvir, Sanctions screen) to work with the List, other FIs and DNFBPs verify the List manually. Mostly, the verification is carried out during the operations, the client base is not checked regularly, except for banks. Some of the banks perform reconciliation of the client base with the List at the end of the working day, when the List has been updated.

601. During the onsite mission, the country provided information about a false positive case. Despite the fact that this case was the only one, it generally demonstrates the efficiency of the mechanism for applying the TFS.

Case Study 4.4. False-positive alarm

On July 13, 2017, Bank "T" suspended the operation and frozen funds in the amount of 2.1 million US dollars and 1.8 million Saudi rials intended to pay expenses related to the performance of the "Hajj" rite of 1505 citizens of Turkmenistan in Saudi Arabia to the person "A.A.Z." due to the partial match of the recipient's data with the data of ZAKI EZAT ZAKI AHMED (QDi.193), designated in the UN Security Council sanctions list for individuals and organizations associated with ISIL and Al-Qaeda.

On July 13, 2017, the bank sent an STR to the FMS, which carried out the appropriate check within 2 hours and 45 minutes and informed the bank by phone beforehand that the recipient of the funds was not a person included in the lists of the UN Security Council, and thereby confirmed the false-positive alarm.

602. FIs and DNFBPs report the suspension of operations and the freezing of assets, which is confirmed by the proven case of the above-mentioned fact of false positive of the TFS regime.
603. There are no cases of persons being excluded from the List and assets being unfrozen, except for the above-mentioned false positive case. There are also no examples of granting access to frozen funds.
604. The FIs and DNFBPs are not sufficiently aware of the procedures for resuming operations and unfreezing of assets, which is probably due to insufficient provision of guidance on these issues.
605. In general, the FIs and DNFBPs have demonstrated a moderate understanding of their obligations regarding the implementation of measures for the application of the TFS.
606. Representatives of the FMS reported that there is also a working interaction with employees of the FIs on issues arising during the execution of requirements related to the TFS.
607. The circulation of virtual assets is merely regulated, and, consequently, the TFS are not applied to it.
608. Training and professional development of competent authorities' employees, FIs and DNFBPs on the application of the TFS is carried out. At the same time, some questions remain to the FIs and DNFBPs concerning certain areas of the TFS implementation (described above).
609. Turkmenistan is making certain efforts to implement the TFS without delay, however, the existing practice of designating individuals, dissemination of the List to the FIs and DNFBPs, as well as their application of appropriate measures indicate that the system requires significant improvements.

4.3.2. Targeted approach, outreach and oversight of at-risk non-profit organisations

610. Turkmenistan is taking significant measures to prevent the use of NPOs for financing terrorism.
611. One of the accepted mechanisms to mitigate the possibility of involving NPOs in TF is a special registration procedure for NPOs. In particular, a special Commission has been established to review materials on the registration of religious organizations and public associations, which includes representatives of the MJ, the MFA, GPO, the MIA, the MNS, the SMS, and the Commission for Work with Religious Organizations and the Examination of Resources Containing Religious Information, Publishing and Printing products. This commission decides on registration or refusal to register an NPO.
612. Based on the results of the NRA-2, a decision was made to classify all public associations and religious organizations of Turkmenistan as NPOs that fall under the FATF definition and require the use of measures to reduce the risks of TF.
613. As of January 1, 2022, 133 public organizations and 134 religious organizations were registered in Turkmenistan. A significant number of religious organizations are of the Islamic faith (111

organizations, 106 of them are Sunni, 5 are Shiite); 12 Orthodox organizations and 11 organizations professing other religions and confessions are also registered.

614. The NPO sector is supervised by the MJ on a continuous basis without taking into account the specifics of the NPO sector, thus indicating a lack of a risk-based approach. At the same time, supervisory measures are being carried out with respect to the entire NPO sector; therefore, measures are being taken to reduce the risk of using any type of NPO for TF purposes. Supervision measures include: carrying out inspections of NPOs, registering and verifying foreign donations and their implementation, monitoring religious organisations for compliance with legislation, examining and analysing the activities of religious organisations, religious expertise, obtaining reports on the work done by NPOs, etc.
615. The MJ and FMS have signed a memorandum of cooperation, according to which FMS employees can be involved in inspections conducted by the MJ. Moreover, the MJ, at the request of the FMS, provides information on incoming entrance and membership fees, as well as donations received by NPOs. The FMS is obliged to send information regarding foreign aid, the amount of which exceeds the threshold of 57 000 manats.
616. The competent authorities (the MJ, the FMS) conduct explanatory and outreach work with NPOs regarding the risks of them being used for TF purposes, seminars for NPOs are held on an ongoing basis with the involvement of relevant experts. According to the results of the NRA-1, NPOs had a weak understanding of the risks of AML/CFT, therefore, the MJ, together with the competent authorities, carried out awareness raising work with NPOs about potential risks and vulnerabilities and ways to mitigate them. When conducting NRA-2, NPOs had a greater awareness of the risks of their possible involvement in TF.
617. Training for representatives of the MJ on CFT related issues have been organized.

Table 4.2. Number of seminars and training events on AML/CFT conducted for NPOs in the period 2017-2022.

Year	Number of events	Initiator of the event	Participants	Number of participants
2016	2	The MJ	The MJ and NPOs	50
2017	5			40
2018	4			50
2019	6			180
2020	14			250
2021	31 (The MJ) 20 (international)	The MJ, The FMS	The MJ, the FMS, NPOs, international organizations	300
2022	6 (The MJ) 21 (international)			350

618. The MJ has also developed a memo for NPOs on preventing the use of NPOs for TF purposes. This memo provides information on how NPOs can be used for TF purposes, what facts indicate that an NPO is used for TF purposes, how an NPO can protect itself and what actions should be taken if facts of possible use of NPOs for TF purposes are revealed. In addition, there are links to the pages of the UN website for more information.
619. The MJ constantly updates NPOs on the list of persons involved in terrorist activities; representatives of NPOs have also demonstrated knowledge of the order for TFS application.
620. Additionally, the AT notes that for NPOs in Turkmenistan, the requirements for ICR for NPOs have been approved, which are similar to those for FIs and DNFBPs. These requirements include the availability of various programmes for NPOs: organization of internal control; identification; monitoring and studying of operations and transactions; identification of operations subject to special control; regulation of the procedure for freezing operations, training of members and employees of NPOs, etc. At the same time, in view of the AT, some provisions of this requirement are redundant, but no significant impact on the restrictions on the legitimate activities of NPOs has been revealed.

621. One of the risk factors for the involvement of NPOs in TF may be financial aid from abroad. Nevertheless, the representatives of NPOs who attended the meeting with the AT indicated that the flow of funds from abroad is insignificant, donors are well-known international organizations, and there is a strict mechanism for monitoring the use of foreign aid in the country.
622. The Decree of the President of Turkmenistan No. 12782 of January 18, 2013 established the State Commission for Coordination and Control of activities on state accounting of projects and programmes of gratuitous foreign technical, financial, humanitarian assistance, as well as grants.
623. The MFA makes a preliminary decision on the need for all types of foreign aid, and then, after examining all the information provided, the State Commission decides on registration or refusal of foreign aid.
624. Reports on the use of foreign aid are sent to the MJ every six months. The Ministry also has the authority to obtain additional information from an NPO regarding its activities.
625. In case an NPO collects cash, there is a mechanism for its further crediting to the account of the NPO. In addition, an NPO has the right to open only one bank account in Turkmenistan. In the country, fundraising is carried out through charity boxes, so religious organizations must have iron boxes with inventory numbers. The box is placed in a certain place (changing location is prohibited) with video surveillance installed. The opening of the box is carried out by at least 3 people appointed by the order of a religious organization, they draw up an act with a detailed description of the amount of funds collected. The act is drawn up in three copies: for the head of a religious organization, the control and audit commission, and for accounting. Next, the funds must be deposited to the account of the religious organization, and the bank verifies the submitted documents. On the territory of Turkmenistan, religious organizations are banned from spending funds in cash received from donation boxes.
626. In addition to the supervisory body (the MJ), monitoring of NPOs' activities is carried out by banks during transactions, and by tax authorities as part of verification process.
627. Sanctions against NPOs include general measures provided in the CC (illegal creation of public and other associations or participation in their activities, illegal interference of public associations in the activities of state bodies) and in the Code of Administrative Offenses (violation of the procedure for organizing the work of a public association). In 2019, violations of the terms of use and reporting on the use of foreign aid were identified (sanction - warning), in 2020 - violations of the procedure for registration of legal entities and record keeping (sanction - warning), in 2021 - violations of the procedure for registration of legal entities and record keeping (sanction - warning). The identified violations have been eliminated.

Table 4.3. Number of NPOs sanctioned

2017	2018	2019	2020	2021
-	-	1	3	1

4.3.3. Deprivation of TF assets and instrumentalities

628. There was no freezing of assets and suspending operations of designated persons, except for the above-mentioned false positive case.
629. Due to the absence of criminal cases for TF, the property was not seized.
630. The legislation establishes a mechanism for the confiscation of the property belonging to a legal entity that, by a court decision, is recognized as terrorist in the cases provided for by law and its forfeiture in favour of the state. Due to the absence of cases of legal entities being recognized as terrorist, such facts also did not take place.

4.3.4. Consistency of measures with overall TF risk profile

631. According to the results of NRA-1 and NRA-2 and in the view of the AT, the risk of TF in Turkmenistan is low.

632. The absence of individuals and organizations in the National List, as well as cases of their assets' freezing and the implementation of other security measures, generally corresponds to the TF risk profile of the country.
633. Despite the absence of risk-based supervision in the NPO sector, Turkmenistan is making significant effort to prevent the use of NPOs for terrorist financing.
634. The resources of the competent authorities to perform their functions on the application of the TFS and work with NPOs, taking into account the country context and low level of TF risk, seem adequate.

Overall conclusion on IO.10

635. Current TFS regime in Turkmenistan does not fully ensure the application of TFS without delay. The country needs significant improvements in dissemination of the List to the FIs, DNFBPs, and other persons, as well as fulfilment of their obligations. It is also required to conduct training for the relevant employees of the FIs and DNFBPs, as well as certain employees of the competent authorities on TFS issues (freezing, unfreezing, search, verification, etc.).
636. Sufficiently strict control and supervision over the activities of NPOs, including rigorous and multi-level monitoring of donations coming from abroad, as well as the subsequent expenditure of funds, reduce and sufficiently mitigate the risk of using NPOs for terrorist financing.
637. The measures taken by the authorities of Turkmenistan are generally sound and correspond to the TF risk profile of the country.
638. **Turkmenistan is rated as having a moderate level of effectiveness for IO.10.**

4.4. Immediate Outcome 11 (Financial sanctions for proliferation financing)

639. Turkmenistan does not have common borders with the DPRK, and there is no embassy of this country. There is no trade turnover with the DPRK. The border between Turkmenistan and Iran is quite long. According to the representatives of Turkmenistan, by the end of 2021, the trade turnover between the countries amounted to 297.8 million US dollars and in relation to 161.8 million US dollars in 2020 it has increased by 1.8 times. At the same time, goods worth 140.5 million US dollars were exported to Iran; it was mainly mineral fuel, construction materials, fertilizers, cotton, and silk. Imports from Iran amounted to 157.3 million US dollars.
640. The country maintains export control and strict control over the turnover of dual-use goods. Customs offices are furnished with the necessary equipment, through which all cargo transported across the customs border is scanned without exception. According to the competent authorities of the country, there was no trade in dual-use goods with the DPRK and Iran, as well as illegal movement of these goods.
641. A branch of an Iranian bank (100% foreign capital) has been operating in Turkmenistan since May 1992. It was established through the trade and economic agreement of 1992 between Turkmenistan and Iran. The bank's activities are mainly limited to cash and settlement services (total number 142): crediting funds to accounts, issuing salaries, including those for employees of the Iranian Embassy, visa processing services, etc. The bank's performance in the ratio of the banking system's performance is minuscule. For example, the currency of the balance sheet makes up only 0.04% of consolidated assets, the funds attracted make up 0.03% of all attracted funds, and the amount of credit investments is so small, that its specific weight is not calculated. The bank's cash desk operates as a receiving cash desk, and all receipts are transferred to another bank at the end of the day. Banks regularly submit reports to the CB and are subject to all AML/CFT/CPF requirements established by law.

4.4.1. Implementation of targeted financial sanctions related to proliferation financing without delay

642. Turkmenistan has a unified legal framework in the field of countering PF and TF. Accordingly, the mechanism for applying the TFS for PF is identical to the procedure for applying the TFS for TF.
643. The use of the TFS based on the UN Security Council PF lists was legislated in 2021, but representatives of the FMS provided information confirming that they have notified reporting entities about changes in the UN Security Council PF sanctions lists through supervisory authorities since 2015. At the same time, it is unlikely that the FIs and DNFBPs would be able to freeze assets if such cases were identified before 2021, given the lack of legal right to do so.
644. According to the Turkmen legislation, the formation of a list of persons involved in PF on the basis of the UN Security Council sanctions lists is not carried out, the FMS only disseminates the UN Security Council sanctions lists, in particular the lists of persons and organizations in accordance with UN Security Council Resolutions 1718 and 2231 by placing links to the relevant pages of UN Security Council Committees site on its own website. The FIs and DNFBPs are obliged to independently monitor changes.
645. Moreover, there are additional mechanisms used to notify the FIs and DNFBPs of changes in the UN Security Council sanctions lists. Thus, the FMS has appointed an employee, who is responsible for continuous monitoring of the UN Security Council website (on a daily basis, including the weekends and public holidays). If there are any updates in the UN Security Council sanctions lists, this employee is obliged to ensure that they are disseminated without delay to state bodies and persons carrying out operations or transactions with funds or other property. The FMS provided data confirming the dissemination without delay of updates of the UN Security Council sanctions lists to the supervisory authorities in order to further instruct the FIs and DNFBPs. In turn, the supervisory authorities failed to demonstrate the efficiency of informing their reporting entities about changes in the List. The procedure for List dissemination, including the issues of without delay are described in more detail in IO.10.
646. According to the legislation of the country, it is possible to designate persons and organizations involved in PF, if there is such information obtained from national and foreign competent authorities, although this is not required by FATF standards, nor have there been such cases.
647. Not all FIs and DNFBPs independently monitoring changes on the FMS website were able to demonstrate high quality of skills and the daily nature of this work. Other FIs and DNFBPs are guided by notifications received from the supervisory authority, but the absence of electronic communication channels (except banks and notaries) fails to ensure that the information is disseminated without delay by the supervisory authorities.
648. The FIs and DNFBPs have mechanisms for suspending operations and freezing assets, in case of identification of transactions, funds or other property of the client, as well as other participants in the operation, who were included in the List.
649. Banks use software products that allows to automatically verify the identification data of a participant in the operation with the List and, if there is a match, including partial to notify about it. Bank staff will then without delay verify all the identification data of the party to the transaction and the person on the List, using the information available, information received from the customer, public sources, etc. The transaction is carried out only if the bank staff verifies that the data partially matches (only the name or surname, part of the name or surname, etc.), otherwise the transaction is suspended and the funds are frozen and a message is sent to the FMS.
650. During the onsite mission, banks demonstrated a few examples of automatic freezing of operations at an operator's workplace when attempting to perform an operation on behalf of a designated person.

Case Study 4.5. Commercial Bank

During a visit to one of the banks, evaluators were shown the work of the software product for verification with the List.

When the operator entered the name MOHAMMAD into a special form to be filled out during the operation in accordance with the established procedures of the institution, a window appeared on the

computer screen with a warning that the data match that of persons included in the UN Security Council sanctions lists, including those created in accordance with Resolution 2231 (IRi.014, IRi.017, IRi.026, IRi.027, IRi.042, and IRi.043).

651. Other FIs and DNFBPs verify the List manually, using an electronic version of the List on a computer or its print version.
652. Mainly, verification is carried out in the course of the operations, and the client base is not regularly checked, except for banks. Some of the banks perform reconciliation of the client base with the List at the end of the working day, when the List is updated.
653. The FIs and DNFBPs are obliged to immediately report to the FMS any frozen assets and suspended transactions.
654. There have been no cases of freezing of assets and, accordingly, unfreezing and granting access to frozen property under PF. However, the above example of partial match, along with the case of a false positive (Case Study 10.3), generally confirms the efficiency of the mechanism for applying the TFS.
655. At the same time, the FIs and DNFBPs are not well aware of the procedures for resuming operations and unfreezing of assets, and in general have demonstrated a moderate understanding of their obligations in terms of implementing measures for the application of the TFS.
656. There have been no investigations into cases of non-compliance and violations of the TFS for PF, but the competent authorities have information exchange mechanisms established by bilateral documents on interaction. LEAs have the most complete understanding of the concept of beneficial ownership and, when identifying beneficial owners in relation to legal entities in case of investigating the violations of the UNSCR on PF, rely heavily on the current CDD system conducted by the FIs and DNFBPs, as well as on information from the SSRLE. Such information is available to LEAs upon request in the SSRLE, directly at the FIs and DNFBPs, or through the FMS.
657. The circulation of virtual assets is merely regulated, which results in the absence of a TFS regime in this area.
658. The competent authorities have adequate resources to perform their functions for the application of the TFS. Appropriate training has been conducted, but it seems to be insufficient, due to the FIs and DNFBPs' poor understanding and fulfilment of their obligations on TFS.
659. Thus, the measures taken by the country do not fully ensure the application of the TFS without delay.

4.4.2. Identification of assets and funds held by designated persons/entities and prohibitions

660. The FMS disseminates the UN Security Council sanctions lists by posting links to the relevant pages of the UN Security Council website on its own website, and updates the FIs and DNFBPs on changes in the UN Security Council lists by sending information through the supervisory authorities. From the receipt of the information that an individual or legal entity has been designated, the FIs and DNFBPs take appropriate measures, including freezing of assets and blocking of transactions.
661. Along with the freezing of funds or other property that belong to or are controlled by the designated individual or legal entity, the following are also subject to freezing: funds or other property that are fully or jointly, directly or indirectly controlled by individuals or legal entities included in the list; funds or other property received or acquired at the expense of funds or other assets owned or controlled, directly or indirectly, by individuals or legal entities included in the list; funds or other property of individuals or legal entities acting on behalf of or under instruction of these persons.
662. Despite the existence of these requirements, the FIs and DNFBPs, in general, failed to show a sufficient level of understanding of identification of direct or indirect links with the designated

persons, as well as sanctions evasion, which indicates that their work is focused on identifying transactions and funds belonging only to designated persons.

663. Automated software to work with the List are used only by banks, other FIs and DNFBPs verify the List manually. During the onsite mission to banks, evaluators were shown examples of automatic freezing of operations at an operator's workplace when attempting to perform an operation on behalf of a person included in the List.
664. The FIs and DNFBPs are reconciled during operations; the client base is checked exclusively by banks, some of which verify the client base with the List at the end of the working day, when the List is updated.
665. No assets of persons included in the PF lists were frozen. There were no STRs related to PF during the reporting period, and there are also no investigations and prosecutions related to PF.
666. The SCS and the FMS established cooperation aimed at identifying funds and other assets belonging to persons involved in PF. The FMS informs the SCS about the UN Security Council PF sanctions lists, which are integrated into the "Risk Management System" module, through which legal entities participating in export-import operations are verified. There were no matches and there are no other formats of interaction.
667. Coordination of PF-related activities is carried out by the interdepartmental AML/CFT/PF Commission. However, the Ministry of Trade and Foreign Economic Relations and the Ministry of Defense are not members of this commission. Operative issues are not considered (see IO.1 for details).
668. Based on the above, the evaluators concluded that the coordination of activities and operative interaction on PF-related issues is limited.
669. Turkmenistan has a legislative and institutional framework for the implementing export control and monitoring of the dual-use goods' movement. The SCS and the Ministry of Trade and Foreign Economic Relations are the competent authorities on these matters. At the same time, the Ministry of Defense is the national authority responsible for the implementation of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction of January 13, 1993.
670. The Decree of the President of Turkmenistan No. 1987 of November 24, 1993 approved the lists of specific goods (works and services), the export and import of which is carried out under licenses with the permission of the President and the Cabinet of Ministers of the country. The lists include nuclear materials, technologies, equipment and installations, special non-nuclear materials, sources of radioactive radiation, dual-use materials, equipment and technologies, which can be used in the creation of missile, nuclear, chemical, and other types of weapons of mass destruction, chemical agents, poisons, etc.
671. Turkmenistan has adopted the Action Plan for the Implementation of UN Security Council Resolution 1540 (2004) for 2018-2022, which also covers PF-related issues. Within the framework of this Plan, the SCS monitors compliance with the provisions on licensing and authorisation provisions in case of the omission of goods through the customs border of Turkmenistan provided for by UN Security Council Resolution 1540. The customs authorities of the country are provided and use stationary X-ray equipment for customs control, which scans all cargo transported across the border, as well as radiation pagers. In order to monitor the movement of strategic goods and dual-use goods, codes of these goods stated in the Foreign Trade Goods Classification of the Eurasian Economic Union were entered in the electronic declaration system "ASYCUDA" in the module "Risk Management System".

4.4.3. FIs and DNFBPs' understanding of and compliance with obligations

672. The FIs have demonstrated a moderate use of special measures for TFS against TF/PF in terms of timely sanctions lists updating, as well as checking if existing clients are in these lists. In banks, this process is automated (the lists are embedded in the automated banking system) and when

performing an operation or checking the customer base, a partial or complete match is detected automatically. In the case of other FIs, a second computer with Internet access is used to verify clients with the sanctions list, and verification is carried out manually, which reduces the effectiveness of the TFS application. Despite the fact that the sanctions list is publicly available on the Internet (on the website of the FIU and the UN). Representatives of insurance organizations noted that they receive the sanctions lists in hard copy and scan them for further use, which shows a low understanding of these lists' availability. Some FIs, according to their representatives, update the lists every day, other FIs, however, check and update these lists once a month, which increases the risks of operations being carried out by a person involved in terrorist activities.

673. According to the representatives of the FIs, there have been no partial matches with the sanctions lists, with rare exceptions in some banks. Some examples of false positives of the TFS were provided.

Case Study 4.6. Partial match with the UN sanctions list

In August 2022, in one of the banks, there was a partial match of the name of the client, student A. (a citizen of Turkmenistan), who is studying in the Russian Federation, with the UN sanctions list. After a thorough check that proved the match partial, the transaction was carried out.

674. The understanding of obligations regarding the implementation of measures for the application of the TFS among the DNFBP sectors is uneven. There have been no cases of funds freezing. Most DNFBPs apply the TFS only to new clients and operations. The interviewed representatives of the real estate agencies sector highlighted the lack of clients' verification with the relevant lists, citing the absence of persons in the national list, and in case of non-residents, the lack of verification by state authorities. Keeping the information up to date in case of establishing long-term relationships with clients is carried out inconsistently: by PMSD — on average once a month, by lawyers — if the behaviour of clients seems concerning.

4.4.4. Competent authorities ensuring and monitoring compliance

675. According to the statistics provided, the supervisory authorities failed to detect violations related to the non-use of the TFS when checking the FIs. Taking into account the shortcomings identified by the AT related to the application of TFS by the FIs, there are concerns regarding the failure of the supervisory authorities to identify violations in terms of updating the sanctions lists related to TF/PF and verification of the client base with the updated list. However, according to the action plan provided as an example to eliminate violations identified during the targeted inspection of the JSCB "T" (depersonalized), there is an example of detecting a violation associated with improper use of the TFS. Thus, during the audit, it was discovered that the software downloads a consolidated list of individuals and organizations associated with the international terrorist organizations Al-Qaeda and the Taliban and its leaders once a month. The CB was instructed to update the data and other UN lists more often. It seems that the supervisory authorities do not pay enough attention to the verification of the requirements for the TFS application by reporting entities and do not adequately assess the risks associated with their improper application and untimely updating. Therefore, in case of any violations and/or shortcomings in the application of the TFS, appropriate measures and sanctions commensurate with the risk of ML/TF are not applied.

Overall conclusion on IO.11

676. Despite the efforts made by Turkmenistan to ensure the application of the TFS without delay, the country's system requires significant improvements in the issues of list dissemination to the FIs and DNFBPs and other entities, as well as ensuring the implementation of their obligations.
677. The FIs and DNFBPs have demonstrated a moderate understanding of their obligations regarding the implementation of measures for the application of TFS, including insufficient awareness of the procedures for resuming operations and unfreezing assets, and a poor understanding of identification of direct or indirect links with designated persons.

678. The FIs have demonstrated a moderate application of special measures for TFS against TF/PF in terms of timely sanctions lists updating, as well as checking if existing clients are in these lists. All DNFBPs understand their obligations to apply the TFS, however, their application is not regular and comprehensive. It seems that the supervisory authorities pay insufficient attention to the verification of the requirements for the use of the TFS by reporting entities.
679. Turkmenistan can be described as a certain closed economy, the country is not a major financial nor commercial center or the center of creation and management of companies, the country has a strict visa regime (with all countries of the world), despite the presence of common borders with the Islamic Republic of Iran, the country has strict control over the movement of goods at all border points, including the circulation of dual-use goods. All cargo transported across the border is subject to mandatory scanning procedures. Considering the above, the country needs major improvements in the implementation of requirements to combat proliferation financing.
680. **Turkmenistan is rated as having a moderate level of effectiveness for IO.11.**

CHAPTER 5. PREVENTIVE MEASURES

5.1. Key Findings and Recommended Actions

Key Findings

Financial Institutions

1. FIs demonstrated a mixed understanding of country-specific ML/TF risks and the risks inherent to their activities. Banks, securities market participants, post office (MVTS), commodity exchange have a good understanding of risks and AML/CFT responsibilities. Some FIs have demonstrated an incomplete understanding of high-risk and suspicious transaction criteria. Considering the contextual factors of the country, as well as the scope of activities, in general, FIs apply certain risk mitigation measures proportionate to their sector and customer base. The measures taken by FIs are risk-based in sectors where applicable. Turkmenistan does not have a registered VASPs and Turkmenistan's legislation does not regulate activities related to VA/VASP. However, all FIs are aware of the risks associated with VAs.
2. FIs sufficiently apply measures to identify the customer, their beneficial owners with a controlling ownership interest (holding 25% of the capital) and record keeping. At the same time, they do not take sufficient measures to identify those BOs exercising control of the legal person through other means.
3. Information on ongoing and follow-up monitoring of customer transactions (analysis of identified suspicious transactions) is recorded and kept by not all FIs (with the exception of some banks). FIs do not maintain statistics on refusals to establish business relationships when CDD procedures cannot be completed. According to the explanations of the FIs, there are negligible or no cases of refusals to on-board customers.
4. FIs apply enhanced CDD measures to national and foreign PEPs to a moderate extent, and no practice has been demonstrated to identify family members or close associates of the national PEPs. FIs have demonstrated limited understanding of the necessity of classifying heads of international organizations as PEPs (persons who are or have been entrusted with a prominent function by an international organisation) and taking appropriate CDD measures against them, which is a moderate shortcoming given the contextual factors.
5. Banks establish correspondent relations only with first-class banks with the approval of Cabinet of Ministers, which involves extensive examination of documents and information about a foreign bank and appears to be an effective risk-mitigating factor. Turkmenistan applies effective special measures when launching new products/services and technologies through the approval of the Cabinet of Ministers and the President of Turkmenistan. FIs have moderately demonstrated the use of special measures for targeted financial sanctions in relation to TF in terms of timely updating the sanctions lists, as well as re-screening of the existing customers against these lists. Banks have provided some examples of identifying false positives with the sanctions lists. Most FIs (except for certain banks) assign high level of risk to customers connected with high-risk countries as defined by the FATF, and appropriately apply enhanced CDD measures.
6. FIs understand their obligations to identify and file mandatory STRs and transactions above the threshold value to the FMS according to the approved special forms (except for the commodity exchange), as well as obligations not to disclose to the customers the fact of filing STRs. However, the level of identification of STRs and their quality appears to be insufficient.
7. FIs have internal controls and designated AML/CFT officers, but fail to sufficiently apply internal controls and procedures to ensure compliance with the AML/CFT requirements.

DNFBPs

8. The following DNFBP sectors have demonstrated good understanding of ML/TF risks: notaries, lawyers, legal aid providers, and auditors. Representatives of the real estate sector and dealers in precious metals and stones have demonstrated theoretical understanding in isolation from their full practical implementation. Understanding of AML/CFT obligations is also quite adequate, however, their implementation is also spread by analogy with the above proportion.
9. All DNFBPs have the capacity to take ML/TF risk mitigating measures. A number of DNFBPs have taken measures to reduce the level of risk specified in the NRA through the mitigation of vulnerabilities, as reflected in SRA (auditors and real estate agents). Customer ML/TF risks, first of all, are reduced in the process of customer on-boarding. At the same time, in most DNFBP sectors customer risk is not assessed on an on-going basis.
10. Some DNFBP sectors (notaries, lawyers, legal aid providers, and auditors) understand their CDD obligations to a significant extent. In the DPMS sector, in the case of jewelry retailing, CDD is irregular and non-uniform, despite the industry's awareness of the relevant obligation. If conducting CDD is impossible, representatives of all DNFBP sectors deny service to the client (including DPMS sector actors, but not on a systemic basis). All DNFBPs understand the obligation to keep records during 5 (five) years after the termination of the relationship with the client and fully comply with this obligation.
11. No examples of EDD measures application by DNFBPs have been provided. The DNFBP sectors theoretically understand issues related to the risks and specifics of providing services to foreign PEPs; however, taking into account the context of the country, this risk is mitigated at the stage of obtaining a permit for economic activities in Turkmenistan. All DNFBPs have mentioned their understanding of the necessity of assessing the ML/TF risks of new products and technologies before using them, but have not demonstrated any examples due to absence of such products. All DNFBPs understand their obligations to implement the TFS, however, their implementation is not regular and comprehensive.
12. Not all DNFBPs file STRs to the authorized body: the largest number of reports has been submitted by the notaries sector, and there are examples of STRs being filed by the legal aid providers. Representatives of all DNFBPs have expressed clear awareness of the existence of this obligation.
13. DNFBPs have demonstrated that they have standard internal control systems, as well as mechanisms for internal assessment of the effectiveness of the AML/CFT internal control systems. The scope of the measures being applied varies and depends on the sector.

Recommended Action

Financial Institutions

1. In order to improve understanding of ML/TF risks and typologies and to increase effectiveness of ML/TF risk mitigation measures, supervisors and FIs shall:
 - Increase FIs' understanding of ML/TF risks, high-risk and suspicious transaction criteria, as well as ML/TF typologies, including by developing guidelines (methodology, instructions, etc.) and providing feedback that can assist FIs in applying measures for AML/CFT purposes, in particular on monitoring and analysing customer transactions, identifying suspicious transactions and submitting STRs;
 - Increase the level of understanding and application of methods for identifying interconnected customers, interconnected transactions/schemes that are suspicious;
 - Ensure proper recording of the results of enhanced CDD measures, including the results of ongoing and follow-up monitoring and analysis of high-risk customers' transactions, as well as the results of consideration of further measures for dealing with high-risk and/or suspicious customers;
 - Keep statistic records of high-risk customers and refusals to enter into business relationship

when CDD procedures are impossible, refusals of services to customers/unilateral termination of business relationships because of suspicious activities/transactions, and take this information into account during internal risk assessment and AML/CFT programme implementation.

2. FIs (in particular, the banking sector) should conduct a SRA and carry out ongoing internal ML/TF risk assessment, considering both internal and external factors. Based on the results of the assessment, appropriate proportionate measures should be taken to mitigate ML/TF risks and enhance the effectiveness of AML/CFT measures.
3. It is necessary to increase the level of understanding and implementation of the requirements regarding beneficial owners and take all available measures to identify BOs exercising control of the legal person through other means (not only those beneficial owners with a controlling ownership interest).
4. Increase the level of compliance with the requirements for applying EDD measures in relation to national and foreign PEPs, including family members and close associates. Amendments should be made to the AML/CFT Law establishing requirements for the CDD of associates of PEPs (close associates other than family members and relatives).
5. Increase the level of application of special measures for targeted financial sanctions in relation to TF and ensure timely updating the sanctions lists, as well as re-screening of the existing customers against these lists.
6. Turkmenistan needs to extend AML/CFT regulation to VASPs or ban their activities.

DNFBPs

7. DNFBPs (other than real estate agents and auditors) should conduct a SRA to develop measures to mitigate ML/TF risks and enhance the effectiveness of measures for AML/CFT purposes.
8. Turkmenistan should take measures to increase understanding of ML/TF risks and ensure proper implementation of AML/CFT obligations by DPMS, notaries and real estate agents, as most exposed to ML/TF risks.
9. Increase the level of compliance with the requirements for assessment of customer risks, application of EDD measures, identification of beneficial owners and national/foreign PEPs.
10. Raise awareness of DNFBPs about obligations related to filing STRs, as well as the fulfillment of this obligation in accordance with the identified ML/TF risks, trends and typologies. Take measures to inform DNFBPs on methods of identifying suspicious transactions.

681. The relevant Immediate Outcome considered and assessed in this section is IO.4. This section includes assessment of effectiveness in the context of Recommendations 9-23 and elements of R.1, 6, 15 and 29.

5.2. Immediate Outcome 4 (Preventive Measures)

682. In assessing the effectiveness of the measures under Immediate Outcome 4, the banking sector is considered the most important sector, as it holds the largest weight in terms of assets, customer base and transactions conducted. The banking sector provides most of the financial services and banks act as exchanges, MVTs and professional securities market participants in addition to their core business. Other sectors such as insurance companies, securities market participants, the post office, and the commodity exchange (equal in status to the ministry) are less important in terms of risk and scale of operations, they are largely state-owned and underdeveloped - mainly focused on the domestic market and present low ML/TF risk (see Chapter 1 for details).
683. Considering national ML/TF risks as well as the size of the sectors in terms of the number of participants and volume of transactions, among DNFBPs, the dealers of precious metals and stones (DPMS) and notaries sectors are assessed as moderately important. The other sectors (realtors, auditors, lawyers and legal aid providers) are less important in terms of the assessment of IO4.

684. There are no registered VASPs in Turkmenistan. The legislation of Turkmenistan does not regulate activities related to virtual assets and VASPs are not reporting entities under the AML/CFT Law. At the same time there is no direct prohibition. According to the legislation, cryptocurrency mining as an activity specified in the State Classifier of Economic Activities of Turkmenistan is not listed as a licensable activity and it is illegal to carry out such activities.
685. Findings and assessment of effectiveness of Immediate Outcome 4 is based on information and documents received from the country and on the outcome of meetings with the private sector and public authorities, as well as taking into account the following country-specific contextual factors:
- Strict government control, including foreign persons and foreign capital, currency control and regulation are not attractive in terms of conducting ML-related transactions;
 - High state participation in the financial sector (most of the reporting entities are state owned) and its underdevelopment, with the exception of the banking sector;
 - Absence of TF/PF episodes and national persons included in TF/PF lists.
 - The country is not a financial center/hub and is not a zone of military operations and has the status of permanent neutrality.

5.2.1. Understanding of ML/TF Risks and AML/CFT Obligations

FIs

686. In general, FIs have demonstrated a mixed understanding of country-specific ML/TF risks and the risks inherent to their operations. Banks, securities market participants, the post office (MVTS), and commodity exchange have the most comprehensive understanding of the ML/TF risks inherent in their activities, while insurance organizations have a moderate understanding (due to the underdevelopment of this sector and low risk transactions).
687. Banks have shown the best understanding of their risks among FIs. As the main ML/TF risks, banks mentioned transactions with cash, precious metals, virtual assets, commodities import transactions, including understating and/or overstating the prices of commodities, which, in general, correlates with the NRA results.
688. FIs have participated in the NRA and generally agree with its results, except for the commodity exchange, whose representatives do not agree with the results and consider vulnerability in this sector to be low. Given that the commodity exchange is only an intermediary and does not directly conduct transactions itself, and given its status as a ministry (state body), the assessors also consider their level of ML/TF vulnerability to be low. Some FIs (the stock exchange, the post office, insurance organizations) have carried out SRAs. Although the banking sector has not conducted an SRA, ML/TF risks have been identified through the NRA, as well as through banks' ongoing work to assess inherent risks.
689. FIs mainly listed the following suspicious transaction criteria: beneficiary of funds is registered in an offshore zone, structuring of transactions, partial match with the list of terrorists, financial assistance (including gratuitous/donations), overpriced sales transactions (e.g. used cars), etc, which generally indicates their awareness of the vulnerability of their products and services.
690. All FIs had developed internal control rules (ICRs) which defined a list of criteria for suspicious transactions. However, during the meetings only certain suspicious criteria were listed by the representatives of FIs, which may indicate a lack of knowledge of all criteria available in the ICRs. Banks, however, demonstrated the best understanding of the suspicious criteria that they face in practice. Overall, the high-risk criteria set out in FIs' ICRs sufficiently reflect the high-risk areas of Turkmenistan highlighted in the NRA and enable FIs to identify the most relevant risks in their sector.
691. The assessment of inherent risks (high, medium, low) is carried out by the FI within its AML/CFT procedures and policies, taking into account customer's transactions, activities and geographic location. This assessment is made on the basis of documents provided by the customer as part of

the identification, as well as information from public sources (government and independent) and additionally requested documents and information during the detailed analysis. The client's risk level is reviewed at least annually or more frequently as the information and the nature of the client's transactions change.

692. According to FI statements, the number of high-risk clients is insignificant or non-existent (in banks it varies from 0 to 0.018% and in the commodity exchange it is about 5.3%). On the one hand, this is due to the contextual factors of the country (presence of only salary and travel accounts of PEPs, small number of non-residents, absence of persons in the national list of terrorists, etc.) and, on the other hand, as the banks claim, due to the careful screening of customers before establishing business relations with them and rejections in case of failure to provide required documents for CDD. The validity of the above explanations of the banking sector is questioned as the refusals are not based on established high-risk criteria, but on the inability to complete CDD. Given the importance of banks in the financial sector, the wide range of services provided, the customer base and the volume of transactions conducted, assessors assume that banks are not sufficiently identifying high-risk customers as part of follow-up monitoring, i.e. as part of the analysis of suspicious, interconnected transactions. However, the remaining sectors, for objective reasons, do not have high-risk customers: they focus more on the domestic market and serve the general public and government organisations to a greater extent. In the commodities exchange, the vast majority of high-risk clients (whose percentage is about 5.3%) are from Turkey and the UAE (FATF grey list countries); the remaining number of high-risk clients are clients from Afghanistan and Iran (FATF black list country), as well as clients registered in offshore jurisdictions. For high-risk clients, the State Commodity Exchange of Turkmenistan updates the information every 3-6 months, while for other clients this period is set at 12 months. In addition, a comprehensive analysis of the client is carried out based on the documents submitted by the client and on information from other available sources (state and commercial resources).
693. Despite the lack of legislative regulation of virtual assets, FIs, particularly banks, are aware of the risks associated with virtual assets. According to the NRA, banks in Turkmenistan, do not execute transactions conducted through the Internet on the accounts of individuals, as these transactions are suspended under the instructions of the CB (documents are demonstrated during the on-site visit). This also applies to transactions related to cryptocurrencies (exchange, sale, storage). A letter was sent by the CB to financial institutions regarding the risks associated with transactions involving virtual assets and an instruction not to conduct such operations. Attempts to conduct transactions involving the exchange of virtual assets are considered suspicious and are subject to the reporting of STRs to the FMS. At the time of the on-site visit, no transactions involving virtual assets were identified by the FIs and the CB.
694. FIs sufficiently understand their AML/CFT obligations. The most complete understanding of such obligations has been demonstrated by banks, the stock exchange, the post office, insurance organizations. The commodity exchange understands the most of its obligations, except for filing STRs to the FMS in the approved form, although it identifies suspicious/doubtful transactions and examines them in detail. This shortcoming is mitigated by the fact that the commodity exchange provides information on all transactions to the FMS on a monthly basis.

DNFBPs

695. In view of the AT, DNFBPs have the capabilities and resources, as well as information provided by the supervisory authorities, to understand ML/TF-related risks in their field of activity, and they are able to fulfil their obligations in full to mitigate ML/TF risks in accordance with the nature of their activity.
696. Sectors of notaries, lawyers, legal aid providers, and auditors have demonstrated good understanding of ML/TF risks. Representatives of the real estate sector and dealers in precious metals have demonstrated theoretical knowledge rather than ability to use this information in practice.

697. DNFBPs have been actively involved in the NRA. For these purposes, the supervisory authorities collected information through questionnaires and meetings. All entities interviewed during the on-site visit have confirmed their participation in the NRA and expressed their agreement with the assessment results. The results of the NRA have been communicated to the reporting entities through the supervisory authorities. Based on the results of the NRA, the sectors took immediate steps to further mitigate risks by developing SRAs and amending internal regulations.
698. The sectors supervised by the MJ (notaries, lawyers and legal aid providers) have demonstrated the most complete understanding of AML/CFT obligations. These sectors are aware of the obligation to take measures to identify PEPs and BOs among their customers in order to mitigate risks. In the course of interviews, lawyers have demonstrated cases of identifying non-resident BOs of customers. The entities also demonstrated facts of STR submission to the authorised body.
699. DPMS sector representatives have demonstrated moderate understanding of ML/TF risks, focusing primarily on the threats associated with the purchase of allegedly illegally obtained jewelry and the possibility of criminals purchasing precious metals and stones for the proceeds of corruption, which illustrates the sector representatives' awareness of ML/TF typologies and understanding the sector's vulnerabilities to money laundering mentioned in the NRA. At the same time, interviewed representatives of the sector have demonstrated moderate understanding of their obligations, limited to basic CDD procedures. AML/CFT related reports were submitted to the authorised body in isolated cases of exceeding the established threshold.
700. It should be noted that the DPMS sector is characterized by small volumes of transactions, there are almost no products for sale at a price exceeding the established threshold amount, the overwhelming majority of the sector's representatives are small enterprises, which implies low probability of the sector being used in money laundering schemes characterized by significant amounts.
701. Notaries, being civil servants, are maximally involved in the AML/CFT system, which their status and legal position commits them to. Representatives of the notarial system, by virtue of obligations imposed by law, are thoroughly aware of the scope of powers to observe the law, the NRA results and the identified risks. This indirectly confirms volume of cooperation between the notarial system and the authorized body during identification and filing STRs, the number of which is the largest of all DNFBPs.
702. Representatives of the real estate sector have demonstrated theoretical understanding of ML/TF risks. At the same time, it should be noted that real estate agents in Turkmenistan are not directly involved in real estate transactions on behalf of and in the interests of their customers and confine themselves to providing intermediary and consulting services; they have no reliable information about the specific transaction amount, the time of the transaction, the transfer of ownership right, etc. Cases requiring application of enhanced CDD measures, in addition to standard CDD, and cases of denial of services or transactions are extremely rare in practice.
703. It should be noted that auditors of Turkmenistan mentioned only isolated cases of providing accounting services by them due to lack of demand for such services. Each interviewed representative of the sector mentioned no more than 10 such contracts concluded for the entire period from the moment they were classified as entities covered by the AML/CFT law. Representatives of the auditors' sector have demonstrated good understanding of ML/TF risks and their obligations in this area. This applies primarily to CDD responsibilities and client risk assessments. Also, high level of understanding of risks and obligations is facilitated by annual mandatory training of auditors to improve their skills.
704. The representatives of DNFBPs generally noted that no national PEPs were identified among their clients. This is primarily due to the context of the country, where PEPs themselves are as distant as possible from any financial transactions, delegating them to associates. At the same time, it should be noted that, while aware of the obligation to identify PEPs directly, the representatives of DNFBPs have not demonstrated an understanding of the need to identify their close associates.

5.2.2. Application of ML/TF Risk Mitigation Measures

705. In general, FIs apply adequate risk mitigation measures proportionate to their sector and customer base. All DNFBPs, have a regulatory obligation to take measures to mitigate ML/TF risks. However, the application of such obligations is not uniform across DNFBP sectors.

FIs

706. **Measures to mitigate the risks identified in the NRA:** as measures to reduce vulnerabilities identified by the NRA, the Internal Control Rules of all FIs have been updated and approved, training seminars for employees have been held, and AML/CFT responsible persons have been appointed in individual FIs (where necessary). This has partly resulted in a mitigating effect on the level of vulnerabilities noted in the NRA.

707. **Measures used to reduce the risks inherent in the activity.** The measures taken by FIs are risk-based. As noted above, FIs rank clients according to risk levels and when clients are assigned a high risk level, they apply the measures set out in the ICR. Specifically, as a risk mitigation measure in case of doubt or suspicion of ML/TF, FIs request additional supporting documents (including the source of funds) and implement enhanced CDD measures, including using Internet resources, commercial platforms and customer credit history database (in particular for banks that have an automated banking system). In addition, the CDD framework provides for enhanced measures to suspend and/or refuse a transaction in order to mitigate ML/TF risks, but the application of these measures cannot be assessed due to the lack of examples and statistics.

708. The FIs understand that national PEPs are in the high risk category. In practice, PEPs have only 2 types of accounts (a salary account in national currency and a business trip account in foreign currency). Therefore, FIs do not categorise PEPs as high-risk clients (see section 5.2.3). However, in order to minimise risks banks monitor and control transactions for compliance with the above purposes of accounts.

709. There are three lines of defense in the banking sector – tellers, compliance control, follow-up control/audit. In order to reduce risks, all customer transactions, before they are carried out, are checked by the teller, the division for international settlements through SWIFT, and the financial monitoring service (compliance control) of the bank.

710. The commodity exchange also has a multi-level verification system to ensure that documents provided by clients comply with legal requirements, as well as a commodity price monitoring system to avoid over/underpricing. Contracts for the purchase and sale of commodities (except for certain goods and services¹⁶) over 200,000 US dollars must be registered with the Commodity and Raw Materials Exchange (excluding procurement of goods for construction under state programmes and goods for supplying its own production with raw materials and resources for a total amount not exceeding USD 1 million) – without this it is impossible to perform a transaction in a bank. As noted in section 5.2.1 above, information on high-risk customers is updated more frequently, which is an additional effective measure to minimise risk.

711. The country has currency control and regulation, which involves the issuance of a deal passport (certificate) for export and import contracts¹⁷. Currency control agents, including FIs, request

¹⁶ In accordance with Presidential Decree No. 252 of 09.06.2017 "On Improving the Activities of the State Commodity and Raw Materials Exchange of Turkmenistan" the following contracts are exempt from registration with the State Commodity Exchange of Turkmenistan:

- Agreements on the purchase and sale of state property and the privatisation of state property;
- Contracts related to the purchase and sale of immovable property;
- Contracts related to the export of fuel for fuelling foreign airlines' aircraft in Turkmenistan's international airports and the provision of services
- Agreements for the sale of fixed assets that are in use, including used ones
- Agreements concluded on a gratuitous or reimbursable basis for the delivery and commissioning of technical, financial and humanitarian aid
- contracts for import and export of goods for their needs by representative offices, branches of foreign states and international organizations
- contracts for the import and export of goods supplied by foreign legal entities for the needs of their branches and representative offices.

¹⁷ According to the Law on Currency Regulation and Currency Control in Foreign Economic Relations, currency transactions, accounts (deposits) of residents in foreign financial institutions are subject to registration and notification to the authorised financial institution (Article 6, 8). Registration refers to the registration of the foreign exchange agreement and the subsequent submission of information on the performed foreign exchange transactions and changes to the foreign exchange agreement. In order to ensure the recording and reporting of foreign exchange transactions, a deal passport is drawn up, which records information on the foreign economic transaction (Article 10).

documents related to foreign exchange transactions, including contracts, customs cargo declarations and other documents confirming the movement of goods into / out of the country. Thus, the country's currency control system seems to be one of the most effective measures to minimize ML/TF risks when customers conduct transactions under foreign economic contracts.

DNFBPs

712. Following the NRA 2020, a number of DNFBPs have taken steps to mitigate the risk identified by the national assessment. As measures to mitigate risks in the auditors and real estate sectors, in 2022 sectoral ML/TF vulnerability assessments were carried out, which resulted in an increase in the overall level of law-obedience and involvement of representatives of these sectors in the AML/CFT system. In general, representatives of all sectors mentioned increased understanding of the necessity of being involved in preventive measures for ML/TF purposes, increased quality of internal documents being developed for these purposes, and they demonstrated knowledge of the main typologies specific to their activity. This has partly resulted in a mitigating effect on the level of vulnerabilities noted in the NRA.
713. In most DNFBP sectors application of risk mitigation measures is moderate. All DNFBPs take ML/TF risk mitigation measures, first of all, in the process of customer on-boarding. In most DNFBP sectors customer risk is not assessed on an on-going basis, however, representatives of all sectors have demonstrated understanding of geographic and dubious transaction risks.
714. Representatives of the DPMS sector understand the risks of laundering proceeds of crime through the purchase of jewelry made of precious metals and precious stones by criminals, but mention that there are no sales of such items for large money amounts in their own practice. The DPMS sector identifies the possibility of accepting stolen jewellery as one of the main threats and is therefore paying increased attention to CDD procedures in these types of transactions to minimise this risk.
715. Notaries have demonstrated the fullest implementation of risk mitigation measures. This is due to clear regulation of notary's behavior when performing a notarial act, implementing CDD measures, the availability of software packages that allow for automated customer verification and analysis of customer transaction history, as well as the policy of the MJ, when members of the notarial community are maximally aware of the legislative requirements. In addition, it is the sector that has a legal obligation to certify transactions involving the sale or purchase of real estate (transactions classified as high-risk under the NRA) and to subsequently send information about them to the authorised body. Therefore, representatives of the notarial system are under heightened obligations to fulfill the legislative requirements and, being civil servants, are directly interested in their strict compliance with it.
716. Real estate agents position themselves as consultants (not intermediaries in real estate purchase and sale transactions) and they do not pay enough attention not only to the customer himself, but also to the source of funds, mentioning that this issue is not within their competence. In connection with the above, due to the lack of practice of application of enhanced CDD measures and refusals to serve, as well as filing STRs by real estate agents, it is impossible to assess the effectiveness of risk mitigation efforts.
717. To comply with the ICR requirements and to mitigate ML/TF risks, each audit organization develops internal rules to mitigate ML/TF risks. These rules apply when providing professional accounting services, which, as mentioned above, are being provided only in isolated cases. Each audit organization has at least one officer responsible for internal control and compliance with the ICR, this officer is appointed by order of the organization's head.
718. All responsible officers are full-time auditors of the company, and this organization is the main place of their employment. Due to special character of the activity – work in accordance with international standards and dealing with corporate customers, – auditors fully understand their obligations to identify BOs and generally use the Know Your Customer policy to mitigate ML/TF risks.

5.2.3. Application of CDD and record-keeping requirements

719. FIs have a good understanding of their CDD compliance obligations and sufficiently apply measures to identify the customer. There are some shortcomings in identification and verification of beneficial owners. There are no statistics on the refusal of FIs to establish a business relationship or to serve clients when CDD procedures cannot be completed. The FIs understand the obligations and ensure that information and documents on the client are kept for a period of 5 years, both in paper and electronic form. However, information on ongoing and follow-up monitoring of customer transactions (results of analysis of customer transactions, conclusions regarding confirmation or rejection of suspicious transactions) are recorded and kept by not all FIs.
720. DNFBP sectors demonstrate non-uniform understanding of the CDD obligations. All DNFBPs have stated that they deny services in case of suspicions that the purpose of the customer is ML/TF or if CDD is impossible. Not all DNFBPs identify and are able to identify BOs (except for notaries, lawyers, legal aid providers, and auditors). All DNFBPs represented in Turkmenistan understand the obligation to keep records during five (5) years following the termination of the business relationship and fully comply with this obligation.

FIs

721. *CDD, including ongoing monitoring.* FIs apply sufficient measures to identify the customers and beneficial owners-shareholders of legal entities, as well as sufficient record-keeping measures. Customer and beneficial owner identification are carried out on the basis of documents submitted by the customer that are required for opening an account and/or performing transactions through a customer questionnaire, which can be filled out both on paper and in electronic form in the automated system of a bank and some other FIs that have an automated customer accounting system. To verify this information and for additional customer due diligence, complementary software products and available independent sources of information are used.
722. In practice, FIs identify and verify the beneficial owner of the legal person who ultimately holds, directly or indirectly (through one or more legal persons), a majority interest of more than 25 per cent in the capital of the legal person. At the same time, they do not take sufficient measures to identify persons indirectly controlling the legal person's client by other means.
723. In case the beneficial owner (founder, shareholder) is not identified, the beneficial owner is recognised as the head of the collective executive body of the legal entity client, as stipulated in the legislation. Thus, the FI shall take available measures to identify the beneficial owners of the client.
724. FIs carry out ongoing and follow-up monitoring of customer transactions, based on which STRs and threshold messages are sent. However, results of monitoring and analysis of customer transactions (conclusion regarding confirmation or non-confirmation of a suspicious transaction) is neither recorded nor stored (except some banks). This circumstance causes concerns about how and based on which supporting documents and information the supervisory authorities and the internal audit service verify proper fulfillment of the requirements for detecting customers' suspicious transactions. Some banks have demonstrated partial recording of information about suspicious transactions (a memo to the bank's head and additional detailed information in the STR form).
725. Following meetings with the FIs, there were no cases where STRs were sent in cases where the CDD process could not be completed at the time of service acceptance. As previously mentioned, as explained by the FIs, there are few or no cases of refusal of acceptance of clients as the FIs claims that clients are aware of the risks of refusal and provide all necessary documents for CDD.
726. *Record keeping.* All customer documents and information are kept in accordance with the statutory deadlines. Information is updated once the information needs to be updated depending on the risk level of the client (at least once a year for high-risk clients) or when necessary and when there are suspicions or changes in the client's information.
727. FIs ensure keeping records about the customer during 5 years both in paper and electronic form. In the systems of some FIs (for example, banks) customer information is stored indefinitely. Banking

legislation stipulates longer storage of customer documents – from 5 to 75 years. Thus, customer information registers, archive of customer accounts and primary documents on financial transactions in foreign currency are stored from the time the customer’s account is opened and for at least 5 years after it is closed; contracts for foreign currency transactions – for at least 10 years; contracts for individual accounts – for at least 75 years.

728. According to the statistics and information provided, no breaches and shortcomings in record keeping and CDD measures (with the exception of banks) were identified as a result of inspections by supervisory authorities.

DNFBPs

729. DPMS sector representatives implement CDD irregularly and non-uniformly. CDD is mandatorily implemented by DPMSs when buying up precious metals and stones due to the understanding of the sector risks outlined above. In other cases, the interviewed representatives of the sector, despite being aware of the obligation, stated that no CDD had been carried out or only the customer’s identity had been checked (name and surname, phone number). There is also no verification of even limited information provided by the client.

730. Notaries, lawyers, legal aid providers, and auditors apply standard CDD procedures. Representatives of the lawyers’ sector have demonstrated cases of identifying a BO being non-resident of Turkmenistan. BO identification is implemented through questioning the customer directly and studying the media. The obtained customer information is verified by comparing the submitted documents with the originals and other information available in the publicly available sources. In general, CDD is implemented by these sectors in accordance with the law and meets the objectives of AML/CFT.

731. Real estate agents conduct CDD at the stage of entering into business relationships with customers. The interviewed representatives of the sector have mentioned that sources of funds, business reputation of customers are not verified before entering into contracts. High customer risk is determined almost exclusively as the customer’s possible affiliation to PEPs, and the latter are determined based on the media; the sector representatives have no other sources of information or lists created by themselves. When foreign legal entities are on-boarded, affiliation of their BOs to foreign PEPs is not checked.

732. Despite a small number of accounting service contracts entered into by auditors, the sector has demonstrated understanding and compliance with the AML/CFT legislation in terms of CDD, in particular, identification of BOs, checks against the Lists, verification of information provided by the customer using open sources. Such work is carried out for the purpose of assessing audit risk.

733. Representatives of all DNFBP sectors have demonstrated understanding of the necessity of assessing the customer risk, however, the criteria for assessing it as high are transactions with non-residents of Turkmenistan or PEPs. The interviewees have presented no other criteria for assessing the risk as high.

734. Most DNFBPs identify beneficial owners of the customers as part of CDD only when dealing with legal entities and use information provided by the customer himself, and in some cases they use information from publicly available sources. Sectors of auditors, notaries, real estate agents, and legal aid providers are aware of mandatory verification of the obtained information. At the same time, representatives of the sectors have not demonstrated any examples of verification of the obtained information. The sector of dealers in precious metals and stones does not identify beneficial owners.

735. The DNFBP sector has no statistic records of refusals to enter into business relationship, although all sectors are aware of mandatory nature of such measures. Representatives of the sectors of real estate agents as well as legal aid providers have mentioned episodes from their practice of refusals to enter into business relationship due to suspected illegal purpose of the transaction. Notaries, lawyers and legal aid providers have presented examples of refusals to enter into business relationships with customers due to impossibility of CDD measures to determine the data necessary

for entering into a contract. However, the obligation to submit an STR to the authorised agency on both the suspicion and the inability to complete the CDD was not fulfilled by the DNFBP representatives.

736. All DNFBPs understand the obligation to keep records during 5 (five) years following the termination of the business relationship and fully comply with this obligation.

5.2.4. Application of EDD Measures

737. FIs have demonstrated an understanding of the need for enhanced or special CDD measures. FIs sufficiently apply enhanced and special CDD measures for correspondent banking relationships, new technologies, high-risk countries as defined by the FATF. FIs have demonstrated limited understanding of the need to designate senior management of the international organization as PEPs (persons who are or have been entrusted with a prominent function by an international organisation) and to implement appropriate EDD measures. FIs apply EDD measures for domestic and foreign PEPs to a moderate extent, with no demonstrated practice of identifying family members and close associates of domestic PEPs, which, given the almost complete absence of large transactions directly carried out by national PEPs themselves, creates the risk of non-detection of such transactions carried out on their behalf by their close associates. All FIs are well aware of their obligations to apply the TFS in relation to TF, however the application in practice is moderate and the procedure in terms of timing of updating the lists is not uniform.
738. DNFBP sectors have provided no examples of application of EDD measures. All DNFBPs have mentioned their understanding of the necessity of assessing the ML/TF risks of new products and technologies before using them, but have not demonstrated any examples due to absence of such products. All DNFBPs understand their obligations to implement the TFS, but their practical implementation appears to be non-uniform. DNFBPs have demonstrated understanding of mandatory application of enhanced or special measures in relation to countries from the FATF list, however, they have mentioned the absence of any contractual relationship with entities from these countries. In addition, according to the sectors' representatives, these risks are partially neutralized through the Interagency Commission for Protecting the Economy against Risks created in Turkmenistan, the powers of which include permission to carry out economic activities in the territory of Turkmenistan.

Financial Institutions

PEPs

739. FIs apply EDD measures to national and foreign PEPs to a moderate extent. Internet resources and special software products are used for their identification. Also, some FIs independently maintain lists of national PEPs. However, FIs have failed to demonstrate practice for identifying family members and close associates of the national PEPs, which can be deemed as an effectiveness reducing factor. Most FIs do not classify (national and foreign) PEPs as having high risk because transactions on their accounts are carried out exclusively in line with payroll programmes and involve officially confirmed income. At the same time, on-boarding of PEP requires FI's senior management approval. FIs have demonstrated limited understanding of the necessity of classifying senior management of international organizations as PEPs (persons who are or have been entrusted with a prominent function by an international organisation) and taking appropriate CDD measures, which is a moderate shortcoming. The FIs explained that they do not consider the senior management of international organisations as high-risk clients, due to the fact that their accounts are only opened to receive salaries and there are no other types of transactions in their accounts.

Correspondent banking

740. Banks establish correspondent relations only with first-class banks with the approval of the Cabinet of Ministers, which involves extensive examination of documents and information about a foreign bank and appears to be an effective risk-mitigating factor.

New technologies

741. In the financial sector, the use of new technologies is limited to Internet banking with limited functionality (viewing the account balance, etc.), and all new products/services and technologies, before they are launched, are approved by the Cabinet of Ministers and the President of Turkmenistan (the CB demonstrated letters), which is an effective special measure.

Wire transfer rules

742. Banks and post office (MVTs), when making wire transfers, identify originators and beneficiaries of the transfers, as well as other necessary information. Banks perform all international (cross-border) money transfers after the details of the transaction and the supporting documents of the customer are checked by the bank's financial monitoring department (compliance control) and the department for international transfers through the Sanction Screening system.

Targeted Financial Sanctions

743. FIs have moderately demonstrated the use of special measures for targeted financial sanctions in relation to TF in terms of timely updating the sanctions lists, as well as re-screening of the existing customers against these lists. In banks this process is automated (the lists are embedded in the automated banking system), and when a transaction is carried out or the customer base is verified, partial or complete match is revealed automatically. In the case of other FIs, a second computer with Internet access is used to check the customers against with the sanctions list, and verification is manual, which reduces TFS effectiveness. Despite the fact that the sanctions list is publicly available on the Internet (on the website of the FIU and the UN), representatives of insurance organizations have mentioned that they receive the sanctions lists in paper form and scan them for further use, which shows poor understanding of accessibility of these lists. While some FIs update the lists every day, other FIs check and update these lists once a month, which increases the risk of conducting transactions by a person involved in terrorist activities.

744. According to the FI representatives, there are no cases of partial match with the sanctions lists, with rare exceptions in individual banks. Some examples of false positives of the TFS have been provided. It should be noted that the country's national terrorist list is empty, no resident is included in the list due to lack of basis.

Case Study 5.1. False positive alarm of TFS

In June 2017 Bank T, when planning the transfer of funds of 1505 citizens of Turkmenistan in favor of the Consulting and Research Bureau named after Ahmet Abdulkadir Zeki (payment purpose description: covering expenses for the Hajj pilgrimage to Mecca-Medina), revealed a match with the sanctions list. Namely, the name of the beneficiary organization coincided with a person on the UNSC sanctions list on Individuals and Entities Associated with ISIS and Al-Qaida. The transfer of money in the amount of USD 2,153,500.0 and SAR 1,790,197.50 was suspended until all the circumstances were clarified, and a letter was sent to the FIU. Subsequently, the FIU found out that the data matched partially, and upon FIU's permission the transaction was completed.

Case Study 5.2. Partial match with the UN sanctions list

In August 2022, one of the banks revealed partial match of the name of the customer – student A. (citizen of Turkmenistan) studying in the Russian Federation – with the UNSC sanctions list. After a full check and finding out that the match was partial, the transaction was completed.

Higher-Risk Countries

745. FIs understand risks associated with higher-risk countries as defined by the FATF and know access to the publicly available list published by the FMS. Most FIs assign high level of risk to customers connected with high-risk countries as defined by the FATF, and appropriately apply EDD measures.

DNFBPs

746. Application of EDD measures is regulated by the existing ICR in all DNFBPs. At the same time, most DNFBP sectors take standard CDD measures and keep the received data. EDD measures have not been applied because customers have not been ranked by risk levels or all customers have been assigned “low risk” status.
747. In view of the above, the DNFBP sector representatives have not demonstrated sufficient understanding of mandatory application of enhanced measures in the prescribed cases, and they have failed to demonstrate the procedure for its application and failed to provide examples of comprehensive information for the application of EDD measures.
748. Mechanisms for identifying PEPs are implemented through questionnaires directly to the client, media research. Information about PEPs, after the issuance of relevant decrees by the President of Turkmenistan, is also entered into special software of the notaries sector in order to automate the identification process. Information obtained on clients is verified by comparing the submitted documents with the originals, as well as other information available in the public domain.
749. The DPMS sector does not assess customer risk for AML/CFT purposes and does not take action to identify foreign PEPs. The sector representatives consider transactions made by PEPs and by persons involved in terrorist activities to be high-risk, but it has not identified such persons among its clients. They have found it difficult to describe other criteria during the interview.
750. Notaries, lawyers and legal aid providers understand the necessity of conducting EDD measures when one of the parties to the transaction is a person living, staying, or registered in a state that is not involved in international AML/CFT cooperation, or in an offshore zone. However, the sector representatives have not provided any actual examples of such measures in practice.
751. Real estate agents distinguish the following high-risk criteria: offshore zone, PEPs, countries with an inadequate AML/CFT system, and a transaction by a person acting on the basis of a power of attorney. At the same time, according to the interviewed sector representatives, they have no high-risk customers.
752. Auditors examine their customers not in order to comply with their AML/CFT obligations but rather to assess the audit risk, which is not indicative of the effectiveness of such measures.
753. All DNFBPs have mentioned their understanding of the necessity of assessing the ML/TF risks of new products and technologies before using them, but have not demonstrated any examples due to the absence of such products.
754. DNFBP sectors demonstrate non-uniform understanding of their TFS obligations. There are no cases of freezing funds. Most DNFBPs apply TFS only to new customers and transactions. The interviewed representatives of the real estate sector have mentioned that they do not check the customers against the relevant lists, giving reasons that national list empty (no Turkmen are on the list), and in case of non-residents – stating that, in their opinion, state bodies conduct such checks. This information is not regularly updated in the case of long-term customer relationships: DPMSs – once a month at the average, lawyers – in case of suspicious behavior of the customers.
755. All DNFBP sectors are aware of the necessity of taking special measures in relation to customers affiliated with states and territories identified in official FATF statements that pose a threat to the international financial system and AML/CFT systems of which have strategic weaknesses. At the same time, this risk is interpreted by the sector’s representatives rather as a ban on transactions with customers from these countries.
756. Based on meetings with representatives of DNFBPs, it may be concluded that most DNFBPs have limited implementation of obligations of application of enhanced measures.
757. At the same time, the assessors take into account the specific character and context of business activities of the DNFBP sectors in Turkmenistan, according to which most of the criteria for classifying customers as high-risk, such as an offshore zone, countries with an inadequate AML/CFT system, foreign PEPs, are neutralized at the stage of obtaining permission for economic activity in the country. Examples of prosecutions of national PEPs and their associates

demonstrated that these individuals did not seek the services of DNFBPs (with the exception of registration services by notaries for the transfer of ownership of real estate). Thus, most DNFBPs do not have high-risk clients to serve.

5.2.5. Reporting Obligations and Tipping-Off

758. The FMS and CB have carried out work to improve the quality of the STRs submitted, which has resulted in a reduction in the number of STRs that were misclassified. However, taking into account the insufficient follow-up monitoring and analysis of customer transactions by FIs, as well as the application of standard suspicion criteria, it is assumed that the number of STRs sent and their quality may be insufficient. In general, FIs (with the exception of the commodity exchange) are moderately fulfilling their duties to identify and submit STRs, as well as their obligations of non-disclosure to the client about the sending of the STR. Among DNFBP sectors, only legal aid providers comply with the obligation of filing STRs to the authorized body. The notaries, DPMS sector and real estate agents file reports about transactions exceeding the threshold value.

Financial Institutions

759. FIs understand their obligations to identify and submit to the FMS mandatory control reports on transactions above the threshold and STRs according to the approved special forms (except for the commodity exchange).

Table 5.1. Filing STRs (by categories of reporting entities)

Sector	2017	2018	2019	2020	2021	Quarter 1 2022
Banks	2,371	1,206	182	98	28	6

760. According to the statistics provided, between 2015 and Q1 2022, only banks sent STRs among FIs, the number of which has decreased significantly over the last three years (see table 5.1). The reason for this was that individual banks used to send part of the reports on transactions above the threshold as STRs¹⁸. Another reason according to the results of the NRA and according to interviews conducted during the on-site visit is that in some cases the information received by the FMS from reporting entities prior to 2019 did not always meet the criteria for suspiciousness and in some cases were misclassified. In this regard, in 2019, work was carried out by the FMS and the CB to improve the quality of the STRs sent, following which their number has decreased as banks have stopped sending threshold transactions as STRs. However, the deficiencies noted above, including in terms of insufficient monitoring and analysis of customer transactions and identification of complex schemes, insufficient knowledge of the suspicion criteria by FI staff, indicate that the quality of STRs sent by FIs and in particular by banks is inadequate. Some FIs (insurance organizations, securities market participants, post office) have not identified and filed STRs, which is consistent with the country context and the risks in these sectors, as well as due to the limited number of deals concluded and the underdevelopment of these sectors.

761. The commodity exchange has not filed and does not file STRs to the FMS in the approved form, even if there are suspicions (reports to the FMS on its suspicion in an informal form orally), since it deems sufficient sending information to the FMS on all transactions and registered contracts of individuals and legal entities on a monthly basis.

Table 5.2. Filing other reports¹⁹ (by categories of reporting entities)

Sector	2017	2018	2019	2020	2021	Quarter 1 2022
Banks	213 797	175 699	184 331	210 083	239 986	62 797
Insurance (reinsurance) organizations	28	29	259	325	439	92

¹⁸ As a result of the inspections, the supervisory authorities identified instances of incorrect fulfilment of reporting obligations to the FMS, in particular on transactions subject to mandatory control (threshold transactions), which were sent as STRs.

¹⁹ For example, threshold cash transactions, virtual asset transactions, etc.

Professional securities market participants (Ashgabat Stock Exchange)						17
The Commodity and Raw Materials Exchange	17,137	22,669	26,525	23,422	24,356	6,263

762. As illustrated in Table 5.2, in addition to STRs, all FIs send other reports: threshold transactions, cash transactions, etc.).
763. During the on-site visit the CB noted that some banks do not fully understand the substance of the suspicious transaction and send an STR without proper verification and analysis. In the period from 2015 to the 1st quarter of 2022, the CB inspections revealed certain shortcomings in the organization and implementation of ongoing and follow-up AML/CFT control, which resulted in the failure to submit or untimely submission of STRs to the FIU. To a large extent, such violations are characteristic for certain banks, which did not pay due attention to the automation of the indicators of suspicious financial transactions. Most of these breaches were detected in the period before 2019, prior to the above-mentioned outreach work.
764. In most FIs (except for a few banks where consolidated policy is in place), there is no practice of identifying complex schemes and interconnected transactions during follow-up monitoring. In practice they apply standard, simple criteria for suspicious transactions. This indicates a lack of in-depth analysis of client transactions and a possible formal approach to the identification and submission of STRs, which leads to insufficient quality. Suspicious transactions of FIs are identified mainly during daily monitoring and uploading transactions above thresholds values for mandatory control. It should be mentioned that the CB has sent directive letters to banks regarding strengthening control and filing STRs on transactions of individuals the purposes of which have been related to the provision of gratuitous financial assistance. According to the statistics (Table 3.6 in IO6) during the evaluation period, about 25% of the total number of STRs from the FIs were referred to this criterion. Taking into account the contextual factors of the country (including the fact that the country is unattractive for ML/TF and in most cases ML is conducted through cash bypassing the banking system), assessors concluded that there is a moderate level of effectiveness of the FI's obligation to detect and report a suspicious transaction.
765. FIs understand and comply with the obligations of non-disclosure of information about filing STR to the customer. No violations of these requirements by the FIs have been revealed.

DNFBPs

766. Among the DNFBPs, there are few examples of STRs submissions by legal aid providers. Notaries to a larger extent submit threshold transactions. Other sectors of the DNFBPs have not submitted STRs to the FMS.
767. The DPMS sector is characterized by small volumes of transactions and is represented primarily by small enterprises. The average price of the products sold rarely exceeds 800 US dollars. Also, it should be noted that the sector sends reports about sale and purchase of items of precious metals and stones at a price exceeding the threshold amount (15 thousand US dollars), while the number of such reports (2020 – 24 reports, 2021 – 39 reports) confirms an insignificant turnover of the sector participants. The majority of jewellery sales and purchases are made by Turkmen nationals in foreign jurisdictions, as confirmed by Central Bank statistics. Thus, absence of STRs from the DPMS sector is explained by insignificant volumes of transactions performed by the vast majority of the market participants.
768. Among DNFBP sectors, the notaries sector provides the largest amount of information (in most cases threshold transactions) to the FMS: (2017 – 11 591 reports, 2018 –15 695 reports, 2019 – 16 977 reports, 2020 – 21 202 reports, 2021 – 28 461 reports). This is due to the nature and scope of the services provided, since it is the notaries sector that carries out certification of real estate transactions. Taking into account the risks of Turkmenistan mentioned in the NRA and related to sale of real estate, the implementation of a multi-stage system for control over transactions of entities subject to anti-money laundering laws – real estate agents, notaries and state real estate

registrars – seems to be effective in terms of prompt obtaining information by the FMS and ensuring comprehensiveness of such information for this category of transactions.

769. According to the presented information, real estate agents provide exclusively consulting services for search and selection of real property for purchase and sale, do not participate in the final processing of the transaction and do not have information about the final price and form of payment, and this, in their opinion, justifies non-filing of STRs to the authorized body. At the same time, Turkmenistan has provided information that the sector submits to the FMS information about transactions exceeding the threshold value, which illustrates the fact that real estate agents have the information to generate an STR. Therefore, non-filing STRs is indicative of formal approach of real estate agents to compliance with their AML/CFT obligations. However, it should be mentioned that absence of STRs from the real estate sector is neutralized by control established in Turkmenistan over the turnover of the real estate sector, when notaries and state real estate registrars inform the FMS both about notarial acts and about state registration of the transfer of rights to immovable property. These sectors send comprehensive information to the FMS on a regular - monthly basis on all real estate transactions carried out in Turkmenistan.
770. The lawyers sector files no STRs to the authorized body, explaining this by practical absence of services of company registration and management and activities exclusively related to judicial protection and court advocacy. During the mutual evaluation, after examining the information provided, the experts found no facts refuting this statement.
771. The auditors have mentioned absence of ML/TF risks among their customers because contracts for accounting services are very few in number, and, therefore, there is no need to file STRs.
772. Legal aid providers have presented examples of identifying suspicious transactions and filing STRs to the FMS. The above indicates awareness of the sector about the risks in its activities and compliance with the obligations to notify the authorized body. Lawyers have mentioned feedback from the FMS about usefulness of the information provided, which is certainly a positive factor stimulating the entity to take further AML/CFT efforts.

Case Study 5.3. Filing STR by a lawyer and its realisation by the FMS

The FMS analyzed an STR received from a legal aid provider. The received STR related to the lawyer's legal assistance to a customer-foreign legal person who was engaged in economic activity in Turkmenistan. Assistance included representing the customer's interests in a judicial body of Turkmenistan in a dispute with an individual entrepreneur of Turkmenistan. When preparing documents and materials for the customer, the lawyer discovered that the Turkmen entrepreneur's activities were with clear deliberate violation of the Turkmen tax legislation, in connection with which an STR was filed.

A lawyer found that an individual entrepreneur from Turkmenistan had asked his counterparty, a foreign legal entity, to transfer payments for his services to foreign company accounts.

Based on the received STR, the FMS started operational analysis which included collection of information by using the FMS database and sending requests to the relevant authorities, in particular, through international cooperation.

Based on the received information it was determined that the beneficial owners of foreign companies affiliated with the entrepreneur (to where the payment was made) were his close relatives.

It was determined that the entrepreneur entered into contracts with companies in Turkmenistan to provide services of search, registration and management of real property intended for accommodation of foreign citizens-employees of the lawyer's customer and for use as an office. Payment for this activity was received not to an account in Turkmenistan, but to accounts of affiliated foreign companies, the beneficial owners of which were the entrepreneur's close relatives. Money received from a third country were used to import foodstuffs into Turkmenistan at prices which, according to the customs authorities, differed from the prices indicated when the goods were sent from the country of departure (grey import).

Based on the results of the operational analysis, the relevant materials were submitted to the Prosecutor

General's Office, which, in its turn, conducted an inspection, investigated and referred the criminal case to court.

After the criminal case was examined in court, a sentence was passed under articles about fraudulent actions and legalization of illegally gained money or other property, and financial sanctions were applied in the amount of 435,870.00 manats (equivalent to 124,534.00 US dollars) and 54,310.00 US dollars.

The FMS notified the lawyer that the information submitted by him was useful.

773. The ICR approved for all DNFBP sectors contain provisions that DNFBP employees should not disclose (or use to their personal purposes or in the interests of third parties) information that they obtain while performing internal control functions. All DNFBPs have demonstrated understanding of the necessity to maintain confidentiality of information filed to the FIU, as well as the measures taken to ensure confidentiality (allocating a separate workplace to a special official, restricting access to this place for other employees, the decision to send an STR is made only by the management of the organisation, etc.).

5.2.6. Internal controls and legal/regulatory requirements impending implementation

774. The system of internal controls at FIs is organised with due regard to the specifics of their activities in accordance with the approved ICR (internal control rules), which were updated following the results of the NRA. However, internal controls and procedures to ensure compliance with AML/CFT requirements are not sufficiently applied by FIs. Reports of responsible AML/CFT officers at FIs provided to the management do not reflect complete information for appropriate controls. An internal audit of the effectiveness of AML/CFT internal controls is conducted at the FIs. However, the methodology (list of questions) of AML/CFT internal audit is not specified in the FIs procedures, which makes it impossible to assess the depth of inspections and effectiveness of the detection of violations in the FIs.
775. DNFBPs arrange internal controls with due regard to the specific features of their activities. Requirements imposed on the arrangement and implementation of the internal controls are determined in the ICR, and all of them are to be approved by the relevant supervisory authority. After the NRA 2020, all DNFBP sector participants updated the existing ICR in accordance with the requirements of the current legislation.

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776. All FIs have an internal control procedure and designated AML/CFT officer, maintain an audit of internal controls.
777. FIs insufficiently apply internal controls and procedures to ensure compliance with AML/CFT requirements. The reports periodically submitted by the responsible AML/CFT officers to the FI management do not sufficiently reflect the AML/CFT measures applied in the FIs at all levels of the business process because of incomplete reflection of the results of the work, the results of monitoring and analysis of the customer transactions, products/services and ML/TF risks, additional measures to mitigate these risks and suggestions to the FI management related to proper compliance with the AML/CFT requirements and risk mitigation measures (for example, introduction of additional controls, application of disciplinary measures against employees who committed violations, etc.).
778. At the same time, some banks have demonstrated a positive example of reporting (including risk assessment, in particular, by product/service) to the bank management.
779. As part of ongoing monitoring of customer remittances post office monitors and checks proper fulfillment of the AML/CFT requirements by the employees, and in case of improper fulfillment sends a memo to the management for appropriate measures to be taken, including disciplinary action.

780. FIs exercise internal audit/inspection of the effectiveness of the AML/CFT internal control system. However, due to the lack of methodological guidelines (list of questions) for conducting internal AML/CFT audits, it has not been possible to assess the intensity of inspection and the effectiveness of detecting violations in FIs. Most commonly, no high-risk violations have been detected during internal audit in FIs; some violations/deficiencies have been identified related to proper CDD and sending mandatory reports to the FMS.
781. In general, all FIs have an internal control procedure, an AML/CFT officer is appointed, and internal controls are audited. In view of the above factors, actual implementation of internal control measures is assessed as moderate.

DNFBPs

782. All DNFBPs apply internal control procedures in accordance with the established ICR, which are mandatory for organizations' activities. The scope of the procedures being applied varies depending on the sector and the requirements stipulated by the ICR. A designated official appointed in all DNFBPs arranges the introduction and implementation of the internal controls and customer due diligence procedures in accordance with the ICR, develops and submits to the executives for approval an action plan for implementing internal controls, based on the special features of the organization's activities.
783. The designated official of the DNFBP monitors the arrangement of the internal control system and elimination of deficiencies identified in the organization's activities.
784. DNFBPs have demonstrated that they conduct assessments of effectiveness of the AML/CFT internal control systems. This is implemented by introducing an appropriate procedure in the internal control rules and inspecting the activities of the designated official directly by the management of the organization, as well as by providing regular reports (at least once a year) on sufficiency of the CDD measures and control over sending information to the FIU transactions above the threshold value.
785. The assessors concluded that effectiveness of internal controls in DNFBPs depends not so much on the requirements for its arrangement, as on understanding the risks of a particular organization being directly involved in ML/TF schemes and understanding the ML/TF risks in general. This understanding is non-uniform, as mentioned above, and therefore, in general, the effectiveness of internal control procedures in most DNFBP sectors can be assessed as moderate.

Overall Conclusion on IO.4

786. In general, FIs moderately understand the ML/TF risks. Banks, which represent a significant weight in the country's financial sector (see chapter 1) have shown the best understanding of their risks among all FIs. With regard to country-specific contextual factors, FIs apply sufficient risk mitigation measures, which are risk-based and proportionate to their sector and customer base. At the same time, FIs have demonstrated incomplete understanding of high-risk and suspicious transaction criteria, and this can affect the quality of FIs' compliance with the suspicious transaction identification requirements. FIs apply sufficient measures to identify the customers and beneficial owners-founders of legal entities, as well as sufficient record-keeping measures. However, there is no practice of identifying beneficial owners who have significant control by other means (not through ownership of shares, capital). Information on ongoing and follow-up monitoring of customer transactions (analysis of identified suspicious transactions) is recorded and stored by not all FIs. FIs moderately understand and fulfil their AML/CFT obligations, including obligations to file STRs (except commodity exchange), but improvements are needed in terms of identifying interconnected transactions and complex schemes.
787. In general, DNFBPs moderately understand their AML/CFT obligations given the specific features of the sector. Actual implementation of the determined AML/CFT obligations is also moderate. Internal controls related to basic CDD and work with the Lists are non-uniform in the DNFBP sectors and may vary even within the same sector, as well as understanding of obligations and the

need to apply CFT-related preventive measures. The main identified deficiency related to the implementation of the national AML/CFT/CPF requirements by DNFBP sectors (except for notaries and legal aid providers) is failure to file STRs and other relevant information to the authorized body. However, this fact is not only due to shortcomings in the understanding of the responsibilities of the STR submission, but also to the nature and scope of the services provided and, in general, seems to be quite justified.

788. It is important to mention that importance of the DNFBP sectors in relation to FIs is insignificant in terms of the amount of services provided/transactions performed. The following contextual factors are also taken into account: the small amounts of transactions; the multi-stage control system and the availability of comprehensive information on real estate turnover to state authorities; the status of notaries as civil servants; the multi-level screening of non-resident counterparties, which makes the risks of DNFBP sectors only local, but not transnational, in nature. In the FI sector, the majority of entities are state-owned entities and are subject to strict scrutiny by the authorities, which affects their compliance with AML/CFT requirements at a sufficient level. In addition to STRs, reporting entities monitor transactions above threshold amounts and cash transactions, which are reported to the FMS on an ongoing basis.
789. In view of the weight and importance of certain sectors of the FIs and DNFBPs, the assessors believe that the existing mechanisms for preventive measures indicate a moderate effectiveness.
790. **Turkmenistan is rated as having a moderate level of effectiveness for IO.4.**

CHAPTER 6. SUPERVISION

6.1. Key findings and Recommended Actions

Key findings

Financial institutions

1. Licensing and registration requirements, as well as the checks (by special commissions) of the managers and founders of the majority of FIs sufficiently prevent criminals and their associates from directly owning FIs, i.e. being their founders or managers. However, supervisory authorities (except for the CB) do not establish and, therefore, do not conduct appropriate checks of beneficiary owners that have indirect controlling interest in FIs (when beneficiary owner is not founder/participant). In accordance with the qualification requirements, the managers of private companies should have impeccable reputation during employment; but there is no confirmation that they are subject to criminal record checks. Supervisory authorities take certain measures against unlicensed banking and insurance activities.
2. Supervisory authorities participated in the NRA and have adequate understanding of the ML/TF risks of the reporting sectors taking into account the contextual factor. The CB has demonstrated the most comprehensive understanding of ML/TF risks and typologies. MFE understands its risks to a moderate level, but does not categorize its reporting entities according to the ML/TF risk level.
3. Supervisory authorities supervise and monitor the FI's compliance with AML/CFT requirements to mitigate risks to a moderate level, taking into account the risk factors. However, it should be noted that the contextual factors such as strict (comprehensive) government control, currency control, strict requirements and procedures of licensing to conduct banking activities, limitations on cashing out of funds serve as a dissuasive factor and positively impact the efficiency of supervisory measures. Accordingly, it appears that the supervisory authorities, in general, conduct the AML/CFT supervision of FIs to a moderate level.
4. The CB more widely applies the tools of supervision and monitoring of banks' compliance with AML/CFT requirements under risk-based approach. During off-site supervision ML/TF risks, schemes and typologies were identified and circular letters were sent to banks to take enhanced measures.
5. MFE to a minor extent supervises and monitors the reporting entities' compliance with the AML/CFT requirements (insurance companies and securities traders), which is confirmed by the figures on AML/CFT inspections. Agency Turkmenaragatnashyk supervises and monitors the activities of Turkmenpochta postal service company in an adequate degree, taking into account the contextual factors.
6. Supervisory authorities identify AML/CFT violations to a moderate level. The most frequent violations and deficiencies of the AML/CFT framework are the lack of or failure to update ICR, non- or late submission of the reports of the transactions subject to mandatory control (when they exceed threshold amounts), failure to conduct AML/CFT personnel training. Supervisory authorities (except CB) have not demonstrated the methods and instances of inspections of FI's follow-up monitoring and inspections of FI's identification of interconnected suspicious unusual transactions.
7. Supervisory authorities (except CB) appear not to pay sufficient attention to the checks of the requirements to apply TFS by reporting entities.
8. Supervisory authorities apply corrective measures, proportionate and dissuasive sanctions to FIs to a small extent. However, the assessors assume that the Interbank Board acts as an additional effective tool to take corrective measures by CB.

9. Taking into account a moderate approach in supervision and monitoring because of contextual factor, minor level of application of corrective measures and sanctions by the supervisory authorities to FIs and a small number of STRs, supervisory authorities except CB have demonstrated that their measures are inadequately impact the FI's' compliance with requirements and on improving internal control systems.
10. Supervisory authorities significantly contribute to FIs' clear understanding of their AML/CFT obligations and ML/TF risks. All supervisory authorities conducted AML/CFT trainings and communicated the NRA outcomes to the reporting entities. However, supervisory authorities (except for the CB) have not developed and submitted to FIs guidance, guidelines and other materials that promote the better understanding of risks, typologies/schemes, methods of analysis and identification of customer suspicious transactions, etc. The CB submitted circular letters to banks regarding clarification on virtual assets, risk-based approach guidance and letters related to enhanced measures to natural persons' transactions to obtain financial aid.

DNFBPs

11. The efficiency of prevention criminals and their associates from owning and managing of companies in Turkmenistan varies among sectors. In the lawyer and notary sectors, access of criminals is efficiently blocked; other sectors have considerable limitations related to the admission to profession of licensees/applicants that have a criminal record, but does not have this opportunity in respect of beneficiary owners. In addition, there is a vulnerability related to the lack of the control of acting managers' ability to continue employment when they are convicted.
12. Supervisory authorities have demonstrated a solid understanding of the risks specified in the NRA, whose outcomes were communicated to all reporting sectors. Supervisory authorities keep the understanding of risks up-to-date, including through SRAs of the real estate and auditor sectors. MJ and the MFE by receiving monthly reports from supervised sectors identify their own perception of the risks in regulated activities.
13. Supervisory authorities do not employ risk-based approach and do not categorize the reporting entities based on ML/TF risks. In a number of cases, this appears justified due to the fact that notaries are civil servants and that the lawyer and notary sectors have quantitative limitations. However, taking into account the fact that the DPMS sector was assessed as high-risk, failure to apply risk-based approach and generally inadequate scope of supervisory measures creates vulnerabilities for Turkmenistan.
14. Turkmenistan has demonstrated that appropriate and dissuasive sanctions are only applied to notaries; disciplinary measures may be applied to them, which, taking into account their status, appears effective. Only preventive measures were applied to the real estate and DPMS sectors. No violations have been identified in other sectors, which, therefore, led to the non-application of special article of the Administrative Offences Code of Turkmenistan (Article 302), providing for administrative liability for failure to comply with AML/CFT legislation and, consequently, it is not possible to assess its impact on the compliance with mandatory AML/CFT requirements.
15. Turkmenistan has demonstrated various mechanisms in place to communicate information to the private sector on the actual risks and proposed measures to mitigate them. These efforts are assessed as effective since DNFBPs are aware of the efforts made and participate in various events.

Recommended Actions

Financial institutions

1. Supervisory authorities should enhance mechanisms for the identification and appropriate screening beneficiary owners that have indirect, considerable or controlling interest in FIs (when beneficiary owners are not founders) and to check, inter alia, the managers and founders of private (non state-owned) insurance companies for criminal record.

2. Supervisory authorities should enhance efforts to identify the persons that conduct unlicensed and/or unregistered activities taking into account ML/TF risks and contextual factors under the NRA.
3. Supervisory authorities (except for the CB) should implement and the CB should enhance risk-based approach taking into account ML/TF risks and the outcomes of the NRA, risk appetite of individual reporting entities and take actions to bring supervisory measures (frequency, scope and types of inspections, corrective and other supervisory measures) into compliance with the identified risks and violations. Supervisory authorities, in particular the CB, should conduct SRAs of the reporting sectors and keep the risk assessment up-to-date. Supervisory authorities should continue efforts to enhance the understanding of ML/TF risks by themselves and by the reporting entities.
4. To enhance the efficiency of supervisory measures, supervisory authorities should:
 - Improve the methods of supervision and inspections of the reporting entities (including the methods to check the FI's follow-up monitoring and analysis of customer transactions to identify suspicious transactions, including interconnected unusual transactions, application of TFS) and ensure monitoring and periodic checks (under RBA in combination with off-site supervision and on-site inspections) of the FIs' compliance with AML/CFT requirements with an increased emphasis on high-risk areas and taking into account the deficiencies that the assessors specified in IO4.
 - Take sufficiently effective corrective actions and/or appropriate and impose dissuasive sanctions based on the results of the violations and deficiencies identified in FI's activities.
 - When supervisory authorities apply unusual control measures like, for example, use the Interbank Board, they should clearly regulate all these control and supervision measures and procedures.
5. Supervisory authorities should continue efforts to interact with the private sector and other authorities to promote the FI's clear understanding of their AML/CFT obligations and ML/TF risks. To enhance the efficiency of the measures to identify suspicious transactions and the quality of submitted STRs, it is necessary to enhance the FI's understanding of the signs/criteria of suspicious transactions, high risk criteria, ML/TF scheme/typologies, including through development of guidelines, (approaches, guidance, etc.) and provision of feedback that may assist FIs in applying appropriate measures for AML/CFT purposes.

DNFBPs

6. Supervisory authorities should develop mechanisms to prevent access by criminals to the management of entities not only in the course of registration/licensing/certification, but also during entities' operation.
7. Supervisory authorities should assess the scope and risks of unlicensed activities, take actions to reduce a volume of such activities, include companies in the legal framework, including AML/CFT.
8. Supervisory authorities should specify at the regulatory level the need to apply a risk-based approach to the sectors that are subject to AML/CFT laws and approaches to rate risks within a particular sector.
9. Supervisory authorities should, taking into account the risk levels of the sectors, take control measures / conduct monitoring to assess the reporting entities' actual compliance with AML/CFT laws (CDD, identification of suspicious transactions and customers, PEPs/ foreign PEPs, work with lists and imposition of TFS, refusals to make transactions/ render services).
10. Supervisory authorities should ensure application of effective and dissuasive measures to the AML/CFT deficiencies identified during inspections.

791. The relevant Immediate Outcome considered and assessed in this chapter is IO.3. The Recommendations relevant for the assessment of effectiveness under this section are R.14, 15, 26-28, 34, 35 and elements of R.1 and 40.

6.2. Immediate Outcome 3 (Supervision)

792. When the outcomes of supervisory activities were assessed, bank sector considered as most important since it has the largest share of assets, customers and transactions. Precisely the banking sector provides most of the financial services and banks in addition to their core activities act as exchange offices, MVTS and professional participants in the securities market. Other sectors such as insurance companies, securities traders, the postal service, the commodity exchange have a minor weight in terms of risk and scale of operations; they are underdeveloped, generally domestically focused and pose low ML/TF risk. In terms of the national ML/TF risks, the number of members and the amount of transactions, the sector of dealers in precious metals and precious stones (DPMS) as well as notaries' sector are the most important among DNFBPs. Other sectors (real estate agents, auditors, lawyers and persons that render legal assistance) have a less significant weight as regards the assessment of IO.3.

6.2.1. Licensing, registration and control measures to prevent criminals and their accomplices from entering the market

Financial institutions

793. Licensing and registration requirements, as well as checks of the managers and founders (participants) of the majority of FIs sufficiently prevent criminals and their associates from direct owning, i.e. being founders or managers of FIs. However, supervisory authorities except CB do not establish and, therefore, do not conduct appropriate checks of the beneficiary owners that have indirect considerable or controlling interest in FIs (when beneficiary owner is not founder/participant).

CB - checking the management of public and private banks

794. A distinctive feature of the banking sector of Turkmenistan is that government has shares in the capital in 8 out of 10 banks (see Table 6.1). 1 bank out of the remaining two is a branch of a foreign bank and only 1 bank is private bank that founded by individuals (not state-owned).

Table 6.1. Banking sector Structure

No	Name of banks	Founders
Banks with government participation		
1	State Development Bank of Turkmenistan	State banks with 100% government participation
2	State Bank for Foreign Economic Activity	
3	State Commercial Bank "Dayhanbank"	
4	State Commercial Bank "Turkmenistan"	
5	Joint Stock Commercial Bank "Halkbank"	99% - Ministry of Finance
6	Joint Stock Commercial Bank "Turkmenbashi"	1% - state insurance organization
7	Turkmen-Turkish Joint-Stock Commercial Bank	50% - state bank of Turkmenistan 50% - the governmental bank of Turkiye
8	Joint-Stock Commercial Bank "Senagat"	6.56% - state banks 93,44% - private persons
Private banks		
9	Joint-Stock Commercial Bank "Rysgal"	62,64% - residents, 37,36% - non-resident

10	Ashgabat branch of Iranian bank "Saderat"	100% - Iranian Bank Saderat
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795. Since the beneficial owner of state-owned banks is the state, with respect to such banks the assessors have considered measures to prevent criminals from holding a management function .
796. Checking of the managers of state banks is carried out on the basis of the following regulations: Regulation "On the procedure of selection and appointment of civil servants, appointed to the posts of civil servants with the approval of the Cabinet of Ministers of Turkmenistan" (document for official use), Regulation "On the procedure of registration and deregistration of financial institutions".
797. All managers of state-owned banks are subject to a criminal record check through various government agencies and special commissions in accordance with the above-mentioned regulations. Persons with unexpunged or uncanceled criminal record, as well as those suspended from civil service by court decision, may not be considered as candidates for managerial positions in a financial institution. The heads of state banks are appointed by the President of Turkmenistan after approval by the Cabinet of Ministers.
798. In contrast to other FIs, private banks and banks with foreign capital participation undergo a similar special check procedure as in relation to the heads of state banks (documents demonstrated, including documents for official use). Such check is carried out in accordance with the Procedure for Appointment of Heads of Structural Subdivisions of Central Departments of Banks, Branches, as well as Separate Structural Subdivisions, approved by Order of the Chairman of the Central Bank of 07.09.2016 № 291-ish/GPU (document for official use). For these purposes, the candidate for the position shall provide a certificate from the MIA confirming the absence of criminal record in the candidates for the heads of the newly formed financial institution.
799. In addition to the candidate for a management position, banks also conduct criminal record checks on relatives (affiliates). The CB provided examples of such cases (see Case study 6.1). Also, in accordance with the Procedure for Requirements for Qualifications of Candidates Recommended for Positions of Managers and Responsible Employees of Financial institutions and Interviews with them at the CB (approved by the Order of the Chairman of the CBT Board of 15.07.2019), officials of banks and their subdivisions must be attested at least once every 3 years through a commission at the CB in order to determine whether their qualifications correspond to the positions they hold.

Case Study 6.1. Check of bank managers

Mr. A., who had 14-year work experience in the banking sector (7 years at a state-owned bank and 7 years at the CB), was selected as a candidate to the office of the deputy chairman of a commercial bank.

All details of this person were submitted to the appropriate competent authorities for review. Review of personal data, personal file and information on close relatives up to the third generation identified a close relative's criminal record. For this reason, he was refused to be appointed to the senior position in this commercial bank; this person was relocated to the bank's affiliate company not related to banking activities.

CB - checking the beneficial owners of private banks

800. As noted above, only one bank in Turkmenistan is completely private, one bank has a share of both the state and private persons, and one bank is a branch of a foreign bank. When licensing private banks, the Central Bank checks the beneficial owners in addition to checking the managers.
801. In the case of registration of a legal entity (including, banks, etc.) with foreign capital/founder , opinion of the Agency for Protection of Economy from Risks MFE, based on a decision of the Commission, which comprises the officials of various LEAs and other government authorities, is additionally required. Accordingly, this contextual factor and strict measures of government control of non-residents adequately mitigates the risk of entry of criminals and their associates to the market. The CB has provided an example of the establishment and registration of a private bank that describes a thorough check and long and complicated process of the establishment of the bank

with foreign capital in accordance with the established legal requirements of the country (Case study 6.2).

Case Study 6.2. Check of the beneficial owners of a bank

In mid-2008, the Union of Industrialists and Entrepreneurs of Turkmenistan came up with the initiative to establish a private bank, which was registered only in 2011 after a thorough review. The CB submitted letters to the Union that specified requirements regarding the amount of share capital, the availability of a building and its compliance with technical requirements under the appropriate regulations. The construction of the building where the bank was supposed to be located, was carried out in a fairly short time, taking into account the Central Bank's requirements to reinforce and equip the cash point and provide technical equipment for exchange points.

The CB repeatedly made comments on the constituent documents. The new bank made efforts to eliminate the faults noted in the CB's comments to bring the constituent documents in compliance with the regulations of Turkmenistan.

The new bank had 43 shareholders, of which: 19 were natural persons of Turkmenistan; 13 were legal entities of Turkmenistan; 1 was a foreign founder, C company, whose share accounted for 37.73%.

The natural person's largest share accounted for 2.83%, the legal entity's - 3.77%.

To register and obtain a license, appropriate constituent and other documents were submitted to the CB.

In October 2011, following the review and examination of all submitted documents under the laws of Turkmenistan, including the documents related to the foreign founder of Joint-Stock Commercial Bank "A", transfer to the accumulation account of 50% of the authorized capital in accordance with Law on Joint-Stock Companies, the CB registered Joint-Stock Commercial Bank "A" under the Order of its Chairman of the Board.

The founders, beneficial owners and managers were checked through the Single State Register of Legal Entities and using information from various available sources (the UN lists, commercial databases), requests were submitted to APER the MFE and appropriate opinion were received. To check the obtained information and business reputation, the channels of interaction of LEAs and international cooperation mechanisms were employed.

In the course of the review of potential members and investors of the said bank, the CB refused some of them (namely, two potential investors) to enter the banking sector due to doubts in their business reputation based on LEAs' recommendations.

802. In Turkmenistan, there is a legal prohibition on participation in the share capital of a financial institution by affiliated persons registered in an offshore zone or who are the founders of such persons, or individuals with residence in an offshore zone or who are the founders of legal entities registered in an offshore zone.

Checking the origin of the funds of the founders of banks

803. One of the licensing requirements for banking activities is that the applicant must provide documents confirming the legitimacy of the origin of the funds transferred by the founders to the charter (share) capital of the credit institution (Regulation on the Procedure for the Registration and Deregistration of Credit Institutions). In accordance with this requirement, to register a newly established financial institution, the relevant supporting documents must be submitted to the CB. To identify the sources of the funds owned by the FI's founders, supervisory authorities should request supporting documents such as income source certificate, confirmation of employment, tax return, savings contract, money inheritance certificate, etc. Also, legal entity's auditor's report may be requested.

MFE, Turkmenaragatnashyk

804. As in the case of the banking sector, the Ashgabat Stock Exchange, the State Insurance Organization, the Turkmen Post and the State Commodity and Raw Materials Exchange are state organizations and, in accordance with the Regulation "On the procedure of selection and

appointment of civil servants, appointed to the posts of civil servants with the approval of the Cabinet of Ministers of Turkmenistan" (document for official use) in relation to the heads of the above-mentioned organizations, a special check is carried out, which provides a sufficient measure of control to prevent criminals and their associates from holding a management function.

805. Managers of private insurance companies and brokerage companies are not subject to the Cabinet's approval. However, the MFE has issued an order "On conducting a proper inspection of the license applicant and on refusing to issue a license on the basis of the results of the inspection", according to which the MFE checks the absence of a criminal record of the license applicant according to the available information or by applying to the relevant authorized bodies. If the license applicant has been prosecuted for the crimes indicated in the order (including financial, economic, corruption), then the applicant must be denied a license. However, the MFE has not provided supporting examples of such verification neither with respect to the beneficial owner, nor the head of insurance and brokerage companies. At the same time, this deficiency is assessed as insignificant with respect to the insurance sector because, apart from the state insurance organization, other private insurance companies do not carry out life or investment insurance.

Measures to be applied in case of changes in the BO

806. Supervisory authorities, as part of their periodic inspections of the activities of FIs, check, among other things, compliance with licensing requirements. For example, the CB checks the correctness of the formation and conduct of legal files on shareholders owning more than 5% of bank shares, checks the legality of transactions on the acquisition/disposal of bank shares, and checks the compliance of bank activities with the legislation of Turkmenistan and the CB legal acts regulating the activities of the financial institution. All of this combined makes it possible to apply timely measures to the examination of the BO in the event of its changes. The MFE carries out a similar check on the compliance of insurance organizations and the stock exchange with licensing requirements.

Measures to prevent unlicensed activities

807. In cases of unlicensed banking activities identified by the Tax Service (buying and selling of foreign currency, transfers in national and foreign currency on the instructions of individuals without opening a bank account), the CB takes measures against these unlicensed persons by sanctioning them and refunding the unlicensed income to the state budget (see case studies 6.3 and 6.4).
808. Between 2015 and 2021 and during the first six months of 2022, Tax Service sent to the CB 66 reports of the inspection of unlicensed banking activities: in 2015 - 20 violations; in 2016 - 12 violations; in 2017 - 1 violation; in 2018 - 14 violations; in 2019 - 4 violations; in 2021 - 16 violations; in the first six months of 2022 - 1 violation was found.
809. Following the review of inspection materials, the CB makes an appropriate decision (to be executed with protocol of the Licensing Commission of the CB established under the Order of the Chairman of Board) on whether persons conduct/do not conduct unlicensed banking activities and submits materials to judicial authorities to transfer the income generated from unlicensed banking activities to the government budget.

Case Study 6.3. Transfers of funds upon natural persons' instructions without opening bank accounts

On March 19, 2015, the CB received a letter No. 690/03 from the department of the State Tax Service in the town of A attaching Report dated March 12, 2015 of the inspection conducted by the department of tax service of the district of K (the inspection was based on LEAs' requests) in respect to Mr. I, a national of Turkmenistan, who transferred funds from the currency account of Riga-based AA LLP company opened with a Latvian bank upon the instructions of some businessmen of Turkmenistan to pay for goods/services to be delivered abroad. Accordingly, a non-cash payment made by citizen "I" through a foreign company was reimbursed by local businessmen in foreign currency in cash. The inspection also identified that Mr. I was the ultimate beneficiary owner of company AA LLP. In

addition, Mr. I was engaged in the purchase and sale of foreign currency. The net revenue from the unlicensed activities accounted for 5,373.0 manats (1,535 USD), which was repaid by close relatives. The said person's actions constitute offences under Article 278 Unlicensed Banking Activities and Unlicensed Exchange Foreign Currency and Article 279 Illegal Foreign Currency Exchange. Since when the CB made a decision, information was received that Mr. I is under investigation, it decided (Minutes No. 37 dated April 03, 2015) to found the person guilty of unlicensed activities and approach appropriate authorities to apply to him administrative disciplinary measures unless the offence does not create criminal liability under the laws of Turkmenistan. With regard to the foregoing, the CB submitted an appropriate letter to the SC of Turkmenistan to submit information on Mr. I. The SC in its letter dated May 12, 2015 submitted information that Mr. I in accordance with clauses a and b, part 2, Article 240 was sentenced to three-year imprisonment, disqualification for a period of three years and confiscation of assets. Physical evidence in the case, namely, 132,700.0 US Dollars, was transferred to the government budget; damage of 211,984.0 manats (USD 60567) was reimbursed.

Case Study 6.4. Purchase and sale of foreign currency without a licence

On November 09, 2017, the CB received a letter No. №3310/04 from the tax department of the town of A attaching Report dated October 23, 2017 of the inspection conducted by the tax service of district B (the inspection was based on LEAs' requests). Following the inspection conducted by tax service that covered the period between July 01, 2015 and October 13, 2017, it was identified that this businessman sold and purchased foreign currency. The net revenue from the unlicensed activities accounted for 109,836.0 manats (USD 31439,46).

Subject to the Law On Licensing of Separate Types of Activities, Regulations On Licensing of Banking Activities and Activities Related to Precious Metal and Precious Stones», the Decree of the President No. 13180 (ceased to be in force when the Decree of the President No. 1771 dated 2020 became effective) "the sale and purchase of foreign currency in cash and non-cash form are classified as licensed types of activities that may be conducted by banks or non-bank FIs."

Following the review of the inspection materials, including the businessman's evidence that during the period under inspection he sold and purchased foreign currency and generated some revenue, Licensing Commission of the CB decided to initiate proceedings to find this person guilty of unlicensed activities and impose a penalty to seize the revenue from the unlicensed activities and transfer them to the centralized budget of Turkmenistan. Court of district B satisfied the CB's legal claim; the defendant, Mr. L, was found guilty under clause b, part 2, Article 240 of the CC and was sentenced to two-year imprisonment and payment of 109,836.0 manats (USD 31439,46) to the centralized budget of Turkmenistan (court judgment No. 2-511 dated May 14, 2018). The results of the work were communicated in writing to the appropriate tax department of the town of A and MFE.

810. MFE identified instances when 39 branches of the state-owned insurance company conducted unlicensed activities; they were subjected to administrative fines, the revenue from these activities was transferred to the government budget.
811. Therefore, supervisory authorities take measures to prevent criminals from holding a management function in reporting entities and make efforts in coordination with tax authorities to combat unlicensed activities.

DNFBPs

812. The following DNFBPs are subject to mandatory licensing in Turkmenistan: dealers in precious metals and precious stones, lawyers, independent auditors and audit companies, as well as persons that render legal assistance to natural persons. Casino and gambling operators should also have licenses; however, currently Turkmenistan has no entities that conduct these types of activities.
813. In the real estate sector, requirements to be licensed were canceled on April 1, 2020, but MFE registers and certifies the persons engaged in real estate activities. Cancellation of licensing occurred in order to reduce the number of administrative barriers and exclude duplicating functions of state bodies. These changes in approach did not lead to a decrease in regulatory control of entry

into the profession, the number of subjects remained at the same level, and the requirements for registration and attestation are not less stringent than for licensing.

814. Notaries of Turkmenistan are civil servants and they do not need to be licensed to conduct their activities.
815. The figures on officially registered DNFBPs are given in Chapter 1.
816. Unlicensed activities pose a material risk, especially if we take into account that Turkmenistan specified the circulation of precious metals and precious stones and real estate transactions as the most frequent forms of money laundering. However, it should be noted that both supervisors and LEAs exercise control of unlicensed activities in the sectors of sale and purchase of precious metals and real estate, gambling organizers, persons that render legal assistance and auditors (persons that render accounting services). For instance, between 2015 and 2022, Tax Service sent 39 inspection reports to the CB on unlicensed activities related to DPMS, following which the entities were sanctioned in the form of the reimbursement of the revenue generated from unlicensed activities and payment of state fee to the budget of Turkmenistan.

Case Study 6.5. Identification of unlicensed in the DPMS sector

The CB received a letter from a tax department of the town of A attaching a Report of inspection conducted by the tax service of the district of K (the inspection was based on LEAs’ requests). Following the tax inspection, it was identified that businessman A upon requests of his friends and relatives imported in Turkmenistan and sold items of precious metals and precious stones (according to the Assay Chamber, the imported goods weighted 54,350.70 grams) without having an appropriate license. The net revenue from these activities accounted for 103,208.0 manats (USD 29542,26).

Licensing Commission of the CB, following the review of inspection materials, including the businessman’s evidence that he during the period under review conducted retail sale of jewelry and generated some revenue, decided to initiate legal proceedings to found him guilty of the unlicensed activities and impose a penalty in the form of the seizure of the revenue from the unlicensed activities and transfer them to the centralized budget of Turkmenistan. Court of the district of K satisfied the legal claim, the defendant, businessman A, obliged to transfer 103,208.0 manats/USD 29542,26 (the revenue generated from the unlicensed activities) to the centralized budget of Turkmenistan and pay 15,431.0 manats/USD 4416,97 as a state fee (court judgment No. 2-900 dated June 25, 2018).

817. There are similar instances in the sectors of real estate agents, gambling organizers, persons that render legal assistance and auditors. However, the said control seems insufficiently effective, since some DNFBPs, first of all real estate agents, highlighted that there was a lot of real estate agents/consultants that conduct unlicensed activities. In addition, annual figures on the identification of unlicensed activities submitted by Turkmenistan vary and do not demonstrate a reduction trend.

Table 6.2. Number of detected violations for unlicensed activities

Year	DPMS	Persons providing legal assistance	Gambling	Real estate	Auditors
2017	3	2	No data available	No data available	No data available
2018	14	0	5	0	0
2019	10	0	3	0	0
2020	3	0	4	0	0
2021	2	0	2	0	0
6 months of 2022	5	0	1	0	0

818. MJ in cooperation with MIA conducts criminal record checks when persons obtain statuses of notaries, lawyers and persons that render legal assistance. If candidates for notaries or applicants for licenses have a criminal record, they may not become notaries or obtain appropriate licenses.
819. The sectors of auditors and dealers in precious metals also have a mechanism that enables supervisory authorities to obtain data on the criminal record of the sector’s members during licensing and certification procedures. Prior to certification, the MFE sends a request to the MIA

to verify the applicant's criminal record; if such a fact is found, the citizen is denied the right to take the certification exam.

820. In the sectors supervised by the MFE, a relevant Order on proper checks of applicants for licenses and refusals to grant licenses following checks, which contains a mechanism to not admit applicants for licenses that have criminal records, was only approved on August 11, 2022; therefore, the assessors cannot assess the outcomes and efficiency of its application.
821. At the same time, the real estate sector also has a mechanism for checking the criminal record of applicants for a qualification certificate of real estate agent (i.e. the check is not carried out at the time of obtaining a license, but at the time of the certification).

Case Study 6.6. Criminal record check

According to the Law of Turkmenistan "On realtor activity" a real estate organization should have at least three certified real estate agents who have received a certificate of competency as real estate agents.

The commission on certification of realtors has received an application from the applicant M. for the issuance of a qualification certificate.

In accordance with the Law of Turkmenistan "On realtor activity" and the Regulation on the procedure of certification of realtors, individuals with outstanding convictions under the procedure established by the legislation of Turkmenistan are not allowed to be certified as real estate agents.

According to these requirements, the MFE sent a letter dated 07.06.2019 to the MIA with a request for information on criminal records regarding the individuals in the list attached to their letter.

The MIA, under its mandate, sent information by letter dated 17.06.2019 that one of the applicants for certification of real estate agents - citizen M. has already been twice prosecuted.

According to the information received, the applicant was denied participation in the realtor certification, and the applicant was not allowed to perform activities in this sector.

822. Thus, auditors and real estate agents are subject to a criminal record check because it is a requirement of their certification. At the same time, there is a risk when the head of a real estate is a person who is not subject to certification, in respect of which the criminal record check procedure will not be passed. There is also no post-checking by the state authorities of the requirements to the business reputation of the heads of these organizations after the attestation. Thus, if a person has a criminal record after receiving the relevant status, this fact will probably not be detected until the next, usually three years, period of attestation. Due to the lack of regulatory requirements to the owners/founders of the entities that conduct auditor or real estate activities and are dealers in precious metals and precious stones, that they should not have criminal records, supervisory authorities do not collect the said data.
823. In respect to all DNFBPs there are no mechanisms to identify their beneficial owners and no requirements to check the business reputation of their beneficial owners and affiliated persons.
824. Due to the non-uniformity of DNFBPs, the effectiveness of preventing criminals and their associates to the ownership and management of entities varies among sectors. It can be said that in the lawyer and notary sectors, first of all due to the features of these activities and its regulation (all notaries are civil servants), criminals' admission is sufficiently blocked due to the requirements to have no criminal record and supervisory authorities' ongoing control of the compliance with the lawyer and notarial profession laws. In this case, failure to identify beneficial owners during registration is not a material vulnerability since the activities are conducted directly by notaries that are civil servants or by lawyers that are natural persons and act in their own interests or by legal arrangements that may be only founded and managed by the licensed members of the sector that may not be criminals due to the existing restrictions. Other sectors have considerable restrictions related to the admission to profession directly of licensees/applicants that have criminal records;

however, there are deficiencies related to requirements on checking beneficial owners of reporting entities.

6.2.2. Supervisors' understanding and identification of ML/TF risks

Financial institutions

825. Supervisory authorities participated in the NRA and have an adequate understanding of ML/TF risks of the reporting sectors taking into account the contextual factor. However, the reporting entities are not categorized based on their vulnerability to ML/TF processes (except for the CB); risk-based supervision is not conducted or insufficiently conducted.
826. The CB performs an annual risk assessment, including ML/TF risk of banks, and a risk classification of each bank (risk profile) based on the risk assessment of each component of banks' activities, as part of comprehensive inspections of banks based on the CAMELS system. CB prepares a supervisory strategy for each financial institution, combining ongoing comprehensive, targeted and thematic inspections with prudential supervision. Banks' risk profiles are also assessed as part of prudential supervision and may be revised based on the results of monitoring and inspections of banks' activities. These measures to develop understanding and reduce ML/TF risks are also applied by CB to branches of foreign banks. The branch of an Iranian bank is subject to restrictive measures such as a ban on cross-border transfers due to its lack of correspondent account with foreign banks, restriction on the types of operations conducted (mainly visa and salary payments), small number of customers (for details see the next section and IO.11).
827. The CB demonstrated the most comprehensive understanding of ML/TF risks and ML typologies. ML/TF risks in the banking sector were identified in the NRA, where the private sector participated in the financial sector group through questionnaires and participation in working group meetings. Preparations are underway to conduct a SRA, which may contribute to a better understanding of ML/TF risks in this sector. In assessing overall sector risk, including in the banking sector, geographic risk and proximity to high-risk jurisdictions were taken into account in the NRA, but to a lesser extent, as Turkmenistan is not widely integrated into the international financial system, and combined with strict state controls and currency regulations, the country context reduces foreign use of Turkmenistan's financial system for ML/TF purposes.
828. The CB mentioned the main ML/TF risks and gave some examples of ML typologies: split operations, offshore operations, financial assistance, uncharacteristic customer transactions, concealment of proceeds and cash-out by entrepreneurs to circumvent cash-out restrictions from the bank's cash register, misuse of issued loans, use of front companies, including foreign companies and sham contracts, withdrawal of funds abroad through foreign trade transactions.
829. It should be noted that a higher turnover of cash increases AML/CFT difficulties and potentially increases ML/TF risks, as entrepreneurs make payments while evading regulation. In this regard, the CB, together with the tax service, periodically checks cash discipline and the use of cash registers and payment terminals by entrepreneurs (see Case study 6.7).
830. One of the mechanisms reducing the above-mentioned risks associated with foreign currency and foreign trade transactions is the inspection of goods for compliance with market prices, characteristics, etc. and confirmation of the purpose of the transaction by the Commodity exchange within the state currency control. In accordance with the Law on currency regulation and currency control in foreign economic relations, currency operations, accounts (deposits) of residents in foreign financial institutions are subject to registration and notification to an authorized financial institution. Registration means registration of the currency agreement and subsequent submission of the information about the conducted currency operations and changes to the currency agreement. With the purpose of providing accounting and reporting on currency transactions, a transaction

passport²⁰ is issued that reflects the information on the foreign economic transaction. National and foreign currency receivable by residents under foreign trade transactions with non-residents should be repatriated, i.e. credited to residents' accounts with authorized financial institutions. Compliance with this control is carried out through the execution of a transaction passport. Thus, it seems that the mechanisms of currency control and regulation of Turkmenistan contribute to the control and reduction of ML/TF risks, thereby increasing the effectiveness of measures taken by the supervisory authorities.

Case Study 6.7. Cashing out risk identification

According to CB it is noted that the entrepreneurs do not submit the proceeds to the bank in full. The main reason for this is that there are restrictions on cash withdrawals after the proceeds have been deposited at the bank's cash desk. According to the regulations of the CB, for commercial purposes they are only allowed to cash 75% of the proceeds. For personal needs, special bank cards are opened for which a limit of 35,000 manats (USD 10,000) is set, of which only 10 per cent can be cashed out. In this regard, in order to cash out entrepreneurs make any payments to third parties (mortgage debts, tuition fees), which are then returned to the entrepreneur in the form of cash. There is not always a family connection between the parties.

After identifying this typology, CB sent a circular letter to banks to monitor and prevent such schemes.

Case Study 6.8. Identification of ML/TF risks and the application of measures

In 2015, following a comprehensive inspection of bank A, instances when businessmen cashed out the funds deposited to their settlement accounts as financial aid from resident legal entities of Turkmenistan have been identified. Following the review of the findings of the inspection the document entitled "Procedure for spending cash or transfer to individual accounts the funds received to the accounts of businessmen through wire transfers in authorized financial institutions" has been developed and approved by the Order of the Chairman of the Board of the CB No. 327- iş dated August 28, 2015).

Also, following the inspection of Bank A, instances have been identified when holders of international bank cards (Visa and Master Card) gave them to natural persons who travelled abroad to withdraw cash. In response to illegal transfer of cards to other persons without personal attendance at the location of transactions, which was confirmed by data of Migration Service, exchange transactions of this category of persons have been blocked for an indefinite period of time.

As regulatory and dissuasive measures to minimize risks, the territorial principle of carrying out exchange operations by individuals was adopted (through the use of the "Currency Control" database by banks), as well as CB made amendments and additions to the "Procedure for carrying out exchange operations in cash and non-cash form by individuals by authorized financial institutions".

831. MFE understands the risks of its reporting sectors (insurance companies and securities traders) to a moderate degree, but does not categorize its reporting entities according to ML/TF risk level. It should be noted that Turkmenistan has only 4 insurance companies; one state-owned insurance company only maintains life insurance. Therefore, it is not possible to rank the reporting entities according to their ML/TF risk level. The main securities traders are banks and the Ashgabat Stock Exchange; the only private brokerage company was established in 2021 and had not made any transactions at the time of the on-site visit. These circumstances also make the ranking of securities traders impossible. Following the events to mitigate risks based on the NRA findings, MFE assessed the level or the vulnerability risk of the securities traders and insurance companies as below medium.

²⁰ A document serving the purpose of currency control, which is issued for an import or export contract and which reflects all information on the foreign trade transaction: the parties (the resident and his foreign counterparty), the amount, the authorized banks, etc.

832. The FMS, which carries out AML/CFT supervision of the state commodity exchange, also has a moderate understanding of the risks in the activities of this entity, given that it only registers foreign trade contracts and is not directly involved in making payments (transactions).
833. Agency Turkmenaragatnashyk understands the ML/TF risks of the reporting sector to a sufficient degree, taking into account the fact that the only entity (except for banks) that renders MVTS is a state-owned postal service company Turkmenpochta and given the existing restrictions on domestic (3,000 manats) and foreign transfers (50 US Dollars may be only transferred to and from 3 countries – Russia, Belarus and Azerbaijan).

DNFBPs

834. The majority of supervisory authorities have demonstrated a solid understanding of the risks indicated in the NRA. The CB and MJ have demonstrated understanding and a clear justification of the risk assessment of the reporting sectors (dealers in precious metals and stones, notaries, lawyers and persons that render legal assistance). At the same time, in determining a higher level of risk in the DMPS sector, the supervisory authority relied on the presence of confiscated precious metals and precious stones from persons convicted of predicate offenses; the presence of cases of prosecution of citizens of Turkmenistan for gold smuggling in foreign jurisdictions; and the insufficient supervision over this sector and, as a result, the lack of sanctions.
835. In the sectors reporting to the MFE (real estate agents, auditors), there are some discrepancies in the interpretation of risks and vulnerabilities identified by the results of the NRA. For instance, MFE indicated the absence of STRs on the part of real estate organizations due to the fact that real estate agents perform only consulting services and do not know exactly whether the transaction on the sale and purchase of real estate, as well as the specific amounts of transactions performed. At the same time, the representatives of the sector indicated that they have information on the dates of transactions, the methods of calculation on transactions and identification data of the participants. This is also confirmed by the statistics of reports submitted to the FMS by representatives of the real estate sector on transactions above the threshold amount. As for the auditors according to the opinion of the supervisory body this sector has the risk level "above medium". Representatives of this sector generally support the results of the NRA, at the same time the facts of single operations (transactions) in accordance with the FATF Recommendations were separately noted, which, in their opinion, may serve as grounds for review of the risk level in the future by the supervisory authority.
836. As a positive example of the efforts to update and reduce the risks identified in the sectors, it should be noted that MFE, taking into account the comments of the real estate and auditor sectors and with their direct involvement (in addition to the 2022 NRA), conducted SRAs in 2022, whose findings demonstrate that the level of vulnerabilities and threats of these sectors was lower than those indicated in the NRA.
837. The NRA conducted in 2020 by Turkmenistan has increased the DNFBPs' awareness of their role and AML/CFT vulnerability and resulted in the development of ICR. All DNFBPs notify supervisory authority of the development of ICR and submit a copy thereof. Accordingly, supervisory authority checks their compliance with the regulatory requirements in force, which may be assessed as a positive preventive measure since it ensures ongoing control of formal compliance with the regulatory requirements and the existence of internal regulations.
838. MJ and MFE identify the risks of the reporting sectors based on monthly reports submitted by lawyers, persons that render legal assistance and auditors. But auditors' reports to a larger degree related to assessment of the scope of auditor services market and confirm few cases when auditors rendered accounting services prescribed by the FATF Recommendations.
839. Intensity of the interaction between supervisory authorities and reporting entities directly impacts not only the supervisory authorities' ability to identify new typologies but also the DNFBPs' understanding of risks. Sectors other than lawyers, notaries and persons that render legal assistance demonstrate more formalistic approach to the identification of the relevant risks of the entity and the sector. Despite all supervisory authorities' satisfactory understanding of ML/TF risks, the

understanding of ML/TF risks in the majority of sectors does not generally result in the performance of their appropriate obligations such as assignment of a high risk level to customers, submission of STRs and refusals to onboard customers.

6.2.3. Risk-based supervision of the compliance with AML/CFT requirements

Financial institutions

840. Supervisory authorities supervise and monitor the FI's compliance with AML/CFT requirements to a moderate degree. However, it should be noted that the contextual aspects such as strict government control, currency control, strict requirements to and procedures for obtaining a license to conduct banking and other financial activities and cashing out restrictions serve as dissuasive factors and impact the efficiency of supervisory measures.
841. The CB more widely applies tools to supervise and monitor the banks' compliance with AML/CFT requirements. Banks are supervised under risk-based approach to be applied in accordance with Guidance on risk-based bank supervision (approved by the Order of the Chairman of the Board of the CB No 190-ış dated July 26, 2022). All risks of banks are assessed under CAMELS ranking system, including compliance and ML/TF risks. According to the CB, compliance risk of 8 banks was assessed as "acceptable", of 1 bank - "low" and of 1 bank - "substantial".
842. The CB conducts ongoing off-site (prudential) supervision of banks through periodic (daily, monthly) reports using analytical tools/software: Balance module for banks' balance sheets, credit register of the banking system of Turkmenistan (debtors' credit history), Currency control module that contains data on international bank card transactions, Sanction screening module that contains data on the transactions subject to sanctions. The CB of Turkmenistan on a monthly basis receives banks' reports on the number of STRs submitted. Application of these tools in their entirety enables the CB to conduct the following AML/CFT/CPF monitoring in the course of off-site supervision: understand the development of asset and obligation trends of commercial banks related to cash and exchange transactions, cross-border payments, credit/deposit transactions and other bank products and services; assess if any particular risks are present in accordance with AML/CFT/CPF; use the current trends to conduct subsequent on-site inspections to assess the AML/CFT/CPF framework; identify potential new typologies and schemes in order timely apply appropriate AML/CFT/CPF measures. Issues arising during off-site AML/CFT/CPF supervision, depending on their complexity, are resolved through correspondence or during on-site comprehensive or special inspections of financial institutions. There are instances/examples when ML/TF risks, schemes and typologies were identified during off-site supervision; circular letters were sent to banks to take enhanced measures. The legislation of Turkmenistan (both on AML/CFT and the CB legal acts) lacks principles and procedures for the application of consolidated group supervision of banks, including for AML/CFT purposes. The branch of the Iranian bank is subject to the standard measures described above, with the application of the RBA. In general, this bank has an insignificant share in the banking system of Turkmenistan - 0.04%, only 142 customers are served, which is 0.0036% of the total customer base of the banking system. Such factors as the small number of customers, the insignificance of the transactions conducted by the bank (mainly transactions to accept payments from residents of Turkmenistan for visas to Iran, as well as the payment of salaries to employees of the Iranian embassy and other services), the limitation in cross-border transfers due to the absence of Nostro correspondent accounts reduce ML/TF risks to an insignificant level.

Case Study 6.9. Identification of violations as part of remote supervision

Bank supervision department of the CB conducts off-site examinations to identify suspicious transactions. In the course of an off-site inspection it was identified that on January 11, 2021 branch X of bank A of the district of M disbursed a loan to businessman "A. A." of 7,500.00 manats (USD 2146800,00) for 7 years at an annual rate of 7 %. This loan was disbursed to conduct livestock activities, in particular, to raise sheep and goats.

Review of databases, namely the credit and pledge registers, daily report of disbursed and repaid loans on each borrower with a breakdown into banks and their branches enabled the Department to identify the following transactions that raised some concerns:

Businessman “A.A” bought sheep and goats from natural person “P.A” for the raised loan. The funds were deposited to the natural person’s personal account opened with branch A of bank X.

Tracing of this transaction raised doubts if this natural person really conducts livestock activities. Following the review of the information on this natural person submitted by branch A of bank X, it was identified that “P.A” had not been engaged in livestock activities (raised sheep and goats) before. Indicators of suspiciousness of this transaction were first of all large amounts of money transferred to his personal account for the sale of sheep and goats when he lived in the capital of Turkmenistan. Further investigation revealed that “P.A”, through structuring of the amount of the loan, transferred the funds to other natural persons on their various bank card accounts opened with the branches of the banks of the same district. These transactions were only made to cash out funds through their withdrawal from ATMs in violation of the proper use of the loan.

Based on an instruction from the CB, the loan was repaid prematurely by the entrepreneur.

Inadequate customer due diligence and incomplete examination of the proposed transaction process by financial institutions contributed to the possibility of cashing out the loan funds. Given this, the CB sent instructions to the relevant banks, under which the banks' management took disciplinary measures, up to and including the dismissal of the respective branch managers, credit specialists and AML/CFT officers of these branches. In response, the banks have developed action plans to address deficiencies in the organization of the internal control system.

In the course of off-site supervision, the CB has identified a trend to increase the number of loan investment transactions. Loans of affiliate parties have been identified that enabled to make transactions for ML purposes. ML scheme was that a legal entity purchases equipment to substitute imported goods (greenhouse equipment, etc) and sells it at high prices. A related party is involved in this transaction; affiliated loans were raised.

Following the inspection, the CB has developed Guidelines on the limitation of lending transactions; it prescribed to issue loans only through wire transfers.

843. The CB annually conducts comprehensive on-site inspections of banks under the inspection schedule and targeted inspections if necessary (unscheduled inspections - when specific ML/TF facts and risks are identified, including as part of prudential supervision). Examination of the implementation of AML/CFT measures by banks is based on the review of internal control system, procedure for the identification of financial transactions subject to special control and compliance with the timeframes of submission of information thereof to financial monitoring authority, procedure for the identification of parties to financial transactions and procedure for personnel training and knowledge tests.

Table 6.3. Number of documentary inspections of banks and resources allocated

Sector	Number ²¹ of supervised entities	Number of authorized Employees/ Number of documentary inspections							
		2015	2016	2017	2018	2019	2020	2021	2022 1 qrt
Banks	**	20/152	20/153	20/155	20/152	20/156	20/159	12/160	12/42
Including:									
Head banks	10	5/13	5/13	5/11	5/11	5/11	5/11	5/11	5/2
Branches	147	15/139	15/140	15/144	15/141	15/145	15/148	15/149	15/40

Table 6.4. Number of on-site inspections of banks and resources allocated

Sector	Number of supervised	Number of authorized Employees/ Number of documentary inspections

²¹ The number of banks specified as of 2022

	entities	2015	2016	2017	2018	2019	2020	2021	2022 1 qtr
Banks	**	29/129	30/141	30/123	30/138	30/128	30/ 152	30/ 155	30/ 31
Including:									
Head banks	10	10/13	10/13	10/11	10/11	10/11	10/11	10/11	10/2
Branches	147	19/116	20/128	20/112	20/127	20/117	20/141	20/144	20/29

844. As can be seen from the table, remote and on-site inspections by the CB cover all 10 banks and their 147 branches. The number of resources allocated to inspections is assessed by the assessors as sufficient.
845. MFE to a lesser degree supervises and monitors the reporting entities' (insurance companies and securities traders) compliance with AML/CFT requirements, which is confirmed by data of inspections. As of 2019, the licensing requirement for 39 branches of a state-owned insurance organisation came into force (before that, they operated as branches under a head office licence) and all 39 inspections this year are related to checking the implementation of the new legislation. Thematic AML/CFT examination of insurance companies and the stock exchange was only conducted in July 2022. According to MFE, AML/CFT examinations are also conducted during examinations of the compliance of FI's activities with licensing requirements; however, the supporting documents are not available. The main actors of the security market are banks; the only brokerage company that is not a bank began its operation only in 2021, at the time of the on-site mission it had not made any transaction. These factors explain a small number of inspections of this sector.
846. The FMS, which supervises the state commodity exchange in the field of AML/CFT, conducted only one thematic inspection in 2022. As a result of this inspection, the following violations were identified: failure to send STRs on a special form, failure to timely update ICRs, sending reports on transactions with offshore companies in violation of deadlines (later than the deadline).
847. Agency Turkmenaragatnashyk sufficiently monitors and supervises Turkmenpochta postal service company, taking into account the contextual factors specified above (only 1 post and with certain restrictions on the types and amounts of transactions). This supervisory body carries out annual comprehensive inspections of the activities of Turkmenpochta and its branches, including inspection of compliance with AML/CFT legislation requirements and procedures for conducting postal transfers when carrying out money and value transfers. The last inspection of Turkmenpochta's activities by the supervisory body was carried out in March 2022 on the results of 2021 in terms of money transfers accepted and paid in accordance with the requirements of AML/CFT legislation, the legitimate grounds for acceptance and payment of postal money transfers were checked. Based on the results of the inspection, no violations were identified, the organization's ML/TF risk level was assessed as "medium" and recommendations were given on the need to continue taking appropriate measures to improve AML/CFT regulations, training employees to improve their AML/CFT knowledge. Based on the results of the meetings at the on-site visit, the assessors believe that the Agency "Turkmenaragatnashyk" needs to continue improving the AML/CFT skills and experience of its employees.

Table 6.5. Number of inspections in relation to other FIs

	2018		2019		2020		2021	
	On site	Off site	On site	Off site	On site	Off site	On site	Off site
Insurance companies			39		1			
Securities traders		5		5				
Post service	1	0	1	0	1	0	1	0

848. Supervisory authorities to a moderate degree identify AML/CFT violations. The most frequent violations and deficiencies of the AML/CFT framework are the lack of failure to update ICR, non-submission or late submission of the reports on the transactions subject to mandatory control (transactions that exceed threshold amounts), failure to conduct AML/CFT training for personnel.

Supervisory authorities (with the exception of the CB, which has a practice of identifying failure to file STRs due to insufficient follow-up controls at the bank) have not demonstrated the methods and instances of the check of FIs' follow-up monitoring and analysis to identify related suspicious unusual transactions. This indicates an insufficient level of supervision and possibly insufficient knowledge of the supervisory bodies to verify the failure to conduct proper analysis of transactions by reporting entities.

Table 6.6. Findings of checks and inspections (by supervisory authority) for the last 5 years

Violation	Identified violations (scheduled documentary checks)	Identified violations (scheduled on-site inspections)	Identified violations (unscheduled documentary checks)	Identified violations (unscheduled on-site inspections)
CB - banks				
Non-application of appropriate CDD measures	-	5	-	6
Non-submission of transaction reports	11	45	3	4
Late submission of transaction reports	17	24	5	3
Submission of improper reports as STRs	-	8	-	-
Incorrect completion of reports to be sent	-	17	-	5
Lack of AML/CFT training for bank personnel	6	38	1	12
Non-compliance with the requirements to internal control system	21	26	7	13
MFE - insurance companies				
Licensees' non-compliance with all licensing requirements and the conditions of licensing laws	-	-	-	39
Financial violations	-	-	-	-

849. According to the information provided, in the course of the 2015-2022 inspections, the CB identified certain shortcomings in the organization and implementation of ongoing and follow-up AML/CFT controls, which resulted in the failure to submit or late submission to the FIU of special forms on suspicious financial transactions of clients.
850. Considering the identified deficiencies related to FIs' application of TFS, the fact that the supervisory authorities did not detect violations related to the update of TF/PF sanction lists and cross-checking of customer base with the updated list indicates insufficient attention to this issue during the inspections. According to the information provided during the on-site mission, a case study of a similar breach detected by the Central Bank was made available to the assessors. For instance, the inspection identified that Bank A's software uploads a consolidated list of persons and organizations linked with international terrorist organizations Al-Qaeda and Taliban and their leaders once a month. The CB gave instructions to update data and other UN lists more frequently. It appears that supervisory authorities (except CB) give insufficient attention to the check of the requirements to reporting entities' application of TFS; the risks related to their improper application and late update are not adequately assessed, and, therefore, when any violations and/or deficiencies related to the application of TFS are identified, appropriate AML/CFT measures and sanctions proportionate to the risk are not applied. The above-mentioned shortcomings in terms of inspection and detection of violations of the TFS by the supervisory authorities are assessed by the assessors as significant and requiring appropriate adjustments in the supervisory activities.
851. However, the "Sanction Screening" system installed in all banks, which allows real-time (online) verification of transaction participants against updated sanctions lists, can compensate for the above deficiency in the verification of transaction participants and contributes to the duly implementation of the requirements for updating the TFS and taking appropriate actions in accordance with the regulations.

DNFBPs

852. All DNFBPs of Turkmenistan are subject to supervision; however, its effectiveness may be assessed as moderate.
853. Supervisory authorities have not provided examples of application of risk-based approach and ranking of reporting entities based on ML/TF risks, as well as risks of services provided or types of clients. In some cases, this seems justified (for instance, assignment of risk levels to notaries seems impossible due to their status of civil servants). In addition, taking into account a small number of entities in the real estate sector - only 8 and in auditor sector - 22 entities (of which only some make transactions that fall under the FATF Recommendations) their ranking according to the risk level also seems inexpedient.
854. The CB submitted data that only 3 violations in the sector of dealers in precious metals related to CDD measures were identified during 5 years.
855. MFE conducted 3 examinations of the real estate sector's compliance with AML/CFT laws only in 2022. Following them, AML/CFT violations have been identified, including the violations related to non-submission of reports to the competent authority.
856. The said intervals and insufficient scope of the examinations of the sectors of real estate agents and dealers in precious metals in combination with their high ML/TF risks may not be treated as an effective preventive measure.
857. MJ of Turkmenistan has demonstrated that it regularly takes AML/CFT supervisory actions in the sectors of notaries, lawyers and persons that render legal assistance.

Table 6.7.

Sector	Year	Inspections
Notaries	2020	59
	2021	58
	6 months of 2022	46
Lawyers	2020	8
	2021	4
	2022	0
Persons that render legal assistance	2020	8
	2021	0
	6 months of 2022	0

858. In the course of inspections, MJ reviews the availability of ICR, application of CDD measures, submission of transaction reports, timeliness and correctness of submitted reports, trainings, etc. However, taking into account the number of registered lawyers and persons that render legal assistance, the supervisory authority has not demonstrated the categorization of these persons based on RBA and ranking according to the risk levels of the reporting entities.
859. MFE and the auditor sector specified that the inspections of the compliance with AML/CFT requirements have been conducted as part of general supervision; MFE does not conduct thematic AML/CFT inspections. In the course of the said examinations, violations of the requirements of the AML/CFT laws have not been identified.

6.2.4. Remedial actions and effective, proportionate and dissuasive sanctions

Financial sector

860. Supervisory authorities insufficiently apply corrective actions and appropriate and dissuasive sanctions to FIs. The CB has demonstrated the most extensive use of corrective actions.
861. Following off-site supervision and on-site inspections, the CB submits warning letters, recommendations and rarely improvement orders to eliminate the violations/deficiencies. Following on-site inspections, the CB sent letter to financial institutions that relate to the identified AML/CFT violations: in 2018 - 7 letters were sent; in 2019 - 20 letters; in 2020 - 10 letters; in 2021 - 12 letters; in 2022 - 2 letters. In some cases, restriction on credit transactions are imposed and

entities are required to submit a letter of commitment that contains an obligation to take appropriate actions eliminate the identified deficiencies and/or inaction within a certain period of time.

862. In 2018, the CB of Turkmenistan imposed penalties (administrative liability) on a bank for non-compliance with AML/CFT requirements (Case study 6.10). According to the figures, following on-site inspections conducted by the CB between 2015 and 2019, banks applied a measure to the respective bank employee under the Labour Code of Turkmenistan for the non-compliance with AML/CFT requirements.

Case Study 6.10. Application of administrative penalty to a bank

The joint inspection of the Pakistani bank's branch by the FIU, CB and tax authorities between 1 March and 23 March 2018 revealed violations of AML/CFT legislation requirements as well as other laws and regulations governing banking activities.

Upon the inspection, the following violations have been identified:

- Lack of necessary identification documents of 47 natural persons 16 legal entities from Great Britain, USA, Turkiye, UAE, Turkmenistan, Qatar, Estonia, etc;
- Lack of necessary documents of 96 persons that entitle to act on legal entities' behalf to open accounts and make transactions (Great Britain, USA, Turkiye, UAE, Germany, Qatar and Russia, etc);
- Lack of account opening agreements with 99 customers;
- Lack of statutory documents of 20 clients - legal entities established and operating under the laws of foreign countries;
- Presence of 21 client companies registered in offshore jurisdictions;
- Conducting financial transactions without supporting documents (contracts, invoices, declarations, etc.);
- 77 customers were serviced without documents that confirm registration with tax authorities.

As a result of the inspection of the National Bank of Pakistan branch in Turkmenistan, the bank employees were held administratively liable and fined an amount of 568,000 TMT (equivalent to USD 162,258.71).

At the time of the on-site visit, the bank was self-liquidated.

863. In respect of other FIs (insurance companies, securities traders and a postal service company) supervisory authorities have not imposed any sanctions for violations of the AML/CFT laws (in 2019, penalties were imposed on an insurance company for unlicensed activities rather than for AML/CFT violations) due to the fact that, as it was noticed above, these FIs are subject to moderate supervision taking into account the contextual factor. Therefore, among supervisory authorities, despite a small number of imposed sanctions, the CB applies the widest range of corrective supervisory measures depending on the type and nature of violations, which seems the most effective dissuasive factor.

Table 6.8. Sanctions imposed (by FIs)

Sanction	2015	2016	2017	2018	2019	2020	2021	01.04.2022
Banks								
Penalties	-	-	-	1	-			
Bank's measure of impact under the Labour Code of Turkmenistan to the appropriate bank employee	9	8	4	6	5			
Insurance companies								
Penalties	-	1	1	-	40			

864. Following the inspections of banks, action plan should be drawn up to eliminate the violations identified in the course of the comprehensive or targeted inspection. Banks should submit reports

on the implementation of action plans within the specified timeframes. If violations occur again, they should be discussed with the managers of a bank. The Interbank Board, which comprises the officials of banks and the CB, resolves some issues, including those related to non-executed /improperly executed orders. Decisions of the Interbank Council are formalised in minutes and the banks send a report on their implementation (examples are provided, see case study 6.11). If the Interbank Board's decisions are not implemented, the CB may take stricter measures. Although the power of the Interbank Board to make decisions on the mandatory implementation of certain measures by banks is not regulated, the application of this mechanism may be generally treated as an additional tool to take corrective actions.

Case Study 6.11. Sanctions imposed by Interbank Board

In 2016, a meeting of the Interbank Board decided that some banks should put into operation automating banking software AML Module, Bank Card Module and introduce an interface module in cooperation with the Processing Center by a certain period of time..

Pursuant to the Interbank Board's decision, the CB submitted to all banks instructions related to the specific decision to timely implement the Interbank Board's decision.

Due to the final failure to implement the above modules in due time by the Bank, based on the report of Deputy Chairmen, Head of banking supervision and banking automation department to the Chairman of the CB, initiated the application of financial sanctions based on Articles 47-48 of the Law of Turkmenistan "On the Central Bank" and Regulation of the CB "On the procedure for applying sanctions to banks and their management for violations related to banking activities".

Pursuant to the Order of the Chairman of the Board of the CB, financial sanctions of 0.01% of the Bank's authorized capital have been imposed on the bank and the funds were written off from the bank's correspondent account and transferred to the centralized budget of Turkmenistan. The CB submitted a notice to the bank that the financial sanction was imposed and required to take appropriate measures to eliminate deficiencies in the work.

865. Thus, in general, the measures and sanctions applied by the CB and the Interbank Board in relation to the banks for the identified violations are appropriate and sufficiently effective in terms of proper compliance with legal requirements and have a deterrent effect. However, the absence of any supervisory sanctions in relation to other FIs (insurance companies, securities market participants, the post service, the commodity exchange) indicates an insufficient application of dissuasive sanctions in relation to AML/CFT violations. This circumstance seems to be influenced not only by the moderate contextualized supervision of these categories of FIs, but also by the lack of methodology for conducting inspections and insufficient skills and qualifications of supervisory staff, which, in turn, affects the degree of detection of violations. In this regard, supervisory authorities need to improve the methodology for inspections of supervised entities and ensure control and periodic inspection (using the RBA) of FIs regarding compliance with AML/CFT requirements, with increased focus to the areas and deficiencies noted by the assessors in Chapter 5.

DNFBPs

866. MJ of Turkmenistan imposes sanctions on notaries in the form of disciplinary liability for non-compliance with AML/CFT requirements on a regular basis. Taking into account their status of civil servants, the assessors assume that the said measure seems quite effective and proportionate. Despite regular checks of lawyers and persons that render legal assistance, MJ has not identified the violations of the AML/CFT laws in their activities.
867. Taking into account the fact that MEF conducted three examinations of real estate agents, and the CB conducted three examinations of dealers in precious metals and the violations identified following them, at the time of mutual evaluation Turkmenistan has not demonstrated that it imposes sanctions (penalties, suspension/revocation of license) to the said entities.

868. However, MFE sent letters to the inspected entities that contain requirements to eliminate the violations that have not been yet rectified at the time of the on-site mission due to the fact that the period to take measures is not expired.
869. Comprehensive supervision of auditors conducted by MFE has not identified any violations; accordingly, sanctions to the members of the sector have not been imposed.
870. In view of the above, the sanctions imposed, taking into account their small number and non-application of RBA to the ranking of the examined entities that were brought to liability, may not be assessed as effective and dissuasive to mitigate risks.
871. Therefore, AML/CFT sanctions, especially special Article 206 of the AOC, which provides for administrative liability for failure to comply with AML/CFT legislation, do not have a dissuasive function and do not impact the compliance with AML/CFT requirements due to its non-application.

6.2.5. Impact of supervisory actions on compliance

Financial institutions

872. Taking into account the moderate context-specific supervision and monitoring, limited application of corrective actions and sanctions to FIs by supervisory authorities and a small amount of STRs, supervisory authorities with the exception of CB have demonstrated that their measures not adequately impact the FIs' compliance and improvement of internal control system. However, according to the figures, the number of identified violations tends to be reduced.

Table 6.9.

Violation	Identified violations				
	2017	2018	2019	2020	2021
Banks					
Non-application of appropriate CDD measures (non-application of specific measures on enhanced due diligence to customers and lack of examination of AML/CFT risks)	4	1	3	2	1
Non-submission of reports of the transactions that exceed the threshold amount	19	15	13	9	7
Late submission of reports of transactions that exceed the threshold amount	17	14	7	8	3
Submission of improper transactions reports as STRs	3	1	2	1	1
Incorrect completion of reports to be sent	6	8	4	2	2
Failure to conduct AML/CFT trainings for banks personnel	25	18	7	3	4
Non-compliance with the requirements to internal control system	26	18	9	8	6

DNFBPs

873. The AOC prescribes liability in the form of penalty of guilty natural persons, officials and legal entities for the non-compliance with AML/CFT measures. The penalty may exceed 1,200 USD; in addition, the Code prescribes administrative suspension of legal entities' activities for a period of up to 6 months, which should impact the legal entities' proper compliance with AML/CFT requirements. These sanctions are proportionate.
874. However, due to the fact that these sanctions have not been imposed, the dissuasive function of sanctions to DNFBPs may be assessed as low.
875. At the same time, it should be noted that efforts to enhance the entities' awareness in the form of workshops, conferences and various guidelines conducted and developed by supervisory authorities in cooperation with the private sector undoubtedly impact the compliance with mandatory AML/CFT requirements.

6.2.6. Promoting a clear understanding of AML/CFT obligations and ML/TF risks

876. The assessors highlight Turkmenistan's active efforts to interact with both FIs and DNFBPs. Training and outreach events related to the relevant issues, ML/TF risks and mitigation thereof, clarification of regulators' appropriate requirements, upgrading of the skills of the reporting entities' employees and other relevant topics are regularly conducted. Supervisory authorities,

DNFBPs and other concerned ministries and agencies participate in these events. These facts demonstrate Turkmenistan's considerable efforts to assist the private sector to clearly understand their AML/CFT obligations and risks.

Financial sector

877. Supervisory authorities greatly promote the FIs' clear understanding of their AML/CFT obligations and ML/TF risks. All supervisory authorities conducted AML/CFT training events and familiarization with the NRA findings. However, they (except for the CB) have not developed and submitted to FIs guidance, guidelines and other materials that promote a better understanding of risks, typologies/schemes, methods of the analysis and identification of suspicious customer transactions, etc.
878. The CB submitted circular letters to banks on:
- Explanations of the risks related to virtual assets transactions and the need to submit STRs;
 - Risk-based approach guidance for financial institutions (approved by the Order of the Chairman of the Board of the CB No. 190 -iş dated July 26, 2022);
 - Enhanced measures to be taken to the transactions made by natural persons to receive financial aid, transactions with international bank cards and other issues.
879. Consequently, the CB in a greater extent has demonstrated the measures taken to assist the better understanding of ML/TF risks and AML/CFT obligations. However, these measures taken by the CB do not fully lead to improved AML/CFT performance of FIs (in particular improved analysis of complex and interrelated transactions, see IO4 for details) and require improved guidelines, feedback mechanisms and further work on these issues.

DNFBPs

880. Turkmenistan has demonstrated approaches to make the private sector aware of AML/CFT requirements and appropriate risks.
881. For a number of DNFBPs, awareness of the need to comply with AML/CFT laws is a mandatory requirement to be admitted to profession. For instance, issues of the compliance with regulatory requirements are included in the certification list for real estate agents, auditors, lawyers and legal aid providers.
882. Pursuant to the submitted protocols of training events, their objective is to ensure general understanding of ML/TF risks and involvement of entities in the AML framework. However, due to the lack of supervisory events (AML/CFT inspections) in the majority of sectors and non-application of sanctions for the non-compliance with AML/CFT requirements, supervisory authority cannot ensure the sectors' comprehensive understanding of their obligations in this area. This is confirmed, first of all, the DNFBPs' non-submission of STRs, vague understanding of CDD procedures by DPMS and real estate agents (for details see the review in IO4).
883. The sectors generally highlight that they receive information letters from FMS on the need to update internal control rules.
884. All sectors highlight that regular meetings and training events on the compliance with regulatory requirements and risks in the appropriate area of operation are conducted.
885. FMS and MJ have demonstrated intensive work with the reporting sectors through publishing of explanatory information on the ministry's official web-site, including regulations, memos on the compliance with regulatory requirements, etc.
886. It is also worth mentioning the procedure of approval by each sector entity of the ICR with its supervisory authority, which consists in analysing whether the document complies with the regulatory requirements and the declared type of activity. This means that all supervised entities submit their internal control rules to the supervisory authority for approval before adopting them. As part of this process, the completeness and correctness of internal controls are also discussed. This measure enhances understanding of the obligations related to the arrangement and

maintenance of internal control, but has not resulted in the DNFBPs' understanding of obligations to submit STRs.

Overall conclusion on IO. 3

887. The effectiveness in achieving the IO 3 in terms of supervision and regulation of FIs is moderate. Overall, supervision and monitoring with regard to FIs sufficiently prevent criminals and their associates from direct owning of FIs. Supervisory authorities take certain measures to combat unlicensed activities.
888. Supervisory authorities have an adequate understanding of ML/TF risks of the regulated entities and contribute significantly to a clear understanding of their ML/TF responsibilities and risks (but there is a lack of guidelines). However, they (except for the CB) do not apply or not adequately apply risk-based supervision. Supervisory authorities to a moderate degree supervise and monitor the FI's compliance with AML/CFT requirements to mitigate risks taking into account risk factors.
889. Supervisory authorities (except CB) seem to pay insufficient attention to the application of TFS by reporting entities and not adequately assess the risks related to their inadequate application and late update, and, therefore, when any violations and/or deficiencies associated with the application of TFS are identified appropriate measures and sanctions proportionate to ML/TF risk are not applied.
890. Taking into account moderate approach in supervision and monitoring, inadequate application of corrective actions and sanctions to FIs by supervisory authorities and a small number of submitted STRs, supervisory authorities (except CB) have demonstrated that their measures insufficiently impact the FI's compliance with requirements and improvement of internal control systems.
891. Due to supervisory authorities' non-uniform control of the implementation of AML/CFT requirements by the sectors and single instances of application of sanctions for the violation of AML/CFT requirements, the level of supervision in terms of DNFBPs is moderate.
892. Taking into account contextual factors such as the materiality, weight and number of actors in the DNFBP sectors, as well as the main threats identified by Turkmenistan following the NRA, the absence of a RBA in supervision in some sectors is understandable and does not present risks (except in the DPMS sector):
- in the notaries sector, the application of the RBA does not seem to be possible as all notaries are civil servants;
 - with regard to the real estate sector, given the small number of registered entities, it seems appropriate to carry out supervision by carrying out regular controls on each entity.
893. Taking into account the weight and importance of the FI and DNFBP sectors, the assessors evaluate Turkmenistan's efforts to introduce RBA into supervision and the overall AML/CFT supervision system as moderate.
894. **Turkmenistan is rated as having a moderate level of effectiveness for IO.3.**

CHAPTER 7. LEGAL PERSONS AND ARRANGEMENTS

7.1. Key Findings and Recommended Actions

Key Findings

1. Information on the creation and types of legal persons in Turkmenistan is available to the general public and is posted on the website of the government authorities.
2. The country has taken steps to analyze ML/TF risks associated with activities of legal persons (the NRA contains the relevant section). However, this analysis is neither sound nor comprehensive – it does not identify types of legal persons that are most vulnerable to ML/TF depending on their legal form, and also lacks analysis of actual and potential typologies of their involvement in ML/TF. The competent authorities (except for LEAs) have insufficient practical understanding of the ML/TF vulnerabilities and the extent of potential misuse of legal persons established in Turkmenistan for ML/TF purposes.
3. The country takes certain measures to prevent legal persons from being misused for illegal purposes. These measures can be divided into two categories: (a) measures taken in respect of legal persons established by residents; and (b) measures taken in respect of legal persons with foreign capital or foreign founders. The assessors consider measures taken in respect of the first category as insufficient since the registration and tax authorities do not conduct sufficient verification to ensure that information contained in the Single State Register of Legal Entities (SSRLE) is accurate, while measures taken in respect of the second category are effective as there are additional enhanced mechanisms in place for screening and verifying the identity of persons who wish to create legal persons in Turkmenistan. In addition, there are no measures in place to prevent misuse of bearer shares and securities for ML/TF purposes due to the conflict of laws.
4. In Turkmenistan, all types of legal persons are subject to mandatory registration; information on legal persons (including BO information) is maintained in the SSRLE that may be directly accessed not by all competent authorities of Turkmenistan. Information contained in the SSRLE is directly accessible to the Cabinet of Ministers, State Statistics Committee, State Customs Service, Central Bank, Tax Authority and Financial Monitoring Service. The LEAs obtain information from the SSRLE upon request within 3-10 days, i.e. not in a timely manner. Basic information is adequate, accurate and current, but BO information is not cross-checked and verified by the registration authority and, therefore, is not always accurate.
5. Basic information on all legal persons is not publicly available and is provided to the general public upon request in form of extracts within 10 days (in practice, within 3 days).
6. The LEAs have a good understanding of the beneficial ownership concept and use the criminal intelligence gathering methods and the capabilities of the FMS, including information maintained by FIs and DNFBPs, for identifying beneficial owners. FIs and DNFBPs also understand their obligations related to identification of beneficial owners, but in most cases recognise as the BO the founder (person which ultimately has, directly or indirectly (through one or more legal entities), a dominant interest of more than 25 per cent in the capital of a legal entity). Criminal intelligence operations conducted by the LEAs revealed only few instances when founders were not beneficial owners, and, in most cases, founders and beneficial owners were the same persons.
7. Taking into account the features of the legal framework, legal arrangements, as they defined in the FATF Recommendations, may not be established in Turkmenistan and, at the time of the on-site visit, no legal arrangements operating in Turkmenistan have been identified. If a foreign trust attempts to establish business relationship with a Turkmen financial institution, the financial institution is obliged to obtain ID data of the beneficial owner, settlor and trustee of this customer.

As at the time of the on-site visit, the competent authorities have not identified any such customers on-boarded by the Turkmen FIs/DNFBPs.

8. Legal persons are not subject to sanctions for submission of incorrect data, including inaccurate BO information, in the course of registration. Sanctions are only imposed if discrepancies are detected when the tax authorities conduct inspections. In general, the competent authorities have a limited range of measures that prevent legal persons from providing incorrect information.

Recommend Actions

1. Turkmenistan should provide direct access to the SSRLE to all competent authorities that constitute a part of the national AML/CFT/CPF framework.
2. Turkmenistan should conduct a comprehensive assessment of ML/TF vulnerability of legal persons (identify the most vulnerable types of legal persons and typologies of their misuse), following which it should, if necessary, revise the existing measures to prevent the misuse of legal persons for ML/TF purposes.
3. Turkmenistan should make efforts to enhance awareness and understanding of the beneficial ownership concept by the law enforcement and other competent authorities and the private sector entities (FIs and DNFBPs).
4. At the legislative level, oblige the body responsible for registering legal entities to verify information (basic and BO information) submitted in the course of registration and re-registration of legal persons. In addition, Turkmenistan should develop a mechanism for verifying accuracy and correctness of information provided in the process of registration of legal persons.
5. Turkmenistan is recommended to develop additional mechanisms for imposing sanctions on legal persons for submission of incorrect information or failure to submit information at all, including information on beneficial owners.
6. Turkmenistan should harmonize its laws and regulations related to bearer securities.

895. The relevant Immediate Outcome considered and assessed in this chapter is IO.5. The Recommendations relevant for the assessment of effectiveness under this section are R.24-25, and elements of R.1, 10, 37 and 40.

7.2. Immediate Outcome 5 (Legal Persons and Arrangements)

7.2.1. Public availability of information on the creation and types of legal persons and arrangements

896. Information on the creation and types of legal persons in Turkmenistan is publicly available and accessible.
897. The registration of legal entities and investment projects department of MFE registers legal persons in Turkmenistan. Information on documents required for creation of legal persons and types of these persons is available and freely accessible on the web-site of the MFE (www.fineconomic.gov.tm/legal-act/8/81).
898. The registration procedure is set out in Decree of President of Turkmenistan on improvement of the state registration of legal entities No.11896 dated November 11, 2011 that is also available in the Internet. This Decree outlines the general procedure of creation of legal persons. In order to register a legal person, an applicant must personally submit necessary documents.
899. The main types of legal persons that may be created and registered in Turkmenistan are as follows:
 - Government-owned company;
 - Individual enterprise;
 - Cooperative enterprise;

- Joint-venture company;
- Enterprise of a public organization;
- Business entity;
- Joint-stock company.

900. The laws of Turkmenistan do not allow for establishing legal arrangements. Turkmenistan is not a party to the Hague convention on the law applicable to trusts and on their recognition dated July 1, 1985. According to the Turkmen authorities, there were no entities that rendered trust services in Turkmenistan at the time of the on-site visit. As of July 1, 2021, there were 17,452 legal persons of all legal forms registered in Turkmenistan (see Table 7.1). Individual enterprises are the most widespread type of legal persons in the country (over 37% of the total number of the registered entities). Resident companies account for a majority of legal persons (legal persons with foreign capital account for approximately 1.1%; while branches and representative offices of foreign legal persons (which are not legal persons of Turkmenistan) account for 2.4%). Almost all categories of legal entities are engaged in commercial activities.

Table 7.1. Information on legal persons registered in Turkmenistan from 2017 to 2022 (as at the beginning of the year)

Legal form of legal persons	2017	2018	2019	2020	2021	2022	As at 01.07.2022
Government-owned enterprises (institutions)	5,427	5,307	5,118	5,048	4,079	4,063	4,098
Individual enterprises	11,581	11,699	11,783	12,013	5,451	6,217	6,599
Family agricultural enterprises	3,244	3,326	3,403	3,603	2,077	2,664	2,789
Subsidiary companies	324	320	319	315	49	46	46
Public organizations, their enterprises and institutions, religious organizations, political parties	786	800	784	778	436	439	439
Consumer societies, their associations and consumer cooperatives	229	207	184	163	107	106	106
Business entities	2,216	2,305	2,369	2,494	2,247	2,568	2,703
Joint-venture companies	3	3	6	10	10	10	10
Joint-stock companies	220	221	222	229	116	140	146
Cooperative enterprises	269	267	266	265	12	13	13
Limited liability partnerships	1,775	1,766	1,748	1,731	40	40	40
Collective agricultural associations	561	560	561	554	488	466	461
Other types of legal persons (state-owned corporations, corporate groups)	63	59	58	58	2	2	2
Total	26,698	26,839	26,821	27,261	15,114	16,774	17,452

901. The MFE is the designated authority responsible for maintaining the Single State Register of Legal Entities (SSRLE) that contains data on names of entities; dates of their official registration; legal forms; authorized capital; location of legal persons and their directors, founders/members; statistical codes, as well as tax and bank details.

902. Extract from the SSRLE on registration of a legal person (i.e. registration certificate) is issued for a period of 3 years and, upon expiration of this period, a legal person should officially extend the period of validity of the extract/certificate or be re-registered (in case of changes in the constituent documents).

7.2.2. Identification, assessment and understanding of ML/TF risks and vulnerabilities of legal persons

903. The AT concluded that understanding of vulnerabilities of legal persons in the context of ML/TF risks is generally insufficient, but varies among different competent authorities. In particular, the LEAs have demonstrated understanding of typologies of misuse of legal persons to the largest extent. However, the registration authority, supervisors and tax authorities have limited understanding of ML/TF vulnerabilities of legal persons.

904. Turkmenistan has assessed the legal persons sector as part of the NRA-2 exercise. This sectoral assessment includes review and analysis of the registration and supervision practices in the sector; presents information on STRs received by the FIU and disseminated to the LEAs related to legal persons potentially linked to predicate offences such as tax evasion, corruption, misappropriation and embezzlement, fraud, etc. and also lists suspicious transaction criteria that triggered the aforementioned STRs.
905. However, this assessment does not identify types of legal persons that are most vulnerable to ML/TF depending on their legal form, it lacks analysis of actual and potential typologies of their involvement in ML/TF, and also does not contain assessment and analysis of extent to which legal persons established in the county are misused or may be misused for ML/TF purposes.
906. Despite the aforementioned shortcomings identified in relation to the NRA, the LEAs have demonstrated a good practical understanding of vulnerabilities and extent to which legal persons could be misused for illegal purposes during the on-site visit. Specifically, according to the LEAs, individual enterprises and business entities are most frequently misused for ML purposes. This relates primarily to the low requirements for the minimum amount of authorized capital (approximately USD 714 and USD 2,857, respectively) and registration fee (approximately USD 57).
907. Besides that, the LEAs understand for what specific illegal purposes legal persons may be misused (see case study 7.1). The LEA representatives met during the on-site visit confirmed the NRA findings that legal persons are most frequently misused for tax evasion, illegal withdrawal of funds, fraud, misappropriation and embezzlement and, to a lesser extent, for concealment of actual owners behind nominee founders.

Case Study 7.1. Misuse of legal persons for illegal purposes

In 2021, the Interior Ministry officers stopped the truck loaded with bitumen in city K. The conducted investigation revealed that the seized bitumen was owned by company E (road construction company). The bitumen was transported from company E by the truck hired by business entity K allegedly for further processing at the refinery located in other district (but, in fact, the bitumen was stolen). Further examination of business activities of business entity K showed that individual A acted in the capacity of director of this entity, and individuals A, R and M were registered as the founders of the entity. Additionally, individual A was identified as the beneficial owner of business entity K. Later, it was found out that individual A obtained the fake quality certificate for the stolen bitumen through his acquaintance and used it to sell this bitumen to other companies. It was also established that 10% of the sale revenues were transferred to the account of business entity K, while the remaining 90% were transferred to the accounts of shell individual enterprises, which letterheads and stamps were held by individual A who was the actual beneficial owner of these individual enterprises.

908. As mentioned above, the competent authorities, except for the LEAs, have not demonstrated practical understanding of vulnerabilities and have presented no examples (case studies) of misuse of legal persons for ML/TF purposes.

7.2.3. Mitigating measures to prevent the misuse of legal persons and arrangements

909. In the assessors' opinion, Turkmenistan takes certain measures to prevent legal persons from being misused for illegal purposes. These measures can be divided into two categories: (a) measures taken in respect of legal persons established by residents; and (b) measures taken in respect of legal persons with foreign capital or foreign founders. The assessors consider measures taken in respect of the first category as insufficient since the registration and tax authorities do not conduct sufficient verification to ensure that information contained in the SSRLE is accurate, while measures taken in respect of the second category are effective as there are additional enhanced mechanisms in place for screening and verifying the identity of persons who wish to create legal persons in Turkmenistan.

Measures taken in respect of legal persons established by residents

910. The AT analyzed the roles of different AML/CFT stakeholders to make a conclusion about overall effectiveness of the AML/CFT system in terms of prevention of misuse of legal persons in the country. In particular, the assessors considered measures taken by the registration authority²², financial institutions, DNFBPs, tax authorities and LEAs.
911. The initial mitigation measures to prevent the misuse of legal persons and obtain accurate and up-to-date information about them include mandatory state registration of all legal persons by the registration authority. A legal person is registered through personal attendance of its founder or an authorized representative that has a certified power of attorney to take these actions.
912. In the process of registration, applicants are required to provide basic information (name, legal form, address, articles of incorporation, information about director(s) and founder(s), including their passport details), beneficial ownership information (there is a separate section in the application form) and also information on absence of criminal record of members of a legal person to ensure that the SSRLE contains sufficient basic information.
913. The registration authority firstly checks the availability of all documents required for registration as per the legislation. After that, the presented information signed by a founder is cross-checked against the constituent documents and charter to ensure that basic information on a legal person is accurate.
914. The registration authority relies to a greater extent on cross-checking measures from the statistical and tax authorities, pension and banking structures, where the legal entity undergoes the putting on record procedure before the completion of the registration and provides to these authorities and structures, copies of the constituent documents certified by the registration authority. Once the above-mentioned organisations sign off on the temporary extract, the company receives a 3-year extract from the SSRLE and a certificate of state registration.
915. However, the registration authority does not verify adequacy and accuracy of passport details of members of a legal person against the government authorities' databases which has a negative impact on the effectiveness of measures taken to ensure accuracy of information about an applicant. Furthermore, reliability of information indicating that members of a legal person have no criminal record and are not included in the TF/PF sanction lists is not cross-checked in the process of registration. The representatives of the registration authority are aware of the existence of such lists and are also aware that Turkmen nationals are not included in the such lists of at the time of the on-site visit. However, the country has not developed a mechanism for the registration authority to check for matches with the lists and to inform the FMS in case of matches. These circumstances does not fully ensure effectiveness of measures to prevent criminals from creation and further misuse of legal persons.
916. As for information on beneficial owners of legal persons, the registration authority relies on honesty of and proper compliance with the legislation by applicants. In particular, pursuant to the Law on Companies, the assets contributed to the authorized capital of a legal person should be owned by its founder (Law on Companies, Art.45, Par.6), i.e. a founder who is natural person that holds a share in the authorized capital of a legal person should in fact be the beneficial owner of such legal person. However, the registration authority understands that a founder (a natural person who owns over 25% shares in the authorized capital) may not always be the beneficial owner, but no such cases have been recorded in practice. In the assessors' opinion, the aforementioned measures taken at the registration stage allow for obtaining adequate information about beneficial owners of legal persons, but this information is not accurate since it does not further cross-checked and verified by the registration authority.
917. Founders of legal persons incur liability for correctness and accuracy of submitted information. Therefore, registration authority relies on the data submitted by the applicant assuming that they are correct and accurate. But, in practice, no sanctions are imposed for provision of incorrect

²² In accordance with the adopted Law No. 502-VI of 24.07.2022 it is established that from 01.01.2023 the Tax Administration of the Ministry of Finance and Economy is the authorised body responsible for state registration of legal entities.

information at the registration stage since the registration authority is not empowered to apply such sanctions, which indicates that no dissuasive measures are in place for preventing the submission of knowingly false information.

918. In case of reorganization of legal persons, change of their founders, types of activities, registered offices, legal addresses, authorized capital, as well as in the event of any other material changes in the constituent documents, they should be re-registered (notify registration authority of any changes) within 7 days, which ensures that basic information is current and up-to-date.
919. However, during the on-site visit it was established that re-registration and notification of the registration authority was not required when beneficial owners are changed, which is a vulnerability of the system and does not ensure that BO information is up-to-date. Shortly prior to the on-site visit, on 22.07.2022 Turkmenistan adopted Order No. 232-iş of the Minister of Finance and Economy of Turkmenistan approving the form of the Letter of Guarantee signed by the founders on their responsibility for the legality and accuracy of the information indicated in the application for registration and the attached documents, as well as the obligation to notify the registration authority of all changes in the information indicated in the application and the documents submitted for registration. According to this order, a legal person must notify the registering authority of all changes, including a change of BO, within seven (7) working days. This step is assessed positively, but given the recent adoption of the document, the expert team has not been able to assess its effectiveness.
920. At the same time the aforementioned shortcoming is partly mitigated as follows. In order to make transactions through financial institutions, legal persons are required to provide extract from the SSRLE certified by signature and seal of the registration authority. When financial institutions provide services to their customers, they examine the constituent documents and, upon identification of discrepancies between the constituent documents and extracts from the SSRLE and/or expiration of the period of validity of the extracts, they suspend provision of services to customers until the information is updated and new extract is received from the registration authority. In the course of the on-site visit, the registration authority confirmed that legal persons requested to update extracts form the SSRLE since information on legal persons changed and banks refused to provide services since the extracts were not up-to-date (see table 7.2). Thus, financial institutions, primarily banks (as majority of transactions are made through banks), play an essential role in ensuring that provided information about legal persons is current and up-to-date. The assessors consider this measure to be effective. In addition, FIs and DNFBPs also take measures to collect and keep BO information as part of their CDD procedures, but there are still certain deficiencies that affect accuracy of this information (see subsection 7.2.4 for further details).

Table 7.2. Number of cases of suspended operations of legal entities due to failure to update the extract from the SSRLE

	2017	2018	2019	2020	2021	1Q 2022
Number of cases	13	19	14	11	15	3

921. **The tax authorities** also verify reliability and adequacy of information provided at the registration stage post factum, but only in the course of inspections conducted by them. When the tax authorities conduct inspections, they verify accuracy of information indicated in the registration documents. Upon identification of breaches, the activity of a legal person is suspended until relevant changes are made in the SSRLE, and sanctions are imposed on such legal person (see Table 7.5). However, in the course of inspections, the tax authorities do not cross-check adequacy of information on beneficial owners of legal persons as their efforts are limited to verification of only basic information. Apart from checking the reliability and adequacy of basic information, the tax inspectors primarily focus on identification of tax evasion and unlicensed business activities conducted by legal persons (see case studies related to unlicensed activities in IO.3). Given that the tax authorities verify basic information and identify persons involved in unlicensed business activities, but do not cross-check BO information, the effectiveness of measures taken by the tax authorities is assessed as moderate.

922. **The LEAs** have demonstrated sufficient practical understanding of identification of beneficial owners of legal persons. According to the competent authorities, different information sources (such as SSRLE, FIs, FMS) are used for this purpose. However, the assessors came to the conclusion that the LEAs most frequently use criminal intelligence gathering methods for identifying actual beneficial owners when LEAs have doubts that a person who owns a share in the capital exercises actual control. According to the LEAs, only few instances when a founder was not actual beneficial owner were identified in practice. If a legal person is involved in illegal activities, its founder and director are subject to criminal sanctions (see case study 7.2). The assessors consider these sanctions as dissuasive and effective.

Case Study 7.2. Measures taken by LEAs

In 2021, the investigator of the Prosecutor's Office of Ashgabat city initiated criminal proceedings under Article 228 of the CC against Mrs. O and Mrs. D. Mrs. O, who was the director of private company A, acting in conspiracy with the director of private company L Mrs. D, promised to a number of individuals to assist them, for a particular amount of money, in purchasing real estate property. After that, they fraudulently obtained from those individuals money in an especially large amount totaling USD 63,000 and TMT 1,901,917 (USD 543 404,86) and have embezzled them. Subsequently, to launder the illegal funds, Mrs. O purchased Hyundai Gets worth TMT 73,600 (USD 21,028.57) and registered it in the name of her company. Also, Mrs. D rented a basement and purchased wedding items worth TMT 85,630 (USD 24,465.71) for the money obtained through fraud and further rented these wedding items. In addition, in November 2020, she built a house using the funds of TMT 176,573 (USD 50,449.43) obtained from the fraudulent activities. Thus, Mrs. O and Mrs. D laundered illegal funds through their actions.

In addition, the preliminary investigation revealed that, in order to launder the illegal funds, Mrs. O transferred a part of the funds obtained through fraudulent activities to Mrs. B that established a private company XXX with these funds. These circumstances were identified during criminal investigation conducted with the assistance of the Economic Crime Department of the Ashgabat Police Department. Mrs. B knew that the funds that she received from Mrs. O were illegal and thereby contributed to their laundering, but she has not received profit from the activities of the private company XXX in connection with investigation of this criminal case. All three persons were held criminally liable under part 4, Article 228, part 2, Article 267, part 2, Article 220, part 2, Article 218, part 3, Article 242 of the CC in accordance with the committed offences. Mrs. O and Mrs. D were sentenced to 15 years of imprisonment, and Mrs. B was sentenced to 14 years of imprisonment.

923. Thus, certain measures are taken in respect of legal persons established by residents of Turkmenistan to ensure that basic information about such legal persons is adequate, accurate and up-to-date. However, these measures do not ensure that BO information is accurate and up-to-date, although FIs and DNFBPs take steps to partially mitigate this deficiency. Furthermore, there are no measures in place to prevent the misuse of legal persons for illegal purposes (criminal record is not checked, screening against sanction lists is not performed, sanctions are not imposed for provision of incorrect information during registration). The tax authorities and LEAs take measures post factum, i.e. only after identification of breaches.

Measures taken in respect of legal persons with foreign capital or foreign founders

924. In the assessors' opinion, the Turkmen authorities take effective measures to prevent the misuse of legal persons with foreign capital or foreign founders in ML/TF schemes.

925. Procedure of registration of legal persons with foreign capital/founders is similar to the procedure of registration of persons established by residents; however, in this case resolution of the Interagency Commission for protection of economy from risks. The APER under MFE and the Interagency Commission of the APER under MFE were established in 2013 pursuant to the Resolution of the President of Turkmenistan and are tasked, *inter alia*, with making decisions on registration of legal persons with foreign capital or foreign founders in Turkmenistan. The IAC includes the representatives of the Agency, the MFE, the MFA, the MNS, the MIA, the GPO, the Customs Service, the Migration Service, the MJ, the CB and the Ministry of Construction and

Architecture. These competent authorities, including law enforcement and special agencies, review submitted documents to assess applicants' risks, which includes identification of potential links with criminals.

926. The procedure of registration of legal persons with foreign interest is as follows: The registration authority sends the package of documents received from the founder at the time of application to the Agency for Protection of Economy from Risks under the under MFE. The Agency within 30 days considers the prepared package of documents, conducts verification with respect to the foreign person and related persons, and sends information to the FMS, MIA, MNS and other competent authorities before the meeting of the Interagency Commission. After reviewing the package of documents submitted, the Agency submits proposals for state registration, re-registration and non-registration of foreign legal entities to the Interagency Commission with a date set for the meeting of the Interagency Commission. The Interagency Commission within 14 days considers the proposals of the Agency and makes a decision to register, re-register or refuse to register a legal person with foreign capital/founder (see case studies 7.3 and 7.4). Based on the decision passed by the Interagency Commission, the Agency provides its expert opinion to the MFE within 3 working days. The Interagency Commission includes representatives of various law enforcement and other state agencies.

Case Study 7.3. Refusal to register legal person with foreign capital due to suspicious information about the persons associated with it

Russian limited liability company A submitted the application to open a branch in Turkmenistan. This issue was discussed at the meeting of the Interagency Commission of APER under MFE held on August 2021 and it made the following decision:

During the review of the submitted documents it was identified that a branch of Russian joint-stock company A had been operating in Turkmenistan since 2015, which was founded by the same persons that established Russian limited liability company A. It was further revealed that, on March 12, 2019, Russian joint-stock company A ceased its operation, but despite this fact its branch in Turkmenistan continued to operate and conduct business activities. Also, signs of tax evasion by a branch of Russian joint-stock company A in Turkmenistan have been detected.

Due to negative information on joint-stock company A and its branch in Turkmenistan, the Interagency Commission decided to refuse to register a branch of Russian limited liability company A.

The branch of Russian joint-stock company A registered in Turkmenistan is currently being liquidated.

Case Study 7.4. Refusal to register legal entity with foreign capital due to criminal information on the founder of foreign company

In 2019, company A incorporated in the UAE intended to open a branch in Turkmenistan and in this connection an appropriate package of documents was submitted to the registration authority. The Agency duly checked this information, after with it was submitted to the Interagency Commission of APER under MFE for consideration. The Commission meeting considered information provided by the FMS. In particular, it was identified that company A was established by Russian national Mr. M, who also was the founder and shareholder of company B registered in the Russian Federation. Other shareholders of company B are allegedly Mr. M's close relatives, one of whom is under investigation (wanted) in the Russian Federation and is on the Interpol list.

Following consideration of this information, the Interagency Commission decided to refuse to register the branch of company A in Turkmenistan.

927. As mentioned above and demonstrated by the case studies, upon identification of negative information about a legal person and its members, the Interagency Commission makes a decision to deny registration of such legal person with foreign interest in Turkmenistan. According to APER under MFE, the main reasons for denial of registration are as follows: presentation by the Interagency Commission members of negative or suspicious information on illegal activities of persons applied for registration and their affiliated persons; high probability of involvement of legal

persons in dubious transactions and business schemes; and failure to provide all requested information necessary for registration.

928. As shown in Table 7.3, over 50% of registration applications are rejected due to the aforementioned reasons. This demonstrates the effectiveness of measures taken to prevent non-residents involved in illegal activities from owning legal persons in Turkmenistan.

Table 7.3. Decisions to deny registration made by Interagency Commission for protection of economy from risks between 2017 and 2022 (as at the beginning of the year)

	2017	2018	2019	2020	2021	As at July 01, 2022
Number of applications for registration of legal persons filed by non-residents	26	25	29	19	18	7
Number of refusals to register legal persons	17	19	17	13	11	4

Measures to prevent the use of bearer securities

929. To enhance transparency of legal persons, the Law on Joint-Stock Companies allows for issuing only registered shares in Turkmenistan unless the legislation provides otherwise. However, according to the Law on Securities Market, securities may be issued in the form of registered and bearer securities; and the register of bearer securities owners is not maintained. Thus, there is a conflict of laws in Turkmenistan regarding issuance of bearer shares, i.e. one law permits to issue bearer shares, while the other law forbids issuance of such shares. However, according to the Turkmen authorities, bearer securities are not used in practice in the country.

Review of the SSRLE to prevent the misuse of legal persons

930. To update the SSRLE and prevent the misuse of legal persons, the Turkmen authorities reviewed all registered legal persons in 2020. For this purpose, the relevant Working Commission was established (by Joint Order of the Deputies of the Cabinet of Ministers of Turkmenistan No.MG/08 dated June 30, 2020). This Working Commission included the representatives of the MFE, the CB, the MNS, the SC, the GPO, the MIA, the Migration Service, the MJ and the Tax Authority.
931. The Registration Department officers made, in cooperation with representatives of different competent authorities included in the Working Commission, comprehensive efforts to review the SSRLE and identify inactive (dormant) legal persons.
932. Since July 1, 2020 through the end of 2020, a total of 5 meetings of the temporary Working Commission were held (on August 22, 2020, September 11, 2020, October 02, 2020, October 23, 2020 and December 19, 2020). Based on the resolutions passed at the meetings of the temporary Working Commission, 12 492 inactive (dormant) legal persons that failed to undergo re-registration and conducted no business activities were removed from the SSRLE (de-registered).

7.2.4. Timely access to adequate, accurate and up-to-date basic and beneficial ownership information on legal persons and legal arrangements

Basic information

933. The assessors concluded that the competent authorities ensure that the SSRLE contains accurate and up-to-date basic information on legal persons, but there are major deficiencies related to timely access to this information.
934. As mentioned above, all types of legal entities are subject to state registration and inclusion in the SSRLE. The Register contains information on the names, dates of state registration, legal forms, authorized capital, locations, directors, founders/members as well as statistical codes and tax and bank details of legal persons.
935. In the course of registration of legal persons, the Registration Department of the MFE checks the completeness of submitted information and its compliance with the laws, but does not verify the provided information. FIs and DNFBPs verify this information as part of their CDD procedures

when opening accounts by legal persons and further services to legal persons; the tax authorities also verify it at the time of enrolment and in the course of inspections.

936. When amendments to constituent documents are made, a legal person should, within 7 days, notify the MFE thereof. If it fails to do so, financial institutions and the tax authorities may detect this in the manner specified above. These measures allow for keeping basic information on a legal person up-to-date.
937. In addition, data contained in the SSRLE are updated at least once in three years when a legal person should necessarily provide updated information, since the relevant extracts from the SSRL/registration certificates are issued to legal persons for a period of three years. The procedure of extension of period of validity of extract from the SSRLE is almost similar to the registration procedure.
938. Following registration/re-registration of a legal person, the MFE submits, within three days, registration or re-registration data from the SSRLE to the Cabinet of Ministers, the State Statistics Committee, the State Customs Service and the CB. Thus, these government authorities have timely access to basic and beneficial ownership information on legal persons.
939. The MFE provides information on registration of legal persons contained in its database to the FMS on a monthly basis before the 5th day of every month, there are also cases where information has been routinely transmitted to the FMS. This means that in general the FMS has direct access to the database, but if such changes are made in the database after the 5th day of a month, they will be communicated to the FMS only in the next month when the Registration Department sends fresh information, although there are cases of rapid operational transmission of information, however, the above mentioned obviously cannot be considered as timely access to current and up-to-date information.
940. The LEAs of Turkmenistan have no direct access to the data from the SSRLE; they may only obtain them upon written and oral requests that they submit to the Registration Department (5-10 requests per day) (see Table 7.4). Information from the SSRLE should be submitted to the government authorities upon their requests within 10 days, but they generally obtain it within 3 days and, if necessary, the information is provided within one day. Also, the LEAs may obtain data from the SSRLE through the FMS. However, the LEAs' lack of direct online access to the SSRLE is a major deficiency as it does not ensure timely access to information.
941. However, all competent authorities may obtain information on legal persons held by FIs and DNFBPs upon request.

Table 7.4. Written requests submitted by LEAs to the SSRLE between 2017 and 2022 (as at the beginning of the year)

	2 nd half of 2019	2020	2021	1 st half of 2022
Number of written request to the SSRLE	36	62	103	32

Beneficial ownership information

942. As mentioned above, when applicants apply for registration or re-registration, they should provide information on ultimate beneficial owners of legal persons (in a separate section of the application form). In practice, the beneficial owner is recognised as the founder (an individual who directly or indirectly owns more than 25 per cent of the share capital). However, the registration authority does not cross-check and verify this information and never identified a BO indirectly controlling a legal entity client by other means (not through ownership of a share) despite the existence of such examples. Furthermore, provision of incorrect information creates no liability as the registration authority is not empowered to impose sanctions in such situations.
943. Thus, the SSRLE contains the list of ultimate beneficial owners, but adequacy and reliability of BO information raise doubts as there are no mechanisms in place for verifying this information.
944. Pursuant to the legislation, when FIs and DNFBPs establish business relationships with customers, they must identify beneficial owners, and obliged entities are well aware of this obligation. There is a general understanding of the obligation related to identification of beneficial owners of legal

persons with complex structure, i.e. when another legal person acts as the founder of a legal person. However, some FIs and DNFBPs may face difficulties in identifying beneficial owners of such complex legal structures. Nevertheless, this shortcoming is insignificant due to the fact that FIs and DNFBPs of Turkmenistan rarely deal with customers with complex ownership structure (as at July 1, 2022, only 169 legal persons whose founders were other legal persons were registered, which is less than 1% of all legal persons operating in Turkmenistan).

945. FIs and DNFBPs rely, to a large extent, on information contained in the SSRLE, but some FIs use various additional information sources (FMS, public and commercial databases) to verify information on beneficial owners, which partly helps to ensure that BO information held by FIs and DNFBPs is accurate.
946. As mentioned above, the LEAs have no direct access to the SSRLE, but they obtain necessary information upon requests (including oral requests) from the FMS, FIs and DNFBPs, and also have a considerable experience of obtaining information on actual beneficial owners through gathering criminal intelligence.
947. Summarizing the above, it can be stated that basic information contained in the SSRLE is sufficient, accurate and up-to-date, but BO information is not always accurate and up-to-date. The LEAs do not have timely access to this information. The FMS has timely access, but not always to up-to-date information as some changes may be communicated to it not immediately after they are made in the SSRLE.
948. In addition, BO information held by FIs and DNFBPs is not always accurate, but access to it is provided in a timely manner. The LEAs also use alternative methods to identify beneficial owners (e.g. criminal intelligence gathering methods).

7.2.5. Timely access to adequate, accurate and up-to-date basic and beneficial ownership information on legal arrangements

949. Taking into account the features of the legal framework, legal arrangements, as they are defined by the FATF Recommendations, may not be established in Turkmenistan; however, FIs and DNFBPs may provide services to foreign trusts.
950. FIs and DNFBPs may possess appropriate information on beneficial owners of foreign legal arrangements when they establish business relationships with foreign legal arrangements and make transactions with their involvement. In such situation, reporting entities should, in accordance with the applicable legislation, comply with the prescribed CDD requirements, which include, *inter alia*, the obligation to verify the powers and identities of persons authorized to dispose of funds or assets.
951. The CB has developed the following mechanism to identify trusts. In particular, the Regulation on Identification of Customers by Financial institutions (adopted by CB Chairman Order No.159-ish dated 11.06.2020) requires banks to identify persons who are beneficiaries of trusts. Banks are also required to identify assets held in trust and ID data and residential addresses of settlors and trustees of trusts and other foreign unincorporated entities.
952. According to the competent authorities, financial institutions and designated non-financial businesses and professions, reporting entities had no foreign legal arrangements (including foreign trusts) among their customers at the time of the on-site visit.
953. In the assessors' opinion, if reporting entities on-board such customers in the future, the competent authorities will have timely access to information on them through FIs and DNFBPs as in case of access to information on legal persons.

7.2.6. Effectiveness, proportionality and dissuasiveness of sanctions

954. Pursuant to Article 286 of the AOC, legal persons are held liable to failure to provide information on modifications in their constituent documents or provision of false information. The Tax Department of MFE imposes these sanctions in the form of fines ranging from 200 to 300 manats (USD 57-86) during inspections. However, in practice, the Registration Department does not

impose similar sanctions in the course of registration of legal persons as it is not empowered to do so. In view of information about illegal proceeds obtained by legal persons, these amounts of fines are neither proportionate nor dissuasive.

Table 7.5. Sanctions imposed under Article 286 of the AOC (breach of business activity reporting regulations)

	2018	2019	2020	2021	As at July 01, 2022
Persons held administratively liable	146	113	148	52	45
Amount of impose fines (TMT)	27,500	21,900	27,800	7,600	6,800

955. However, throughout the period of elimination of detected breaches (making modifications in constituent documents, notifying the registration authority), legal persons are not allowed to conduct legitimate business activities and make payments through banks, which is assessed as a dissuasive measure.
956. Also, the applicable legislation prescribes a forcible termination of the activities of legal persons in case of bankruptcy; admission of registration of legal entity invalid due to the irreversible violations of the laws of Turkmenistan committed during registration; activities that feature repeated or gross violations of the laws of Turkmenistan within a calendar year; and in any other instances prescribed by the Turkmen laws.
957. However, this mechanism is rarely used. For instance, according to the information provided by Turkmenistan, only 4 legal persons were removed from the SSRLE and liquidated by court decisions between 2017 and 2021.
958. The assessors came to the conclusion that the competent authorities of Turkmenistan have a limited range of effective and dissuasive sanctions that they may impose for violations of the legal persons transparency regulations related to provision of reliable and accurate information.

Overall conclusions on IO.5

959. Information on creation and types of legal persons is available to the public.
960. Turkmenistan has conducted the assessment of the legal persons sector as part of the NRA-2 exercise. However, this sectoral assessment does not identify types of legal persons that are most vulnerable to ML/TF depending on their legal form and lacks additional analysis of typologies and schemes of their involvement in ML/TF. Understanding of vulnerabilities and extent to which legal persons established in Turkmenistan may be misused for MT/TF is generally insufficient, but varies among different competent authorities. The LEAs demonstrated this understanding to the greatest extent.
961. All legal persons are subject to registration. Information on legal persons is collected in the course of registration and checked for completeness and compliance with laws, but is not cross-checked and verified at the registration stage. FIs subsequently verify this information as part of the CDD procedures when they provide services; the tax authorities also verify it in the course of inspections. However, information on beneficial owners is not cross-checked and verified.
962. In respect of legal persons with foreign capital or foreign individuals as founders, Turkmenistan applies effective measures to prevent them from being misused for ML/TF purposes. During registration, the competent authorities, including LEAs, collect various information on legal persons and other persons associated with them. However, there are no effective mechanisms in place to prevent legal persons founded by residents from being misused for ML/TF purposes.
963. Basic and BO information contained in the Single State Register of Legal Entities is adequate and up-to-date, but not accurate as this information is not verified. However, upon identification of discrepancies between constituent documents and extracts from the SSRLE/registration certificates (including failure to pass state registration of amendments to constituent documents), FIs suspend provision of services to such customers, which partly helps to ensure that information is up-to-date.

964. Some competent authorities obtain all information from the SSRLE in a timely fashion. However, the LEAs have no direct access to the SSRLE; they can obtain information only upon requests (there are cases where information is obtained operationally) which does not ensure timely access.
965. Legal person that provide incorrect/false information are subject to administrative fines, which, however, are not proportionate and have no dissuasive effect. Also, forcible liquidation may be applied as a sanction, but this mechanism is almost not applied in practice.
966. **Turkmenistan is rated as having a low level of effectiveness for IO.5.**

CHAPTER 8. INTERNATIONAL COOPERATION

8.1. Key findings and Recommended Actions

Key findings

1. Turkmenistan has legal and institutional mechanisms for the constructive and timely execution of international mutual legal assistance (MLA) and extradition requests. The LEAs and the judiciary cooperate internationally mainly for the detection and investigation of predicate offences, using established channels of communication and cooperation, as well as Interpol channels, within the framework of the concluded international treaties.
2. The effectiveness of outgoing international cooperation in extradition matters is reduced by the lack of facts of transferring criminal cases for further prosecution abroad.
3. The effectiveness of the implementation of international cooperation on MLA, extradition and return of assets from abroad to some extent is affected by the deficiencies of technical compliance of the legislation noted in R.31, 37 and 38.
4. The FIU sufficiently exchanges information (receipt and sending of requests) with FIUs of foreign countries, within the framework of the Egmont Group communication channel, and executes incoming requests in a quality and timely manner.
5. The supervisory authorities have sufficient legal and institutional mechanisms; however, in practice they have not exchanged information on AML/CFT.
6. Competent authorities make sufficient efforts, for quick and qualitative execution of international requests.
7. The competent authorities of Turkmenistan make extensive use of other forms of international cooperation to exchange financial and law enforcement intelligence and, to a somewhat lesser extent, supervisory information.
8. Competent authorities can cooperate internationally in the exchange of beneficial ownership information in relation to legal persons. In practice, however, there is little exchange of information.

Recommended Actions

1. Turkmenistan should focus on improving the effectiveness of outgoing international cooperation on the basis of the MLA, as well as in the field of extradition of perpetrators of crimes.
2. Ensure that criminal prosecutions are initiated and that criminal cases are transferred to countries that have decided not to extradite the perpetrators of crimes to Turkmenistan.
3. Increase the activity of LEAs in the search, tracing and recovery of assets of criminals located abroad, including laundered proceeds.
4. Improve the maintenance of statistics on MLA and other international cooperation.
5. Develop unified detailed procedures for processing requests and providing MLA and extradition, maintaining the efficiency of the document management system in terms of international cooperation.
6. Improve the work of supervisory authorities in terms of international cooperation on AML/CFT.
7. Ensure a common understanding by various LEAs of the algorithm of actions when processing requests to establish a BO and obtain basic information on legal entities registered abroad

8.2. Immediate Outcome 2 (International Cooperation)

967. This Chapter considers and assesses the achievement of Immediate Outcome 2. To assess efficiency, Recommendations 36-40 are used in this Charter.
968. In assessing the results achieved in the provision and receipt of mutual legal assistance, the AT took into account the international threats and risks faced by the country, as well as contextual factors. In particular, it is taken into account that the existing visa regime with all the countries of the world significantly limits the entry of persons fleeing from criminal justice, and, accordingly, affects the volume of the provided MLA both in terms of extradition and other procedural actions. Separately, it should be noted that in the period 2020-2021, due to the spread of the COVID-19 pandemic in the world, Turkmenistan has taken restrictive measures related to the cessation of land and air passenger movement, except for the return of its own citizens to the country. This also had an impact on the statistics and the amount of MLA provided.
969. Turkmenistan may face international ML/TF risks and threats due to its geographic location and proximity to countries with a high level of terrorist threats.
970. It should be noted that Turkmenistan has quite a long border with Iran, which is on the FATF’s “black” list; consequently, risks posed by Iran may also impact the potential misuse of Turkmenistan for ML/FT/PF.
971. The primary external ML threats are as follows:
- Illegal drug and precursor trafficking;
 - Smuggling of cash, gold and other goods.
972. The main external threat to TF is international terrorist organizations and other illegal armed groups operating in Afghanistan. According to the results of NRA-1, the level of internal threat of terrorism and its financing was determined as low. In addition, there are opportunities for the propaganda of terrorist ideology from abroad, including via the Internet, and radicalization of Turkmenistan citizens studying and/or working abroad.
973. MER-2 has assessed the level of international threats that may adversely affect the AML/CFT/CPF framework as “Above average”.

8.2.1. Providing constructive and timely MLA and extradition

974. Turkmenistan has sufficient legal and institutional framework to meaningfully and promptly perform international MLA and extradition requests in connection with the investigations and prosecutions related to ML, predicate offences and FT.

Mutual legal assistance

975. Turkmenistan is a party to numerous multilateral, regional and bilateral treaties that prescribe MLA and extradition.

Table 8.1. List of bilateral MLA agreements and treaties concluded by Turkmenistan

	Title of the treaty or agreement	Country of agreement and treaty
1.	Agreement between Turkmenistan and the Republic of Türkiye on legal assistance in civil and criminal cases	Türkiye
2.	Agreement between Turkmenistan and the UAE on legal assistance in criminal cases	UAE
3.	Agreement between Turkmenistan and the UAE on extradition	UAE
4.	Agreement between the Government of Turkmenistan and the Government of the Islamic Republic of Iran on mutual legal assistance in criminal cases	Iran
5.	Agreement between Turkmenistan and Uzbekistan on legal assistance and legal relations in civil, family and criminal cases	Uzbekistan
6.	Treaty between Turkmenistan and Georgia on mutual legal assistance in civil and criminal cases	Georgia

976. MLA is provided to the investigating authorities and courts of foreign states on the basis of international treaties on legal assistance, or, in their absence, on the basis of mutual agreement (principle of reciprocity) or individual international conventions (treaties) ratified by Turkmenistan, which provide for the provision of MLA. As part of MLA, procedural and other actions, which are prescribed by the laws and international treaties of Turkmenistan, may be taken.
977. The international conventions (treaties) used by the competent authorities of Turkmenistan to provide MLA are as follows:
- The UN Convention Against Corruption;
 - The UN Convention against Transnational Organized Crime;
 - The UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances;
 - The UN International Convention for the Suppression of Acts of Nuclear Terrorism;
 - The UN International Convention against the Recruitment, Use, Financing and Training of Mercenaries;
 - Convention on Offences and Certain Other Acts Committed on Board Aircraft;
 - Convention for the Suppression of Unlawful Seizure of Aircraft;
 - Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation;
 - Convention against the Taking of Hostages;
 - International Convention for the Suppression of the Financing of Terrorism;
 - Protocol on Cooperation in Combating Terrorism in the Caspian Sea to the Agreement on Cooperation in the Field of Security in the Caspian Sea;
 - Convention on Legal Assistance and Legal Relations in Civil, Family and Criminal Matters (Minsk Convention);
978. The main cooperation is carried out with CIS countries and countries that are trading partners of Turkmenistan. International requests for MLA and extradition are mainly sent and received either directly to the competent authorities or through diplomatic channels
979. The main competent authorities of Turkmenistan responsible for MLA and extradition are as follows:
- The GPO is responsible for procedural actions in criminal cases at the pretrial stage;
 - The SC is responsible for procedural actions in criminal cases, the need for which arises at the stage of judicial consideration and execution of court decisions;
980. When the provision of mutual legal assistance is not regulated by a bilateral international treaty (for example, there is no treaty between the countries), as well as one of the conventions used by Turkmenistan, MLA is provided on the principle of reciprocity, in accordance with the procedure defined in the CPC (Chapter 52 "Provision of legal assistance in criminal matters").
981. From 2017 to 2019, according to information of Turkmenistan, requests on MLA were executed on the basis of the principle of reciprocity from the Swiss Confederation, the Czech Republic and the Kingdom of Spain.
982. When the MLA requests are received, they are checked for compliance with international treaties, as well as with domestic legislation. Turkmenistan renders various types of MLA. In the absence of dual criminality, MLA may be rendered in the maximum possible extent; discrepancies between the laws of the requesting and requested countries may not prevent Turkmenistan from rendering MLA.
983. Upon motion of the country that submitted a request, to perform the request procedural laws of the foreign country may be applied provided that an international treaty concluded by Turkmenistan with this country specifies so. In these circumstances, documents may be executed in the official language of Turkmenistan and if necessary in Russian or English or in the language prescribed by the international treaty.

984. In cases prescribed by the appropriate international treaty, officials of the competent authority of the appropriate foreign country may attend the performance of request upon the permission of the General Prosecutor or the Chairman of the SC.

985. The GPO and the SC ensure the execution of MLA requests independently or send them to other competent authorities (MIA, MNS). The GPO and the SC, within the framework of their competencies, receive, manage, coordinate and prepare responses to incoming requests for cooperation. In this regard, all the statistics of the GPO on received and executed MLA requests include the executed requests sent to the MIA and the MNS.

Table 8.2. Statistics on the execution of the incoming MLA requests

Status of requests	Competent authority	Number of incoming MLA requests					Note
		2017	2018	2019	2020	2021	
Received	GPO	42	76	45	43	123	
	MIA	17	23	15	8	13	
	MNS	0	1	0	0	6	
	SC	0	0	0	0	0	
Executed	GPO	41	74	44	33	92	Including transferred for execution to other competent authorities
	MIA	16	23	15	8	13	
	MNS	0	1	0	0	1	
	SC	0	0	0	0	0	
Not executed	GPO	1	2	1	10	31	Result of the execution of the MLA request is not achieved for objective reasons
	MIA	1	0	0	0	0	
	MNS	0	0	0	0	5	
	SC	0	0	0	0	0	
Refused in execution	GPO	0	0	0	0	0	
	MIA	0	0	0	0	0	
	MNS	0	0	0	0	0	
	SC	0	0	0	0	0	

986. The competent authorities did not refuse to execute MLA requests. The quality of execution of requests is adequate, which is confirmed by the absence of repeated appeals on the same matter.

987. Non-execution of MLA requests is conditioned either by non-receipt for objective reasons of the requested result, or by the remainder of the request for execution at the end of the evaluated period. If an MLA request cannot be executed in due time, a brief note is prepared, indicating reasons that prevent execution, and a copy of it is sent to the initiator of the request.

988. If the request for MLA is not received through the GPO, it is referred to the GPO for the decision if it can be executed or not. According to the information provided, such requests were received only by the MIA.

Table 8.3. Statistics on the number of MLA requests, received directly by the MIA

	Year				
	2017	2018	2019	2020	2021
Number of incoming MLA request	*	22	15	8	10
- of which requests on ML cases	*	5	1	0	0

* No data

989. The main countries submitting requests for MLA are the Russian Federation, the Republic of Belarus and the Republic of Turkiye.

Case Study 8.1. Executing the MLA request received from the country with the highest level of cooperation

Based on the Minsk Convention, the competent authorities of Turkmenistan received a request in a criminal case against citizens A., B., V. and G., who had committed repeated fraudulent acts, to provide

information on the registration (address), health certificates, characteristics from the place of registration (residence), criminal records and compromising materials, information on the documents proving their identity.

The MLA request was executed in full and the answer was sent to the initiator.

990. As a rule, incoming requests are fulfilled within up to one month. The largest number of requests comes with demands for delivery (including determining of person's location) or obtaining documents. Most of the requests for location identification and delivery of documents were executed within up to 10 days (concerning checking with entry-exit and residence databases). Taking into account that the number of such requests exceeds 30%, and together with the requests for obtaining documents of more than 50%, the AT concludes that most of the MLA requests are executed fast enough.

Table 8.4. Performance of incoming MLA requests

Types of requests		Number				
		2017	2018	2019	2020	2021
Received	GPO	42	76	45	43	123
	MIA	17	23	15	8	13
	MNS	0	1	0	0	6
of which:						
on delivery of documents	GPO	19	37	12	18	53
	MIA	5	8	6	2	4
	MNS	0	0	0	0	0
on obtaining of documents	GPO	9	20	12	9	10
	MIA	0	0	0	0	0
	MNS	0	0	0	0	0
on the proceedings of procedural actions	GPO	14	19	21	15	57
	MIA	12	15	9	6	9
	MNS	0	1	0	0	0
on the transfer of the criminal case	GPO	0	0	0	0	3
	MIA	0	0	0	0	0
	MNS	0	0	0	0	0
about the inspection	GPO	0	0	0	1	0
	MIA	0	0	0	0	0
	MNS	0	0	0	0	0

991. For the period from 2017 to 2021, the GPO received 4 ML-related requests, and the MIA received 8 requests (2018 - 5 requests (Russia, Belarus), 2019 - 1 request (Russia), 2021 - 2 requests (Azerbaijan, Iran)).

992. No requests to return or confiscate assets located in Turkmenistan on the basis of judicial decisions of other countries have been received. At the same time, it should be noted that due to the shortcomings reflected in [R.38](#), the execution of such requests, even if they were received, would be impossible.

993. At the same time, requests related to the identification of assets from persons prosecuted for crimes are executed by the competent authorities. According to the information of the competent authorities, in no case have the incoming requests for identification of criminal assets or proceeds derived from their use been found on the territory of the country.

Case Study 8.2. Executing an MLA request for asset tracing

In March 2022, a request for legal assistance was received from the judicial authorities of a Middle Eastern country through the GPO in a criminal case involving money laundering by citizens "A" and "B," who had invested in various areas, including in the stock exchange, the purchase of real estate inside and outside the country, expensive cars, and the purchase of heavy and semi-heavy engineering equipment, several manufacturing plants inside and outside the country, etc. in order to conceal criminal sources of assets.

Taking into account that citizens "A" and "B" had a wide range of interactions with various structures of Turkmenistan, the MLA request asked about their possible acquisition of movable and immovable

property on the territory of Turkmenistan.

During the execution of the request, the Ministry of Internal Affairs checked the availability of property and other assets of the persons in the list of relatives and acquaintances of citizens A and B. In the course of the conducted procedural actions, no property was revealed, about which a notification was sent to the GPO in March 2022.

Extradition

994. MLA TF requests were received for 3 individuals for extradition ([Case Study 8.2.3](#)). This low number of TF requests correlates with the low level of TF risk in the country, as well as the unattractiveness to terrorists and their associates discussed above, as well as in [IO.1](#).
995. Turkmenistan does not extradite its own nationals; however, if a requesting country provides evidence and case file, Turkmenistan prosecutes appropriate persons in Turkmenistan. If a person who is wanted by another country and has Turkmen citizenship is found, the initiator of the search is notified immediately, and documents are provided within three days to the appropriate procurator for a prompt decision by the GPO regarding criminal prosecution against such a person in the territory of Turkmenistan.
996. Detailed mechanisms and guidelines on the execution of the extradition of persons who have committed crimes to foreign states on the basis of the Minsk Convention of the CIS Member States are contained in Order No. 50, dated 30 April 2000, of the Prosecutor General of Turkmenistan.
997. The number of extradition requests received is significantly lower than the number of requests sent, which is due to the visa regime in the country.

Table 8.5. Performance of incoming extradition requests

Actions	Number					
	2017	2018	2019	2020	2021	Total
Were received, of which:	1	-	1	1	1	4
- from Turkiye	1		1	1		3
- from Russia					1	1
Were performed, of which:	-	-	-	-	-	-
- were performed by the GPO						
- were performed by Ministry of Internal Affairs	-	-	-	-	-	
- were performed by Ministry for National Security						
Were not performed due to the absence of the person involved	1	-	1	1	-	3
Were refused to perform	-	-	-	-	1	1

998. The fact of refusal to extradite a person in 2021 is due to his citizenship of Turkmenistan. There are no other facts of refusal of extradition.
999. Thus, for the period from 2017 to 2021, all the requests were considered and objective decisions were made on them, there are no facts of refusal to execute requests for formal reasons, and answers were sent on all requests (100%), based on this we can note a rather high level of execution of extradition requests.
1000. During this period there were incoming requests for extradition in cases of TF in relation to three persons, all of them were considered, but in connection with the absence of persons in the territory of Turkmenistan extradition was not carried out.

Case Study 8.3. Providing MLA assistance in locating a person and extraditing on the crime of TF

On March 02, 2020, the GPO received a request from the country "A" to locate and extradite a citizen of this country for the crime of TF.

Due to the priority of execution of the TF requests, immediate execution and special control of the Prosecutor General was organized with a deadline of up to 5 days.

The location of the person in Turkmenistan was not confirmed, on March 7, 2020, a response was sent to the requesting state.

1001. In the course of performance of ML and extradition requests, the powers and investigative techniques prescribed in the review under [R.31](#) may be used, as well as other powers and techniques that may be used by the LEAs of Turkmenistan. Execution of a foreign court's sentence should be considered by judges in the court room without a convict in the manner and within the timeframes prescribed in the CPC under a petition of the General Prosecutor of Turkmenistan.
1002. The SC generally maintained international cooperation on MLA under the following international treaties:
- Convention on Legal Assistance and Legal Relations in Civil, Family and Criminal Cases signed on January 22, 1993 in the city of Minsk (hereafter - Minsk Convention);
 - Treaty between Turkmenistan and the Republic of Turkiye on legal assistance in civil and criminal cases dated 2012 (hereafter - Turkiye Treaty);
 - Treaty on the Procedure of Settling Disputes related to Economic Activity signed on March 10 1992 in the city of Kiev (hereafter - Kiev Treaty).
1003. However, all of the MLA requests were for assistance in civil and family cases. There were no foreign court requests for ML or TF in criminal cases, and no requests for confiscation.
1004. In practice, there were no cases when performance of MLA requests was refused due to the fact that an offence was deemed related to tax issues and requirements to maintain confidentiality by FIs or DNFBPs.
1005. When competent authorities of Turkmenistan receive an MLA request, they take appropriate measures prescribed by the laws to ensure confidentiality of the incoming request and conduct investigation or preliminary enquiry; the submitted information is used for the permitted purposes. Pursuant to Article 49 of the CPC and international treaties concluded by Turkmenistan, competent authorities of Turkmenistan may ensure confidentiality of the incoming requests and the information contained therein. However, not all international MLA treaties prescribe that requesting and requested countries should ensure confidentiality of received information as part of performance of MLA requests.
1006. Persons that disclosure confidential information should be brought to liability in accordance with the laws of Turkmenistan.
1007. Competent authorities of Turkmenistan have not specified any problems that prevent or hinder international MLA or extradition cooperation. However, the deficiencies set forth in the review related to [R.37–39](#) to some extent impact the efficiency of international MLA and extradition cooperation. Thus, during the meetings representatives of the competent authorities indicated that in the case of a request for information about the accounts and deposits of persons who are not suspects or defendants, such a request will be left without consideration in connection with the protection of banking secrecy. In practice no such requests have been received. Nevertheless, the AT believes that any request to search for assets should be considered in the context of identifying bank accounts held by individuals ([Case Study 2.1](#)).
1008. If necessary, LEAs may look into an issue to establish intergovernmental groups with foreign authorities if international treaties of Turkmenistan specify so. Some international treaties of Turkmenistan specify the establishment of investigation teams or working groups to conduct mutual investigations, investigative work and other actions in the course of the investigation of offences. However, no such groups were created during the period under evaluation, since no relevant requests for their creation were received from foreign states.
1009. The normal rules of office administration apply to the transmission and distribution of requests. Competent authorities have no detailed MLA and extradition procedures (in-house document that regulates performance of international requests); however, appropriate regulations and record management instructions are available that regulate the performance of international MLA requests through electronic document flow system to record requests and control their performance.
1010. Performance of all registered MLA requests is subject to control. The managers of authorities of Turkmenistan that receive MLA request for the execution, international department of the GPO (in

the case of a request for MLA through the GPO), units of authorities of Turkmenistan that register, record and control incoming correspondence and executors control the performance of MLA requests through automated record management systems. The AT concludes that such a control system is, given the number of incoming MLA requests under consideration, sufficiently effective.

1011. Period of the performance of MLA request is calculated in calendar days. Competent authorities of Turkmenistan make efforts to promptly (responses to requests are generally sent within 10–30 days) and quality perform MLA and extradition requests using available information and administrative procedures prescribed by the laws of Turkmenistan. MLA requests should be performed within 30 calendar days from the date of their registration. MLA requests to be performed within 30 calendar days are performed on a first in, first out basis.
1012. Representatives of the competent authorities of Turkmenistan indicated that the priority of execution of MLA requests, as well as the need for their expedited execution is determined by the Prosecutor General. There are no more detailed procedures for assessing incoming requests for priority execution. At the same time, the AT note that there is no need to prioritize extradition requests, since only four such requests were received during the evaluation period.
1013. In the course of preparation of responses to requests, competent authorities of Turkmenistan make efforts to submit reliable and accurate information and specify the contact details of the appropriate official of competent authority of Turkmenistan and the conditions of the use of the submitted information. The quality of execution of MLA requests is checked on a mandatory basis not only by the relevant heads of the person executing the request but also by the international department of the GPO, which is responsible for controlling the timing and quality of execution of requests. If any shortcomings in execution are detected, it is practised to return requests to the executor to eliminate shortcomings.
1014. Competent authorities of Turkmenistan informed that they had not received complaints from foreign competent authorities to the submitted responses; also, they did not receive repeated requests. Positive responses were received from the states with which Turkmenistan has the most interaction. Positive feedback was also received from states with significant economic relations.
1015. The countries that provided comments on the experience of international cooperation with Turkmenistan reported that they had experienced no problems in its implementation. Positive feedback was received from the states with which Turkmenistan has the most interaction. Positive feedback was also received from states with significant economic relations.
1016. The competent and central authorities of Turkmenistan have largely provided timely and constructive assistance to the MLA and resolved extradition issues, existing deficiencies are primarily related to deficiencies of technical compliance of legislation, minor improvements are required in terms of the work efficiency organization.

8.2.2. Seeking timely legal assistance to pursue domestic ML, associated predicates and TF cases with transnational elements

1017. LEAs interact with their foreign counterparts in the manner prescribed in the international treaties of Turkmenistan through the central offices of ministries specified in the appropriate international treaties of Turkmenistan or through diplomatic channels.
1018. The NRA results, as well as additional information provided by the country, indicate that non-significant number of the predicate offenses as well as ML/TF cases may be cross-border in nature (IO.1 and 7).
1019. Between 2017 and 2021, LEAs submitted a small number of AML requests, all of them were related to the predicate offences.

Table 8.6. Outgoing MLA requests

Actions and types of requests	Number					
	2017	2018	2019	2020	2021	Total
Were sent, of which:			1	2	1	4

- on delivery of documents			1		1	2
- the identification, place of residence and the conduct of investigative proceedings				2		2
- at the GPO's initiative						
- at the initiative of Ministry of Internal Affairs				2		2
- at the initiative of Ministry for national Security						
- at other authority's initiative						
Were performed				2	1	3
Were not performed			1			1
Were refused to perform						

1020. The list of actions requested is not wide - it is requesting information and documents, as well as performing certain procedural actions.

Case Study 8.4. Obtaining MLA in response to a request for procedural actions

In 2018, an investigative unit of the MIA of Turkmenistan requested one of the Eastern European states to provide MLA as part of a criminal case on extortion against citizens of Turkmenistan studying in the territory of the requested state. The request provided for the performance of operational and investigative actions, namely the collection of information on citizens: identification, place of residence, as well as interrogations of witnesses and extradition of the accused.

Based on the principle of reciprocity, the request for extradition from the Turkmen side was partially executed, and the issue related to extradition for unknown reasons was left unexecuted.

1021. Pursuant to Article 544 (1) of the CPC, the GPO submits requests to take investigation actions to the appropriate countries, and the Chairman of the SC submits requests to take judicial actions through MJ of Turkmenistan. Accordingly, the GPO is a central authority that coordinates the submission and performance of MLA and extradition requests at the pre-trial stage.
1022. In the course of submission of MLA requests and petitions, they should specify the details of contact persons and requirements to MLA and extradition requests (obligation to maintain confidentiality, use of obtained data solely for the purposes specified in the request) that are clear to foreign countries.
1023. Based on the case studies of the MLA requests provided, the AT concludes that when submitting requests, LEAs provide to requested countries proper and correct information that enables them to understand and assess requests.
1024. LEAs of Turkmenistan have not developed policies (guidelines) to be used to promptly and properly prepare and submit international MLA and extradition requests, however, it should be noted that the small number of requests for MLA completely offsets the lack of governing documents.
1025. Between 2017 and 2021 MLA requests, including spontaneous information, that relate to identification and investigation into ML/TF cases, as well as arrest, freezing and confiscation of assets in ML/TF cases were not submitted. The AT believes that shortcomings in the LEA's efforts to identify and investigate cross-border ML, as well as criminal assets transferred out of the country, may substantially contribute to the lack of outgoing MLA requests in this area but do not influence the efficiency of the international cooperation. However, it is necessary to take into account the context of the country in terms of the unattractiveness of its territory for the penetration of criminal proceeds and their laundering. In terms of outgoing MLA requests, their absence is due to objective circumstances, and the absence of detected instances of TF in the country (detailed in [IO.9](#)), which is consistent with the country's risk.
1026. In this regard, statistics on the number of ML/TF investigations and prosecutions, the number and volume of assets frozen/seized and confiscated (including non-conviction-based confiscation) using international cooperation, and relevant examples are not available. The absence of these statistics makes it impossible to draw a conclusion about the extent and timeliness of MLA requests in ML investigations.

1027. In fact, requests to return assets confiscated upon decisions of courts of Turkmenistan have not been submitted. Competent authorities rarely use other legal mechanisms to return assets that were illegally siphoned abroad ([Core issue 2.3](#)). One of the reasons for the lack of requests, as already indicated, is the contextual factor of the country, which provides unattractiveness for criminals in terms of entering the country with criminal proceeds and laundering them. Shortcomings in the TC legislation, which do not allow for the confiscation of property of equivalent value, as well as the proceeds derived from the use of criminal property, had no impact in the period assessed, as there were no such outgoing or incoming requests. The lack of effectiveness of parallel financial investigations in searching for criminal assets abroad and identifying ML cases where the predicate offence is committed abroad may also be influential (see [IO.7](#)).

1028. There are no examples of international investigation teams being initiated by the competent authorities of Turkmenistan, but there have been cases of the participation of officials who sent a request for MLA in its execution in the requested State.

1029. Competent authorities of Turkmenistan are sufficiently active in submitting international requests to extradite persons that committed offences.

Table 8.7. Incoming extradition requests and results of their review

Country and action		Number					
		2017	2018	2019	2020	2021	Total
Russia	Sent	8	7	2	3	6	26
	Performed	5	2	1	3	1	12
	Not performed	3	4	1	-	4	12
	Refused	-	1	-	-	1	2
Armenia	Sent	3	3	1	-	1	8
	performed	1	2	1	-	1	5
	Not performed	2	1	-	-	-	3
	Refused	-	-	-	-	-	-
Azerbaijan	Sent	-	-	3	2	-	5
	performed	-	-	3	1	-	4
	Not performed	-	-	-	-	-	-
	Refused	-	-	-	1	-	1
Ukraine	Sent	-	-	3	1	1	5
	performed	-	-	-	1	1	2
	Not performed	-	-	3	-	-	3
	Refused	-	-	-	-	-	-
Uzbekistan	Sent	2	-	-	-	-	2
	performed	-	-	-	-	-	-
	Not performed	2	-	-	-	-	2
	Refused	-	-	-	-	-	-
UAE	Sent	-	-	1	1	-	2
	performed	-	-	-	-	-	-
	Not performed	-	-	1	-	-	1
	Refused	-	-	-	1	-	1
Belarus	Sent	1	-	-	-	-	1
	performed	1	-	-	-	-	1
	Not performed	-	-	-	-	-	-
	Refused	-	-	-	-	-	-
Tajikistan	Sent	1	-	-	-	-	1
	performed	1	-	-	-	-	1
	Not performed	-	-	-	-	-	-
	Refused	-	-	-	-	-	-
Kazakhstan	Sent	-	-	1	-	-	1
	performed	-	-	-	-	-	-
	Not performed	-	-	-	-	-	-
	Refused	-	-	1	-	-	1
Turkiye	Sent	-	-	-	1	-	1
	performed	-	-	-	1	-	1
	Not performed	-	-	-	-	-	-

	Refused	-	-	-	-	-	-
Kyrgyzstan	Sent	-	-	-	-	1	1
	performed	-	-	-	-	-	-
	Not performed	-	-	-	-	1	1
	Refused	-	-	-	-	-	-
Hungary	Sent	-	-	-	-	1	1
	performed	-	-	-	-	-	-
	Not performed	-	-	-	-	-	-
	Refused	-	-	-	-	1	1
Albania	Sent	-	-	-	-	1	1
	performed	-	-	-	-	-	-
	Not performed	-	-	-	-	-	-
	Refused	-	-	-	-	1	1
Total	Sent	15	10	11	8	11	55
	performed	8	4	5	6	3	26
	Not performed	7	5	5	-	5	22
	Refused	-	1	1	2	3	7

1030. The said Table demonstrates that 47% of extradition requests were performed, 40 % requests were not performed for the reasons, that are not related to AML/CFT effectiveness and the quality of investigations or the preparation of MLA requests, and 13% of requests were not performed for various reasons (lapse of time, late submission of extradition documents, death of the person involved).

1031. Nevertheless, representatives of the competent authorities indicated that not a single criminal case was sent for the prosecution to the countries that refused extradition during this period. The AT consider this to be a factor decreasing effectiveness of extradition measures, despite a large number of requests.

1032. In the view of the AT, the above statistics show that the biggest problems in extradition proceedings for Turkmenistan arise with European countries, with which the country does not have special conventions on extradition or bilateral treaties. This situation makes international cooperation with those states difficult.

1033. In most cases, extradition is carried out on criminals who have committed fraud, embezzlement, drug or human trafficking, and official forgery.

Case Study 8.5. Successful extraditions for predicate offenses

1) Citizen of Turkmenistan "M", wanted by the LEAs of Turkmenistan for committing crimes under Article 1291, Part 2 (Trafficking in human beings), Article 139, Part 2 (Engaging in prostitution), was extradited from Armenia to Turkmenistan in 2017.

2) Citizen of Turkmenistan "E", wanted by the LEAs of Turkmenistan for committing offences under Article 182 (Exceeding official authority), Article 187 (Forgery in office), Article 137 (Coercing a person to engage in sexual intercourse), Article 200 (False denunciation), Part 1 (Knowingly false) in 2018 was extradited from Armenia to Turkmenistan.

3) Citizen of Turkmenistan "T", wanted by the LEAs of Turkmenistan for committing crimes under Article 1291, Part 2 (Trafficking in human beings), Article 287, Part 2 (Illegal trafficking in arms) and Article 106, Part 2 (Inducement to suicide) was extradited from the Russian Federation to Turkmenistan in 2019.

4) Citizen of Turkmenistan "A", wanted by the LEAs of Turkmenistan for committing offences under Article 229, paragraph 4 (Theft), Article 181, paragraph 2 (Abuse of office), extradited from Azerbaijan to Turkmenistan in 2019.

5) Citizen of Turkmenistan "Sh", wanted by the LEAs for committing crimes under article 227, paragraph 2 (theft), article 235, paragraph 2 (deliberate destruction of property), was extradited from Azerbaijan to Turkmenistan in 2020.

1034. In criminal cases of ML in 2021, one request was sent to the Central European state for the extradition of a person who committed ML and a number of related predicate offences, but the

request was not satisfied without specifying a reason. The criminal case was also not forwarded abroad for prosecution.

1035. No extradition requests for TF were sent due to the absence of criminal cases of TF in the period under evaluation.
1036. The majority of international treaties of Turkmenistan provide for norms to ensure the confidentiality of information received and not to transfer the information received to third parties without the prior consent of the competent authority of the foreign state.
1037. The legislation and international treaties of Turkmenistan do not provide for norms on the timely forwarding of information on the use and usefulness of the received information as part of the feedback to those bodies, which provided assistance, upon their request.
1038. In case the request is not executed in the prescribed form, in such a case, the corresponding article of the international treaty is indicated for proper execution and is sent back to the requesting body without execution.
1039. In general, the AT assesses the degree of effectiveness of the competent authorities of the country with the requests for MLA to other countries at a sufficient level, moderate improvements are required.

8.2.3. Seeking other forms of international cooperation for AML/CFT purposes

1040. Analysis of statistical data on other forms of international cooperation shows a significant level of information exchange. The competent authorities of Turkmenistan reported that in practice there were no facts of refusal to provide information on incoming and outgoing international requests, and there were no cases of providing spontaneous information. The outgoing requests of the competent authorities of Turkmenistan are executed at a high level, which shows a significant level of interagency international cooperation. From 2017 to 2021, Turkmenistan's LEAs sent requests for information, most of which related to predicate offenses.

LEAs

1041. LEAs have bilateral information sharing and cooperation agreements (more than 60 different kinds of agreements, treaties, memorandums, etc.) with their foreign counterparts that are properly implemented.
1042. LEAs send international cooperation requests through established communication and interaction channels, as well as through INTERPOL channels.
1043. The National Bureau of Interpol, established within the MIA, exchanges information within the framework of cooperation with Interpol, including the following databases:
- Nominal search database;
 - Database of stolen cultural property Works of art;
 - Stolen/Lost travel documents database;
 - Stolen motor vehicles database;
 - Stolen firearms database.
1044. Also, the National Bureau of Interpol of the MIA is a permanent participant in a number of Interpol projects and special international operations:
- Special police operation "INFRA-RED" to search for criminals;
 - International operation on combating intellectual property crimes "Black Poseidon".

Table 8.8. Information on requests from the National Bureau of Interpol of the MIA.

Year	Received	Sent
2017	2 149	1 652
2018	2 382	1 982
2019	2 084	1 786
2020	2 140	1 829

2021	2 084	1 732
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1045. As of 1 April 2022, there were three persons (accused under Article 242 (ML) of the CC) wanted by Interpol for extradition, who were on the international wanted list on the initiative of the LEAs of Turkmenistan.

1046. No requests for the detection and investigation of ML/TF crimes have been sent through Interpol.

1047. In addition, the National Interpol Bureau of the MIA of Turkmenistan constantly exchanges information on persons involved in the activities of radical Islamic terrorist groups, as well as international terrorist organizations.

1048. In addition to cooperation via Interpol, Turkmenistan's LEAs also cooperate internationally through participation in international organizations and projects such as Central Asian Regional Information and Coordination Centre for combating illicit trafficking in narcotic drugs, psychotropic substances and their precursors (CARICC), the Bureau for the Coordination of Combating Organized Crime and Other Dangerous Types of Crime in the Commonwealth of Independent States (BKBOP), the Council of MIA of the Commonwealth of Independent States (CIS).

1049. MIA cooperates informally with the internal affairs bodies of 19 foreign States on the basis of bilateral agreements on information exchange and cooperation (Belarus, Georgia, Ukraine, Tajikistan, Russia, China, Azerbaijan, Uzbekistan, Turkiye and Iran). In addition, the MIA of Turkmenistan is a party to two multilateral agreements on cooperation in combating crime concluded with the Ministry of Internal Affairs of foreign countries (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan, Uzbekistan, and Ukraine).

Table 8.9. Statistics of the MIA on exchange of information with LEAs of foreign countries

MIA	Number					
	2017	2018	2019	2020	2021	Total
Incoming requests	159	164	170	47	48	588
Executed	159	164	170	47	48	588
Not executed	-	-	-	-	-	-
Outgoing requests	124	128	13	18	54	337
Executed	124	128	13	18	54	337
Not executed	-	-	-	-	-	-

1050. In general, LEAs take sufficient measures to promptly and timely submit law enforcement and other information to their foreign counterparts; however, due to legal restrictions they cannot render assistance in full scope and submit information that constitutes bank secret ([Core issue 2.1](#) and [R.38](#)).

1051. In other international cooperation, competent authorities rarely look for opportunities to recover assets from outside the country.

Case Study 8.6. Repatriation of assets through other forms of international cooperation

In 2014, the GPO investigated a criminal case against a high-level official that previously held a senior position (was PEP) with a government-owned oil company in Turkmenistan. The Head of a large government company Mr V. has been brought to liability under the corruption articles of the CC.

The investigation identified that the accused Mr V. had a bank account in the European state, where he kept illegal proceeds.

The court decided to confiscate the assets that were in the foreign bank and transfer them to the government.

To return the embezzled government assets, negotiations between a group, which comprised the officials of the GPO, MJ, and MFE, including the officials of FMS and the Federal Department of the European state were conducted several times.

Following the negotiations and mutual satisfaction, in 2019–2020 agreements were reached, whereby the Government of Turkmenistan, the European state and the UN Development Programme entered into an agreement to return the embezzled assets of Turkmenistan.

Under the agreement, Turkmenistan was obliged to use the assets for the target needs of the nationals of Turkmenistan.

Pursuant to the procedure for the return of the asset specified in the trilateral agreement, the National Bank of the European state transferred the assets to be returned (1,305,313.56 USD) to the bank account of MFE of Turkmenistan.

1052. Pursuant to Article 12 of the Law “On Customs Service”, SCS, within its powers, to interact in the customs area and share information and documents under international treaties of Turkmenistan may establish relations and cooperate with foreign customs and LEAs and international organizations.

1053. SCS has entered into bilateral and multilateral customs cooperation and mutual assistance agreements (on agency and government levels):

- With authorities of 8 countries (Azerbaijan, Armenia, Georgia, Tajikistan, Iran, Kazakhstan, Russia and Uzbekistan);
- With governments of 8 countries (Russia, Turkiye, Ukraine, Kazakhstan, Belarus, Uzbekistan, Tajikistan and Afghanistan);
- As part of the UNODC-WCO Container Control Programme with 9 countries (Azerbaijan, Afghanistan, Georgia, Kazakhstan, Tajikistan, Pakistan, Uzbekistan, Kyrgyzstan and Ukraine).

1054. SCS uses protected electronic channels to share information and promptly review data and takes measures to protect confidential information.

1055. CSS cooperates with international organizations such as WCO, UN (UNDP, UNODC, UNCTAD, etc.), EU (BOMCA), OSCE, as well as CAREC, CARICC and other international organizations. As part of international cooperation, SCS interacts with UNECE and IRU under the 1975 Convention on International Transport of Goods Under Cover of TIR Carnets (1996).

1056. Pursuant to international customs cooperation and mutual assistance treaties, SCS interacts with foreign customs administrations by sending requests and responses on suspicions of violations of customs guidelines or smuggling.

Table 8.10. Requests received from foreign customs authorities

Receiving country	Number					
	2017	2018	2019	2020	2021	Total
Russian Federation	21	19	25	21	31	159
Republic of Uzbekistan	4	4	5	7	10	37
Republic of Kazakhstan	1	2	1	21	1	36
Republic of Turkiye	-	2	1	5	1	12
Other countries	3	1	1	5	4	16
Total	29	28	33	59	47	260

1057. Requests related to information sharing for AML/CFT purpose have not been received. All requests sent by foreign customs authorities are a priority; CSC performs them as soon as possible. CSC has never refused to perform outgoing or incoming requests.

Table 8.11. Requests sent by SCS

Receiving country	Number					
	2017	2018	2019	2020	2021	Total
Totally sent, of which to:	8	10	12	7	5	42
- Russian Federation	-	-	1	-	1	2
- Republic of Uzbekistan	-	-	-	1	-	1
- Republic of Kazakhstan	-	-	-	-	-	-
- Republic of Turkiye	1	-	-	-	1	2
- Other countries	7	10	11	6	3	37

1058. Other forms of international cooperation, including the Asset Recovery Interagency Network - Asia-Pacific Region (ARIN-AP), the Regional Anti-Terrorist Structure of the Shanghai Cooperation Organization (SCO RATS), the Organization of Turkic States (TURCON) for the

exchange of information with foreign partners for AML/CFT purposes are not used by the LEAs of Turkmenistan.

International cooperation of the FIU of Turkmenistan

1059. The FMS has concluded bilateral agreements and memoranda on information exchange and cooperation with 22 FIUs of foreign countries (Belarus, Russian Federation, China, Tajikistan, Romania, Ukraine, Latvia, Turkiye, Japan, Uzbekistan, Kyrgyzstan, Iran, Moldova, Georgia, Afghanistan, Qatar, Pakistan, Kazakhstan, Armenia, Korea, Serbia, India) and an agreement between the Government of Turkmenistan and the Russian Federation on prevention, detection and suppression of suspicious transactions by foreign trade participants

1060. FMS shares information (receives and submits requests) with foreign FIUs basically through the Egmont Group’s communication channel and diplomatic channels.

1061. FMS submits a considerable number of information sharing requests related to AML/CFT and receives a small number of these requests.

Table 8.12. Requests received by the FIU of Turkmenistan

Actions	Number					
	2017	2018	2019	2020	2021	Total
Received	3	6	2	3	16	30
Performed	3	6	2	3	16	30
Not performed	-	-	-	-	-	-
Refused	-	-	-	-	-	-
Average term of performance	30 days	30 days	60 days	30-60 days	60 days	

Table 8.13. Requests sent to foreign FIUs

Actions	Number					
	2017	2018	2019	2020	2021	Total
Sent	3	8	41	73	94	219
Performed	1	2	23	61	82	169
Not performed	2	6	18	12	12	50
Refused	3	8	41	73	94	219
Average term of performance	30 days	30 days	30 days	30-60 days	30 days	

Table 8.14. Information sharing with foreign FIUs through diplomatic channels

Type of requests	action	Number					
		2017	2018	2019	2020	2021	Total
Incoming	Received	1	-	3	-	-	4
	Performed	-	1	3	-	-	4
	Not performed						
Outgoing	Sent	-	-	5	-	3	8
	Performed	-	-	5	-	2	7
	Not performed	-	-			1	1

Table 8.15. Table 2.15. Information sharing with foreign FIUs (TOP-10) in 2019–2021

Receiving country	Number		
	Requests sent	Requested received	Response was not received
Turkiye	44	44	-
Latvia	37	37	-
UAE	30	21	9
Germany	11	9	2
Hong Kong	7	7	-
Russia	6	6	-
Kazakhstan	5	5	-
Netherlands	5	5	-
Hungary	5	5	-
United States	4	4	-
TOTAL	154	143	11

1062. The sent requests mostly requested:

- Information on beneficiary owners, directors, bank accounts and persons entitled to manage bank accounts held by the subjects of the analysis;
- suspicious information or information on offences held by requested parties;
- information on bank transactions, bank statements, amounts of goods imported to Turkmenistan and any other information that may be useful for analysis.

1063. FMS informed that they did not refuse to submit information on incoming and outgoing requests; also, they did not submit or send spontaneous information. FMS has not submitted information on the cooperation under principle of reciprocity and other cooperation mechanisms.

1064. FMS maintains international cooperation to share up-to-date financial information, performs incoming requests meaningfully and promptly. Based on the responses obtained from foreign FIUs, we can assume that the quality and speed of the performance of international requests by FMS complies with the requirements of the Egmont Group.

1065. However, LEAs do not fully use the FMS's capabilities to obtain up-to-date financial information from foreign countries and detect illegal assets to identify and investigate ML and related predicate offences.

Case Study 8.7. Use of financial intelligence

During the investigation of a criminal case by the General Prosecutor's Office in January 2019, FMS received a request in respect of Mr. A. who, while holding position of the director of government insurance company "S" and misusing her powers for personal gain, made a criminal conspiracy with his subordinate Mr. G., a head of the appropriate unit, who between 2014 and 2018 received bribes from foreign companies so that they can get favorable condition of insurance policy during the execution of government contracts to construct large-scale facilities, as well as from foreign company T incorporated in Hong Kong and beneficially owned by resident of Turkmenistan Mr. N.

The request also specified that an official of the government insurance company "G" received cash from his acquaintance, resident of Turkmenistan Mr. N.

According to preliminary information, senior officials of the government insurance company accepted bribes for the insurance policies issued to foreign companies to erect construction facilities, which were transferred to the accounts of foreign company T incorporated in Hong Kong that was beneficially owned by resident of Turkmenistan Mr. N. Subsequently, Mr. N gave these illegal funds in cash and provided services to transfer them (through Hawala) to an official of the government insurance company Mr. G.

To obtain comprehensive information on the founders, beneficiary owners, directors and bank accounts of the company, FMS sent requests to foreign FIUs.

Based on the response, it was identified that a resident of Turkmenistan Mr. N under a general power of attorney was an authorized person who managed a foreign company T incorporated in Hong Kong and its bank accounts.

During the review of the bank transactions it was identified that for a number of years approx. one million US Dollars was transferred from the account of a Turkiye company, which was a large regional supplier of construction equipment and trucks.

Also, during the review the second foreign company of Mr. N incorporated in the UAE was identified. His company was also used as an intermediary to enter into contracts with the residents of Turkmenistan to manipulate the prices for imported goods and conceal the real income.

Resident N. used the said company T. to conceal his real income, avoid the payment of taxes in accordance with the tax laws of Turkmenistan and manipulate the prices of goods imported in Turkmenistan.

Following the prompt analysis conducted by FMS, the GPO obtained information that raised suspicions in the arrangement of ML schemes, tax evasion and other related financial fraud.

The investigation resulted in the seizure from Ms. A of 750,450 US Dollars and various gold jewelry

totaling 330,092 manats, arrest of a house worth 3,066,738 manats, two dwelling houses totaling 3,099,806 manats and three vehicles totaling 1,244,000 manats owned by Mr. G., arrest of two houses totaling 1,594,038 manats and two vehicles totaling 214,200 manats owned by Mr. K. The court found Ms. A and Mr. G guilty of the offence prescribed in part 2, Article 181. (Abuse of Office), part 3, Article 184 (Taking Bribes in an Especially Large Amount) part 3. Article 242 (Legalization of Funds or other Illegal Assets Committed in Large Amount) and Mr. N. under part 3, Article 242 (Legalization of Funds or other Illegal Assets Committed in Large Amount), part 2, Article 240 (Illegal Banking) and sentences to various terms of imprisonment.

International cooperation of migration authority of Turkmenistan

1066. State Migration Service maintains international cooperation with foreign competent authorities under the laws and international treaties of Turkmenistan.

Table 8.16. Information shared by Migration Service of Turkmenistan

Type of requests	Number					
	2017	2018	2019	2020	2021	Total
Incoming	158	146	116	62	89	571
Outgoing	-	-	-	682	727	1 409

1067. Incoming requests are sent to obtain necessary information on the purposes, periods, addresses of staying of persons, number of their entrances and exits, offences, belonging to citizenship and other information.

1068. In practice, SMS shared information with foreign authorities that are not its partners through MFA.

Table 8.17. Information shared by Migration Service of Turkmenistan with the authorities that are not its partners

Type of request	Number					
	2017	2018	2019	2020	2021	Total
Incoming	25	31	18	7	12	93

1069. These requests were generally related to the number of entrances and exits, staying and violations of the nationals of the requesting country. Spontaneous information was not provided and information sharing did not take place. Requests are performed within 30 days depending on the importance and number of requests.

1070. Confidentiality of obtained information and its non-disclosure to third parties without prior consent of the foreign competent authority is maintained under the Laws of Turkmenistan “On Information and its Protection”, “On Information on Private Life and its Protection and international treaties”.

1071. When a request is sent to the requested country, proper and correct information is provided that enables to understand and assess the incoming request. Requests specify details of contact persons and requirements to requests so that they can be clear to requesting countries.

1072. Conflicts related to the poor quality of the information contained in requests occur very rarely, since legal frameworks of cooperative countries are generally similar. If these conflicts occur, they are settled through explanatory letters and communication.

International cooperation of supervisory authorities

1073. Supervisory authorities have entered bilateral treaties with a small number of foreign supervisory authorities and have sufficient resources that enable to share general information.

1074. However, supervisory authorities have not virtually shared supervisory information on AML/CFT issues. This is largely due to the contextual factor of the country. No statistics are provided on the number of AML/CFT requests received, sent, processed, satisfied, or refused.

International cooperation of justice authority of Turkmenistan

1075. MJ maintains international cooperation with foreign competent authorities under the laws and international treaties of Turkmenistan. MJ has entered into interagency international cooperation

treaties with ministries of justice of 6 foreign countries (Tajikistan, Uzbekistan, Singapore, Qatar, Belarus and Azerbaijan).

Table 8.18. Information shared by MJ of Turkmenistan

International treaty	Request	Number					
		2017	2018	2019	2020	2021	Total
Turkiye treaty	Incoming	82	121	126	95	56	480
	Outgoing	72	119	121	93	54	459
Minsk Convention	Incoming	2,986	3,494	2,996	1,958	1,611	13,045
	Outgoing	2,951	3,303	3,591	1371	1134	12 350

1076. The Ministry of Justice has not exchanged information with foreign AML/CFT supervisory authorities, nor with foreign non-supervisory counterparts.

1077. International treaties do not specify the timeframes of the performance of requests. However, when a request is received, it should be performed within a period prescribed in the laws of Turkmenistan. The Law of Turkmenistan “On Administrative Procedures” prescribes that requests should be performed within a month; if necessary, this term may be extended up to 45 days.

International cooperation of Ministry of Finance and Economy of Turkmenistan

1078. MFE maintains international cooperation with foreign competent authorities under the laws and international agreements of Turkmenistan. Ministry of Finance and Economy has entered into interagency information sharing agreements with 6 foreign ministries of finance (Azerbaijan, Belarus, Qatar, Switzerland and Russia).

1079. If the appropriate international agreement is absent, information is not submitted, but MFE may submit appropriate information to other interested ministries and agencies under other agreements.

1080. When a request is performed, letters are sent to the appropriate authorities that have information on this request to submit information as soon as possible. Then, this information is processed and submitted through diplomatic channels. Confidentiality of the information obtained during international cooperation is maintained under the laws and international treaties of Turkmenistan.

1081. Standard request template is not used in practice; yet, requests specify the details of contact persons and all available and necessary information so that a foreign country could understand.

1082. MFE has not submitted the figures on information sharing, which does not allow assessing the efficiency of international cooperation.

International cooperation of the CB of Turkmenistan

1083. The CB has concluded memoranda of cooperation with the CBs of the Kingdom of Bahrain, the Republic of Belarus, the Republic of Turkiye and the Russian Federation.

1084. Between 2017 and 2022, the CB received 4 requests for information, none of which were related to AML/CFT issues. All the requests were answered.

1085. The following information was requested in international enquiries:

- availability of bank accounts according to the lists provided;
- information regarding bank account transactions
- bank practice;
- list of documents for account opening.

1086. The exchange of information is done through the MFA.

1087. In practice, the CB carries out the exchange of information with foreign countries, which are not partner-supervisory bodies (example of information exchange upon request of the embassy of the State of Qatar dated 20.12.2021).

1088. The CB has no internal instruction on determining the timing and priority of execution of an incoming international request, which is not a deficiency given the number of incoming and outgoing requests. The CB also has no obligation to forward information on the use and usefulness

of the feedback received in a timely manner to those supervisory authorities that have provided assistance, upon their request.

1089. The Memorandum between the CB and the CB of Russia provides for the obligation of the supervisory authority to use the information received from a foreign supervisory authority for the purposes for which it is requested or transmitted and not to pass on the information received to third parties without the prior consent of the foreign supervisory authority.

1090. The legislation of Turkmenistan provides for the power of the CB to exchange information regarding any credit institution and/or financial institution operating within their jurisdiction, where the condition of mutual confidentiality of the information received is a prerequisite

1091. The CB does not, in practice, use a standard form of international request. Requests and responses to requests are required to include details of contact persons, (tel., fax numbers, email addresses) and requirements for requests to be understandable and accessible to requesting countries. Where necessary, cooperation shall be undertaken to avoid or eliminate problems caused by poor quality information contained in requests by sending requests for clarification through the available channels of communication (telephone, fax, postal and e-mail addresses).

International cooperation of CPS "Turkmenpochta"

1092. Under the Universal Postal Union Acts (Article 7 of the Postal Payment Services Agreement), the designated postal operator CPS "Turkmenpochta" shall take AML/CFT measures

1093. Considering that the amounts of international postal money transfers are insignificant, as well as the insignificant number of international postal money transfers, no enquiries regarding such postal money transfers were sent to the countries of destination (sending), and no counter-inquiries from the countries of destination (sending) were received.

1094. In addition, given that postal money order necessarily contains sufficient information on the address data of senders and recipients, there was no need to make enquiries to the country of destination (sending).

1095. In practice, requests related to other forms of international cooperation to share information for AML/CFT purposes have not been received or sent (including on spontaneous basis).

1096. The competent authorities of Turkmenistan make extensive use of other forms of international cooperation to exchange financial and law enforcement intelligence and, to a somewhat lesser extent, supervisory information, and modest improvements are needed in this area.

8.2.4. International exchange of basic and beneficial ownership information of legal persons and arrangements

1097. The legal framework allows the competent authorities to execute international requests for the identification and exchange of basic and beneficial ownership information regarding legal persons, both under the MLA and other forms.

1098. Special regulations on the international exchange of basic and beneficial ownership information of legal persons have not been developed by the competent authorities of Turkmenistan

1099. During the analysed period, the international exchange of information on legal entities (basic and beneficial ownership information) was carried out by the FMS in the framework of international cooperation with foreign FIUs.

Table 8.19. Statistics on international exchange of basic and beneficial ownership information of legal entities

Ministry of Finance and Economy of Turkmenistan	Number					
	2017	2018	2019	2020	2021	Total
Incoming requests	2	5	9	3	2	21
Executed	2	5	9	3	2	21
Not executed	-	-	-	-	-	-

1100. However, during the meetings with the representatives of the competent authorities the AT could not ascertain whether they had a common understanding of the algorithm of actions when dealing with the relevant requests, as well as to identify the beneficial owners and obtain the basic information on the legal entities registered abroad.
1101. Taking into account the above disadvantages, even in the absence of the practice of exchange of such information LEAs are able to receive and transmit information on BO through the channels of MLA. However, AT notes the need for systematic work to improve skills in identifying BO in cross-border crimes.
1102. Representatives of other competent authorities have demonstrated their authority to obtain basic information about legal entities, as well as to identify beneficial owners ([IO.5](#)) within their powers.
1103. International treaties submitted to the assessors, which were concluded between competent authorities of Turkmenistan and foreign competent authorities, do not limit these authorities in sharing of the basic information on legal entities and their beneficiary owners.

Overall conclusion on IO.2

1104. Turkmenistan has legal and institutional mechanisms to perform international MLA and extradition requests meaningfully and in due time. LEAs and judicial authorities maintain international cooperation generally to identify and investigate predicate offences through the established communication and interaction channels, as well as the Interpol channels, under the concluded international treaties.
1105. The effectiveness of outgoing international cooperation on extradition issues is slightly reduced by the lack of facts on the transfer of criminal cases for further criminal prosecution abroad.
1106. The effectiveness of the implementation of international cooperation on MLA and extradition is to some extent affected by the deficiencies of technical compliance of the legislation noted in R.37 and 38.
1107. Factors influencing the lack of results on the recovery of assets from abroad are primarily contextual, but also influenced by not very high activity in the search for criminal assets abroad in parallel financial investigations.
1108. FMS adequately shares information (receives and sends requests) with foreign FIUs through the communication channels of the Egmont Group and performs incoming requests in a quality manner and in due time.
1109. Supervisory authorities have sufficient legal and institutional mechanisms; however, in practice they did not share supervisory information on AML/CFT.
1110. Appropriate regulations and record management guidelines regulate the performance of international requests through the electronic document management system. Competent authorities make efforts to promptly and quality perform international requests using available information and administrative procedures prescribed in the laws of Turkmenistan.
1111. The competent authorities of Turkmenistan extensively use other forms of international cooperation to exchange financial and law enforcement intelligence and, to a somewhat lesser extent, supervisory information.
1112. Competent authorities can maintain international cooperation related to information sharing on the BO of legal entities. However, in practice this information is shared in a small amount. The LEAs, despite their ability to receive and transmit information about the BO through MLA channels, have a different understanding of the algorithm for dealing with requests to establish a BO and obtain basic information about legal entities registered abroad.
1113. **Turkmenistan is rated as having a substantial level of effectiveness for IO.2.**

ANNEX: ASSESSMENT OF TECHNICAL COMPLIANCE

Recommendation 1 – Assessing Risks and Applying a Risk-Based Approach

1114. Recommendation 1 was added to the FATF Recommendations in 2012, so the first round of EAG mutual evaluations did not assess compliance with this Recommendation.

Criterion 1.1 –

1115. According to Turkmen Presidential Order No. PB-7531 dated August 2, 2016, under the agreement between the Ministry of Finance of Turkmenistan and the World Bank, the first National ML/TF Risk Assessment (hereinafter the NRA) was conducted in Turkmenistan in 2018. Based on the developed NRA methodology, Turkmenistan conducted a second national ML/TF/PF risk assessment in 2020-2021 for the period of 2018-2019 and the first half of 2020 (hereinafter the NRA-2) based on the decision of the Interagency Commission for Preparing Turkmenistan for EAG Mutual Evaluation dated June 6, 2020. The FMS, MFE, CB, MFA, MJ, SC, GPO, MNS, MIA, SCS, SMS, TD MFE, Agency for Risk Protection of Economy under the MFE took part in the NRA-2, and representatives of the private sector were also involved in the assessment.

1116. Based on the resolution passed by this Commission and Order No. 15-O dated August 25, 2020, the following Working Groups were established for assessing risks and threats in different sectors:

- Group 1 – assessment of national vulnerabilities and threats;
- Group 2 – assessment of vulnerabilities in the banking sector;
- Group 3 – assessment of vulnerabilities in the securities, insurance, stock exchange and MVTS sectors;
- Group 4 – assessment of vulnerabilities in the DNFBP sectors.

Criterion 1.2 –

1117. According to the AML/CFT/CPF Law (Article 19), the FMS is required to coordinate activities for systematic national risk assessment. According to the Turkmen Presidential Resolution dated February 25, 2011, the Interagency Coordinating Working Commission on Combating Money Laundering and Terrorist Financing under the MFE of Turkmenistan, which coordinates risk assessment activities, was established. This commission consists of the heads and deputy heads of the structural units of government agencies and chaired by the head of the FMS.

1118. However, the decision to approve the NRA report was made by another Interagency Commission for Preparing Turkmenistan for EAG Mutual Evaluation (established by Turkmen Presidential Resolution No. 1681 dated February 20, 2020) (hereinafter the Mutual Evaluation Interagency Commission), and this commission is a provisional one. This commission is composed of the heads and deputy heads of state agencies and is chaired by the Minister of Finance and Economy.

1119. By Turkmen Presidential Decree No. 209 dated July 29, 2022, the Interagency Coordinating Commission on Combating Money Laundering, Terrorist Financing and the Financing of Proliferation of Weapons of Mass Destruction (hereinafter the AML/CFT Interagency Commission) was established in Turkmenistan as the coordinating interagency AML/CFT/CPF authority. This commission was established to coordinate the work of ministries and agencies as well as representatives of the private sector. This Presidential Decree abolished the Interagency Coordinating Working Commission on Combating Money Laundering and Terrorist Financing under the Ministry of Finance and Economy of Turkmenistan.

Criterion 1.3 –

1120. The decision of the AML/CFT/CPF Interagency Commission requires a NRA to be conducted at least every three years.

Criterion 1.4 –

1121. The decision of the AML/CFT/CPF Interagency Commission established the obligation to communicate the findings of the NRA and the Action Plan to the competent authorities and the private sector. At the same time, Turkmenistan does not provide mechanisms for communicating such information at the legislative level.

Criterion 1.5 –

1122. On April 1, 2020 and April 27, 2021, the Mutual Evaluation Interagency Commission approved Action Plans aimed at reducing and eliminating risks identified by the NRA-1 and NRA-2, which include risk mitigation measures. However, these plans do not fully include resource allocation measures.

Criterion 1.6 –

1123. The Turkmen legislation does not envisage exemptions from the requirements of the FATF Recommendations for FIs and DNFBPs.

Criterion 1.7 –

1124. In accordance with Article 9, Part 2, Clause 5 of the AML/CFT/CPF Law No. 335- VI dated March 13, 2021, if during the study of the nature of planned or ongoing business relations and transactions or deals, suspicions arise that they are intended by the client for ML/TF/PF purposes, entities engaged in transactions (reporting entities), in accordance with the identified risks, as well as based on the risk assessment findings, within their powers, are required to take enhanced customer due diligence measures and may conduct enhanced monitoring of business relationships by increasing the number or frequency of checks and identifying the nature of transactions or financial activities that require further monitoring.

1125. However, current law does not require the application of enhanced measures for high risks identified by the NRA-2.

Criterion 1.8 –

1126. The Turkmen legislation for FIs or DNFBPs does not provide for the application of simplified measures in relation to certain FATF Recommendations.

Criterion 1.9 –

1127. Supervisors carry out AML/CFT/CPF supervision of reporting entities defined by the law, including the organization and conduct of the internal control, which includes a risk management programme (Article 16, Article 12 of the AML/CFT/CPF Law).

Criterion 1.10 –

1128. In accordance with Article 12, Part 3, Clause 3 of the AML/CFT/CPF Law, reporting entities shall include in their ICRs a risk management programme that considers client risks and risks of using services and technological advances. Risk assessment is based on three factors: risk by client profile, risk by geographic region and risk by type of transaction.

- a) The requirements to ICR for FIs (banks, insurance institutions) and for certain DNFBPs include an internal risk assessment.
- b) In accordance with the requirements of the Internal control rules, reporting entities are obliged to assess the risk level of customers' transactions on the basis of geographical and operational criteria, and the overall risk level is determined on the basis of these assessments.
- c) The Turkmen legislation establishes requirements for the frequency of risk assessment only for banks, there is no such requirement for other categories of FIs and DNFBPs.
- d) Turkmenistan has no mechanisms for providing information on risk assessment to competent authorities and self-regulatory bodies by FIs and DNFBPs.

Criterion 1.11 –

1129. a) In accordance with Article 12 of the AML/CFT/CPF Law, FIs and DNFBPs develop ICRs and programmes and are responsible for compliance with the rules and implementation of the programmes. The regulations of the supervisory authorities require the approval of the ICRs by

the head of the organisation. ICRs shall include a money laundering and terrorist financing risk management programme that considers customer risks and risks of using services for criminal purposes, including the risk of using technological advances.

- b) The legislation of Turkmenistan provides for the requirement to conduct an internal audit to verify the AML/CFT system for certain categories of FIs and DNFBPs: banks (Article 12.1 of the AML/CFT Law), insurance organizations (Section 3.7 of the ICR for insurance organizations), dealers in precious metals and precious stones (Section III ICR for dealers in precious metals and precious stones), notary public offices (Section XI ICR for notary public offices). For the above entities, except for banks, there is a mandatory requirement for an annual independent audit to assess the effectiveness of the AML/CFT internal control system.
- c) Under Article 9(2)(5) of the AML/CFT/CPF Law, persons carrying out transactions are required to take enhanced CDD measures (requesting additional information, identifying the source of funds, etc.) and are entitled to conduct enhanced monitoring if there is suspicion that a transaction or operation is directed by the customer towards ML/TF/PF.

Criterion 1.12 –

1130. Legislation does not allow FIs and DNFBPs to take simplified measures to manage and mitigate risks.

Weighting and conclusion

1131. Turkmenistan has assessed the ML/TF risks inherent in the country. Various concepts and strategic documents addressing AML/CFT issues have been adopted. The country has a body responsible for coordinating risk assessment measures.

1132. However, there are minor deficiencies in the country. In particular, mechanisms for communicating the NRA results are not adopted at the legislative level, there is no clear allocation of resources in accordance with the identified risks and no response measures to high risks identified by the assessment findings have been developed for FIs and DNFBPs. Not all private sector participants are required to assess their own risks and keep it up to date, there are no mechanisms to report such assessments to competent authorities.

1133. **Recommendation 1 is rated Largely Compliant.**

Recommendation 2 – National Cooperation and Coordination

1134. In the 2011 MER, Turkmenistan was rated NC with Recommendation 31. The main deficiencies were related to the lack of mechanisms of interaction and coordination of LEA and supervisory authorities in the development of a unified AML/CFT policy.

Criterion 2.1 –

1135. Turkmenistan's national AML/CFT policy includes the following strategic documents: National Strategy for Preventing Violent Extremism and Countering Terrorism for 2020-2024, National Anti-Corruption Programme in Turkmenistan and its Implementation Action Plan for 2020-2024, Plan of Measures to Combat and Prevent Offences with a Medium-Level AML/CFT/CPF Threat identified by the National ML/TF Risk Assessment (risk mitigation and improving the effectiveness of the national system in the areas under the control of the MIA for 2021-2023). These documents partially incorporate AML/CFT issues and address ML/TF risks identified by the NRA, however a unified strategic document in the sphere of AML/CFT has not been developed.

1136. The AML/CFT policy is implemented taking into account the findings of the National Risk Assessment, as well as the Action Plan for ML/TF/PF Risk Management in Turkmenistan for 2021-2022. This Action Plan contains general activities and it does not provide for mitigation measures in respect of all the NRA findings. This Plan also provides for the development of a mechanism for periodic monitoring and identification of new risks in the period until the next risk assessment.

1137. Despite the fact that Turkmenistan has already conducted two national risk assessments, the Regulations for AML/CFT Interagency Commission, as well as the AML/CFT/CPF Law and the Regulations for FMS, do not contain provisions for review of national AML/CFT policies informed by the risks identified.

Criterion 2.2 –

1138. The FMS is a state agency that carries out state AML/CFT/CPF policy (Article 1, Clause 8 and Article 18, Part 1, Clause 1 of the AML/CFT/CPF Law, Regulations for FMS, Clause 1), as well as coordination of government authorities' efforts in the AML/CFT/CPF sphere (Article 18, Part 2, Clause 3 of the AML/CFT/CPF Law and Clause 6, Subclause 3 of the Regulations for FMS).

1139. In order to coordinate the AML/CFT/CPF work of ministries and departments, including the relevant supervisory and LEAs, as well as the relevant private persons, a standing AML/CFT/CPF Interagency Commission was established by Turkmen Presidential Resolution No. 209 dated July 29, 2020.

Criterion 2.3 –

1140. In Turkmenistan, operational interaction is carried out within the AML/CFT/CPF Interagency Commission, which consists of heads or deputy heads of the MFE, FMS, Legislative Committee of the Majlis Milli Gengesh, SC, GPO, MFA, MNS, MIA, MJ, SCS, SMS, State Committee of Statistics, CB, State-Owned Commodities Exchange, State Insurance Organization, Transport and Communication Agency under the Cabinet of Ministers. According to the Regulations for the AML/CFT/CPF Interagency Commission, the competence of this commission includes coordination of activities of ministries and agencies (law enforcement and supervisory), as well as the private sector, in accordance with the AML/CFT/CPF Law.

1141. Besides that, the operational interaction procedure is stipulated by Article 20 of the AML/CFT/CPF Law, other regulatory legal acts and interagency agreements. The FMS has concluded Memorandums of Mutual Cooperation and Information Exchange with the State-Owned Commodities Exchange, Committee on Precious Metals and Precious Stones under the CB, State Committee on Tourism, MJ, SCS, MNS and MIA. The FMS also concluded Memorandums on mutual cooperation and information exchange with the MFE, GPOGPO, SMS, TD MFE, Agency for Protection from Economic Risks under the MFE and State Agency "Turkmenaragatnashyk".

1142. Turkmen Presidential Resolution No. 1681 dated February 20, 2020, established the Mutual Evaluation Interagency Commission, consisting of heads or deputy heads of departments, but the powers of the commission were not prescribed, and the commission itself cannot be considered a standing one based on its name and purposes of creation specified in the preamble to Resolution No. 1681.

Criterion 2.4 –

1143. In addition to AML/CFT sphere, the FMS also coordinates the activities of government authorities in the CPF sphere (Article 18, Part 2, Clause 3 of the AML/CFT/CPF Law). According to the Regulations for FMS approved by Turkmen Presidential Resolution No. 78 dated April 29, 2022, the FMS is authorized to carry out relevant activities, including those related to combating PF, as well as to coordinate the government authorities in this area. Moreover, the Regulations for AML/CFT Interagency Commission provides for coordination in combating PF.

Criterion 2.5 –

1144. Secrecy requirements for AML/CFT/CPF interactions are established in the framework Law (Article 19, Part 2, Clause 2 and Article 20, Part 3, Clause 1). Moreover, Law No. 519-V On Personal Data and their Protection dated March 20, 2017 sets out the requirements for the protection of personal data.

1145. The FMS and various competent authorities (CB, MJ, MIA, MNS, etc.) signed memorandums of cooperation, in accordance with which the parties to these agreements shall ensure the non-disclosure, safekeeping and confidentiality of the received information.

Weighting and conclusion

1146. In Turkmenistan the FMS is the competent authority for the national AML/CFT/CPF policy and coordinates the activities of state bodies in this area. The country has also established a mechanism (IMC on AML/CFT/CPF) to ensure interaction between the top officials between the FIU, LEA, supervisory and other competent authorities in the field of AML/CFT/CPF. In addition, the FIU has concluded relevant MOU in the AML/CFT/CPF field with various state bodies for prompt interaction.
1147. At the same time, there are minor shortcomings, due to the absence of a unified national AML/CFT policy and provisions for regular review of national AML/CFT policies, however Turkmenistan has developed and operates various types of strategies and programmes to counter various illegal activities, which address specific AML/CFT issues.
1148. **Recommendation 2 is rated Largely Compliant.**

Recommendation 3 – Money laundering offence

1149. In the 2011 MER, Turkmenistan was rated LC with former Recommendation 1. As the main factors that influenced the rating, it was indicated that the requirements for indirect income from crime were not fully implemented, possession and disposal were not fully covered by the requirements of the Vienna and Palermo Conventions, such types of "designated categories of offences" as insider trading and market manipulation were not criminalized in the CC, and criminal liability was not extended to legal persons.
1150. After the previous mutual evaluation, a new edition of the CC (Law dated April 17, 2022) and the AOC (Law No. 422-IV dated August 29, 2013) were adopted in Turkmenistan. However, the new edition of the CC cannot be taken into account, as it enters into force on January 1, 2023, i.e. after the on-site mission. In this regard, technical compliance with Recommendation 3 was based on the current edition of the CC (Law No.104-IV dated May 10, 2010).

Criterion 3.1 –

1151. In Turkmenistan, ML is criminalized in Article 242 of the CC, which makes it an offence to legalize money or other property obtained illegally in one of the following forms: (i) conducting financial transactions with funds or other assets knowingly obtained in a criminal manner, (ii) using said funds or assets for entrepreneurial or other economic activities, (iii) concealing or disguising the illegal origin of said funds or assets in order to give the appearance of legitimate possession, use and disposal of them, or (iv) deriving profit or other benefits from these actions.
1152. The CC of Turkmenistan does not define the concept of financial transactions, as well as the concepts of concealment or disguise of the illegal origin of money or property. In the Turkmen AML/CFT/CPF Law, legalization of proceeds of crime (hereinafter the legalization) means conducting financial transactions with funds or other assets obtained through crime, as well as the use of these funds or assets for entrepreneurial or other economic activities, their transformation or transfer into another form, as well as concealment or disguise of the illegal origin of these funds or assets in order to give the appearance of legitimate possession, use and disposal of them, or to derive profit or other benefits from these actions. A transaction with funds or other assets means actions of natural and legal persons with funds or other assets, regardless of the form and manner of their implementation, aimed at the establishment, change or termination of civil rights and obligations associated with them. Thus, the list of actions constituting legalization as an ML offence in the CC is not the same as the list of actions defining legalization in the AML/CFT/CPF Law, for example in terms of transformation or transfer of money and property into another form. Given that under CC Article 4, the basis for criminal liability is the commission of an act containing all the elements of an offence under criminal law, it is impossible to prosecute persons for other forms of legalization not specified in the CC.

1153. Criminal liability for the acquisition, possession or sale without a prior promise of property knowingly obtained by criminal means is established in CC Article 237, which is a predicate offence for ML. When such property is acquired, stored or sold by prior arrangement, criminal liability is imposed for aiding the specific offence that resulted in obtaining the property.

1154. Thus, the criminalization of ML in Turkmenistan criminal law does not fully comply with the provisions of the Vienna and Palermo Conventions.

Criterion 3.2 –

1155. The AML/CFT ICC established by Presidential Resolution No. 209 dated July 29, 2022, approved a list of predicate offences related to ML.

Annex Table 1. Predicate offences

	CC Article	Crimes
1.	101 (Part 2)	Intentional homicide
2.	126	Kidnapping
3.	129 ¹	Human trafficking
4.	142	Trading in prostitution
5.	164	Manufacturing or distributing pornographic items
6.	167 ³	Production, acquisition or sale of weapons of mass destruction
7.	169	Mercenarism
8.	169 ²	Participation in armed conflicts or military actions in foreign countries
9.	177 ²	Financing of extremism
10.	181	Abuse of power
11.	181 ²	Illegal transfer of land
12.	184	Bribe-taking
13.	184 ¹	Corruption
14.	185	Bribe-giving
15.	186	Intermediation in bribery
16.	187	Official forgery
17.	199	Provocation of bribery or commercial bribery
18.	227 (Parts 3 and 4)	Theft
19.	228 (Parts 3 and 4)	Fraud
20.	229 (Parts 3 and 4)	Misappropriation or embezzlement
21.	230 (Parts 3 and 4)	Robbery
22.	231 (Parts 3 and 4)	Brigandism
23.	232 (Parts 3 and 4)	Extortion
24.	233	Theft of items of special value;
25.	235	Intentional destruction or damage to property;
26.	237	Acquisition or sale of property knowingly obtained by criminal means;
27.	239	Illegal entrepreneurial activity;
28.	240	Illegal banking activity;
29.	241	False entrepreneurship;
30.	243	Illegal obtaining of credit;
31.	245	Monopolistic actions and restriction of competition;
32.	247	Illegal use of a trademark;
33.	252	Production of counterfeit money or securities for uttering or sale;
34.	253	Production of counterfeit credit or payment cards and other payment documents for uttering or sale;
35.	254	Smuggling;
36.	255	Illegal turnover of precious metals, natural precious stones or pearls;
37.	260	Non-return of funds in foreign currency from abroad;
38.	261	Evasion of customs duties;
39.	262	Tax evasion by natural persons;
40.	263	Tax evasion by organizations;
41.	265	Violation of trade rules;
42.	271	Terrorism
43.	271 ¹	Financing of terrorism
44.	275	Establishment of or participation in an organized group, criminal association and other

		criminal organizations
45.	275 ¹	Financing of criminal organizations
46.	292	Illegal production, processing, acquisition, storage, transportation and shipment of narcotic drugs or psychotropic substances for sale;
47.	293	Illegal production, processing, acquisition, storage, transportation and shipment of narcotic drugs or psychotropic substances not for sale;
48.	294	Theft or extortion of narcotic drugs or psychotropic substances;
49.	295	Illegal cultivation of plants containing narcotic substances prohibited for cultivation;
50.	303 ¹	Illegal turnover of medicines containing tramadol hydrochloride (other products of tramadol or other psychoactive substances)
51.	306 ¹	Production, purchase, storage, transportation and shipment of naswar for sale
52.	313 ¹	Embezzlement of water resources
53.	314	Pollution of atmosphere
54.	315	Pollution of the marine environment
55.	317	Land spoilage
56.	318	Illegal extraction of aquatic animals and plants
57.	321	Illegal hunting
58.	322	Illegal cutting of trees and bushes
59.	323	Destruction or damage of forest areas

1156. Based on this list, some of the offences listed in the FATF Glossary as designated categories of offences (e.g., smuggling of migrants, arms trafficking and others) were not included as predicate offences. At the same time, such offences, in addition to illegal migration, are contained in the CC, their commission may generate criminal proceeds, and they will be the target of ML offences.

1157. However, the CC, as the only source of criminal liability, does not make any exceptions for the types of offences, i.e., based on the provisions of the CC, the ML offence can be associated with any crime established in the CC. From which it can be concluded that the above predicate offences are considered by the country as the most likely sources of generation of criminal proceeds for possible subsequent laundering.

1158. At the same time, the smuggling of migrants is not criminalized in the CC. This means that if such an offence is committed both in Turkmenistan and by citizens of Turkmenistan abroad, it is impossible to hold such persons criminally liable in Turkmenistan for its commission, as well as for ML associated with it.

1159. When attempts by foreign nationals and stateless persons to cross State border checkpoints of Turkmenistan with forged documents are detected, as well as when foreign nationals and stateless persons illegally staying on the territory of Turkmenistan are detected, such actions by the persons in question may be qualified under articles 214 (Illegal crossing of the state border of Turkmenistan) and 218 (Use of a falsified document) of the CC.

Criterion 3.3 –

1160. The Turkmen criminal law does not establish a threshold approach or such a threshold in conjunction with other ways of defining predicate offences. Based on the CC provisions, the ML offence may be associated with any offence established in the CC.

Criterion 3.4 –

1161. The target of crime under CC Article 242 is "funds or other property obtained knowingly by illegal means". The criminal law of Turkmenistan does not define the terms "property" and "funds".

1162. Pursuant to Article 1, Clause 1 of the AML/CFT/CPF Law, proceeds of crime are money and other property obtained as a result of a socially dangerous act.

1163. Article 1, Clause 2 of the said Law defines property (funds) as any assets, whether corporeal or incorporeal, tangible or intangible, movable or immovable, and regardless of the manner of their acquisition and location, as well as legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in such assets, or participation in such assets, including bank credits, travellers cheques, bank cheques, money orders, letters of credit, shares, bonds, bills of exchange and other payment instruments and securities that include interest, whether

in whole or in part, in any such assets. This definition of property correlates with the definition of property within the meaning provided in the FATF Glossary.

1164. The value of the laundered property is irrelevant to liability under CC Article 242.

1165. The indirect proceeds of crime may also be the target of crime under CC Article 242.

Criterion 3.5 –

1166. The Turkmen criminal law and criminal procedure law do not contain peremptory norms requiring that a person be convicted of a predicate offence in order to be criminally liable for ML.

Criterion 3.6 –

1167. Under the Turkmen criminal law, for the purposes of ML prosecutions, predicate offences committed abroad are understood as equivalent if they had taken place inside the country. CC Article 8 provides for the liability of Turkmen citizens and stateless persons permanently residing in Turkmenistan for crimes covered by the criminal law of Turkmenistan and committed abroad, if the crime committed is covered by the criminal law of the State in whose territory it was committed and if these persons have not been convicted in the foreign State.

Criterion 3.7 –

1168. The principles of national law do not contain restrictions on the criminal liability for ML of a person who has committed a predicate offence. According to the CC, such a mix of predicate acts with ML is a combination of crimes (CC Article 18).

Criterion 3.8 –

1169. There is a legal mechanism to conclude on the drawing inferences as to intent and knowledge based on objective factual circumstances.

1170. CPC Article 124 defines the concept of evidence. On the basis of evidence, the investigator, prosecutor, judge and court establish the presence or absence in the actions of a person of an act envisaged in the CC, the guilt or innocence of the accused.

1171. Data on a person's intent may be obtained not only from a person's testimony but also with the use of an expert opinion, physical evidence, protocols of procedural actions, and other documents, as well as on the basis of the factual circumstances of the case established by this evidence.

Criterion 3.9 –

1172. A range of proportionate and dissuasive sanctions is provided for natural persons for ML offences.

1173. For legalization of money or other property obtained illegally without the aggravating circumstances envisaged in CC Article 242 (clause 1) and in an amount not exceeding 100 average monthly minimum wages (equivalent to USD 14,300), a fine of 50-100 average monthly minimum wages (USD 7,150 - 14,300) or 2 years of community service or up to 2 years of imprisonment is provided.

1174. When ML is committed repeatedly, by a group of persons by prior conspiracy or an organized group, or by a government employee or a person equal to him using his official position (CC Article 242, clause 2), the penalties are a fine of 100 to 200 average monthly minimum wages (USD 14,300 - 28,600) or imprisonment for a term of 2-5 years with or without confiscation of property.

1175. Legalization of property on a large scale, i.e., to the amount exceeding 100 average monthly minimum wages (over USD 14,300) is punishable without alternative by imprisonment for a term of 3-8 years with mandatory confiscation of property.

1176. Thus, in Turkmenistan, criminal liability for ML is differentiated depending on the circumstances of the crime. CC Article 242 provides for a sufficiently flexible range of punishments, which allows all details and the degree of danger of the crime to be taken into account in sentencing by the court.

Criterion 3.10 –

1177. In accordance with the fundamental principles of Turkmen law, only a natural person may be subjected to criminal punishment (Article 35 of the Constitution).

1178. Administrative liability of legal persons is envisaged in Turkmenistan. Article 22, Part 2 of the AOC stipulates that a legal person shall be deemed guilty of an administrative offence if it is established that it had the possibility of complying with the rules and norms, for violation of which administrative liability is stipulated by the AOC.
1179. However, direct administrative liability of legal persons specifically for committing ML is not established in Turkmenistan. According to AOC Article 302, violations of the AML/CFT legislation by reporting entities are considered as administrative offences (for more details see R.35).
1180. According to Law on Enterprises No. 28-II dated June 15, 2000²³, the activities of an enterprise may be forcefully suspended or terminated by a court decision in the event of repeated or gross violations of the Turkmen legislation (Article 58) during the calendar year, which may also include committing ML offences. No other sanctions other than suspension or termination of activities are envisaged. The lack of variability of sanctions against legal persons for ML makes it impossible to conclude that they are proportionate and dissuasive.
1181. In accordance with AOC Article 22, Part 3, the imposition of an administrative penalty on a legal person does not relieve the guilty natural person from administrative liability for the offence, nor does bringing a natural person to administrative or criminal liability relieve the legal person from administrative responsibility for the offence. Bringing a legal person to administrative responsibility is not an obstacle to bringing a natural person to criminal liability either.

Criterion 3.11 –

1182. The CC criminalizes all necessary forms of complicity in a crime. Article 33 of the CC provides for liability for complicity in a crime as a co-perpetrator (a person who directly committed a crime or directly participated in its commission together with other persons (co-perpetrators), as well as committing a crime by using other persons who are not subject to criminal liability by virtue of the law), organizer (a person who organized or directed the commission of a crime, as well as a person who created or directed an organized group or a criminal association for the commission of a crime), instigator (a person who induced to commit a crime by persuasion, bribery, threats or in another way), accomplice (a person who assisted in the commission of a crime by advice, instructions, providing information, instrumentalities of crime or by removing obstacles, as well as a person who has promised in advance to hide a criminal, weapons or other instrumentalities of crime, traces of crime or objects obtained through crime, as well as a person who has promised in advance to purchase or sell such objects). Liability of accomplices comes under CC Article 242 with reference to CC Article 33.
1183. CC Article 34 criminalizes association or conspiracy, in particular the commission of an offence by a group of persons by prior conspiracy, an organized group, or a criminal association. Besides that, the establishment of or participation in an organized group, criminal association, or other criminal organization is a separate offence under CC Article 275, and persons who finance criminal organizations are liable under Article 275¹.
1184. The forms of committing an incomplete crime (Articles 13 and 14 of the CC) are the preparation of a crime (seeking, preparation or adapting of instrumentalities of crime, conspiracy to commit a crime or other intentional creation of conditions for the commission of a crime), –and the attempted crimes (action or inaction directly aimed at the commission of a crime, if the crime was not completed due to circumstances beyond the person's control).
1185. By virtue of CC Article 13, Clause 2, criminal liability is incurred for the preparation of a crime of medium gravity, a grave crime or a particularly grave crime. The preparation for the crime

²³The term "enterprise" is not comprehensive and does not cover all legal persons without exception. The enterprise is an independent subject of economic activity, which is created to manufacture products, sell goods, carry out works and render services in order to meet the needs of society and make a profit (Article 1 of Law No. 28-II dated June 15, 2000)

stipulated by CC Article 242, Clause 1 is not criminalized because this crime is classified as a crime of minor gravity (the maximum penalty is imprisonment for a term of up to 2 years).

Weighting and Conclusion

1186. The Turkmen CC does not provide for liability for one of the types of crimes that are the predicate for ML – smuggling of migrants.
1187. There is no administrative liability of legal persons for participating in ML or using a legal person for ML.
1188. Sanctions against legal persons in the form of suspension or termination of legal persons' activities do not apply to all legal persons, but only to a limited range of entities that are enterprises. It was not possible to draw an unambiguous conclusion about the proportionality and dissuasiveness of such sanctions.
1189. The criminalization of the preparation for ML is limited to the criminalization of the preparation for ML falling under the category of crimes of medium gravity envisaged in CC Article 242, Clauses 2 and 3. Otherwise, there is no criminal liability for ML suppressed at the stage of preparation for its committing.
1190. **Recommendation 3 is rated Largely Compliant.**

Recommendation 4 – Confiscation and provisional measures

1191. In the 2011 MER, Turkmenistan was rated LC with former Recommendation 3. The main factors that influenced the rating were that confiscation of proceeds obtained from insider trading and market manipulation was not possible, since these acts were not criminalized; there were no provisions for the possibility of confiscation of property owned or possessed by a third party; there were no provisions for confiscation of property of corresponding value; there were no measures providing for the possibility of confiscation of property that is derived indirectly from the proceeds of crime, including income, profits, or other benefits from the proceeds of crime.

Criterion 4.1 –

1192. The legal provisions governing confiscation and provisional measures are stipulated by the CC and CPC of Turkmenistan.
1193. In accordance with CC Articles 44, 45, and 52, confiscation of property is an additional type of penalty and consists of the forcible, uncompensated appropriation by the State of the property owned by a convicted person and obtained in a way that is prohibited by law. Based on CC Article 52, Clause 2, confiscation of property can be imposed only when the sanction of the article for the committed offence provides for this type of punishment.
1194. Confiscation as an additional punishment is applied only in the case of convicting the person and is not envisaged for all predicate offences falling under the category of designated offences according to the FATF Methodology, and in some cases its application is alternative, i.e. at the discretion of the court²⁴.
1195. In addition to the confiscation of property used as a penalty, CPC Article 130, Part 3 establishes grounds for the forfeiture by the State of certain types of property deemed to be physical evidence when a sentence (ruling, decree) is issued or a criminal case is terminated:
- Instrumentalities of crime owned by the accused or defendant are destroyed or confiscated, depending on their value;

²⁴ Confiscation of property as an additional punishment (CC Article 52) is not provided for mercenary homicide (CC Article 101), wilful injury to health (CC Article 107), kidnapping (CC Article 126), human trafficking (CC Article 1291), hostage-taking (CC Article 130), forgery (CC Article 187), acquisition or sale of property known to be obtained through crime (CC Article 237), tax evasion (CC Articles 261-263) or fraud (CC Article 118), acquisition or sale of property known to have been obtained by criminal means (CC Article 237), tax crimes (CC Articles 261-263), unlawful acquisition, sale, storage, transportation, sending or carrying of weapons, ammunition, explosives or explosive devices (CC Article 287) and environmental crimes (CC Articles 311-324).

- Money and other valuables obtained by criminal means are forfeited to the State.
- a) Confiscation of legalized (laundered) money and other valuables (legislation doesn't contain definition) is envisaged in CPC Article 130, Part 3. Other laundered property, which is the property of the convicted person, may be confiscated only in case of application of confiscation on the basis of CC Article 52 when convicting a person under CC Article 242, Clauses 2 and 3, i.e., for ML under aggravating circumstances. Confiscation of laundered property (except for money and other valuables) is not envisaged when terminating criminal proceedings (CPC Article 313, Part 4). Thus, confiscation of laundered property is not possible in all cases for ML offences.
- b) The instrumentalities of the predicate offenses and ML, money and other valuables obtained by criminal means, belonging to the accused, the defendant shall be confiscated on the basis of Article 130, Part 3 of the CPC. Confiscation of instrumentalities of ML or predicate offences and property (except money and other valuables) obtained in a manner prohibited by law and not owned by the accused or convicted person is not envisaged by law.

Proceeds derived from the use of criminal property, if derived in a manner not prohibited by law, cannot be confiscated.

Since under CC Article 13, the preparation for a crime is criminalized in the CC, the confiscation of funds that are planned to be used to commit a crime is carried out on the basis of CC Article 130, Part 3, provided that they are owned by the accused or convicted person.

The legislation does not provide for the possibility of confiscation of a number of objects and items, for example, the only apartment or a house in which the accused or defendant and his family reside, even if such property is obtained through crime.

It is also impossible to confiscate proceeds (including proceeds or other profits derived from such proceeds) or instrumentalities used or those intended to be used for illegal migration due to the lack of its criminalization in the CC ([Criterion 3.2](#)).

- c) Property that is the proceeds of, or used for, or that was planned to be used or reserved for use for TF, terrorist acts or terrorist organizations is subject to confiscation as TF instrumentalities under CC Article 130, or under CC Article 52, as the disposition of CC Article 271¹ envisages confiscation, provided that such property is owned by the convicted person. At the same time, the application of confiscation for TF under CC Article 271¹, Clause 1 is not mandatory (at the discretion of the court).
- d) The criminal law and criminal procedure law of Turkmenistan does not provide for the possibility of confiscating property of corresponding value.

Criterion 4.2 –

1196. a) The Turkmen legislation does not contain all the necessary and sufficient mechanisms that allow the competent authorities to identify, trace and assess property subject to confiscation.

Before criminal proceedings are initiated, property subject to confiscation can be identified by conducting the police intelligence activities. In accordance with Article 4, Clause 5 of Law of Turkmenistan No. 136-V on Police Intelligence Activities dated November 08, 2014 (hereinafter the Law on Police Intelligence Activities), one of the tasks of the police intelligence activities is to identify the property subject to confiscation.

Article 9 of the Law grants a number of powers to the agencies engaged in PIA, aimed at the identification and tracing of property subject to confiscation through the implementation of such PIO as interviews, inquiries, detection, covert recording, and seizure of traces of illegal acts, their comparative study, examination of objects and documents, operational surveillance, tailored access operation, etc. (Article 11 of the Law on PIA). However, in accordance with Article 34 of Law of Turkmenistan No. 168-IV on Financial institutions and Banking Activities dated March 28, 2011, information related to banking secrecy is provided to investigative authorities in criminal cases initiated against the financial institution's clients. Thus, agencies

engaged in PIA are limited to identify and trace property subject to confiscation (more details in R.31).

In criminal cases, the detection of property subject to confiscation is conducted by the bodies of inquiry and preliminary investigation by means of such investigative operations as seizures (CPC Article 270), searches (CPC Article 271) and examinations (CPC Article 259). The inquiry bodies may also, in accordance with CPC Article 77, trace property subject to confiscation by conducting the required PIO.

At the same time, information on bank secrecy is provided only to investigative authorities in criminal cases initiated against the financial institution's clients. Given that there is no definition of investigative authorities in Law No. 168-IV dated March 28, 2011, it seems that the inquiry bodies have no right to receive such information.

Law No. 168-IV dated March 28, 2011, also does not provide the right to obtain information constituting bank secrecy with respect to other persons, which are not investigated in a criminal case, which is also a deficiency.

The procedure for the property valuation at the pre-trial stage is not regulated in detail by the legislation. The valuation of property may be carried out by the agency that has identified it on the basis of collected data (e.g., documents containing information about the value), by involving experts from the relevant government authorities, or by conducting forensic accounting, merchandising and architecture-construction examinations to assess the property. Determining the property value during these examinations is determined by the Instruction on Conducting Forensic Accounting, Merchandising and Architecture-Construction Examinations of the Criminalistics Research Center of the MIA of Turkmenistan approved by Order No. 75 of the MIA dated March 26, 2014.

- b) The competent authorities (inquiry officer, investigator, procurator, judge, or court) have the possibility and are obliged without delay to apply provisional measures (Article 196 of the CPC). The possible confiscation of property is ensured by the seizure of deposits, jewels and other property of the accused and removal of the jewels and property that has been seized. Seizure of property consists in forbidding the owner or possessor to dispose of, or, when necessary, to use, the property or to temporarily confiscate the property and transfer it for safekeeping.

However, the seizure of property subject to confiscation in connection with the commission of illegal migration is impossible due to the lack of criminalization in the CC ([Criterion 3.2](#)).

The seizure of property is carried out by the competent authorities without prior notice. The seizure of property as a provisional measure is based solely on criminal procedure mechanisms and cannot be carried out before the initiation of a criminal case.

Article 15 of the AML/CFT/CPF Law provides for the freezing of funds, other property, and other assets, as well as transaction blocking. However, for the purposes of securing confiscation of property, such measures are possible only in relation to property and assets, the possessor or owner (including co-owner) of which, the participant in the transaction or the beneficiary under it is a designated person, included to the list of persons identified as being involved in terrorism, the financing of terrorism, and the financing of proliferation of weapons of mass destruction, or a legal entity whose beneficial owner is a designated person.

- c) In order to prevent the alienation of property that may be subject to confiscation, seized property may be seized and transferred for safekeeping (Article 169 of the CPC). Funds, precious metals, precious stones, and other items of material, cultural, historical, and antique value that are material evidence, including those subject to confiscation, are to be obligatory handed over for safekeeping.

Physical evidence that is subject to rapid deterioration, if it cannot be returned to the owner, shall be handed over to the appropriate organizations for use for its intended purpose or for sale

with the amounts received deposited in the deposit account of the body conducting the criminal proceedings.

Embezzlement, alienation, concealment, or illegal transfer of seized property committed by a person to whom the property was entrusted, as well as the performance of banking operations with seized funds (deposits) by a financial institution officer, as well as concealment or appropriation of property subject to confiscation under a court sentence, is a crime under CC Article 206. In case of the alienation of property, that may be subject to confiscation, prior to its seizure such a transaction may be recognized by a court as made only for the sake of appearance (fictitious transaction), without the intention to create legal consequences corresponding to it (Article 81 of the CivC). The recognition of the transaction as invalid also allows for the seizure and confiscation of property formally owned by third parties, but actually owned by the offender.

- d) LEAs are empowered to apply the full range of measures stipulated by the criminal procedure law, including investigative and other procedural actions. The powers of LEAs are described in detail in R.31.

Criterion 4.3 –

1197. The law protects the rights of bona fide third parties.

1198. Article 12 of the Constitution establishes the inviolability of property. Confiscation of property shall not be permitted, with the exception of property obtained in a manner prohibited by law.

1199. Article 180 of the CivC defines a bona fide owner as a person who possesses an item of property lawfully or who, on the basis of a check carried out with the diligence necessary in business relations, can be recognized as an eligible person. Article 182 of the CivC stipulates that if a bona fide owner has not been deprived of possession, but is otherwise prevented from exercising possession, he, as the owner, may demand that the obstacles be removed. He may also demand compensation for the damage caused by the infringement of possession. This rule on damages also applies in cases where it is not possible to demand the removal of the obstacles.

1200. The mechanism for the restoration of the above rights is also available in the CPC. CPC Article 29 establishes the right to appeal the actions and decisions of the court and the criminal prosecution body (including seizure and confiscation of property) in accordance with the procedure established by the CPC.

1201. In accordance with Article 161 of the Penal Enforcement Code, confiscation of property is executed by a bailiff in the place where the property is located. Article 162 of the Penal Enforcement Code stipulates that property owned by a convicted person and obtained by means prohibited by law, as well as instrumentalities of crime and property obtained through crime, is subject to confiscation. Disputes about the ownership of property subject to confiscation under the sentence are resolved through civil proceedings.

Criterion 4.4 –

1202. Turkmenistan has mechanisms in place to manage and dispose of frozen, seized, or confiscated property.

1203. CPC Article 130, Part 6 stipulates that the procedure for the seizure, keeping of records, storage, transfer and destruction of material evidence by the court, prosecution, investigation, inquiry, and forensic examination bodies are determined by the Cabinet of Ministers of Turkmenistan.

1204. Accounting and management of property recognized as physical evidence are carried out in accordance with the procedure established by Turkmen Presidential Resolution No. 892 on Approval of the Procedure for Seizure, Accounting, Storage, Transfer and Destruction of Physical Evidence by the Court, Prosecution, Preliminary Investigation, Inquiry, and Forensic Examination Bodies dated August 7, 2018.

1205. The procedure for storing seized and removed property is carried out by authorized bodies in accordance with Turkmen Presidential Resolution No. 6069 on Improving the Storage of Seized, Removed, or Confiscated Property dated January 15, 2003.
1206. With respect to accounting, storage, and management of narcotic drugs, Turkmen Presidential Resolution No. 11926 (for official use) on Strengthening Control over the Acceptance, Storage and Destruction of Narcotic Drugs and Psychotropic Substances Seized from Illicit Trafficking by LEAs and Supervisory Authorities of Turkmenistan dated December 3, 2011, is in effect.
1207. Accounting and management of confiscated property are carried out in accordance with the Instruction on the Procedure for Accounting, Evaluation, Storage and Sale of Confiscated, Ownerless and Inherited Property that was transferred to the State, as well as Property that was transferred to the Treasury as Heirless and Treasure Troves approved by Order of the Ministry of Finance of Turkmenistan No. 62-Ö dated June 11, 2012.

Weighting and Conclusion

1208. Confiscation as an additional punishment is not envisaged for all predicate offences falling under the category of designated offences according to the FATF Methodology, and in a number of cases its application is alternative, i.e. at the discretion of the court.
1209. Income derived from criminal property, if obtained in a manner not prohibited by law, may not be confiscated.
1210. Criminal and criminal procedure legislation of Turkmenistan does not provide for the possibility of confiscating property of corresponding value.
1211. Confiscation of instrumentalities (means) of ML crimes or predicate offences and property (except money and other valuables) obtained in a manner prohibited by law and not owned by the accused or convicted person, is not envisaged by the legislation.
1212. It is not possible to confiscate criminal proceeds (including proceeds or other profits derived from such proceeds) or instrumentalities used or those intended to be used for illegal migration.
1213. The confiscation for TF committed without aggravating circumstances under CC Article 271¹, Clause 1 is not mandatory.
1214. Bodies engaged in PIA and inquiry bodies are limited in their powers to identify, trace and evaluate property subject to confiscation in terms of obtaining information that constitutes bank secrecy.
1215. The LEAs are not authorized to obtain information that constitutes bank secrecy with respect to other persons who are not being investigated in a criminal case.
1216. The application of provisional measures against property subject to confiscation in connection with the commission of illegal migration is impossible due to the lack of its criminalization in the CC.
1217. **Recommendation 4 is rated Partially Compliant.**

Recommendation 5 – Terrorist financing offence

1218. In the MER of 2011, Turkmenistan was given an "LC" rating under SR II. The lack of criminalization of the seizure, theft and use of nuclear materials, as well as unlawful acts against fixed platforms located on the continental shelf, were noted as major factors influencing the rating for this recommendation.
1219. In addition to the new laws on criminal and administrative liability (see Criterion 3), Turkmenistan has adopted Law No. 653-V of 25.11.2017 on Combating Terrorism, as amended by Law No. 127-VI of 02.03.2019 (hereinafter Law No. 653-V of 25.11.2017).

Criterion 5.1 –

1220. The CC provides for the criminal liability for TF in Article 271¹ of the CC as a separate offence. The TF offence applies to the collection or provision of money, material, technical and other means

or the provision of financial and other services with the knowledge that they are intended to finance an organization or the commission of terrorism, as well as an act (omission) to ensure activities, related or not related to an act of terrorism, of a terrorist group, terrorist organization or organized group, illegal armed formation or criminal association established to achieve these goals.

1221. This is a wide-ranging offence which does not require a link to an act of terrorism and includes all the elements studied. The wording of Article 271¹ of the CC and Article 26 of Law No. 653-V of 25.11.2017 generally correlate with the requirements of Article 2 of the UN Convention on Combating the Financing of Terrorism. However, based on the content of Article 271¹ of the CC, the indirect provision or collection of funds is not criminalized.

1222. At the same time, the CC has Article 169 (Mercenarism), which provides for liability for financing or otherwise materially supporting a mercenary, as well as Article 275¹ (Financing of Criminal Structures), which provides for liability for financing illegal armed and paramilitary structures.

Criterion 5.2 –

1223. The perpetrator of the offence under Article 271¹ of the CC is any individual who, at the time of the commission of the offence, was 16 years of age or older and had collected money, material, technical or other resources, rendered financial or other services by any means, knowing that they were intended for:

- the commission of an act of terrorism, as well as for the provision of activities related thereto;
- the financing of a terrorist organization as well as for the provision of activities not connected with an act of terrorism by a terrorist, terrorist group, terrorist organization or organised group, illegal armed formation or criminal association set up to achieve these aims.

1224. According to clause 10 of Article 3 of Law No. 653-V of 25.11.2017, a terrorist organization is an organization established with the purpose of carrying out terrorist activities or considering the use of terrorism in its activities, in which the distribution of functions and the rules of conduct are established, which are binding on the persons who are its members. An organization shall be deemed terrorist if any of its members carry out terrorist activities with the consent of one of the leaders of the entire organization.

1225. However, it is not clear from the above regulation by whom, in what way and from what point an organization is recognized as a terrorist organization, which may affect the possibility of prosecution for TF of a terrorist organization.

1226. Article 271¹ of the CC does not criminalize the indirect provision or collection of funds.

Criterion 5.2bis –

1227. Article 271¹ of the CC does not explicitly refer to the financing of travel of persons going to a State other than their State of residence or nationality to commit crimes of a terrorist nature.

1228. The disposition of Article 271¹ of the CC, among other things, criminalizes an action to support the activities of a terrorist. According to Law of 25.11.2017 No. 653-V, a terrorist is a person who participates in the terrorist activities in any format. Law of 25.11.2017 No. 653-V defines terrorist activities and international terrorist activities, which do not include travel by persons for specified purposes. Terrorist activity is understood to mean: (i) planning, organization, preparation and commission of acts of terrorism; (ii) incitement to commit acts of terrorism, violence against individuals or legal entities, destruction of material objects for terrorist purposes, and public justification of terrorism; (iii) organization of an illegal armed formation, criminal association (criminal organization), an organised group for an act of terrorism, and participation in such structure; (iv) recruitment, arming, training and use of terrorists; (v) propaganda and dissemination of terrorist ideology, dissemination of materials or information calling for terrorist activities; (vi) financing and other facilitation of terrorism.

1229. An interpretation of the definitions of "terrorist" and "terrorist activity" does not suggest that there is liability for financing travel to obtain terrorist training by persons who do not fall within the

definition of "terrorist", i.e., who are not yet engaged in terrorist activity but who intend to receive training for it.

1230. Article 169 of the CC (Mercenarism) establishes liability for recruiting, training, financing, or other material support of a mercenary, as well as his/her use in an armed conflict or other military actions or in violent actions aimed at forcible change of the constitutional order or territorial integrity of the state, but also does not provide a reference to travel of persons.

1231. The disposition of Article 271¹ of the CC makes it possible to qualify an act as TF, regardless of the intent to collect or provide funds in whole or in part for the purpose of TF. Nevertheless, there is a lack of criminalization of the financing of travel by persons traveling to a state other than their state of residence or nationality in order to receive terrorist training.

Criterion 5.3 –

1232. Clause 4 of Article 1 of the AML/CFT/CPF Law as well as Article 271¹ of the CC define financing of terrorism, which is the collection or provision of money, material, technical and other means or financial services with the knowledge that they are intended to finance an organization or the commission of terrorism.

1233. The disposition of Article 271¹ of the CC does not contain restrictions (obstacles) in the criminal law assessment as TF of providing or collecting funds from any sources. Thus, the subject matter of the offence may be monetary, logistical and other funds obtained both legally and illegally.

1234. According to clause 2 of Article 1 of the AML/CFT/CPF Law, property (funds) means assets of any kind, whether tangible or intangible, corporeal or incorporeal, movable or immovable, and regardless of the manner of their acquisition and location, as well as legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such assets, including bank loans, travellers cheques, bank cheques, money orders, letters of credit, shares, bonds, drafts and other payment instruments and securities, include an interest, whether in whole or in part, in any such property.

Criterion 5.4 –

1235. The disposition of Article 271¹ of the CC explicitly stipulates that TF occurs both in connection with the actual use of monetary, logistical or other means to carry out an act of terrorism or in connection with a specific act of terrorism, as well as without such a connection.

1236. At the same time, the disposition of Article 271¹ of the CC criminalizes the action to ensure the activities of a terrorist and a terrorist organization, the definition of which, according to the Law of 25.11.2017 № 653-V, provides for the implementation of terrorist activities by them. In turn, terrorist activity includes, among other things, the planning, organization, preparation and implementation of terrorist acts, which means also attempts to commit them.

Criterion 5.5 –

1237. The CC and CPC of Turkmenistan contain no restrictions on the use of evidence collected in a case to support the conclusions of the investigation and the court on the presence of mens rea of the offence under Article 271¹ of the CC. De jure it allows the concept of proving a person's intent through their actual acts to be used in court.

1238. The generally applicable Articles of the CPC define the concept of evidence and the circumstances to be proven (see Criterion 3.8).

Criterion 5.6 –

1239. According to Article 271¹ of the CC, individuals convicted of TF are subject to proportionate and dissuasive sanctions. The TF offence is categorized as a serious offence. The CC provides for a penalty for TF under part 1 of Article 271¹ from 4 to 10 years imprisonment with or without confiscation of property. The aggravated crime of part 2 of Article 271¹ of the CC, when the offence is committed repeatedly or on a large scale, by a group of persons by prior conspiracy, or using their official position, by a person performing managerial functions in commercial or other

organizations, or by the head of a public association, provides for a penalty of from 8 to 15 years imprisonment with confiscation of property.

Criterion 5.7 –

1240. In accordance with the fundamental principles of the law of Turkmenistan, only a physical person may be subjected to criminal punishment (Article 35 of the Constitution).

1241. Administrative liability of legal entities for TF is not provided for by legislation.

1242. According to Article 31 of Law No. 653-V of 25.11.2017, liability is established for a legal entity that is defined as terroristic and is subject to liquidation (and its activities are prohibited), and its property is confiscated and transferred into the state revenue by court order on the basis of an application by the GPO or a subordinate prosecutor in cases where:

- terrorism-related crimes are organised, prepared, financed, or committed on behalf of or in the interests of a legal entity;
- acts in question have been permitted, authorized, approved or used by the body or person responsible for the management of the legal entity.

1243. Under Act No. 28-II of 15.06.2000 “On enterprises”, the activities of an enterprise²⁵ may be suspended or forcibly terminated by a court decision in the case of repeated or gross violations of the laws of Turkmenistan during the calendar year (Art. 58), which may include the commission of TF.

1244. There are no sanctions other than the suspension or termination of activities or confiscation of the assets of the legal entity.

1245. Liquidation of legal entities does not prevent individuals from being held criminally liable.

1246. The sanctions apply to a limited range of entities and are dissuasive but not proportionate, as they do not provide for measures other than suspension or termination of activities or confiscation of property.

Criterion 5.8 –

1247. The criminal law of Turkmenistan recognizes the following as offences:

- a) preparation and attempted commission of an offence (Articles 13 and 14 of the CC), i.e., an attempt to commit an offence;
- b) complicity in an offence, including intermediation (Article 33 of the CC);
- c) organization and incitement to commit an offence (Article 33 of the CC);
- d) repeated commission of a TF offence, the commission of an offence by a group of persons by the prior conspiracy (part 2 of the Article 271¹ of the CC).

1248. Criminal liability for complicity in an offence or for an uncompleted offence is incurred under Article 271¹ of the CC, with reference to Articles 13, 14 or 33 of the CC, respectively, for qualification and determination of the term of punishment.

1249. In addition, Turkmenistan's criminal law criminalises the failure to report a known serious crime that is being prepared or committed, or the concealment of such a crime without prior promise, including TF (Article 210 of the CC).

Criterion 5.9 –

1250. The TF offence is a crime contained in the CC, thus the liability for money laundering of the TF funds can be an ML offence. This conclusion is based on the fact that the CC, as the only source of criminal liability, does not make any exceptions by type of crime, i.e., based on the provisions of the CC, the ML offence may be linked to any offence established in the CC.

²⁵ The term "enterprise" is not comprehensive and does not cover all legal entities without exception. An enterprise is an independent economic entity established to manufacture products, sell goods, carry out work and provide services in order to meet the needs of society and make a profit (Article 1 of Act No. 28-II of 15.06.2000)

Criterion 5.10 –

1251. In order to hold a person criminally liable for TF the possible difference between his/her location and the location of the terrorist or terrorist organisation or the place where the act of terrorism was committed is irrelevant, i.e., the financing of terrorism carried out outside Turkmenistan is recognized as a crime as if such acts of terrorism had been carried out in Turkmenistan itself.
1252. Furthermore, Articles 7 and 8 of the CC provide for liability for the commission of an offence in and outside the territory of Turkmenistan. Under Article 8 of the CC, citizens of Turkmenistan and stateless persons permanently residing in Turkmenistan are liable for crimes covered by criminal law committed abroad, if liability for the act is provided for under the criminal law of the state in the territory of which it was committed and if those persons have not been convicted in the foreign state.
1253. These requirements under the criminal laws of Turkmenistan apply to all offences in the CC.

Weighting and Conclusion

1254. The prosecution of a person for TF of a terrorist organization depends on the recognition of the organization as such, but it is unclear by whom, in what order and at what point the organization is recognized as a terrorist organization.
1255. The financing of travel to obtain terrorist training by persons who do not fall within the definition of a 'terrorist', i.e., who are not yet engaged in terrorist activity but who intend to train for it, is not criminalized.
1256. The sanctions for TF apply to a limited range of legal entities and are dissuasive but not proportionate, as they do not provide for measures other than suspension or termination of the activity, or confiscation of property.
1257. **Recommendation 5 is rated Largely Compliant.**

Recommendation 6 – Targeted financial sanctions related to terrorism and terrorist financing

1258. Turkmenistan was rated "Partially Compliant" for the implementation of SR III following the 2011 MER. A disadvantage affecting the rating for this recommendation was the low effectiveness of measures due to Turkmenistan's heavy reliance on criminal procedural mechanisms for freezing. In addition, the necessary mechanisms for reviewing and using information received from foreign states in relation to the subjects of the freeze were lacking, no open procedures were in place to deal with de-listing requests and to unfreeze the funds or other assets of de-listed persons in a timely manner.

Criterion 6.1 –

1259. The mechanism of TFS implementation is specified in Order of the Minister of Finance and Economy of Turkmenistan No. 304-Ö of 12.08.2021 "On approval of the procedure of drawing up and distribution of the lists of persons, in respect of whom there is information about involvement in terrorism, financing of terrorism and financing of proliferation of weapons of mass destruction and adoption in their respect of targeted financial sanctions as well as approval of requirements for public associations in relation to measures on counteraction to financing of terrorism" (hereinafter referred to as the Regulation, approved by Order of the Minister of Finance No.304-Ö of 12.08.2021) and Order of the President of the FMS No. 19-Ö of 28.07.2022 "On approval of the Instruction on the "Procedure for Preparation and Appealing for Establishing Individuals and Legal Entities under UN Security Council Sanctions Regimes" (hereinafter referred to as the Instruction, approved by Order No. 19-Ö of 28.07.2022).
- a) The competent authority responsible for submitting proposals on persons and entities to the relevant UNSC committees is the FMS, which ensures the preparation of information and its

submission to the relevant UNSC committees (clause 4 of the Regulation, approved by Order of the Minister of Finance No 304-Ö of 12.08.2021).

- b) Clause 27 of the Regulation approved by Order of the Minister of Finance No 304-Ö of 12.08.2021 defines the procedure of preparation and sending of an application by the FMS for inclusion of a natural or legal person for relevant listing. Thus, the FMS upon receiving confirmation that the individual or legal entity meets the designation criteria contained in the relevant UNSCR shall immediately prepare an appropriate application. At the same time, the legislation of Turkmenistan lacks separate provisions regulating the procedure of interaction between the competent authorities on this issue.
- c) FMS prepares an application directly to the relevant committee of the UNSC or through the MFA for inclusion of an individual or legal entity in the relevant list upon receiving confirmation that the person/entity meets the requirements (criteria) of the UNSC resolutions, as well as information justifying the need to include the person/entity in the list, i.e. based on "reasonable grounds" and "sufficiency" of grounds. The grounds for proposals for inclusion on the sanction's lists are not limited to the existence of criminal proceedings.
- d) The requirements for Compliant with the procedure and the use of standard listing forms approved by the relevant UNSC committees are established.
- e) The proposal to include an individual or a legal entity in the relevant UNSC list shall include as much details as possible in the information that can contribute to the accurate identification of the individual or the legal entity, as well as other information to support the need to establish the designation as required by UNSCRs and the rules of the relevant committees. Appeals for inclusion of persons/entities must also contain specific facts and arguments (the subject matter of the case) and detailed information on any links with individuals or legal entities already on the relevant list. However, the need to provide information on the possibility of disclosure of the status of the nominating country is not established.

Criterion 6.2 –

1260. a) According to Article 13(1) of the AML/CFT/CPF Law the FMS shall compile a list of individuals and legal entities involved in terrorist financing and ensure access to it for the persons carrying out transactions. The grounds and procedure for including persons/entities in the List, including at the request of foreign states, are defined in Chapter II and Chapter V of the Regulation, approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021. The decision to designate, exclude natural and legal persons, as well as amend the National List is taken by the FMS in accordance with the information submitted by judicial, LEAs and other state authorities. The review of foreign requests is carried out in a collegial manner. Upon receipt of the relevant request, the FMS prepares documents and forwards them to the SC, the GPO, the MNS and the MIA, who review the materials and decide on the inclusion of the individual or legal entity in the national list, and notify the FMS of this. However, there are no prescribed procedures for dealing with the various decisions of the relevant state authorities.
- b) Mechanisms for identification and designation of persons/entities, as well as the procedure of designation to the list, including at the request of a foreign state are stipulated in the Regulation approved by Order of the Minister of Finance No.304-Ö of 12.08.2021. Upon receipt of relevant information from the SC, GPO, MNS and MIA, the FMS shall decide on the inclusion of natural and legal persons as well as amendments to the list, if the grounds stipulated by law exist. Consideration of the request of a foreign state is carried out by the SC, the GPO, the MNS and the MIA. One of the requirements for a foreign state's request is the existence of established concrete facts and arguments proving the reasons for designation that meet the UNSCR designation criteria.
 - c) One of the grounds for listing persons is the convictions (decisions) of courts and decisions of other competent bodies of foreign states recognized in Turkmenistan in relation to persons and entities carrying out terrorist activities. (clause 4, part 4, Article 13 of the AML/CFT/CPF Law).

The FMS, upon receipt of the foreign country's request, shall, no later than three hours, send the materials to the relevant state authorities, which shall, within six hours, notify the FMS of the decision by a formal letter stating their reasons, after which the FMS shall promptly amend the National List. In order to determine whether a request for inclusion on the List is justified and to apply the TFS in accordance with the criteria of Resolution 1373 (2001), there are requirements for the information to be submitted, which shall include established specific facts and arguments proving Compliant with the UNSCR identification criteria, information and documents justifying the reasons for inclusion of a person/entity (clause 27 of the Regulation approved by Order of the Minister of Finance No.304-Ö of 12.08.2021

- d) The grounds for inclusion of an individual or legal entity in the National List at the initiative of the competent authorities of the country and foreign states are specified in the Clause 6 of the Regulation approved by Order of the Minister of Finance No.304-Ö of 12.08.2021, at the same time, these grounds are not conditioned on criminal proceedings. Clause 27 of the mentioned document, specifies the requirements for the application of the foreign judicial or other competent authority on the basis of which it is considered. Thus, Turkmenistan applies the evidentiary standard of proving "reasonable grounds" and "sufficiency of grounds" when deciding on the inclusion of a person in the National List.
- e) There is a legal requirement to provide as much identifying information as possible in support of targeted financial sanctions when making requests to foreign countries (point 27 of the Regulation approved by Order No 304-Ö of the Minister of Finance of 12.08.2021)

Criterion 6.3 –

1261. a) The legislation provides for the right of the FMS to request information related to AML/CFT/CPF from state authorities and persons submitting information (Articles 11,19,20 of the AML/CFT/CPF Law), as well as the obligation of competent authorities to submit information to the FMS to form the National List (clauses 5,26 of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021). However, there are no separate provisions regulating the collection of information on individuals and entities for inclusion on the UNSC lists.
- b) The regulatory acts do not contain a requirement to notify persons or entities who have been identified and whose inclusion on the List (proposal for inclusion) is pending. Consequently, the competent authorities are allowed and may act unilaterally (ex parte).

Criterion 6.4 –

1262. According to the legislation of Turkmenistan, the implementation of the UNSC sanctions lists is carried out by bringing them by the FMS to the attention to the persons carrying out transactions, bodies supervising their activities and other relevant individuals and legal entities by publishing without delay the lists on their official website from the moment of update or amendment of relevant information on the UNSC official website (clauses 4 and 9 of the Regulation, approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021). In sub-clause 3 of item 3 of the Regulation, approved by Order No. 304-Ö of the Minister of Finance of 12.08.2021, 'without delay' is defined as a period of several hours. Each person carrying out transactions must appoint an employee, who regularly (every business day) checks the changes on the official website of FMS and no later than two hours after getting acquainted with the information on the official website of FMS or received from it, passes it to the employees of the person carrying out transactions directly working with customers (in contact) or carrying out transactions of the customer for use in their work, as well as to the management for information (chapter III of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2008). According to art 15 of the AML/CFT/CPF Law the persons carrying out transactions, from the moment of receiving information (data) about the fact that the individual or the legal entity has been included in the list, are obliged to without delay, but no later than one business day from the date the list is duly communicated, to identify funds or other property belonging to an individual or legal entity

included in the list, freeze such funds, block a transaction and/or refuse to register transactions with funds or other property. Consequently, the application of TFS based on the UNSC sanctions lists is applied in less than 24 hours, i.e. without delay.

1263. In accordance with the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021, the National List is compiled and updated by the FMS in accordance with the information submitted by the SC, the GPO, the MNS and the MIA without delay, i.e. within a few hours. According to clause 6 of the Instruction approved by Order No. 19-Ö of 28.07.2022 of the Chairman of the FMS, changes to the National List and publication on the website shall be made within one hour at the latest.
1264. The procedure of consideration of foreign states' requests for application of the TFS is regulated in clause 27 of the Regulation, approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021. In particular, upon receipt of the relevant request the FMS shall within three hours from the moment of receipt of the request of the foreign state, prepare all documents received and send them to the SC, the GPO, the MNS and the MIA, who shall within six hours review the materials and decide on the inclusion of a person or entity on the National List, and notify the FMS by sending a formal letter with arguments, following which the FMS shall amend the National List without delay.
1265. Thus, the legislation ensures the application of the TFS without delay.

Criterion 6.5 –

1266. a) All legal entities and individuals, including persons carrying out transactions or operations with funds or other assets are obliged to freeze the funds and other financial resources of designated persons without delay and without prior notice (Article 15 of the AML/CFT/CPF, supplemented by the Clause 13 of the Order of the Minister of Finance No.304-Ö of 12.08.2021).
- b) The following are subject to freezing: (i) all funds or other assets owned or controlled by a designated person or entity (not conditioned on the assets being linked to a specific act of terrorism, plot or threat); (ii) funds or other property wholly or jointly owned or controlled, directly or indirectly, by a designated person or entity; (iii) funds or other property derived or generated from funds or other assets owned or controlled, directly or indirectly, by designated persons or entities; (iv) funds or other assets of individuals or legal entities acting on behalf of or at the direction of such persons (section 15(1) of the AML/CFT/CPF Law).
- c) Under Article 15 of the AML/CFT/CPF Law, supplemented by the Clause 18 of the Order of the Minister of Finance No.304-Ö of 12.08.2021 all persons on the territory of Turkmenistan, including persons carrying out transactions, organizations and businesses are required to refuse to make any funds or other assets available to or for the benefit of designated persons or entities directly or indirectly, wholly or jointly, organizations owned or controlled directly or indirectly by designated persons or entities, persons and organizations acting on behalf of or at the direction of designated persons or entities, directly or indirectly, unless they are licensed, authorized, or otherwise notified in accordance with the relevant UNSCRs.
- d) In accordance with Article 13 of the AML/CFT/CPF Law and clause 4 of the Regulation approved by Order of the Minister of Finance No.304-Ö of 12.08.2021, the FMS shall compile a national list and communicate it and the lists compiled by the UNSC to persons carrying out transactions, their controlling authorities and other relevant individuals and legal entities by posting on the Internet on its official website. The FMS shall publish on its official website the National List no later than one hour after the relevant amendments have been made (clause 6 of the Regulation approved by Order of the President of the FMS No. 19-Ö of 28.07.2022) and the UNSC list without delay, i.e. in the matter of hours after its publication, update or amendment on the official UN Security Council website (clause 9 of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021). The legislation establishes the obligation for the FI and DNFBPs to designate an officer responsible for regular monitoring of changes regarding the updating of the lists on the official website of the FMS, who must go to

the official website daily and examine the information on all lists and, if there are any changes, no later than two hours to communicate this information to staff directly dealing with customers or carrying out customer transactions for use in their work, as well as to management for information (Chapter III of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021). The Regulation, approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021, sets out the provisions regarding the obligations and actions of the FIs and DNFBPs under the asset freeze mechanism (Chapter IV) and also establishes that the FMS shall publish on its official website any information on the adoption and changes to the international and national AML/CFT/CPF regulatory framework (clause 8).

- e) Turkmenistan has a regulatory framework that requires FIs and DNFBPs to immediately report any frozen assets and blocked transactions to the FMS (Article 15 of the AML/CFT/CPF Law), including attempted transactions.
- f) Clause 39 of the Regulation approved by Order No. 304-Ö of the Minister of Finance of 12.08.2021 stipulates for provisions to protect the professional risk of employees of FIs, DNFBPs and other persons, acting in good faith in connection with their application of the TFS.

Criterion 6.6 –

1267. a) The AML/CFT/CPF Law (cl. 5 of Article 13) and the Regulation approved by Order of the Minister of Finance No.304-Ö of 12.08.2021 (Chapter VI) provide for the removal of any individual or legal entity appearing on the Lists by requesting to be removed therefrom, in accordance with the procedures, adopted by the relevant UN SC committees.

However, the aforementioned statutory and regulatory enactments are publicly available and describe in detail the procedure for removing individuals from UNSCR sanctions lists, as required by the relevant UNSC Committees and Resolutions.

- b) The AML/CFT/CPF Law (cl. 5 of Article 13) provides for removal from the list according to the information on the termination of the circumstances which gave rise to their inclusion in the list.

At the same time, there are no detailed and publicly available procedures and specific grounds for removal from the list in accordance with the requirements of UNSCR 1373 in the legislation of Turkmenistan. There are no grounds for removal from the list of convicted individuals who have served their sentences.

- c) According to clause 7 of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021, individuals and legal entities included in the national list may appeal against the decision on their inclusion under administrative (pre-trial) or judicial procedures.
- d) The right of an individual or his/her representative to apply to the Focal Point established under UNSCR 1730 for removal from the UNSCRs sanctions lists has been established (clause 30 of the Regulation, approved by Order No 304-Ö of the Minister of Finance of 12.08.2021)
- e) The Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021 provides for the possibility of appealing directly to the Office of the Ombudsman (cl. 30), as well as stipulates the contact details of the Office of the Ombudsman (cl. 3).
- f) The procedure for resumption of transactions and unfreezing of assets, including persons in respect of whom a "false positive" has occurred, is stipulated in clauses 24-25 of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021.
- g) The AML/CFT/CPF Law provides that persons providing information shall have access to the list of persons associated with terrorist financing, and that the basis for unfreezing funds or other assets and/or unblocking a transaction or operation shall be the removal of the person or entity from the list in accordance with the established procedure (Articles 13 and 15). The publication of the National List on the official website of the FMS shall take place no later than one hour after its publication, update or amendment on the official website of the FMS (clause 6 of the Regulation approved by Order of the Minister of Finance No. 19-Ö of 28.07.2022), and

of the UNSC list on the official website of the FMS, without delay after its publication, update or amendment on the official website of the UN Security Council (clause 9 of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021). The Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021 sets out rules on the obligations and actions of the FI and DNFBPs in the unfreezing of assets (chapter IV), though there is no time limit within which these persons/entities must carry out these actions.

Criterion 6.7 –

1268. The legislation of Turkmenistan provides for measures of access to frozen funds of designated individuals and entities.

1269. Pursuant to point 19 of the Regulation approved by Order No. 304-Ö of 12.08.2021 of the Minister of Finance, a natural or legal person on the list subject to asset freezing measures, when it becomes necessary to use the funds to cover food purchases, bank loan debts, remedies, medication and healthcare services, taxes, duties, fees, insurance and other daily extraordinary expenses, shall apply to the competent authority for a partial unblocking of the funds or other assets and attaches documents proving the necessity of the costs.

1270. No detailed provision is made to review the appeals of nationally designated persons to have access to frozen assets.

Weighting and Conclusion

1271. There are no separate rules governing the interaction between competent authorities for the identification of persons and entities for the submission of proposals for inclusion on UN lists.

1272. The grounds for de-listing are not specific and do not cover all possible cases. The available procedures for unfreezing assets do not include a timeframe within which the FIs and DNFBPs should carry out these actions.

1273. No detailed provision is made to review the appeals of domestically designated persons to have access to frozen assets.

1274. **Recommendation 6 is rated Largely Compliant.**

Recommendation 7 – Targeted financial sanctions related to proliferation

1275. The requirements to implement targeted financial sanctions against the proliferation of weapons of mass destruction were introduced in the FATF Recommendations in 2012, so their implementation was not evaluated in Turkmenistan's previous round of mutual evaluation.

Criterion 7.1 –

1276. The procedure for applying targeted financial sanctions against individuals and entities involved in the financing of proliferation of weapons of mass destruction is dealt with under the same legislation as for individuals and entities involved in terrorist activities.

1277. According to the legislation of Turkmenistan, the implementation of the UNSC sanctions lists is carried out by bringing them by FMS to the attention of persons carrying out transactions, bodies supervising their activities and other relevant individuals and legal entities by publishing the lists on its official website without delay, i.e. within a few hours (sub-clause 3 of clause 3 of the Regulation approved by Order No. 304-Ö of the Minister of Finance of 12.08.2021) from the moment of the update or amendment of the relevant information on the UNSC official website (clauses 4 and 9 of the Regulation, approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021).

1278. Each person carrying out transactions must appoint an employee, who checks the changes on a daily basis on the official website of FMS and no later than two hours after getting acquainted with the information on the official website of FMS or received therefrom, passes it to the employees of the person directly working with customers (in contact) or carrying out transactions of customer

for using in their work and to the management for information (chapter III of the Regulation approved by the Order of the Minister of Finance of No. 304-Ö of 12.08.2008).

1279. According to clause 15 of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021, the persons carrying out transactions, from the moment of receipt of information (data) about the fact that the individual or legal entity has been included in the list, are obliged to immediately, i.e., within several hours, but no later than one business day from the date the list is duly communicated, to identify funds or other property belonging to an individual or legal entity included in the list, freeze such funds, block a transaction and (or) refuse to register transactions with funds or other property.

1280. Thus, the legislation establishes the application of TFS without delay.

Criterion 7.2 –

1281. The competent authority responsible for TFS implementation is the FMS, which ensures the dissemination of UNSC sanctions lists to persons carrying out transactions and others who are authorised to apply the TFS in accordance with the procedures in place.

- a) All legal entities and individuals, including persons carrying out transactions or operations with funds or other assets shall freeze without delay and without prior notice the funds and other financial resources of the designated persons/entities. (Article 15 of the AML/CFT/CPF Law, supplemented by the Clause 13 of the Order of the Minister No. 304-Ö).
- b) The following are subject to freezing (i) all funds or other assets owned or controlled by a designated person or entity (not conditioned on the assets being linked to a specific act, plot or threat of proliferation); (ii) funds or other property wholly or jointly controlled, directly or indirectly, by a designated individual or legal entity; (iii) funds or other property derived or obtained from funds or other assets owned or controlled, directly or indirectly, by designated individuals or legal entities; (iv) funds or other assets of individuals or legal entities acting on behalf of or at the direction of such persons (part 1 of Article 15 of the AML/CFT/CPF Law).
- c) Under Article 15 of the AML/CFT/CPF Law, supplemented by the Clause 18 of the Order of the Minister No. 304-Ö, all entities and individuals on the territory of Turkmenistan, including, persons carrying out transactions, organizations and businesses are required to refuse to make any funds or other assets directly or indirectly, wholly or jointly available to or for the benefit of designated persons or entities, organizations owned or controlled directly or indirectly by designated persons or entities, persons and organizations acting on behalf of or at the direction of designated persons or entities, directly or indirectly, unless there is an appropriate license, authority, or other notification in accordance with the relevant UNSCRs.
- d) In accordance with Article 13 of the AML/CFT/CPF Law and clause 4 of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021, the FMS informs the persons carrying out transactions, the bodies supervising their activity and other individuals and legal entities concerned by publishing the lists on its official webpage on the Internet. The FMS shall publish the UNSC list on its official website without delay, i.e. within a few hours after its publication, update or amendment on the official website of the UN Security Council (clause 9 of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021). The legislation establishes the obligation for the FI and DNFBPs to designate an officer responsible for regular monitoring of changes regarding the updating of the lists on the official website of the FMS, who should visit the official website every day and study the information on all lists, and if there are any changes, no later than two hours, to communicate this information to staff directly dealing with customers or carrying out customer transactions for use in their work, and to the management for information (chapter III of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021). This ensures that information is communicated to the FI and DNFBPs without delay. The Regulation approved by the Order of the Minister of Finance No. 304-Ö of 12.08.2021 sets out the rules regarding the obligations and actions of the FIs and DNFBPs under the asset freezing mechanism (chapter

IV), and stipulates that the FMS shall publish on its official website any information on adoption and amendments to the international and national AML/CFT/CPF legal framework (clause 8).

- e) Turkmenistan has a regulatory framework requiring FIs and DNFBPs to report promptly to the FMS any frozen assets and blocked transactions (Article 15 of the AML/CFT/CPF Law), including attempted transactions.
- f) Clause 39 of the Regulation, approved by Order No 304-Ö of the Minister of Finance of 12.08.2021, provides rules to protect the professional risk of employees of FIs, DNFBPs and other persons acting in good faith in connection with their application of the TFS

Criterion 7.3 –

1282. Monitoring of the Compliance of persons carrying out transactions with AML/CFT/CPF legislation with regard to the application of TFS is carried out by the FMS independently or jointly with other state authorities (Article 16 of the AML/CFT/CPF Law).

1283. The legal framework of Turkmenistan provides for measures to monitor and enforce Compliance of FIs and DNFBPs with laws and other AML/CFT/CPF measures, including TFS regime in the form of penalties and injunctions (Article 302 of the Administrative Offences Code No. 422-IV, Article 10 of the Law on Licensing of Individual Types of Activity No. 205-VI, Article 48 of the Law on the CB of Turkmenistan No. 167-IV). Appropriate sanctions for violation of the measures are stipulated (see R. 35).

1284. If there are relevant signs, officials of a public authority may be held criminally liable (Article 188 of the CC) for negligence in the enforcement of AML/CFT/CPF legislation.

Criterion 7.4 –

1285. The procedure for appealing for removal of persons from the UNSC lists is regulated in Chapter VI of the Regulation, approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021, which is publicly available.

- a) Legislation provides for individuals and entities to appeal directly for removal from the List to the Coordinator Centre established under UNSCR 1730 (item 30 of the Regulation approved by Order No 304-Ö of the Minister of Finance of 12.08.2021).
- b) The procedure for resumption of transactions and unfreezing of assets, including persons in respect of whom a "false positive" has occurred, is stipulated in clauses 24-25 of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021.
- c) According to clause 19 of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021, a designated individual or a legal entity regarding whom/which asset freezing measures have been applied, when it becomes necessary to use the funds to cover food purchases, bank loan debts, remedies for medicines and medical services, taxes, duties, fees, insurance and other daily extraordinary expenses and attaches documents to support the need for these expenditures, shall apply to the competent authority with a request to partially unblock the funds, which is in line with the conditions and procedures set out in UNSCRs 1718 and 2231.
- d) The AML/CFT/CPF Law provides for ensuring that persons providing information have access to the list of persons associated with proliferation financing, and that the basis for unfreezing funds or other assets and/or unblocking a transaction or deal is the removal of the individual or legal entity from the list in accordance with the established procedure (Articles 13 and 15). Clause 9 of the Regulation, approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021, stipulates that the UNSC list shall be published on the official website of the FMS without delay, i.e. within a few hours after its publication, update or amendment on the official website of the UN Security Council. The Regulation approved by Order of the Minister of Finance No 304-Ö of 12.08.2021 sets out rules on the obligations and actions of the FIs and DNFBPs in the unfreezing of assets (chapter IV), but does not set a deadline for such actions.

Criterion 7.5 –

1286. a) Current legislation of Turkmenistan governing targeted financial sanctions allows for crediting of accounts frozen under UNSCRs 1718 or 2231 (Point 23 of the Regulation approved by Order No. 304-Ö of the Minister of Finance of 12.08.2021), but there is no requirement to freeze these revenues.
- b) The freezing measures under Resolution 2231 (2015), and the Resolutions that preceded or were adopted in furtherance thereof, do not prohibit all payments under contracts entered into prior to the inclusion of a person in the list, subject to the information available to the FMS: i) information on the absence of any connection of the contract with the prohibited items, materials, equipment, goods, technology, assistance, training, financial assistance, investment, brokering or related services referred to in UNSCR 2231(2015) or any Resolution in furtherance thereof; ii) information stating that a given payment is not directly or indirectly effected by an individual or a legal entity subject to the measures provided for in clause 6 of Annex B to UNSCR 2231(2015); iii) on the notification sent to the UN Security Council 10 business days prior to such authorization, in order to authorize the release of funds, other assets or economic assets from the freezing for that purpose, if such countries have previously effected or received such payments (clause 23 of the Regulation approved by Order of the Minister of Finance No. 304-Ö of 12.08.2021).

Weighting and Conclusion

1287. Available procedures for unfreezing assets do not include a timeframe within which the FIs and DNFBPs must take this action.
1288. In the frame of the mechanism that permits the crediting of accounts frozen under UNSCR 1718 or 2231, no freezing obligations are established.
1289. **Recommendation 7 is rated Largely Compliant.**

Recommendation 8 – Non-profit organizations

1290. In the 2011 Mutual Evaluation Report, Turkmenistan's Compliant rating for SR. VIII was "PC". The following were noted as weaknesses affecting the rating for this recommendation: There is no analysis of the NPO sector to identify FT risks, no identification of the characteristics and types of NPOs vulnerable to FT, no methods of assessment through consideration of new information on the potential vulnerability of the sector to terrorist activity, no clear mechanisms for identifying beneficial owners of NPOs, those who control or manage their activities, including senior staff, board members and trustees. Weaknesses have also been identified in the transparency of the sector.

Criterion 8.1 –

1291. a) Due to Turkmenistan's lack of prohibition on the establishment of public associations whose primary purpose is the collection and distribution of funds, Turkmenistan, under NRA-2, included all public associations and religious organisations registered in Turkmenistan as NPOs falling under the FATF definition. Also, information from law enforcement and supervisory authorities was not used to classify all public and religious organisations as NPOs. This indicates the failure to apply a risk-based approach to this issue. At the same time, the NRA-2 noted that no instances of NPOs being used for TF purposes were identified.
- b) NRA-2 investigated the exposure to FT risks of various categories of organizations, including NPOs. The vulnerability assessment of NPO use was determined to be “above average”. However, the NRA-2 does not include information on the threats posed by terrorist organizations to NPOs at risk, or how terrorists exploit community foundations and religious organizations.
- c) Turkmenistan has not analysed the adequacy of measures (including laws and regulations) governing the NPO sector in the country.

- d) The obligation to periodically analyse the NPO sector by reviewing new information on its potential vulnerability to terrorist activity is not enshrined in law.

Criterion 8.2 –

1292. a) Under Articles 51 and 52 of the Civil Code, NPOs are subject to state registration as legal entities. According to cl. 2 of the Rules for the Registration of Public Associations, approved by Presidential Decree No. 637, the MJ is the body responsible for the state registration of NPOs. Information submitted to the registering body is entered into the SSRLE, as well as into the State Register of Public Associations (Article 21 of Law of Turkmenistan No. 70-IV). Turkmenistan did not provide information regarding the public availability of information on NPOs.
- b) Pursuant to clause 6 of Article 27 of Law No. 70-IV, all NPOs in Turkmenistan are required to maintain accounting and statistical records. Also, under clause 5 of Article 27 of Law No. 70-IV, NPOs are required to register projects and programmes of foreign financial assistance and grants with the MJ, as well as to submit progressive and final reports on the implementation of such programmes and on the use of grants. However, there is no requirement in the legislation of Turkmenistan that the above information be in the public domain.
 - c) Under the Order of the Ministry of Finance and Economy No.304-O, NPOs in Turkmenistan are required to apply all necessary measures to prevent their use for the purpose of financing of terrorism. Despite the absence of specific programmes to raise NPOs' awareness of their risks, the NRA-2 action plan contains measures for NPOs in terms of organizing seminars and training sessions to identify and analyse the involvement of NPOs in activities related to the financing of terrorism. The MJ carries out preventive work (training seminars) related to the clarification of the legislation of Turkmenistan for registered public associations and religious organizations (Programme of Training Seminars of 14.03.2019). The MJ has also developed and adopted requirements for Internal Control Regulations for NPOs, which are identical to those for FIs and DNFBPs.
 - d) Pursuant to the Memorandum between the FMS and the MJ, work is underway to engage with NPOs and to develop regulations and improve best practices to address terrorist financing risks and vulnerabilities in the NPO sector.
 - e) No special programmes have been implemented in Turkmenistan to encourage NPOs to conduct transactions through regulated financial channels.

Criterion 8.3 –

1293. Pursuant to Article 32 of Law No. 70-IV, the MJ supervises the activities of NPOs. MJ

1294. It should be noted, however, that NPOs are only supervised for compliance with the Constitution of Turkmenistan and other legislation without a risk-oriented approach.

Criterion 8.4 –

1295. a) As noted above, the MJ oversees the activities of NPOs. Under the provisions of part 6 of Article 32 of Law No. 70-IV, the MJ may provide the FMS with information on projects and programmes of gratuitous foreign technical, financial and humanitarian assistance and grants, if their amount exceeds the prescribed amount (57,000 manats or approximately USD 16,300 equivalent) or is not typical of the activities of the public association receiving the assistance.
- At the same time, the Procedure for state accounting of foreign technical, financial, humanitarian gratuitous aid projects, programmes and incentives for registered public associations, and religious organizations, and checks on their implementation of received foreign aid of all kinds (approved by Order of the Minister of Justice of Turkmenistan No. 37 ISh of 16.08.2019) sets out the requirement for NPOs to use foreign aid only for the designated purposes. If irregularities in the intended use are identified, the Ministry has the right to raise with the State Commission the question of suspending the implementation of foreign aid.
- However, as noted in Criterion 8.3, these measures are not risk-based.

- b) Turkmenistan has general criminal law provisions punishing the financing of terrorism (Article 271.1 of the CC of Turkmenistan). In addition, the CC of Turkmenistan provides for criminal liability for the unlawful establishment of or participation in the activities of public and other associations (Article 212.1 of the CC of Turkmenistan).

Legislation of Turkmenistan regulating NPOs also provides for penalties such as prevention, suspension and termination of NPO activities (Articles 34 and 35 of Law No. 70-IV), as well as the liquidation of NPOs (Article 36 of Law No. 70-IV).

However, the measures described above are more focused on compliance with legislation regulating the general activities of NPOs and compliance with general anti-terrorism legislation.

Criterion 8.5 –

1296. a) The MJ is the registering authority for public associations. It maintains the SSRLE and the State Register of Public Associations. As part of its activities, the Ministry submits to the FMS information on projects and programmes of foreign technical, financial, humanitarian aid and grants, if their amount exceeds the established amount or is not typical of the activities of the religious organization receiving the aid.

Decree of the President of Turkmenistan No. 7526 of 19.09.2005 approved the membership of the commission under the MJ to consider issues related to the state registration of voluntary associations and religious organizations. In this regard, when an NGO applies for state registration, copies of its documents are sent to all members of the commission in order to familiarize them with the issues of the forthcoming meeting.

However, there is no information on coordination and exchange of information between the competent authorities on oversight issues.

- b) LEAs have the opportunity to investigate FT cases and use a range of investigative techniques set out in Law “On Police Intelligence Operations” No. 136-V (see R.31 for details).
- c) Pursuant to clauses 2 and 3 of Article 27 of Law No. 70-IV, NPOs are obliged to provide the MJ with administrative and executive documents of NPOs. Under the provisions of clause 5 of Article 9 of Law No. 136-V and Article 49 of the CPC, LEAs of Turkmenistan may obtain confidential information. LEAs of Turkmenistan can obtain financial and programming information on the activities of NPOs and on foreign assistance received by NPOs from the MJ of Turkmenistan. In addition, the MJ, at the request of LEAs of Turkmenistan, sends requested and other information related to the activities of NPOs.
- d) The legislation of Turkmenistan establishes a mechanism for the communication of information on NPO activities (if suspected) to competent authorities (part 6 of Article 32 of Law No. 70-IV and Article 20 of the AML/CFT Law of Turkmenistan) in cases of suspicion or reasonable grounds to suspect that a particular NPO: (i) is used for TF purposes and/or serves as a front for fundraising by a terrorist organization; (ii) is used as a conduit for TF, including to avoid freezing of funds or other forms of terrorist support measures; (iii) conceals or obscures the clandestine diversion of funds intended for legitimate purposes, but diverted for the benefit of terrorists or terrorist organizations.

Criterion 8.6 –

1297. Article 22 of the AML/CFT/CPF Law sets out the legal basis for the receipt and execution of international requests by the FMS on all AML/CFT related issues, including in relation to NPOs. Also, under Article 5 of the Law "On the Bodies of Justice of Turkmenistan" the MJ has the authority to cooperate with the bodies of foreign states. Thus, there are no obstacles in the legislation of Turkmenistan for the international exchange of information on specific NPOs.

Weighting and Conclusion

1298. In Turkmenistan, in the context of this recommendation, NPOs are defined as all public associations and religious organizations without regard to the risks of their use for terrorist financing purposes. A system of general oversight of NPOs is in place, but without a risk-oriented approach.

1299. The country has insufficient measures to ensure transparency of NPO activities, there are no requirements to periodically reassess and review the adequacy of measures that regulate the NPO sector, as well as effective, proportionate and dissuasive sanctions for violation by NPOs are not in place, lacks strategies to raise public awareness of NPO activities, and has not implemented specific programmes to encourage NPOs to conduct operations through regulated financial channels.

1300. In addition, the lack of threat assessment in this sector, with an "above average" vulnerability value as set out in NRA-2, significantly affects the weaknesses identified under this Recommendation.

1301. **Recommendation 8 is rated Partially Compliant.**

Recommendation 9 – Financial institution secrecy laws

1302. In the 2011 Mutual Evaluation Report the compliance rating of Turkmenistan for R. 4 was "PC". The main weaknesses were related to unclear powers of the supervisory authorities (except for the CB) in terms of commercial secret regulations.

Criterion 9.1 –

1303. Pursuant to Article 902 of the CivC, the bank is obliged to keep secrecy related to the account and other information that has become known to it when establishing the business relationship with the customer, except in cases stipulated by law. At the same time, in accordance with Article 12.8 of the AML/CFT/CPF Law, the submission of information and documents by persons carrying out transactions to the authorized body for the purposes and according to the procedure stipulated by the AML/CFT/CPF Law does not constitute a disclosure of state or other secret protected by law (including financial secret).

1304. The obligation of reporting entities to submit information to the Financial Monitoring Service is also stipulated in the sectoral laws (Article 19 of the Law on Insurance, Article 50 of the Law on Securities Market, Articles 22, 25 of the Law on Auditing, clause 14 of part 3 of Article 23 of the Law on Realtor Activity, Article 20 of the Law on Notary and Notarial Activity). Also, in accordance with Article 19 of the AML/CFT/CPF Law, the Financial Monitoring Service has the right to request the necessary information on transactions or operations subject to mandatory control from persons carrying out transactions, as well as from state authorities.

1305. In accordance with Article 34 of the Law "On commercial banks and banking activity of Turkmenistan", information on bank accounts, transactions and deposits of customers, constituting a banking secret, is provided to the customers themselves, the CB, the FMS, state bodies exercising control and supervisory functions, tax services, courts, investigative bodies in accordance with the legislation of Turkmenistan.

1306. Pursuant to the Law on Commercial Secrets, officials and employees of public authorities and administration bodies in the performance of control, supervisory and other functions have the right, within the limits of their competence as defined by law, to receive information constituting a commercial secret.

1307. Pursuant to Article 49 of the CPC, persons who are requested by the body conducting the criminal proceedings to communicate or provide information constituting state or other secrets cannot refuse to comply with the request with reference to the need to keep the relevant secrets. Thus, secrecy rules do not constitute an obstacle to the exercise by the competent authorities of their power to request information.

Exchange of information between competent authorities

1308. State authorities monitoring compliance with Turkmenistan's AML/CFT/CPF legislation within the scope of their powers must provide information to the FMS (Article 19 of the AML/CFT/CPF Law). In addition, state authorities are obliged to provide information from their own information systems at the request of the FMS in accordance with the procedure determined by the Cabinet of Ministers of Turkmenistan (clause 3 of part 2 of Article 19 of the AML/CFT/CPF Law). The transfer of information by the FMS to the GPO, LEAs and other state authorities also does not constitute disclosure of state or other secrets protected by law (clause 5 of part 2 of Article 19 of the AML/CFT/CPF Law). The FMS and the relevant state authorities have signed memoranda of information exchange and cooperation. These memoranda provide for the exchange of information, for a rapid response, in order to prevent, detect and suppress financial transactions targeting AML/CFT/CPF offences, as well as predicate offences. In particular, such Memorandum between the FMS and the MIA was signed on 21 January 2021, between the FMS and the CB signed on 29 April 2022.
1309. The LEAs, including the enquiry and investigation agencies, have access to documents and information in a criminal case in accordance with Articles 271 and 278 of the CPC of Turkmenistan.
1310. Article 22 of the AML/CFT/CPF Law sets out the basis for the exchange of information at the international level, while the legislation does not set limits for such exchange. The transfer of information is subject to the condition that it will not be used for purposes not specified in the request or transferred to third parties without the prior consent of the authorized body. The transfer to a competent authority of a foreign state of information on AML/CTF/CPF may be carried out if it does not violate the constitutional rights and freedoms of a human and citizen or harm the interests of national security of Turkmenistan, or if it does not affect the course of criminal proceedings.

Exchange of information between financial institutions

1311. Pursuant to part 2 of Article 8 of the AML/CFT/CPF Law, financial institutions are obliged to ensure the transmission of remitter and beneficiary information when making non-cash payments and money transfers (R.16).
1312. Pursuant to clause 11 of Article 6 of the AML/CFT/CPF Law, a financial institution that relies on due diligence measures taken by another FI must immediately obtain data on the customer (its representative), the beneficiary, including copies of supporting documents, under CDD (R.17).
1313. FIs are entitled to exchange information with foreign correspondent banks on the basis of correspondent relationship agreements. And in accordance with Article 34 of the Law on Financial institutions and Banking, the transfer of information within the framework of correspondent relationships is not a violation of banking secret.

Weighting and Conclusion

1314. **Recommendation 9 is rated Compliant.**

Recommendation 10 – Customer due diligence

1315. In the 2011 MER, Turkmenistan's compliance rating for R. 5 was "PC". This rating was due to the following factors: the established threshold for conducting CDD on single transactions did not meet the requirements of the Standards, the verification of the identity of the beneficial owner was not carried out based on reliable sources, the legal consequences of failure of CDD (negative CDD result) are provided only for identification and evidence of links to terrorist activities, there were weaknesses in applying CDD measures to persons who were already customers of a FI and conducting CDD on an ongoing basis, no uniform mechanism for formalising CDD results, no requirement to conduct enhanced CDD in relation to high-risk customers, transactions and business relationships, no requirement to verify (check) the information provided by the customer, other

than identity verification. After the adoption of the AML/CFT/CPF Law, the existence of anonymous accounts was not assessed and there was no requirement to close them if there were indications of anonymity. The refusal to open an account and conduct a transaction depended only on the failure to provide documents for identification (provision of suspicious documents), or connection to terrorist activities, and not on other CDD measures. The AML/CFT system of Turkmenistan does not contain specific requirements and implementation mechanisms for the implementation of CDD measures in relation to existing customers.

Criterion 10.1 –

1316. FIs are prohibited from opening and keeping accounts (deposits) for anonymous holders and in obviously fictitious names, i.e., without submitting the documents required for identification (Article 14 of the AML/CFT/CPF Law and cl. 3.13 of the Model Internal Control Regulations of a banks).

Criterion 10.2 –

1317. FIs are obliged to take customer due diligence (CDD) measures when:

- a) planning to establish a business relationship with a customer (clause 1 of part 2 of Article 6 of the AML/CFT/CPF Law);
- b) carrying out one-off transactions, irrespective of the frequency of the transactions and the execution of the transactions, and taking into account the established threshold amount (Article 5.1 of the AML/ According to the Order of the MFE No. 234-ig-ö of 28.07.2022 for compulsory control against ML/TF the threshold amount of transactions and operations in foreign currency or national currency is 52 thousand manats, which is equal to USD 14 857,14 at the official exchange rate, is established.
- c) carrying out one-off transactions which are wire transfers in accordance with R.16 (part 2 of Art. 8 of the AML/CFT/CPF Law).

According to part 4 of Article 6 and parts 1 and 2 of Article 8 of the AML/CFT Law, when a customer makes a non-cash payment or money transfer without using a bank account, unless the customer carries out a suspicious transaction and if the transaction amount does not exceed EUR/USD 15 000, CDD measures may not be taken. It is therefore not in line with R.16, which requires a CDD requirement for cross-border transfers above USD/EUR 1,000. This deficiency is assessed as moderate (see P16 for details);

- d) there is a suspicion of ML/FT, regardless of exemptions or threshold amounts (clause 4 of part 2 Article 6 of the AML/CFT/CPF Law).
- e) there is doubt as to the reliability, sufficiency and accuracy of the previously obtained documents and data used to identify the customer (part 2 of clause 3 of Article 6 of the AML/CFT/CPF Law).

Criterion 10.3 –

1318. FIs are obliged to identify their customers, both individuals and legal entities (part 3 of Article 6 of the AML/CFT/CPF Law), and to confirm the identity of the customer by checking previously available data and documents against the original or notarized copies of relevant documents submitted by the customer or by checking against data obtained from independent and trustworthy available sources (part 6 of Article 6 of the AML/CFT/CPF Law).

Criterion 10.4 –

1319. Pursuant to cl. 7 of part 3 of Article 6 of the AML/CFT/CPF Law FIs are required to verify the authority of person act on behalf of a customer and apply CDD measures in order to identify and verify the identity of that person.

Criterion 10.5 –

1320. The definition of beneficial owner and beneficiary provided in the AML/CFT/CPF Law is largely consistent with the FATF Glossary (a natural person who ultimately directly or indirectly (through third parties) owns the client-legal entity (has a predominant interest of more than 25 per cent in

the capital) or has the ability to control the actions of the client. The beneficial owner of the customer-legal entity shall be deemed to be that person, unless there is reason to believe that another natural person is the beneficial owner), except that it does not cover the case where the beneficial owner may be an individual on whose behalf a transaction is being conducted. This shortcoming is mitigated by the fact that the Identification Regulations for banks establish a definition of a BO that is fully consistent with the FATF standard.

1321. FIs are obliged to identify the beneficial owners of their customers (part 3 of Article 6 of the AML/CFT/CPF Law) and to confirm the identity of the beneficial owners of the customer by checking previously available data and documents against the originals or notarized copies of relevant documents submitted by the customer or by checking against data obtained from independent and reliable sources (part 6 of Article 6 of the AML/CFT/CPF Law).

Criterion 10.6 –

1322. FIs are obliged to obtain information on the purpose and intended nature of the business relationship and conduct ongoing review of business relationships and examination of client transactions, which means that FIs are required to understand the purpose and intended nature of the business relationship (subclause 4, 5 of part 3 of Art. 6 of the AML/CFT/CPF Law).

Criterion 10.7 –

1323. a) In accordance with the basic law (clause 5 part 3 of Article 6 of the AML/CFT/CPF Law) the CDD measures include ongoing verification and monitoring of business relationships and examination of transactions, including obtaining and recording information on the source of funding of the transactions (deals), if necessary.

Banks are required to scrutinize business relationship transactions to ensure that they are consistent with knowledge of the customer, their business and risk profile, and the source of funds (clause 7 of the Regulation on implementation by the banks of AML/CFT measures). Similar requirements are provided to varying degrees in the ICR for other FIs (except insurance entities);

b) The information collected under CDD must be up-to-date, relevant and accurate for all customers, including those in high-risk categories and kept for at least five years (Articles 6 and 11 of the AML/CFT/CPF Law).

Criterion 10.8 –

1324. Reporting entities when identifying customers-legal entities are required to establish the ownership and control structure of the legal entity (clause 3 of part 2 of Article 6 of the AML/CFT/CPF Law), the intended purpose and nature of the business relationship and conduct ongoing due diligence on the business relationship and examination of client transactions, which means a duty to understand the nature of the business (clause 4 part 2 Article 6 of the AML/CFT/CPF Law).

Criterion 10.9 –

1325. As part of the identification procedures for customers who are legal entities (Article 6 of the AML/CFT/CPF Law, clause 8, clauses 11, 12 of the Regulation on Internal Control, Clause 17, sub-clause 2 of clause 23 of the Regulation "On implementation by banks of measures to counteract and detect transactions with cash and/or other property related to money laundering and financing of terrorism", as well as clause 3.1. of the Regulation "On Bank Account"), customers-organisations persons carrying out financial transactions shall establish and record the following data on the basis of constituent, registration and other documents (copies thereof): (a) the name of the entity, the legal form and proof of existence (b) the regulatory and binding powers of the legal entity, and the names of the particular persons holding managerial positions in the legal entity; (c) location. Turkmenistan does not provide for the establishment of trusts. In this regard, foreign legal arrangements, including trusts, are treated by the FI of Turkmenistan as legal entities and are subject to all the requirements set out above.

Criterion 10.10 –

1326. Pursuant to Article 6(3) of the AML/CFT/CPF Law, for customers being legal entities, FIs are required to identify and apply reasonable measures to verify the identity of beneficial owners:

- a) to ascertain the ownership and management structure of the customer-legal entity on the basis of the constituent documents, the register of shareholders of such customer-individuals (or the beneficial owners of legal entities, in case legal entities are shareholders) or information obtained from other independent and credible sources;
- a) on the basis of a questionnaire on the client's beneficial owners, persons who are entitled to give instructions binding on the legal person or otherwise have the power to determine its actions (Order of the Chairman of the Board of the CB No. 26 of 17.02.2011 and IFE No. 17 of 17.02.2011);
- c) to recognize the beneficial owner of the individual being the head of the collective executive body of the customer-legal entity, in case the beneficial owner of the legal entity has not been identified as a result of the measures provided for in clauses a-b).

Criterion 10.11 –

1327. Trust does not exist in the legislation of Turkmenistan as a form of establishment or type of organisation. In the case of a foreign trust applied to financial institutions of Turkmenistan, CDD measures will be applied to it in accordance with the requirements of AML/CFT Law, involving identification of the customer him/herself, its representatives, the beneficiary, which also apply to foreign trusts and legal arrangements. At the same time, foreign legal arrangements, including trusts, are considered as legal entities by the FIs of Turkmenistan.

1328. Moreover, in accordance with the Regulation on Identification of Customers by Credit Institutions (approved by Order No. 159-ish of the Chairman of the CB dated 11.06.2020) banks are required to identify the person who is the beneficiary of the trust. Banks are also required to establish the composition of the property under management (ownership), the identity and residence address of the founders and the trustee (manager) of the trust and other foreign entities without a legal entity. There are no such specific requirements for other FIs and DNFBPs.

Criterion 10.12 –

1329. Beneficiaries of insurance contracts are subject to all the CDD provisions of Article 6 of the AML/CFT/CPF Law. According to Article 5 of the AML/CFT/CPF Law, transactions involving bank accounts (deposits) for the payment of insurance benefits or the receipt of an insurance contribution (insurance premium) fall under transactions with funds and other property which are subject to mandatory control.

1330. This procedure (in terms of high-risk criteria and suspicious insurance-related transactions) is also regulated by Regulation No. 555 "On implementation by banks of measures to combat and detect transactions with cash and/or other property related to money laundering and financing of terrorism", approved by Joint Order No. 26 of the Chairman of the Board of the CB of Turkmenistan and No. 17 of the Minister of Finance of 17 February 2011 and registered by the Ministry of Finance of Turkmenistan on 9 March 2011 (under clauses 15, 26, 33)

- a) In accordance with Article 21 of the Insurance Law, the insurance contract is entered into in writing by drawing up a document or by delivery of a insurance certificate-policy to the policyholder by the insurer, which must contain the following information about the beneficiaries:
 - name, surname, patronymic and address of the beneficiary being an individual or the name, registered office and bank details of the beneficiary being a legal entity (if any).

In their turn, reporting entities carrying out transactions with cash or other property are obliged to take measures within their powers to establish and identify beneficiaries (clause 4 of the Regulation on the organization of internal control).

- b) Pursuant to Article 22 of the Insurance Law, FIs may obtain information and identify the beneficiary, including in the case of transfer of the rights and obligations of the policyholder to

a third party, in the event of death of the policyholder who has entered into a contract of property or personal insurance in favour of third parties, rights and obligations of the policyholder under the relevant contracts. Pursuant to subclause 2 of clause 6 of part 2 of Article 5, "making an insurance payment (indemnity) or receiving an insurance contribution (insurance premium) shall relate to transactions in cash or property subject to mandatory control, to which enhanced CDD measures apply. Thus, the beneficiary is established at the time of payment of the insurance policy.

- c) When carrying out cash transactions, FIs shall verify the identity of the beneficiary at the time of payment (clause 11 of the Regulation "On implementation by banks of measures to combat and detect transactions with cash and/or other property related to money laundering and financing of terrorism"); Regulation "On Identification by Financial institutions of Customers, Customer Representatives and Beneficiaries for the Purpose of AML/CFT").

Criterion 10.13 –

1331. There is no specific requirement to include the beneficiary of a life insurance policy as a relevant risk factor in determining whether enhanced CDD measures are applicable.

1332. But, receipt of a life insurance premium by the beneficiary through banking institutions in excess of the threshold amount established by the authorized state body is a mandatory control operation (Article 5.2.6 of the AML/CFT/CPF Law). Therefore, these transactions present a higher risk and are subject to enhanced CDD measures.

Criterion 10.14 –

1333. FIs are required to verify the identity of the customer before establishing a business relationship or carrying out a one-off transaction (Art. 6 of the AML/CFT/CPF Law and cl. 4.1.17 of the Model Internal Control Regulations of a financial institution).

Criterion 10.15 –

1334. There is no provision for entering into a business relationship before verifying identity (see cr. 10.14).

Criterion 10.16 –

1335. FIs are required to apply CDD measures to existing customers by updating previously obtained information depending on their risk profiles (Art. 6 of the AML/CFT/CPF Law).

1336. CDD applied to existing customers as the previously submitted information changes or the risk level changes, but at least once a year if the client's operations are attributed to a high risk level, and at least once every three years in other cases. Information is also updated if there are doubts about the reliability of previously received information about the client. (Part 5, Article 6 of the AML/CFT Law).

Criterion 10.17 –

1337. According to Article 9 of the framework law, FIs are required to take enhanced CDD measures in accordance with the risks identified, as well as based on the results of the risk assessment. However, it is not specified in law exactly at what level of risk the enhanced measures should be taken. The ICR of FIs and other legal acts specifically require the application of enhanced CDD measures at higher risk.

Criterion 10.18 –

1338. The basic AML/CFT Law does not provide for simplified CDD measures, but allows for the application of standard and enhanced CDD measures.

Criterion 10.19 –

1339. a) Persons conducting transactions are obliged to refuse the establishment of a business relationship or the conduct of a transaction with funds or other assets to an individual or legal entity if it is not possible to take the measures stipulated in clauses 1 and 2 (recording of the details of the individual/legal entity) and 4 (establishment of the intended purpose and nature

of the business relationship) of part 3 Article 6 of the AML/CFT/CPF Law. Persons carrying out transactions have the right to terminate the business relationship with the customer if it is impossible to take other measures stipulated in the AML/CFT/CPF Law.

In addition, if a customer refuses to provide information, documents or other information necessary to comply with the requirements of the AML/CFT/CPF Law, the persons carrying out the transactions must refrain from carrying out any transactions or deals, or terminate pre-existing business relationships (Article 6 of the Law).

- b) The persons conducting transactions shall submit to the authorized body reports on the facts of refusal to establish business relations with the individual or legal entity, termination of business relations with the customer, refusal to conduct the transaction with cash and other property on the grounds stipulated in part one of this Article 14, as well as on the facts of the suspension of transactions (deals) in the cases provided for in part two of this Article, no later than the business day following the day on which the person carrying out the transactions took the relevant decision (part 6 of Article 14 of the AML/CFT/CPF Law)

Criterion 10.20 –

1340. Country legislation requires STRs to be sent in accordance with the procedure and criteria established by law (Article 14 of the AML/CFT/CPF Law). If when carrying out CDD, there is a risk that the customer may be unintentionally alerted and the customer's knowledge of a possible STR or investigation may hinder future efforts to investigate a transaction suspected of money laundering or financing of terrorism, the reporting entity must suspend CDD and send an STR to the competent state authority (clause 6 of the Regulation on Internal Control).

Weighting and Conclusion

1341. Some of the requirements are reflected in the law, but there are some shortcomings: there are exceptions in the law in relation to the verification of CDD in certain cases set out in R.16; the definition of the beneficial owner is not fully compliant with the FATF Standards and the requirements regarding the identification of the beneficial owner are not fully compliant with the standards, there is no specific requirement to include the beneficiary of a life insurance policy as a relevant risk factor in determining whether enhanced CDD measures are applicable.

1342. **Recommendation 10 is rated Largely Compliant.**

Recommendation 11 – Record keeping

1343. In the 2011 Mutual Evaluation Report, Turkmenistan's compliance rating for R. 10 was "LC" due to the lack of requirements to keep documents in a format ensuring timely access by the competent authorities.

Criterion 11.1 –

1344. According to Article 11 of the AML/CFT/CPF Law, persons carrying out transactions must keep all data concerning national and international transactions or deals for at least five years after the termination of the business relationship (including after the termination of the transaction) with the customer, and have effective systems and procedures in place to respond promptly and comprehensively to requests and requirements about customer transactions or deals from the Financial Monitoring Service and other relevant state authorities.

Criterion 11.2 –

1345. Documents and information obtained as a result of customer due diligence, including customer information and correspondence, documents and information on transactions or dealings in cash or other assets subject to mandatory control and suspicious transactions, as well as the results of the examination of all complex, unusually large and other unusual transactions or deals shall be kept by the persons carrying out the transactions for at least five years after the transaction or deal (part 6 Article 12 of the AML/CFT/CPF Law). In accordance with clause 9 of the Regulation approved by Joint Order No. 26 of the Chairman of the Board of the CB of Turkmenistan and No. 17 of the

Minister of Finance of Turkmenistan of 17.02.2011, the procedure for storing transaction data is determined by banks in their Regulations for Internal Control.

Criterion 11.3 –

1346. As a result of the implementation of AML/CFT/CPF internal controls, banking institutions record information in such a way that, if necessary, it is possible to reproduce the details of the transaction (deal) and that this information may be used as evidence in criminal, civil and arbitration proceedings (Methodological Guidelines on the Development and Approval of the ICR (Internal Control Regulation) No. 18-ış of 24.01.2022).

1347. All persons carrying out transactions are required to maintain information in such a way as to be able to respond promptly and comprehensively to enquiries and requests about customer transactions or deals from the Financial Monitoring Service and other relevant state authorities (Article 11 of the AML/CFT/CPF Law).

Criterion 11.4 –

1348. In accordance with Article 11 of the AML/CFT/CPF Law, reporting entities are required to document and store the obtained information and documents (or copies thereof) on the customer, beneficiary, beneficial owner and the transaction or deal, based on a list of documents necessary for customer due diligence by type of person conducting the transactions. This information and documents (or copies thereof) should be available to the relevant state authorities.

1349. All reporting entities are required to maintain information in such a way as to be able to respond promptly and comprehensively to enquiries and requests about customer transactions or transactions from the FMS and other relevant state authorities (Article 11 of the AML/CFT/CPF Law).

Weighting and Conclusion

1350. **Recommendation 11 is rated Compliant.**

Recommendation 12 – Politically Exposed Persons

1351. In the 2011 Mutual Evaluation Report, Turkmenistan's compliance rating for R. 6 was "NC" as there were no legislative or other measures in line with this Recommendation.

Criterion 12.1 –

1352. The legislation of Turkmenistan equally regulates CDD measures in relation to both foreign and national PEPs. Enhanced CDD measures must be taken by the FIs and DNFBPs in relation to PEPs (Article 7 of the AML/CFT/CPF Law of Turkmenistan). In this context, the FIs and DNFBPs are required to:

- a) Clause 3 of Article 9 of the AML/CFT/CPF Law states that in order to apply appropriate due diligence measures on politically exposed persons, persons carrying out transactions must develop and implement the necessary risk management system, including risk-based procedures, to determine whether a customer or potential customer or beneficial owner is a public official, family member or relative of a politically exposed person.

The definition of a national PEP is established by the Regulation on Enhanced Due Diligence of Public Officials to Combat Money Laundering, Financing of Terrorism and Financing Weapons of Mass Destruction Proliferation, approved by Order of the Minister of Finance of Turkmenistan No. 113-ış of 28 April 2022 and is binding for all reporting entities.

Sub-paragraphs 9 and 11 of Paragraph 3 of the above Regulation apply to most of the persons designated as national PEPs under the FATF glossary, with the exception of the Head of State and Government.

- b) Pursuant to clause 3 of Part 4 of Article 9 of the AML/CFT/CPF Law, persons carrying out transactions in relation to PEPs must obtain permission from the management of the organization to establish, continue business relationships with such customers.

- c) Pursuant to clause 4 of part 4 of Article 9 of the AML/CFT/CPF Law, persons carrying out transactions in relation to PEPs are required to take available measures to establish the source of wealth and source of funds.
- d) Pursuant to clause 5 of part 4 of Article 9 of the AML/CFT/CPF Law, persons carrying out transactions in relation to PEPs are required to conduct in-depth, ongoing monitoring of the business relationship.

Criterion 12.2 –

1353. a) Under part 4 of Article 9 of the AML/CFT/CPF Law, persons carrying out transactions are required to take reasonable measures to determine whether the customer or the beneficial owner is a PEP of their country or a person who is or has been entrusted with prominent functions by an international organization.

However, Turkmenistan has not provided documents which would have communicated to the FI and DNFBPs the content of the concept of "national PEP". Based on Turkmenistan's completed Technical Compliance Assessment Questionnaire Turkmenistan uses the Law "On Public Service" Articles 12, 14; Law "On Ethics and Conduct of Public Servant" Articles 10, 11, 12 to define the national PEP; Regulation on the procedure for appointment to public office and dismissal from public office, as well as on the selection and appointment to public office; List of appointed public officials and civil servants by acts of the President of Turkmenistan, approved by Presidential Decree No. RR-374 DSP (for official use) of 21.06.2018. This may indicate a formal approach to the definition of a national PEP, since according to the FATF Glossary the national PEP should include not only civil servants, but also persons who are or have been entrusted with significant national political functions, prominent politicians, judicial or military officers, senior executives of public corporations, political party figures.

- b) Where a high risk business relationship with such persons is identified, persons carrying out transactions shall apply measures in terms of authorizing management to establish, continue the business relationship with such customers, identifying the source of funds, carrying out in-depth, ongoing monitoring of the business relationship.

Criterion 12.3 –

1354. Pursuant to Article 9 of the AML/CFT/CPF Law of Turkmenistan FIs are required to apply the relevant requirements of Criteria 12.1 and 12.2 to his/her family members or relatives of the PEP. However, enhanced CDD measures are not envisaged in relation to persons who are close associates (except close relatives) of foreign and national PEPs.

Criterion 12.4 –

1355. The requirements in Criterion 12.1 apply to the insurance sector in Turkmenistan, as they are common requirements for all FIs and DNFBPs to identify national and foreign PEPs among customers and their beneficial owners.

1356. However, the process of informing senior management prior to payment of the insurance indemnity and consideration of the need for a suspicious activity report seems unregulated, as subclause 3 of clause 4 of Article 9 of the AML/CFT/CPF Law of Turkmenistan establishes the obligation to inform senior management only when establishing and continuing a business relationship with a customer.

Weighting and Conclusion

1357. Turkmenistan has identified measures obliging the identification of foreign and national PEPs and identified requirements for all FIs to identify such persons among their customers and their beneficial owners. The requirements to establish national PEPs do not fully comply with the definition given in the FATF Glossary and do not take into account the extension of these measures directly to the head of state and government.

1358. In addition, enhanced CDD measures are not provided for in respect of close associates of foreign PEPs and for the insurance sector there is no process in place to inform senior management prior to the payment of insurance indemnity and consideration of the need for a suspicious activity report.

1359. **Recommendation 12 is rated Partially Compliant.**

Recommendation 13 – Correspondent banking

1360. In the 2011 MER, Turkmenistan's compliance rating according to R. 7 was "PC". The main shortcomings noted were: the lack of an adequate AML/CFT assessment mechanism for the correspondent bank, the absence of a special procedure for recording this information; the obligation to collect and store information about the correspondent bank was established within the general CDD regulations and required detailing in relation to correspondent relationships; The issue of allocation of AML/CFT responsibilities when establishing cross-border correspondent relationships has not been elaborated; lack of AML/CFT regulation in relation to "payable-through accounts".

Criterion 13.1 –

1361. Under the basic AML/CFT Law and regulations, financial institutions, in addition to general CDD measures, are additionally required, when establishing correspondent banking and other similar relationships with foreign FIs in relation to cross-border correspondent banking and other similar relationships:

- a) to collect (and document) sufficient information on the respondent institution to obtain a full understanding of the nature of its business activities and determine, on the basis of publicly available information, its reputation and quality of supervision, including whether it has been subject to money laundering or financing of terrorism investigations or whether measures have been taken in respect of it by the controlling (supervisory) authorities (clause 1 of part 2 of Article 10 of the AML/CFT/CPF Law, sub-clause a) of clause 11 of the Regulation on the Organization of Internal Control).

In accordance with the conceptual framework of the Regulation "On the implementation by banks of measures to combat and detect transactions with cash and/or other property related to money laundering and financing of terrorism" for each customer group, including correspondent banks, the bank develops special customer questionnaire forms, which may be of standard and enhanced form (clause 13 of the said Regulation).

The bank has the right to verify the information submitted by the customer if there is any doubt as to its accuracy, and to obtain additional information in ways not contrary to the law, e.g., when identifying a legal entity, including correspondent banks:

- to review the audit report of the auditing organization (auditor - individual - individual entrepreneur);
- wherever possible, to obtain information about the customer, including business reputation, from public authorities, legal entities and individuals;
- to communicate with customer officials by telephone, in writing, including by e-mail;
- where necessary, to make enquiries concerning the counterparty bank to the CB of its country of registration or to a first-class bank that has a correspondent relationship with the counterparty bank on the basis of an agreement;
- to verify that the submitted identification data of the legal entity corresponds to the data assigned by the state authorities;
- to check information on the director, chief accountant, other officials who are duly authorized to carry out transactions on behalf of the legal entity, as well as on the founders of the legal entity, beneficial owners, beneficial owners - individuals by contacting the customer by phone, in writing, including by e-mail) (sub-clause 2 cl 17 of the Regulation on the implementation by

banks of measures to combat and detect transactions with funds and/or other assets related to money laundering and financing of terrorism).

- b) to document information on the internal control measures taken by the respondent foreign FI in accordance with the legislation of its country of registration to combat legalization of proceeds of crime, financing of terrorism and the financing of proliferation of weapons of mass destruction, as well as to assess the effectiveness of the internal control measures taken (clause 2 of part 2 of Article 10 of the AML/CFT/CPF Law, sub-clause 3 clause 23 of the Regulation on the implementation of measures by banks to combat and detect transactions with cash and/or other property related to money laundering and financing of terrorist activities", sub-clause b) of clause 11 of the Regulation on the organization of internal control).
- c) to obtain the permission of the management of the organization to establish new correspondent relationships (clause 5 of part 2 of Article 10 of the AML/CFT/CPF Law). With regard to cross-border correspondent banking and other similar relationships, in addition to the above measures, banks must obtain permission from the CB of Turkmenistan to establish correspondent relationships with new customers (sub-clause c) of clause 11 of the Regulation on the Organization of Internal Control).
- d) to clearly understand the respective AML/CFT responsibilities of each institution and document the respective responsibilities of each institution (sub-clause d) of clause 11 of the Internal Control Regulation).

Criterion 13.2 – (a-b)

1362. FIs should ensure that foreign financial institutions conduct customer and beneficial owner due diligence properly, taking into account the specific nature and nature of their business (sub-criterion a), and, if requested by the person conducting the transactions, may provide additional information on the measures taken in the course of due diligence of their customers and their beneficial owners and their transactions (sub-criterion b) (clause 7 of part 2 of Article 10 of the AML/CFT/CPF Law). In addition to the statutory measures for cross-border correspondent banking and other similar relationships, banks in relation to "payable-through accounts" must obtain satisfactory confirmation that the correspondent bank has identified and routinely verifies customers with direct access to the correspondent account and that it has the ability to provide the necessary customer identification information at the request of the correspondent bank (sub-clause e) of clause 11 of the Internal Control Regulation).

Criterion 13.3 –

1363. Basic AML/CFT Law obliges financial institutions not to establish or maintain correspondent relationships with shell banks (a bank registered and licensed to carry out banking activities in states and territories where it has no physical presence and which is not affiliated with any regulated financial group that is under the effective supervision of those states and territories) (clause 3 of part 2 of Article 10 of the AML/CFT/CPF Law). Financial institutions are required to verify that the foreign FI refuses the use of its accounts by shell banks (clause 4 of part 1 of Article 10 of the AML/CFT/CPF Law)

Weighting and Conclusion

1364. **Recommendation 13 is rated Compliant.**

Recommendation 14 – Money or value transfer services

1365. In the 2011 MER, Turkmenistan's compliance rating according to SR. VI was "PC". The rating was due to the lack of information on legislative or other measures in relation to money or value transfer services operating outside the formal financial system. In addition, all the deficiencies noted in relation to AML/CFT measures in the banking and postal system were also applicable in the context of money remittance.

Criterion 14.1 –

1366. Money and value transfer services (MVTS) are provided by the banks of Turkmenistan, which carry out money transfer services as agents (sub-agents) of international payment systems (such as Western Union, etc.), in accordance with the legislation. In accordance with the Postal Communication Law (of 13.12.2021), money transfer services exclusively for socially significant non-trade payments (transfers of pensions, child support, state benefits, health compensation, etc.) are also provided by postal operators (Order on Money Transfers, approved by Order of the General Director of Postal Company "Turkmenpochta" No. 81-Ö of 2019 13.07.2022). There is no national legislation regulating other types of MVTS operators/providers and there are no other types of MVTS operators/providers in this respect.
1367. The registration and licensing of financial institutions is carried out in accordance with the Law on Licensing of Certain Types of Activities, the Law on Financial institutions and Banking Activities. A financial institution operates in accordance with the legislation of Turkmenistan, the acts and license of the CB of Turkmenistan and its internal regulations (Article 16 of the Law on Financial institutions and Banking Activities). This requirement also applies to the activities of branches of foreign banks registered on the territory of Turkmenistan.
1368. State regulation and control in the field of postal communication is carried out by the Cabinet of Ministers of Turkmenistan in accordance with the Postal Communication Law (Articles 8 and 31), the regulation and control of activities in the field of communications as well as the licensing of postal service operators to provide postal services is carried out by the Ministry of Industry and Communication of Turkmenistan (Turkmenaragatnashyk Agency - Turkmenistan National Communication Agency)
1369. According to the Postal Communication Law (part 5 of Article 46), the establishment of international postal exchange points by other designated operators of member states of the Universal Postal Union on the territory of Turkmenistan is subject to authorization by the authorized body.
1370. Pursuant to Article 10 of the Law on Licensing of Certain Types of Activities, licensing activities must be aimed at AML/CFT purposes. The licensing authorities, in accordance with the procedure established by the legislation of Turkmenistan, monitor the compliance of licensees with the AML/CFT legislation of Turkmenistan. The Licensing Regulation makes it mandatory for a licensee to have Internal Control Regulations for AML/CFT purposes (Article 13 of the Law "On Licensing of Certain Types of Activities").

Criterion 14.2 –

1371. According to part 3 of Article 24 of the Law on Licensing of Certain Types of Activities, the carrying out of activities subject to licensing by individuals and legal entities without a licence or their violation of the decision of the licensing authority to suspend the licence shall entail liability as stipulated by the legislation of Turkmenistan. Profits derived from such activities are subject to forfeiture to the Centralized Budget of Turkmenistan in accordance with the procedure established by the legislation of Turkmenistan.
1372. In accordance with part 3 of Article 18 of the Law on Licensing of Certain Types of Activities, the licensing authority, in order to identify parties carrying out activities to be licensed by that authority without a licence, is entitled to inspect persons who are not applicants and licensees where there are reasonable grounds to do so.
1373. According to Article 278 of the Code of Administrative Offences, carrying out banking activities without a licence entails a penalty of up to five basic values for officials and ten to twenty basic values for legal entities (150-300 USD). Repeated commission of such an offence within one year after the imposition of an administrative penalty shall incur a penalty of up to ten basic values for officials and twenty to thirty basic values for legal entities (300-450 USD), or administrative suspension of the activities of legal entities for up to three months. It appears that this amount of fine is not dissuasive and proportionate.

Criterion 14.3 –

1374. See Criterion 14.1, as the providers of money or value transfer services are banks and postal operators in Turkmenistan, they are monitored for compliance with AML/CFT requirements under the AML/CFT and banking legislation.

1375. AML/CFT/CPF supervision of financial institutions is conducted by the CB of Turkmenistan and of the postal company by the Turkmenaragatnashyk Agency.

Criterion 14.4 –

1376. The type of activity for which a license has been obtained may only be carried out by the person having received the license and may not be transferred to any other party (part 2 of Article 11 of the Law on Licensing of Certain Types of Activities). In this respect, the MVTs in Turkmenistan does not use agents.

1377. Licensing of banks carrying out bank transfers and money transfer services is carried out by the CB of Turkmenistan in accordance with the legislation of Turkmenistan (Article 17 of the Law "On Financial institutions and Banking Activities").

1378. Licensing of postal and telegraphic communication organizations providing money transfer services is carried out by the Ministry of Industry and Communication of Turkmenistan.

Criterion 14.5 – Not applicable see c. 14.4

Weighting and Conclusion

1379. The legislation of Turkmenistan sets out requirements for MVTs, including in terms of registration, licensing, detection measures and the application of deterrent sanctions against persons carrying out unlicensed activities. However, the amount of fines does not appear to be dissuasive or proportionate.

1380. **Recommendation 14 is rated Largely Compliant.**

Recommendation 15 – New technologies

1381. In the 2011 MER, Turkmenistan's compliance rating according to R. 8 was "PC". The main weakness was the weak specific AML/CFT regulation for transactions using new technologies and transactions without personal presence, especially for non-banking FIs, as well as the lack of ML/TF risk management requirements for new technologies and transactions without direct contact.

Criterion 15.1 –

1382. The legislation requires all reporting entities to develop a programme to assess and mitigate the ML/TF, taking into account, *inter alia*, risks of using services for criminal purposes, including risks of technological advances (clause 2 of part 3 of Article 12 of the AML/CFT/CPF Law).

1383. However, this provision of the Law does not provide for specific requirements to assess ML/TF risks when introducing new business practices, including new transfer mechanisms for both new and existing products. There is also no similar requirement in the ICRs of reporting entities.

1384. At the same time, according to the requirements of the Resolution of the Cabinet of Ministers on Digital Technology Approval (DSP (for official use) No. 2 of 23 May 2021), the introduction of banking products using new technologies by banks is subject to implementation of any risk assessment.

Criterion 15.2 –

1385. a) Requirements for risk assessment prior to the launch or use of new products, practices and technologies by banks in Turkmenistan are implemented in accordance with the requirements of the Cabinet of Ministers Resolution on Digital Technology Approval (DSP (for official use) No. 2 of 23 May 2021). While there are no similar requirements for other FIs.

b) The legislation requires all persons carrying out operations to develop a programme to assess and mitigate the ML/TF risks, taking into account the risks of technological advances (clause 2 of part 3 of Article 12 of the AML/CFT/CPF Law).

However, there is no specific/explicit requirement in other laws and statutory instruments to take measures to manage and mitigate risks specifically related to the use of new products, practices and technologies.

Criterion 15.3 –

1386. There is no legal regulation of virtual assets and VASPs in Turkmenistan. At the same time, there is a strict control in the Internet under the laws "On Information and its Protection", "On Legal Regulation of Internet Development and Provision of Internet Services in Turkmenistan", and "On Cybersecurity" which allow monitoring of activities related to the VA. Accordingly, VASPs cannot be legally established and registered in the country. However, legislation does not explicitly prohibit persons (individuals or legal entities) from providing virtual asset services or engaging in virtual asset-related activities.

1387. a) There is no statutory requirement to assess the ML/TF risks associated with virtual assets or the activities or operations of VASP (Virtual Asset Service Providers). The NRA conducted in 2020 by the country includes assessment of vulnerabilities associated with cryptocurrency transactions. However, this analysis is not a full assessment of the risks of abuse of VAs and VASPs for ML/TF purposes as there is no analysis of all possible qualitative and quantitative information, including in relation to foreign VASPs operating in Turkmenistan.

b) Due to the lack of understanding of the risks associated with virtual assets and the activities of VASP, a risk-oriented approach is not applied to ensure that measures to prevent or mitigate money laundering and financing of terrorism are commensurate with the risks identified.

At the same time, banks in Turkmenistan, on accounts of individuals opened with banks, do not execute transactions conducted via the Internet, as these transactions are suspended under the instructions of the CB. The CB has sent circulars to banks explaining the risks associated with virtual asset transactions and the need to send STRs.

c) The legislation of Turkmenistan does not regulate activities related to virtual assets, and VASPs are not reporting entities under the AML/CFT/CPF Law. Accordingly, there are no requirements for VASPs to assess ML/TF risks and apply effective measures to mitigate such risks.

Criterion 15.4 –

1388. There is no legal regulation of virtual assets and VASPs in Turkmenistan. There are no licensing or registration requirements for VASPs nor is there an explicit prohibition.

Criterion 15.5 –

1389. The legislation of Turkmenistan does not establish measures to identify individuals or legal entities possibly carrying out VASP activities without a proper licence or registration, nor does it provide for appropriate sanctions.

1390. At the same time, the competent authorities exercise strict control over the Internet within the framework of the laws "On Information and its Protection", "On Legal Regulation of Internet Development and Provision of Internet Services in Turkmenistan", "On Cybersecurity", which allow the monitoring of activities related to the VA.

Criterion 15.6 –

1391. Virtual asset service providers are not regulated for AML/CFT purposes, VASPs cannot be legally established and registered in the country (see Criterion 15.3(c)) and therefore there is no supervisory authority.

Criterion 15.7 –

1392. There is no regulation of VASP activity for AML/CFT purposes in the country and therefore the guidelines and feedback requirements under Recommendation 34 are not applicable.

Criterion 15.8 –

1393. There are no criminal, civil or administrative sanctions that can be imposed on VASPs for failure to comply with AML/CFT requirements in Turkmenistan.

Criterion 15.9 –

1394. The requirements for preventive measures set out in Recommendations 10 to 21 cannot cover VASPs, as virtual asset service providers are not regulated as a separate profession or separate economic activity, nor are they reporting entities under the AML/CFT/CPF Law.

Criterion 15.10 –

1395. There is no legal regulation in Turkmenistan for activities related to virtual assets and VASPs. Accordingly, there are no requirements for VASPs to apply TFS, reporting and supervision in accordance with criteria 6.5 (d), 6.5 (e), 6.6 (g), 7.2 (d), 7.2 (e), 7.3 b 7.4 (d).

Criterion 15.11 –

1396. Turkmenistan's legislation on international cooperation on money laundering, predicate offences and terrorist financing allows FIUs and LEAs to exchange information, including on virtual assets (see P37-40). As there is no body responsible for the oversight of VASPs in Turkmenistan, there is no legal basis for information exchange with foreign supervisory authorities.

Weighting and Conclusion

1397. Turkmenistan's legislation has requirements for risk assessment of new technologies, but they do not fully comply with the FATF standard. Regarding the VASP sector, there is no legal regulation of activities related to virtual assets and VASPs in Turkmenistan, but the legislation does not explicitly prohibit such activities. However, the competent authorities of Turkmenistan have established strict control on the Internet over activities related to VAs and transactions using them have been suspended on the instructions of the CB. These factors significantly limit the potential operation of VASPs and the use of VAs in Turkmenistan and consequently affect the weight of the sector. The rating takes into account the risk and context of the country that Turkmenistan is not a centre for VASPs.

1398. **Recommendation 15 is rated Partially Compliant.**

Recommendation 16 – Wire transfers

1399. In the 2011 MER, Turkmenistan's compliance rating according to SR. VII was "PC". There were no requirements to accompany remitter information; banks are not required to consider restricting or terminating business relationships with FIs which do not comply with SR.VII; there were no special measures to monitor FIs' compliance with wire transfer rules; no requirement for all intermediary FIs to pass on remitter information along the transfer chain; lack of risk management procedures for transfers that are not accompanied by remitter information, including reporting this information to the FIU; no procedures to consider terminating the relationship with the remitting FI.

Criterion 16.1 –

1400. Pursuant to part 2 of Article 8 of the AML/CFT/CPF Law, when making non-cash payments and transfers according to customer instructions, financial institutions shall ensure that the payment document and the transfer to the participant of the payment (transfer) contains the details stipulated by the legislation of Turkmenistan, including:

- a) i) surname, name, patronymic (if any) or full or abbreviated name (for legal entities) of the remitter (clause 1 of part 2 of Article 8 of the AML/CFT/CPF Law)
- ii) the individual identification number of the remitter, if the money transfer was made through a bank account, or the order number of the payment or money transfer, if the money transfer was made without using a bank account (clause 2 of part 2 of Article 8 of the AML/CFT/CPF Law)

iii) identification number or address of the remitter (for individuals and legal entities) or the number of the identification document of the remitter (for an individual) (clause 3 of part 2 of Article 8 of the AML/CFT/CPF Law)

- b) i) surname, name, patronymic (if any) or full or abbreviated names (for legal entities) of the payee (beneficiary) (clause 1 of part 2 of Article 8 of the AML/CFT/CPF Law).
ii) individual identification number of the payee (beneficiary) if the money transfer is made using a bank account, or the number of the payment or money transfer instruction if the money transfer is made without using a bank account (clause 2 of part 2 of Article 8 of the AML/CFT/CPF Law).

At the same time, the legislation allows not to conduct CDD in the following cases if the amount of the transaction or deal does not exceed the established threshold, which is 52,000 manat or USD 14,857.14:

- when a customer makes a non-cash payment or transfer of money without using a bank account, unless the customer has made a suspicious transaction;
- when a private customer carries out a transaction or deal using a payment card that is not a means of access to the customer's bank account.

Thus, in the above two cases, the cross-border wire transfers up to USD 14,857.14 are not accompanied by the necessary information as no CDD is conducted (the fact that the FATF standards require all cross-border transfers above USD 1,000 to undergo CDD). In practice, all money transfers go through the customer identification process irrespective of the transaction amount and are registered in the FI system (supporting documents submitted).

In other cases, regardless of the amount of the transaction, FIs will ensure that the necessary information is included in the payment document.

But in practice, when money transfers are made, identification is carried out regardless of the amount of the transaction in accordance of Regulation of CB (see 16.3).

Criterion 16.2 –

1401. The legislation regulates the requirements for the content of necessary information on the remitter and beneficiary of wire transfers in general, which include both local and cross-border transfers (Part 2 and 3 of Article 8 of the AML/CFT/CPF Law, clauses 2, 11, 31, 36, 43, 44, 57, 59, 60 of the Procedure for Exchange and Control of Electronic Documents in the Electronic Payment System of Turkmenistan, approved by Order of the Chairman of the Board of the CB of Turkmenistan No. 145-ö of 1 June 2012 and Article 7 of the Law on Electronic Document of 14.03.2020 r. № 226-VI. According to Article 20 of the Electronic Document Law, procedures for international electronic payments and requirements for electronic payment documents used for such payments with respect to their formats, procedures for creating electronic digital signatures, authentication procedures and security are established by the relevant treaties.
1402. However, there are no separate requirements for cross-border wire transfers bundled into a batch file in the legislation.
1403. However, this deficiency is mitigated by the fact that there are requirements for the content (including originator and beneficiary information) and processing of batch files for transfers between local participants in the system. These batch file processing requirements are also applicable to cross-border transfers, according to the CB's regulations. The requirements for the content and processing of batch files are established in the framework of Turkmenistan's electronic payment system for transfers carried out between local participants in the system. According to clause 5 of the Regulation on Electronic Payments in Turkmenistan, approved by Presidential Decree No. 4583 of 22 February 2000, the procedure for international electronic payments is established by the CB.
1404. Pursuant to clause 3 of the Regulation on non-cash settlements in Turkmenistan, approved by Order of the Chairman of the Board of the CB No. 6 of 19 January 2009, it is generally noted that when

making non-cash settlements in foreign currency, the settlement documents are subject to similar requirements, subject to the particularities of currency transactions.

Criterion 16.3 –

1405. Turkmenistan applies a minimum threshold and identification may not be legally required in two cases (see 16.1). In practice, however, when money transfers are made, identification is carried out regardless of the amount of the transaction. Transactions are conducted through automated systems and require the completion of identification fields. According to the Regulation on non-cash settlements in Turkmenistan approved by the Order of the Chairman of the Board of the CB No. 6 dated January 19, 2009, non-cash settlements (money transfer) using the client's bank account, including cross-border transfers, are made on the basis of settlement documents and must be accompanied by the necessary information on the sender and the recipient regardless of the transfer amount, (including originator/ beneficiary name, their account number or unique transaction reference number).

Criterion 16.4 –

1406. According to the basic law (parts 2 and 4 of Article 6 of the AML/CFT/CPF Law), persons carrying out financial transactions must, when carrying out transactions, collect all necessary information on the parties to the transaction and store it in a documentary or electronic format so that this information is easily reproducible if necessary. A country should ensure that the information that accompanies a financial transaction, including cross-border payments, is accurate. This procedure is mandatory for all transactions above the threshold and transactions subject to special scrutiny, which include, but are not limited to, transactions that fall within the scope of suspicion of ML/FT.

Criterion 16.5 –

1407. Pursuant to clause 44 of the Procedure for Exchange and Control of Electronic Documents in the Electronic Payment System of Turkmenistan, approved by Order of the Chairman of the Board of the CB of Turkmenistan No. 145-ö of 1 June 2012, the electronic payment document shall correspond to the document format established by the CB of Turkmenistan and shall contain all mandatory details. The formats and details of electronic documents are described in the annex to the Order "Procedures of Exchange and Formats of Messages in the Interbank Electronic Settlement System of Turkmenistan", where one of the mandatory details is information about the customer-remitter of the transfer (including the name of the customer, INN (Taxpayer Identification Number), full name of the head, residence, economic sector, transaction IDs, accounts, etc.).

Criterion 16.6 –

1408. In accordance with part 5 of Article 11 of the AML/CFT/CPF Law, persons carrying out transactions must provide the authorized body, upon its request, with the necessary information and documents on transactions (including internal and external wire transfers) subject to mandatory control.

1409. In accordance with clause 5 of part 2 of Article 17 of the AML/CFT/CPF Law, LEAs have the possibility to obtain information on transactions subject to mandatory control through an authorized body, which upon requests of LEAs and other state bodies provides information on the transaction subject to mandatory control in the manner prescribed by the legislation of Turkmenistan.

1410. The laws and statutory instruments do not stipulate the obligation and deadline for providing the relevant information by the sending FI at the request of the beneficiary FI where only the account number or unique transaction reference number is available.

Criterion 16.7 –

1411. Documents and information obtained as a result of customer due diligence, including customer information and correspondence, documents and information on transactions or dealings with funds and other assets subject to mandatory control and suspicious transactions, as well as the results of the examination of all complex, unusually large and other unusual transactions or deals shall be

kept by the persons carrying out the transactions for a period of at least five years after the transaction or deal has taken place (part 6 of Article 12 of the AML/CFT/CPF Law).

1412. Persons carrying out transactions must keep all data concerning national and international transactions or dealings for at least five years after the termination of the business relationship with the customer (part 2 of Article 11 of the AML/CFT/CPF Law).
1413. Pursuant to Article 11 of the Law on Electronic Documents, electronic documents are stored by senders and recipients of electronic documents, as well as by organizations carrying out archiving activities.
1414. Pursuant to clause 11.1 of the Model Regulations for Internal Control of a Financial institution on Combating and Detecting Transactions with Cash and/or Other Property Related to Money Laundering and Financing of Terrorism, approved by Order of the Chairman of the Management Board of the CB of Turkmenistan No. 106-ö of 01.05.2012, information and documents received by the bank in the framework of the implementation of these Regulations shall be kept for at least 5 (five) years from the date of termination of the relationship with the customer.
1415. Pursuant to clause 82 of the Procedure for Exchange and Control of Electronic Documents in the Electronic Payment System of Turkmenistan, approved by Order of the Chairman of the Board of the CB of Turkmenistan No. 145-ö of 1 June 2012), electronic documents are stored in an electronic archive together with the means of authentication of electronic documents, as well as in electronic form on electronic media for the periods specified in the "List of documents formed in the activities of the CB of Turkmenistan, institutions, organizations (branches), enterprises and structural divisions of the banking system, with indication of storage periods" approved by the Chairman of the CBT Board on 15.04.2016 and agreed with the Chairman of the Main Archives Department under the Cabinet of Ministers of Turkmenistan on 16.04.2016.
1416. Pursuant to clause 6 of the Regulation on Electronic Payments in Turkmenistan, approved by Presidential Decree No. 4583 of 22 February 2000, when dealing with electronic payment documents there must be a possibility to reproduce them on paper, preserving all the details in accordance with the legislation of Turkmenistan.

Criterion 16.8 –

1417. According to the basic law (part 1 of Article 14 of the AML/CFT/CPF Law), reporting entities should not carry out the operation if it does not comply with CDD requirements and have the right to refuse to execute the remitter's (payer's) order if information about the remitter (payer) and the beneficiary is not available in the settlement or any other document containing the remitter's (payer's) order or is not otherwise obtained. However, the deficiencies noted in 16.1 and 16.3 apply to this criterion.

Criterion 16.9 –

1418. FIs shall control the availability of information in the payment document in accordance with the requirements of R.16 when receiving a payment and transferring money from a foreign FI, as well as record and store information necessary to identify the beneficiary of a money transfer without using a bank account (part 3 of Art. 8 of the AML/CFT/CPF Law) for at least five years after the transaction (part 6 of Article 12 of Identification of the beneficiary of a money transfer without the use of a bank account (part 3 of Article 8 of the AML/CFT/FTMA CPF). Pursuant to Article 11 of the Law on Electronic Documents, electronic documents shall be stored by senders and recipients of electronic documents and by organizations carrying out archiving activities. The originals of electronic documents shall be stored.
1419. Pursuant to clause 82 of the Procedure for Exchange and Control of Electronic Documents in the Electronic Payment System of Turkmenistan, approved by Order of the Chairman of the Board of the CB of Turkmenistan No. 145-ö dated 1 June 2012), electronic documents are stored in an electronic archive together with the means of authentication of electronic documents, as well as in electronic form on electronic media for the periods specified in the "List of documents formed in the activities of the CB of Turkmenistan, institutions, organizations (branches), enterprises and

structural divisions of the banking system, with indication of storage periods". According to this List, documents (applications, payment orders, credit and debit slips) for sending and receiving remittances in foreign currency must be kept for 15 years.

1420. Pursuant to clause 6 of the Regulation on Electronic Payments in Turkmenistan, approved by Presidential Decree No. 4583 of 22 February 2000, when dealing with electronic payment documents there must be a possibility to reproduce them on paper, preserving all the details in accordance with the legislation of Turkmenistan.

Criterion 16.10 –

1421. In accordance with the laws, FIs should ensure that information on the remitter, beneficiary, amount and details of a transaction is available at any stage of the transaction. The requirement for a FI to retain information and documents (copies thereof) obtained through the identification of customers, their representatives, as well as those obtained and compiled in the application of enhanced internal controls, also applies to a transit FI.

Criterion 16.11 –

1422. The requirements apply to all stages of the transaction, so it infer that the intermediary FI is obliged to take reasonable measures to detect cross-border transfers that do not contain the required beneficiary or remitter information.

Criterion 16.12 –

1423. The national legislation does not set out specific requirements (i) when to execute, reject or suspend a wire transfer that does not have the required originator information or the required beneficiary information; and (ii) the appropriate follow-up action. The relevant requirements are considered in a general manner for all FIs.

1424. However, according to Article 12 of the AML/CFT/CPF Law, FIs shall take measures to ensure that the services they provide are not used by others to commit or facilitate ML/TF/CPF and shall implement measures to apply a risk-oriented approach.

Criterion 16.13 –

1425. FIs control the availability of the required beneficiary and originator information in the payment document, when a payment is received and money is transferred from a foreign FI, and record and store the information required to identify the beneficiary of a money transfer without the use of a bank account, which means that FIs are required take reasonable measures, to identify cross-border wire transfers that lack required originator information or required beneficiary information. (part 3 of Article 8 of the AML/CFT/CPF Law).

Criterion 16.14 –

1426. Given that the basic law obliges the FI at any stage to ensure that relevant information on the remitter, beneficiary and transaction details is obtained, the obligation to ensure that information on the remitter and beneficiary of a transfer for an amount equal to or exceeding the threshold may apply to the receiving FI.

Criterion 16.15 –

1427. The national legislation does not set out specific requirements (i) when to execute, reject or suspend a wire transfer that does not have the required originator information or the required beneficiary information; and (ii) the appropriate follow-up action. The relevant requirements are considered in a general manner for all FIs.

Criterion 16.16 –

1428. Money or value transfer services are provided by banks in Turkmenistan that are duly registered and licensed to carry out banking activities. Consequently, MVTs are subject to the same requirements as those noted under compliance criteria 16.1-16.15. All the deficiencies noted above also apply to them.

1429. The provision of postal services in Turkmenistan is also carried out by the Turkmenpochta postal company, which carries out money transfers. It is subject to the same requirements set out in the basic legislation, as well as in the laws and statutory instruments governing postal organizations.

Criterion 16.17 –

1430. Banks and postal operators, which are MVTs providers in Turkmenistan, are subject to the provisions of the AML/CFT/CPF Law, which contains general requirements for the recognition of potentially suspicious transactions and sending STRs. The procedure and requirements for the postal transfer of funds, as well as the forms of the postal order form are established by the Order on the transfer of funds through the post office, approved by the Order of the General Director of KPS "Turkmenpochta" dated 13.07.2022 No. 81-Ö. These rules provide for mandatory indication of data on the sender and recipient of the postal transfer. However, the legislation does not regulate specific requirements for MVTs providers, which control both remitting and beneficiary parties of wire transfers as, under Turkmenistan's legislation, such MVTs s cannot be established.

Criterion 16.18 –

1431. Under the basic legislation (part 2 of Article 15 of the AML/CFT/CPF Law), reporting entities, including MVTs providers are required to take freezing action and comply with prohibitions from conducting transactions with designated persons and entities, as per obligations set out in the relevant UNSCRs relating to the prevention and suppression of terrorism and terrorist financing, such as UNSCRs 1267 and 1373, and their successor resolutions.

Weighting and Conclusion

1432. The requirements have been mostly fulfilled. However, there is a significant shortcoming: in two cases the cross-border wire transfers up to USD 14 857,14 are not accompanied by the necessary information as no CDD is performed. This shortcoming does not comply with R.16 requirement to accompany all cross-border transfers above USD 1,000 with identification data.

1433. **Recommendation 16 is rated Partially Compliant.**

Recommendation 17 – Reliance on third parties

1434. In the 2011 MER, Turkmenistan's compliance rating for R. 9 was "NA".

Criterion 17.1 –

1435. FIs in Turkmenistan are not allowed to rely on FIs and DNFBPs - third parties - to apply CDD measures within Turkmenistan.

1436. In accordance with clause 10 of Article 6 of the AML/CFT/CPF Law of Turkmenistan, FIs and DNFBPs may only rely on CDD measures taken against the relevant customers (their representatives) and beneficial owners by other persons carrying out transactions, if they operate in foreign countries.

- a) In accordance with clause 11 of Article 6 of the AML/CFT Law of Turkmenistan, persons carrying out transactions that rely on customer due diligence measures taken by another person carrying out transactions that is registered and operating in a foreign country must be able to immediately obtain the necessary data on the customer (his/her representative), the beneficial owner.
- b) The above clause also provides that persons carrying out transactions that rely on customer due diligence measures should be able to obtain certified copies of supporting documents, as part of CDD measures, from a third party.
- c) Clause 10 of Article 6 of the AML/CFT/CPF Law of Turkmenistan establishes that the activities of third parties shall be duly supervised by the relevant competent authorities; and legal requirements for combating money laundering, financing of terrorism and financing weapons of mass destruction proliferation of which comply with the provisions of the AML/CFT/CPF Law of Turkmenistan.

Criterion 17.2 –

1437. Article 6 of the AML/CFT/CPF Law of Turkmenistan establishes that a third party carrying out CDD measures cannot be a high-risk jurisdiction, e.g. offshore zones and countries with an inadequate AML/CFT system.

Criterion 17.3 – (a) - c)

1438. As stated above, Turkmenistan's FIs are not allowed to rely on local FIs and DNFBPs - third parties - to apply CDD measures.

1439. In addition, Article 12 of the AML/CFT/CPF Law of Turkmenistan establishes that the FIs and DNFBPs shall ensure that their branches, representative offices, subsidiaries located both in Turkmenistan and abroad observe and implement Internal Control Regulations. Where the legal provisions of the state in the territory of which the branches, representative offices or subsidiaries of Turkmenistan operate are less stringent than the regulatory measures provided for in the AML/CFT/CPF Law, the persons carrying out the transactions must apply the requirements of the Law of Turkmenistan to the extent that the legislation of that state so permits.

1440. Persons carrying out transactions are required to report to the authorized body the facts of the impossibility of their branches, representative offices, subsidiaries located outside Turkmenistan to comply with and implement the Internal Control Regulations due to contradiction with the legislation of their state of domicile.

1441. In this regard, persons carrying out transactions, in consultation with the relevant supervisory authority, are required to take additional measures to effectively mitigate the risks associated with money laundering, financing of terrorism and the financing of proliferation of weapons of mass destruction. If the person carrying out the transactions determines that these additional measures are not sufficient to mitigate the risks, the business relationship or transactions with the customer must be terminated, or the operations of the branch, representative office or subsidiary of the person carrying out the transactions in the territory of that state must be terminated.

Weighting and Conclusion

1442. **Recommendation 17 is rated Compliant.**

Recommendation 18 – Internal control and foreign branches and subsidiaries

1443. In the 2011 MER, Turkmenistan's compliance rating according to R.15 was "PC", according to R.22 the rating was "NC". Regarding R.15 the main shortcomings were related to the lack of requirement to conduct mandatory AML/CFT training for employees of FIs and the absence of standards for such training; the lack of requirement to conduct mandatory screening of employees of FIs when hiring and carrying out activities. The requirements of Recommendation 22 have not been implemented in legislation.

Criterion 18.1 –

1444. FIs in Turkmenistan should implement measures for AML/CFT purposes to apply a risk-based approach and develop internal control regulations and procedures for their implementation. (Article 12 of the AML/CFT/CPF Law). The AML/CFT/CPF internal control programme, the AML/CFT/CPF risk management and mitigation programme, which takes into account customer risks and risks of using services for criminal purposes, including risks of using technological advances and other programmes are included in the ICR.

- a) According to clause 1 of part 1 of Article 12 of the AML/CFT/CPF Law reporting entities shall appoint a compliance officer. However, the law does not specify that these officers in charge must have managerial positions.

A responsible officer (responsible officers) should be appointed in the bank, taking into account the specifics of its organization, main activities, customers and risks related to money laundering and financing of terrorism, and a special structural unit may be created or its

functions assigned to an already existing structural unit (clause 6 of the Regulation on measures to combat and detect money and/or other assets transactions connected with money laundering and financing of terrorism, approved by the Joint Order of the Chairman of the Board of the CB of Turkmenistan No.26 of 17 February 2011 and the Minister of Finance of Turkmenistan No.17 of 17 February 2011), section 3 of the Model AML/CFT Internal Control Regulations of a Financial institution, approved by Order of the Chairman of the Management Board of the CB of Turkmenistan No. 106-ö of 01.05.2012). The aforementioned Regulations establish qualification requirements for the AML/CFT officer in charge within institution.

Internal control for AML/CFT purposes is part of the Bank's internal control system and is carried out by units and employees of the Bank on an ongoing basis (clause 3.1 of the Model Internal Control Regulations of a Financial institution) and carried out by the authorized management body, the executive bodies of the bank, its units and employees at all levels, including the internal audit service and officers in charge of internal controls, practices and procedures to ensure that the bank is not involved in financial transactions of an illegal nature (Regulation on the Organization of Internal Control in banks of Turkmenistan).

Other FIs must develop risk management procedures for the conditions in which the customer may use the business relationship (clause 9 of the Regulation on the Organization of Internal Control) and designate a person in charge of supervising the identification of transactions subject to mandatory control or suspicious transactions (clause 14 of the Regulation on the Organization of Internal Control).

- b) According to Article 12 of the AML/CFT/CPF Law, the ICR should include a training programme, including ensuring high standards for the recruitment of employees.

The Model Internal Control Regulations of a Financial institution stipulate that the officer in charge shall have a higher legal or economic education and at least one year of experience in managing a department or other unit of the Financial institution involved in banking operations, and in the absence of such education, at least two years of experience in combating money laundering and financing of terrorism or at least two years' experience in managing a banking unit of a financial institution. AML/CFT personnel should have a university degree and at least six months of work experience in the banking unit of the financial institution or, in the absence of a university degree, at least one year of AML/CFT experience or at least one year' experience in the banking operations unit of a financial institution.

The Regulation on Training and Skills Development for Reporting Personnel Implementing Measures to Combat Money Laundering and Financing of Terrorism, approved by Order of the Minister of Finance of Turkmenistan No. 62 of 9 June 2011, establishes requirements obliging reporting entities to develop an internal policy, procedures and methods of control, including appropriate compliance procedures, and adequate procedures for the selection of staff meeting high standards (clause 3), as well as requirements for candidates for the position of staff member (must have higher education in relevant professions, at least 3 years' work experience in the sector, knowledge of laws and statutory instruments, standards).

In accordance with the Regulation on the Selection and Appointment of Civil Servants Appointed to Civil Servant Positions with the Approval of the Cabinet of Ministers of Turkmenistan (approved by the PD of 2018) (CPD)for official use)), a "special screening of potential candidates for the position at the FI is carried out, including, for example, criminal record, goodwill, etc.", and according to clause 18 (sub-clauses 3 and 4), persons with an outstanding or unexpunged criminal record, as well as those suspended from public service by court order, cannot be considered as candidates for managerial positions in a financial institution.

- c) Pursuant to Article 12 of the AML/CFT/CPF Law, ICR should include a programme of continuous AML/CFT/CPF training and education for persons carrying out transactions.

FIs are obliged to conduct continuous AML/CFT training for employees. The obligation is established by the Regulation on Training and Skills Development for Reporting Personnel Implementing Measures to Combat Money Laundering and Financing of Terrorism, approved by Order of the Minister of Finance No. 62 of 09 June 2011, as well as in accordance with clause 41 of the Regulation on the implementation by banks of measures to prevent and detect transactions with money and/or other property related to money laundering and financing of terrorism and the ICR of the State Insurance Organization of Turkmenistan.

- d) Reporting entities (FIs) are required to conduct an annual external independent audit procedure for compliance with AML/CFT legislation (clause 26 of the Regulation on the organization of internal control). When carrying out an annual mandatory audit of banks, financial institutions, insurance companies, investment institutions and other FIs under Article 6 of the Law of Turkmenistan "On Auditing Activities", carry out a mandatory inspection of the audited entities' compliance with AML/CFT legislation. The audit report on the mandatory audit must be submitted by the audited entity within 10 days of the receipt of the audit report to the competent state authority.

The basic law (part 1 of Article 12 of the AML/CFT/CPF Law) provides for periodic independent audits by financial institutions to ensure that risk management measures to combat money laundering, financing of terrorism and financing of proliferation of weapons of mass destruction meet the requirements of this Law.

The bank's internal audit service monitors, reviews and evaluates the effectiveness of the bank's overall internal control system (including (based on objectives) compliance and AML/CFT issues) in accordance with Chapter 3 of the Regulation on the organization of internal control. However, the laws and statutory instruments on banks' AML/CFT internal controls do not regulate the requirements for internal audits to assess the effectiveness of AML/CFT internal controls system and the frequency of such audits.

Under the ICR of the State Insurance Organization of Turkmenistan, the insurer is required to conduct an annual independent audit to assess the effectiveness of the organization of the AML/CFT internal control system.

Criterion 18.2 –

1445. According to clause 4 of Article 12 of the AML/CFT Law, persons carrying out transactions shall ensure that their branches, representative offices, subsidiaries located both in Turkmenistan and abroad observe and implement internal control regulations, if this does not contradict the legislation of the state where they are domiciled.

- a) The procedure for preparing and submitting information to the authorized body provides for a one-way exchange of information, where the submission of information by branches and other structural units of the Bank is done through the head office (clause 10.2 of the Model Internal Control Rules of a financial institution). Thus, the laws and statutory instruments do not set out specific procedures for the exchange of information necessary for the purposes of CDD and ML/TF risk management between the head office, the parent company, branches and subsidiaries of FIs.
- b) Pursuant to clause 4 of Article 12 of the AML/CFT Law, reporting entities shall ensure that their branches, representative offices, subsidiaries located both in Turkmenistan and abroad comply with and implement internal control regulations, unless this contradicts the legislation of the state where they are domiciled.

However, no specific requirements obliging branches and subsidiaries of FIs to provide higher-level compliance, audit and/or AML/CFT groups with the necessary information on customers, accounts and transactions, if necessary, have been established in the laws and statutory instruments of Turkmenistan.

- c) Pursuant to clauses 1, 2 of Article 21 of the AML/CFT Law, persons carrying out or having carried out activities provided for in this Law and who in the performance of their official duties

have or had access to information related to official secret are not entitled to disclose it without the permission of an authorized body or person.

According to Article 7 of the Law on Commercial Secret, information on clients and correspondents of a financial institution, their bank accounts and transactions on them, deposits, funds attracted and deposited, money transfers of individuals made through financial institutions without opening an account, funds and other valuables of the client deposited with the financial institution, which are bank secrets in accordance with the Law on Financial institutions and Banking Activities, are considered information constituting The Law on Commercial Secrets establishes requirements for the protection of confidentiality, access to and provision of information that constitutes a commercial secret.

The procedure for ensuring the confidentiality of information for banks is regulated by Article 34 of the Law on Financial institutions and Banking Activities, according to which employees of a financial institution have no right to disclose banking secrets and other official information that has become known to them in connection with the performance of their duties, except for cases provided for in the legislation of Turkmenistan, as well as to use it for personal benefit. Persons guilty of divulging bank secrets and other official information are held liable in accordance with the legislation of Turkmenistan.

Clause 25 of the Internal Control Rules sets out a general procedure for ensuring the confidentiality of information and protecting the use of data, which includes limiting access to persons not directly involved in the collection, collation, analysis, storage and transmission of information on customer transactions.

The Model Internal Control Rules of a financial institution also set out general requirements for maintaining bank secrecy and confidentiality of information obtained in the course of internal control for AML/CFT purposes.

Criterion 18.3 –

1446. Pursuant to clause 4 of Article 12 of the AML/CFT/CPF Law and clause 27 of the Internal Control Regulations, if the legal regulations of the state in the territory of which Turkmenistan has branches, representative offices or subsidiaries are less strict than the regulatory measures provided for in this Law, persons carrying out transactions must apply the requirements of this Law to the extent that the legislation of that state allows it.
1447. Persons carrying out transactions are required to report to the authorized body the facts of the impossibility of their branches, representative offices, subsidiaries located outside Turkmenistan to comply with and implement internal control regulations due to contradiction with the legislation of the state of their domicile.
1448. In this regard, persons carrying out transactions, in agreement with the relevant supervisory authority, are required to take additional measures to effectively mitigate the risks associated with money laundering, financing of terrorism and the financing of proliferation of weapons of mass destruction. If the person carrying out the transactions determines that these additional measures are not sufficient to mitigate the risks, the business relationship or transactions with the customer must be terminated, or the branch, representative office or subsidiary of the person carrying out the transactions in that state must be terminated.

Weighting and Conclusion

1449. The legislation of Turkmenistan establishes requirements for FIs to develop an internal control programme/rules for AML/CFT purposes, which should be applied by their branches, representative offices, subsidiaries. However, the legal acts do not set out specific procedures for the exchange of information required for CDD and ML/TF risk management purposes between the head office, parent company and branches, subsidiaries of FIs, nor do they have specific requirements obliging branches and subsidiaries of FIs to provide higher-level compliance, audit

and/or AML/CFT units with the necessary information on customers, accounts and transactions to the legal acts of Turkmenistan when necessary.

1450. Recommendation 18 is rated Largely Compliant.

Recommendation 19 – High-risk countries

1451. In the 2011 MER, Turkmenistan's compliance rating according to R. 21 was "LC", as it was impossible to assess the effectiveness of the measures taken.

Criterion 19.1 –

1452. Article 1 of Turkmenistan's AML/CFT/CPF Law defines the term "country with an inadequate system" as a country that does not or insufficiently implements the recommendations of the Financial Action Task Force (FATF). Among the mandatory grounds for the scrutiny of transactions or operations carried out by the customer, the application of enhanced customer due diligence measures and the recording of the results of such scrutiny, is the execution of a transaction or dealing involving funds or other assets to which a person registered (residing) in a state (territory) that is a country with an inadequate system, or involving an account with a bank registered in such a state (territory).

1453. Clause 5 of Article 9 of the AML/CFT/CPF Law of Turkmenistan states that the Regulation on measures against countries with inadequate systems for combating money laundering, financing of terrorism and financing of proliferation of weapons of mass destruction is developed by an authorized body and approved in accordance with the legislation of Turkmenistan. Part 8 of the Regulation states that if business relationships and transactions carried out with persons associated with countries with inadequate AML/CFT/CPF systems, as well as any other actions related to their preparation or planning do not have a clear economic or apparent legitimate purpose, and cannot be justified on the basis of objective and credible data and documents, the persons conducting the transactions, within their authority, are required as follows:

- to examine the basis and purpose of such transactions;
- supporting objective data and documents, and the findings and conclusions should be documented in writing.

1454. Entities subject to AML/CFT Law are required to pay special attention to business relationships and transactions with persons (including legal entities and individuals) from or to countries with inadequate AML/CFT systems.

Criterion 19.2 –

1455. The minimum requirements in implementing countermeasures include, inter alia, classifying all financial transactions with countries with inadequate AML/CFT systems as transactions subject to mandatory supervision and applying enhanced CDD measures thereto. However, the automatic reporting of transactions subject to mandatory reporting does not always imply the application of measures proportionate to the risk and entities are allowed, but not obliged, to refuse to establish or terminate business relationships for cases that fall under this criterion.

Criterion 19.3 –

1456. In accordance with Article 9 of the AML/CFT/CPF Law the list of countries with inadequate systems, compiled by the Financial Action Task Force (FATF), is posted on the Internet on the official website of the competent authority and is also sent to the supervisory authorities for communication to persons carrying out transactions.

1457. In addition, the existence in Turkmenistan of a list of offshore zones approved by Order of the Minister of Finance of Turkmenistan No. 73-ö of 04.05.2017 is taken into account. Thus, in clause 26 of the aforementioned Regulation, customers of banks from offshore zones must be classified as high-risk and enhanced CDD measures must be applied thereto.

Weighting and Conclusion

1458. The FIs of Turkmenistan are required to apply enhanced CDD measures to states (territories) where the international AML/CFT requirements are not properly applied. However, there are shortcomings in the application of proportionate risk measures, as all transactions with countries with inadequate AML/CFT systems are automatically reported as transactions subject to mandatory control.

1459. **Recommendation 19 is rated Largely Compliant.**

Recommendation 20 – Reporting of suspicious transactions

1460. In the 2011 MER, Turkmenistan's compliance rating according to R. 13 and SR. IV was "LC". The main shortcomings were related to the effectiveness of the implementation of R.13 due to the lack of criminalization of ML, as well as the low number of STRs, indicating the low effectiveness of the STR system as a whole.

Criterion 20.1 –

1461. According to part 3 of Article 14 of the AML/CFT/CPF Law, in order to prevent and combat money laundering, financing of terrorism and financing of proliferation of weapons of mass destruction, persons carrying out transactions, when a transaction and deal is recognized as suspicious, must immediately report it to the authorized body. Suspicious transactions (deals) reports that cannot be suspended shall be reported to the authorized body no later than three hours after they occur or within twenty-four hours of the identification of such transactions (deals). A report of a transaction (deal) recognized as suspicious after it has occurred shall be submitted by the person carrying out the transactions to the authorized body no later than the business day following the day on which such transaction (deal) was recognized as suspicious.

Criterion 20.2 –

1462. There are no restrictions on the form of suspicious transactions or on the amount for which they are or may be carried out. A report is sent whether or not a suspicious financial transaction has taken place (i.e., even when a transaction is attempted).

Weighting and Conclusion

1463. **Recommendation 20 is rated Compliant.**

Recommendation 21 – Tipping-off and confidentiality

1464. In the 2011 MER, Turkmenistan's compliance rating according to R. 14 was "LC" due to the lack of an explicit prohibition on disclosure of the fact that STRs or related information are sent or provided to the FIU.

Criterion 21.1 –

1465. The provision of information and documents by persons carrying out transactions to an authorized body for the purposes and in the manner prescribed by the AML/CFT/CPF Law of Turkmenistan shall not constitute the disclosure of state or other secrets protected by law. In addition, the refusal to carry out as well as the suspension of transactions or deals with money or other property under this Law do not constitute grounds for the civil liability of persons carrying out transactions for breach of the terms of the relevant contracts (Article 12.8 and Article 14.12 of the AML/CFT/CPF Law).

Criterion 21.2 –

1466. Persons carrying out transactions and their employees may not notify customers and other persons of the provision of information about such customers and the transactions carried out by them to the authorized body (Article 12.7 of the AML/CFT/CPF Law of Turkmenistan). Persons carrying out activities provided for in this Law and who, in the performance of their official duties, have or have had access to information related to official secrets are prohibited by law from disseminating them (Article 21 of the AML/CFT/CPF Law of Turkmenistan).

Weighting and Conclusion

1467. **Recommendation 21 is rated Compliant.**

Recommendation 22 – DNFBPs: Customer due diligence

1468. In the 2011 MER, Turkmenistan's compliance rating according to R. 12 was "NC". The main shortcomings were the lack of AML/CFT requirements in the context of identification, verification and CDD measures, as well as data storage and the lack of a control mechanism for complex, unusual and particularly large transactions and deals.

Criterion 22.1 –

1469. The CDD requirements apply to all categories of persons carrying out financial transactions as defined in Article 4 of the AML/CFT/CPF Law.

a) casino

Casinos, as an AML/CFT/CPF entity, are required to conduct CDD when customers carry out financial transactions (Art. 6 of the AML/CFT/CPF Law). In addition, Article 7 of the AML/CFT Law also stipulates that CDD measures must be applied before establishing a business relationship with customers, i.e., actually upon entering the casino. There are no monetary thresholds for financial transactions, so a wider range of situations is covered than is provided for in Criterion 22.1(a).

It is also taken into account that there are currently no licenses issued for gambling and gambling-related activities on the territory of Turkmenistan and there are no relevant organizations.

b) real estate agents;

Pursuant to Article 6 of the Law of Turkmenistan on Realtor Activity, realtor services are understood to be both the provision of services to the consumer for the sale and purchase of real estate belonging to third parties into his/her ownership or use.

Companies and individual entrepreneurs providing real estate services, when providing intermediary services or carrying out transactions, or deals for their customer related to the purchase and sale of real estate, are considered entities subject to the AML/CFT/CPF Law.

c) dealers in precious metals and precious stones;

Persons engaged in the purchase and sale of precious metals and precious stones, articles thereof, as well as scrap of such articles in any transaction are considered to be subject to the AML/CFT/CPF Law. Current legislation does not set monetary thresholds for customer transactions in which dealers in precious metals and stones become subject to the AML/CFT Law, so a wider range of situations is covered than is provided for in criterion 22.1(c).

d) Attorneys, lawyers, notaries and accountants

In carrying out the activities described in Criterion 22.1(d), attorneys, lawyers, notaries and auditors providing professional accounting services must comply with certain requirements of R.10 with regard to CDD.

The Model Internal Control Regulations on combating money laundering and financing of terrorism in bar associations, law societies, attorneys and persons providing legal assistance on the basis of license, approved by Order of the Minister of Justice No. 10 ÖB of 26 February 2013, establish that CDD measures are applied both when establishing the business relationship and at all stages of transactions.

Turkmenistan has demonstrated similar requirements for the implementation of CDD requirements, which are regulated by internal control regulations to combat money laundering and financing of terrorism in the activities of notary offices (Order of the Head of the State Notary Office of the city of Ashgabat No. 20 iş of 2 December 2019), as well as in the activities of auditors providing professional accounting services (By Order of the Minister of Finance

No. 10-ö of 07.02.2012 "On approval of the Model Internal Control Regulations to Combat Money Laundering and Financing of Terrorism and procedures for its implementation in an audit organization").

e) Trust or company service providers

In the CivC, other legislative acts do not contain a trust as a form of establishment or type of organization. Thus, a trust cannot be registered in Turkmenistan. There is no separate category of institution as a trust or company service provider in the country.

There is no concept of a trust in the AML/CFT/CPF Law of Turkmenistan.

Criterion 22.2 –

1470. Article 11 of the AML/CFT/CPF Law of Turkmenistan establishes that persons carrying out transactions, when carrying out all transactions or deals, as well as customer due diligence, shall document and store the information and documents (or copies thereof) received about the customer, the beneficiary, the beneficial owner and the transaction or deal based on a list of documents necessary for customer due diligence by type of person conducting transactions, in accordance with this Law and the internal control regulations. This information and documents (or copies thereof) should be accessible to the relevant state authorities. These data concerning national and international transactions or deals should be kept for at least five years after the termination of the business relationship with the customer, and have effective systems and procedures in place to respond promptly and comprehensively to requests and demands for customer transactions or deals from the competent authority and other relevant state authorities.

1471. However, there is no requirement regarding the sufficiency of data to be used as evidence in court proceedings in the AML/CFT/CPF Law of Turkmenistan and it is directly established only for attorneys and other persons providing legal assistance (Order of the Minister of Justice of Turkmenistan No. 42-iş of 5 September 2019).

Criterion 22.3 –

1472. The shortcomings noted in recommendation 12 also apply to DNFBBPs.

Criterion 22.4 –

1473. The shortcomings noted in recommendation 15 also apply to DNFBBPs.

Criterion 22.5 –

1474. DNFBBPs in Turkmenistan are not allowed to rely on FIs and DNFBBPs - third parties - to apply CDD measures domestically. Reporting entities may only rely on CDD measures by foreign reporting entities and the third party is adequately supervised. In doing so, the FIs and DNFBBPs of Turkmenistan should be able to immediately obtain the necessary data on the customer (his/her representative), the beneficial owner, and be able to obtain certified copies of the supporting documents, as part of the CDD measures.

1475. The provisions relating to confidence in third parties noted in R.17 also apply to DNFBBPs.

Weighting and Conclusion

1476. The requirements set by Turkmenistan for DNFBBPs are largely in line with the FATF Recommendations and are established mainly by the AML/CFT/CPF Law. The deficiencies related to the FATF, new technologies are also applicable to DNFBBPs.

1477. **Recommendation 22 is rated Largely Compliant.**

Recommendation 23 – DNFBBPs: Other Measures

1478. In the 2011 MER, Turkmenistan was rated NC with R.16. The main deficiencies were related to the deficiencies in criminalizing ML/TF, lack of prohibition and responsibility of DNFBBP officers and senior managers for informing clients about submitting STRs, lack of requirements for mandatory screening of officers, as well as compulsory training.

Criterion 23.1 –

1479. STR submission requirements are set out in Article 5 of the AML/CFT/CPF Law and apply to entities engaged in financial transactions. According to Article 4 of this Law, entities engaged in financial transactions include all categories of institutions falling under the FATF definition of DNFBPs (see Analysis 22.1).

- b) Suspicious transaction reporting requirements are established by Article 14 of the AML/CFT/CPF Law and apply to notaries, auditors providing professional accounting services, attorneys and other persons providing legal aid to natural and legal persons under license in the areas specified in Criterion 22.1.
- c) Dealers in precious metals and precious stones are reporting entities and shall submit STRs. All suspicious transactions shall be reported irrespective of their amount and therefore a broader range of situations is covered than in Criterion 23.1.
- d) There is no trust in the Civil Code, AML/CFT/CPF Law and other Turkmen legislative acts as a form of establishment or type of organization. Therefore, a trust cannot be registered in Turkmenistan. There is no separate category of institutions as Trust and Company Service Providers in the country.

The STR submission requirements apply to all categories of institutions falling under the FATF definition of DNFBPs, and this disposition covers a broader range of situations, as the Turkmen law does not establish a reporting threshold.

Criterion 23.2 –

1480. In accordance with the AML/CFT/CPF Law (Article 8), DNFBPs of Turkmenistan shall undertake measures for applying a risk-based approach for AML/CFT purposes and develop internal control rules (hereinafter the ICR) and procedures for their implementation.

1481. This Law also establishes requirements for the application of a risk-based approach by:

- Appointing responsible employees for the implementation of the measures stipulated by the Law;
- Implementing internal controls and procedures to effectively manage the risks of money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction;
- Developing and approving inhouse internal control rules.

1482. It should be noted that independent audit functions to verify this system are provided only for financial institutions and do not provide for this procedure for DNFBPs.

1483. The development of internal control rules for DNFBPs is carried out on the basis of the Methodological Guidelines for the Development and Approval of AML/CFT/CPF Internal Control Rules approved by Order No. 18-is of the Minister of Finance and Economy of Turkmenistan dated January 24, 2022, as well as the Requirements to AML/CFT Internal Control Rules by Type of Entities Engaged in Transactions approved by Order of the Minister of Justice of Turkmenistan No. 42-is dated September 5, 2019, and the Requirements to AML/CFT internal control rules developed by dealers in precious metals and precious stones approved by Order of the CBT Board Chairman No. 108-is dated April 9, 2020.

1484. These documents provide for continuous AML/CFT/CPF training programmes (Article 12, Clause 4 of the AML/CFT Law), however, there are no provisions for compliance management (including the appointment of an officer at the management level) and a verification procedure to ensure high staff recruitment standards with respect to DNFBPs.

1485. Reference of Turkmenistan to the Regulation on Training and Professional Development of the Staff of Entities Providing Information and Implementing AML/CFT Measures approved by Order No.19-O of the FMS Chairman dated December 19, 2019, establishes the requirements to officers of the Turkmen Financial Monitoring Service.

1486. There are no requirements to DNFBPs for the organization of internal control within groups, as well as requirements to foreign branches and subsidiaries.

Criterion 23.3 –

1487. The provisions and deficiencies noted in R.19 also apply to DNFBPs. DNFBPs of Turkmenistan are required to apply enhanced CDD measures to countries (territories) where international AML/CFT requirements are not properly applied. However, automatic transaction reporting does not always mean that proportionate risk measures are applied, and DNFBPs are entitled, but not required, to refuse to establish or terminate business relationships in cases that meet this Criterion.

Criterion 23.4 –

1488. The tipping-off and confidentiality provisions of Recommendation 21 also apply to DNFBPs.

Weighting and Conclusion

1489. The STR submission requirements apply to all categories of institutions falling under the FATF definition of DNFBPs, and this disposition covers a wider range of situations, as the Turkmen legislation does not establish a reporting threshold. At the legislative level there is an obligation for DNFBPs to implement AML/CFT measures, taking into account the risk-based approach. However, the independent audit functions to verify this system is only provided for financial institutions and do not provide this procedure for DNFBPs. Turkmenistan has also not demonstrated the regulatory requirements to DNFBPs that provide for compliance management (including the appointment of an officer at the management level) and a verification procedure to ensure high staff recruitment standards. The deficiencies noted in R.19 also apply to DNFBPs.

1490. **Recommendation 23 is rated Partially Compliant.**

Recommendation 24 – Transparency and Beneficial Ownership of Legal Persons

1491. In the 2011 MER, Turkmenistan was rated PC with R.33 due to the lack of legislative measures to establish and verify information on beneficial owners of legal persons. Besides that, the system of registration of legal persons was not used for AML/CFT purposes.

Criterion 24.1 –

1492. Section 1, Chapter 2 of the CivC contains the basic rules relating to legal persons, in particular defines the concept of legal persons, contains a requirement for state registration and other provisions.

- a) The legislation provides for the establishment of commercial and non-commercial legal persons (Articles 50 and 51 of the Civil Code). In accordance with Article 24 of Law on Enterprises No. 28-II dated June 15, 2000, there are various types and legal forms of legal persons that can be established in Turkmenistan.
- b) The Ministry of Finance and Economy of Turkmenistan is the body responsible for state registration of legal persons and their registration in the Single State Register of Legal Entities (SSRLE) (Clause 4 of the Regulation on the Ministry of Finance approved by Presidential Decree No. 383 dated October 5, 2017). Article 17 of Law of Turkmenistan No. 28-II establishes a list of information to be submitted at the time of state registration of a legal person, which includes general information about the legal person. In addition to general information, beneficial owner information is provided in accordance with the form approved by Order No.721 of the Minister of Economy and Development dated December 18, 2013. The website www.fineconomic.gov.tm contains publicly available information on the required documents for the creation, registration, re-registration of legal persons, amendments to the statutory documents, as well as their dissolution.

Criterion 24.2 –

1493. The NRA-2 includes a section on the analysis of ML/TF risks, threats and vulnerabilities associated with legal persons. The analysis uses information on supervisory inspections, law enforcement

materials and STRs submitted to the FMS. However, the country has not comprehensively analysed the risks of using legal persons for ML/TF purposes, nor has it assessed legal persons for ML/TF vulnerabilities

Criterion 24.3 –

1494. According to Article 52 of the Civil Code, all legal entities (including associations, foundations, etc.) established in the country must be registered in the Unified State Register of Legal Entities. The Unified State Register includes basic information on legal persons, namely the name and the legal address defining the location of the legal person; the founding documents; the director, the list of founders (Article 7, Clause 4 of Article 15, Article 17 of Law No. 28-II). Where a legal entity is founded by another legal entity, its name, legal address and bank details shall be indicated in the Unified State Register of Legal Entities, and for founders - individuals - name, place of residence and details of the identity document.

1495. In accordance with Article 52, Clause 1 of the CivC, the information contained in the SSRLE is open for public review. Any person has the right to receive information regarding the state registration of a legal person upon an official request to the department of registration of legal persons and investment projects of the Ministry of Finance and Economy of Turkmenistan.

Criterion 24.4 –

1496. According to Article 53 of the Civil Code, legal persons carry out their activities on the basis of the charter and founding documents. The charter shall specify the type and number of shares or participants and the voting rights associated with them (for JSCs - Article 9 of Law No. 400-I). The charter and founding agreement shall contain the information specified in Criterion 24.3. More detailed provisions and requirements for legal persons on keeping information on shareholders or participants, depending on their legal form and type, are set out in the laws governing the activities of the relevant legal persons (for JSCs - Article 59 of Law No. 400-I, for enterprises of other forms of ownership - Article 13, Clause 4 of Law No 28-II).

1497. In accordance with Article 59, Part 2 of Turkmen Law No. 400-I, a JSC shall keep the above documents at the location of its executive body. At the same time there is no direct requirement in the Turkmen legislation to keep information about the founders/participants and directors in Turkmenistan at the legal person's location in all situations.

Criterion 24.5 –

1498. Legal persons shall notify the Ministry of Finance and Economy within one week of any changes to the information relating to Criteria 24.3 and 24.4 entered into the SSRLE (Article 21 of Law No. 28 -II). In accordance with Article 21, Clause 2 of Law No. 28-II, amendments to the general legal person's information (change of name, owner, legal address, change in the composition of the founders or participants, change in the charter fund, type (types) of business, legal form, as well as creation of subsidiary, branch or representative office) come into force only after the re-registration of the enterprise by the Ministry of Finance and Economy of Turkmenistan according to the procedure established for registration of enterprises (Articles 15-18 of Law No. 28-II). The Ministry of Finance and Economy has the right to refuse registration on the grounds of inconsistency of the information and documents provided (Article 18 of Law No. 28-II).

1499. At the same time, the Turkmen legislation does not establish a requirement for verification of the information provided by the Ministry of Finance and Economy of Turkmenistan.

Criterion 24.6 –

1500. Pursuant to Article 6, Clause 3 of the AML/CFT/CPF Law, entities engaged in transactions with funds and other assets are required to identify the beneficial owner and record the information necessary for its identification. LEAs have the right to obtain information from entities engaged in transactions with funds and other assets, upon request. However, there are minor deficiencies in the legislation regarding the definition of "beneficial owner" (see Criterion 10.5).

1501. Beneficial ownership information is also provided when registering a legal person in accordance with the form approved by Order of the Minister of Economy and Development No. 721 dated December 18, 2013.

Criterion 24.7 –

1502. Article 6 of the AML/CFT/CPF Law establishes the requirement for entities engaged in transactions with funds and other assets to verify the accuracy and relevance of information about the client's beneficial owner, as well as to update such information. This is typically done when the FI becomes aware of the change or on a risk-sensitive basis (see c.10.7 b), which does not ensure that information is as up-to-date as possible for all legal.

1503. At the same time, the Turkmen legislation does not establish a requirement for verification of the information provided by the Ministry of Finance and Economy of Turkmenistan. Order No.232 / 2022 of the Ministry of Finance and Economy requires to update any change to BO information within 7 days.

Criterion 24.8 –

1504. Basic and beneficial ownership information is kept with the Ministry of Finance and Economy of Turkmenistan, as the registration authority. In turn, after the decision to register the company, the Ministry of Finance and Economy of Turkmenistan within ten days sends to the tax authorities of Turkmenistan, the State Committee of Turkmenistan on Statistics, the State Customs Service of Turkmenistan, the Central Bank of Turkmenistan an extract from the Unified State Register of Legal Entities. In Turkmenistan there are legal provisions according to which the FMS (Article 19 of the AML/CFT/FTMU Law) and other LEAs (Article 133 of the CPC, with Article 52.1 of the Civil Code) may obtain information on the beneficial ownership of legal entities upon an official request.

- a) All legal entities are required to provide basic and beneficial ownership information to the Ministry of Finance and Economy of Turkmenistan at the time of registration.
- b) DNFBPs are required to obtain beneficial ownership information as part of the CDD process and provide this information upon request to the FMS or other authorized bodies.

Criterion 24.9 –

1505. In accordance with Article 12 of the AML/CFT/CPF Law, documents and information obtained through customer due diligence, including customer information and correspondence, documents and information on transactions with funds or other assets subject to mandatory monitoring and suspicious transactions, as well as the results of examination of all complex, unusually large and other unusual transactions shall be kept by reporting entities for at least five years after the transaction, including after the termination of the client relationship. Based on Article 13(4) of Law No. 28-II, the Ministry of Finance and Economy of Turkmenistan is obliged to keep the documents submitted for the state registration of legal entities. In addition, a JSC keeps the relevant documents at the location of its executive body (Article 59 of Law No. 400-I). According to the regulations on archives, the documents of ministries are kept for 15 years in the department, which indicates the requirement to keep information after the liquidation of a legal entity for more than 5 years.

Criterion 24.10 –

1506. In accordance with the AML/CFT legislation and the CPC of Turkmenistan, the Financial Monitoring Service (Article 19 of the AML/CFT/FFM Law) and LEAs (Article 52 par 1 of the Civil Code) have the right to obtain information, including basic information, held by financial institutions, DNFBPs and legal entities. In addition, the transfer of information and materials by the FMS to LEAs may take place upon request.

Criterion 24.11 –

1507. Pursuant to Article 17 of the Law on Joint Stock Companies, a company may issue only registered shares, unless otherwise provided for by the Turkmen legislation. At the same time, in accordance with Article 1, Part 1, Clause 4 and Article 34 of the Law on the Securities Market No. 139-V, it is

possible to issue bearer securities in Turkmenistan. Besides that, according to the second paragraph of Article 19, Part 2 of Law on Bearer Securities No. 139-V, the register of the securities owners is not formed. Thus, the Turkmenistan legislation contains contradictory definitions and does not contain any requirements to prevent the use of bearer shares for ML/TF purposes.

Criterion 24.12 –

1508. The legislation of Turkmenistan does not recognize shares in nominal holding and nominee directors. At the same time, the Turkmen legislation does not recognize liability for the provision of these services. Nominal holding of shares is possible only in case of conclusion of a depositary agreement in accordance with the procedure stipulated by Article 17 of Law of Turkmenistan No. 139 -V. Being a professional participant in the securities market, the trustee is subject to the AML/CFT/CPF Law and is obliged to establish all the necessary information about its clients (Article 4 and 6 of the AML/CFT/CPF Law, Article 17, Part 1 of Law No. 139-V). Shares may be held by a person on behalf of another person on the basis of an agreement on trust management of property (Chapter 14 of the CivC). At the same time, in accordance with Article 736 of the CivC, trust management does not entail the transfer of ownership of it to the trustee.

Criterion 24.13 –

1509. The Turkmen legislation provides for administrative and criminal liability for violation of certain R.24 requirements. In accordance with the AOC of Turkmenistan, there is liability for conducting illegal business activities (Article 283) and violation of rules of reporting on economic and business activities (Article 286).

1510. In accordance with Article 283, Part 1 of the AOC, entrepreneurial activity without registration may entail the following fines: 3-5 basic units for natural persons, 5-10 basic units for officials and 10-20 basic units for legal persons. In accordance with Presidential Decree No. RR-6465 dated November 29, 2013, basic amount of TMT 100 (about USD 29 equivalent), is established for determining administrative fine amount; in accordance with Presidential Decree dated May 11, 2010, basic calculation amount for state fees, fines and criminal law is TMT 300 (about USD 86 equivalent).

1511. Repeated commission of an offence under Article 283, Part 1 of the AOC, as well as committing acts specified in the said article resulting in large-scale damage shall be punishable by the following fines: 5-20 basic units for natural persons, 10-60 basic units for officials, 20-100 basic units for legal persons. Officials may also be subject to administrative arrest for up to 15 days.

1512. According to Article 286, Part 1 of the AOC of Turkmenistan the submission by natural persons of false information and documents required for state registration and tax registration of entrepreneurial activity is punishable by a fine of 1-2 basic units.

1513. The CC stipulates criminal liability for illegal entrepreneurial activity (Article 239).

1514. According to Article 239 of the CC, entrepreneurial activity without registration of a license, when such license is required, and if such activity is associated with generating income on a particularly large scale is punishable by a fine of 50-100 average monthly minimum wages or correctional labor for up to two years.

1515. Article 241 of the CC establishes liability for establishing a commercial organization without the intent to carry out entrepreneurial activities or for covering up prohibited activities that cause major damage to citizens, organizations or the State, punishable by a fine of 25-75 average monthly minimum wages or correctional labor for up to two years or imprisonment for a term of up to a year.

1516. Additional liability in the form of enforced liquidation of a legal person is stipulated by the Turkmen legislation in the following cases:

- Recognition of the invalidity of the enterprise registration due to violations of the Turkmen legislation committed during the registration, which are irreversible in nature;
- Engaging in activities without a license, if they are subject to licensing, or activities prohibited

by the Turkmen legislation;

- Engaging in activities with repeated violations of the Turkmen legislation within a calendar year or in gross violations of the Turkmen legislation;
- Failure to submit documents for updating within 14 (fourteen) months after the end of the period of validity of the extract from the register.

1517. It appears that the sanctions provided for by the AOC and the CC are not proportionate and dissuasive. Besides that, no additional liability in the form of administrative suspension of activities is applied to the offenses established by Articles 283 and 286 of the AOC.

Criterion 24.14 –

1518. a) As previously noted in Criterion 24.3, the information contained in the SSRLE is open for public inspection (Article 52, Clause 1 of the CivC.) However, it is only available upon written request, which complicates the mechanism for obtaining information promptly. Foreign competent authorities may obtain information by sending a request via the channels of the MFA.

b) The SSRLE does not contain information on shareholders. A joint stock company must ensure that the register of securities holders is maintained. Access to such information may be obtained through requests by LEAs as part of the police intelligence activities. Supervisors do not have the authority to obtain information from the register of securities holders. Information from this register may be provided to the Cabinet of Ministers.

c) Article 6, Clause 3 of the AML/CFT/CPF Law provides for the obligation of entities engaged in transactions with funds and other assets to identify beneficial owners and record the information necessary to identify them. The LEAs and FMS are entitled to obtain information from the entities engaged in transactions with funds and other assets through requests. However, there is no legal requirement that they must act promptly (see also R.37 and R 40)

Criterion 24.15 –

1519. Information and analytical functionality of the Financial Monitoring Service software allows to monitor the quality of assistance received as part of international cooperation with foreign FIUs. Order of the FMS Chairman No. 22-o dated December 27, 2019, describes the mechanism of maintaining FMS statistics on the exchange of information with foreign FIUs and competent authorities. Other competent authorities do not have the power to exchange beneficial ownership information. However, such public authorities are not limited in their power to exchange such information.

Weighting and conclusion

1520. Turkmenistan has established part of the requirements for ensuring transparency and identifying beneficial owners of legal persons. However, there are the following significant deficiencies: the analysis of the legal persons sector does not contain information on specific ML/TF risks; there is no direct requirement to keep information about the founders / participants and directors in Turkmenistan at the legal person's location in all situations; there is no requirement to verify the information provided by the Ministry of Finance and Economy of Turkmenistan; there are deficiencies in terms of the definition of "beneficial owner"; there are no requirements to prevent the illegal use of bearer shares for ML/TF purposes; sanctions are not proportionate and dissuasive; information from the SSRLE is provided only upon written requests, which complicates the mechanism for the prompt receipt of information by foreign competent authorities.

1521. **Recommendation 24 is rated Partially Compliant.**

Recommendation 25 – Transparency and Beneficial Ownership of Legal Arrangements

1522. In the 2011 MER, Turkmenistan was rated N/A with R.34. The FATF Recommendations have been substantially revised since the last evaluation.

Criterion 25.1 –

1523. Turkmenistan is not a party to the "Convention on the Law Applicable to Trusts and on Their Recognition" (concluded in The Hague on 01.07.1985). In the CivC and other legislative acts, a trust does not exist as a form of establishment or type of organisation. Thus, a trust cannot be registered in Turkmenistan, and if it carries out business activities without registration, this fact will be an illegal business activity, for which administrative and/or criminal liability is provided. Therefore, **sub-criteria a) and b)** are not applicable. Under the law of Turkmenistan FIs and DNFBPs do not provide trust services, including not being able to act as trustees of foreign trusts.
1524. At the same time, there are no statutory restrictions that a foreign trust, as a foreign legal person/arrangement, may not be a client of the FIs and DNFBPs. Under the AML/CFT law, reporting entities are required to identify their clients and their beneficiaries. In accordance with the Regulation on Identification of Customers by Financial institutions (approved by Order No. 159-ish of the Chairman of the Central Bank of Turkmenistan dated 11.06.2020) banks are required to identify the person who is the beneficiary of the trust. Banks are also required to identify the composition of the property under management (ownership), the identity and residence address of the founders and the trustee (manager) of the trust and other foreign entities without a legal entity. There are no such requirements for other FIs and DNFBPs.
1525. There are no restrictions in the law for citizens and legal entities of Turkmenistan to create and manage foreign trusts governed under foreign law, or be the beneficial owner of a foreign trust. In this case the law does not require persons acting as professional trustees of a foreign trust to keep basic and BO information of the foreign trust.

Criterion 25.2 –

1526. In accordance with Article 6 of the AML/CFT Law the CDD by FIs and DNFBPs on their clients, beneficial owners and beneficiaries includes verification of the accuracy and relevance of the information on such persons. However, given the deficiencies in criterion 25.1, the information is incomplete, given that only banks have an obligation to identify the beneficiaries, founders and trustees of foreign trusts.

Criterion 25.3 –

1527. Under the legislation of Turkmenistan, FIs and DNFBPs are required to identify their clients. However, there are no specific obligations on foreign trustees to disclose their status to FIs or DNFBPs in the legislation.

Criterion 25.4 –

1528. The Turkmen legislation has no norms restricting or preventing the disclosure of information by the founders of a foreign trust to the relevant competent authorities, as well as FIs and DNFBPs.

Criterion 25.5 –

1529. As noted in criterion 25.1, trusts cannot be legally established in the country. At the same time, in cases where a foreign trust is a client of the FI or DNFBP on the territory of Turkmenistan, the provisions of the AML/CFT/FTMA law apply to them. The legislation also requires banks to identify the beneficiary, settlor and trustee of a foreign trust when establishing a business relationship. Competent authorities, including LEAs (see R.31), supervisory authorities and the Financial Monitoring Service (see R.27 and R.29) have powers to obtain information obtained during the identification of customers. However, there is no such requirement for DNFBPs.

Criterion 25.6 –

1530. According to Article 21, Part 1 of the AML/CFT/CPF Law, the Financial Monitoring Service and other government authorities, while cooperating internationally, may exchange information. There are no special legislation norms for information exchange in relation to trusts. At that, there are no restrictions to such exchange.
1531. There are no obstacles to the domestic exchange of information available on foreign trusts. The competent authorities, including LEAs, have the power to exchange information (Article 19 of the

AML/CFT/CPF Law). However, according to the R.40 analysis, not all supervisory authorities have such powers. Moreover, deficiencies under Criteria 25.1 and 25.2 may have a negative impact on the quality of international cooperation related to trusts.

Criterion 25.7 –

1532. According to the Turkmen legislation, trusts cannot be established in Turkmenistan and, therefore, they cannot carry out legal activities in the country.

1533. There is no statutory prohibition for citizens and legal entities of Turkmenistan to be a trustee of a foreign trust. At the same time, they are not required to keep and provide information on foreign trusts in case they are their trustee. In this regard, there is also no statutory liability for breach of the requirement to keep information on a foreign trust for residents of Turkmenistan-trustees of a foreign trust.

Criterion 25.8 –

1534. Trusts cannot be established in Turkmenistan.

1535. The Turkmen legislation envisages sanctions for failure to provide information on client transactions to the Financial Monitoring Service by a reporting entity. In accordance with Article 302 of the AOC of Turkmenistan, fines in the amount of 2-5 basic units for natural persons, 5-10 basic units for officials and 10-15 basic units for legal persons are envisaged. Besides that, under this Article, legal persons may also be sanctioned with administrative suspension of activities. According to Article 364 of the AOC of Turkmenistan, obstructing the lawful activity of government authorities and their officials is punishable by a fine of 5-10 basic units. The basic unit amount, in accordance with Article 44, Part 2 of the AOC, is determined by the Cabinet of Ministers of Turkmenistan (see R.35).

Weighting and conclusion

1536. Turkmenistan does not recognise trusts or similar legal arrangements. Banks are required to identify the person who is the beneficiary of the foreign trust. Banks are also required to identify the composition of assets under management (ownership), the identity and domicile address of the founders and the trustee (manager) of the trust and other unincorporated foreign entities. However, there are some isolated shortcomings related to the identification of foreign trust participants by other FIs and DNFBPs, as well as related to the disclosure of the status by the trustees providing foreign trust services and the application of appropriate sanctions to them.

1537. **Recommendation 25 is rated Partially Compliant.**

Recommendation 26 – Regulation and Supervision of Financial Institutions

1538. In the 2011 MER, Turkmenistan was rated PC with R.23. The legal framework for AML/CFT supervision and monitoring was not clearly regulated in sectoral laws; there was no information on the application of the AML/CFT Core Principles in the banking, insurance and securities sectors; market entry procedures were detailed only in relation to the banking sector; there were no supervisory and monitoring powers in the Law on Leasing.

Criterion 26.1 –

1539. Government authorities are entrusted with the control and regulation (they determine the ICR requirements, provide methodological guidance, coordinate the activities of controlled persons, develop recommendations for them, summarize the practice in the application of the AML/CFT/CPF legislation, etc.) of the activities of entities engaged in financial transactions - FIs - in terms of their compliance with the AML/CFT/CPF legislation (Article 15 of the AML/CFT/CPF Law). The CB carries out banking regulation and supervision (Article 5, Part 3, Clauses 5 and 8 and Article 6, Parts 19 and 20 of the Law on the CB of Turkmenistan). The MFE is the body supervising the licensees in the field of insurance and professional activity on the securities market (Law on Insurance, Law on the Securities Market (Regulation on the MFE

approved by Turkmen Presidential Resolution No. 383 dated October 05, 2017)). State regulation and control in the field of postal communications is carried out by the Cabinet of Ministers of Turkmenistan in accordance with the Law on Postal Communications. At the same time, according to the Law on Postal Communications (Articles 8 and 31), the regulation and control of activities in the field of communications, as well as licensing of postal operators providing postal services is carried out by the Ministry of Industry and Communication of Turkmenistan (Agency "Turkmenaragatnashyk"). The state regulation of the activities of the Commodity Exchange is carried out by the Cabinet of Ministers of Turkmenistan, an authorised body in the field of state regulation of exchange activities (Article 10 of the Commodity Exchange and Exchange Trade Act). The FMS, in accordance with the AML/CFT/CPF Law, is the AML/CFT/CPF supervisory body of the exchange (Article 16 of the AML/CFT/CPF Law²⁶).

Criterion 26.2 –

1540. In accordance with Article 22 of the Law on Licensing of Certain Types of Activities, banking activity, insurance activity and professional activity on the securities market are included among the types of activities subject to licensing. In accordance with the Decree of the President of Turkmenistan "On improvement of licensing activities of Turkmenistan" No.1771 of 29.05.2020, money transfers in national and foreign currency without opening an account on behalf of individuals are related to banking activities and are subject to licensing. Licensing of postal service operators to provide postal services is carried out by the Ministry of Industry and Communication of Turkmenistan (Agency "Turkmenaragatnashyk"). The State Commodity and Raw Materials Exchange is the central body of state administration providing state management of the wholesale market of goods and exchange trade on the territory of Turkmenistan. The State Commodity and Raw Materials Exchange of Turkmenistan was established by the Decree of the President of Turkmenistan on July 29, 1994.

1541. There is no direct requirement to prohibit the establishment of shell banks in the country's legislation. At the same time, the norms governing the procedure of licensing and registration of FIs exclude the opening of a bank that does not have a physical presence in the country and that is not under consolidated supervision.

Criterion 26.3 –

1542. All heads of these state FIs undergo a special check, including for criminal convictions and other criminal connections.

1543. This check is carried out in accordance with

- Regulation "On the procedure for selection and appointment of civil servants appointed to civil service posts with the approval of the Cabinet of Ministers" (approved by Presidential Decision No. 722 of 07.04.2018 (CPD document))
- Procedure for appointment of heads (heads) of structural subdivisions of central departments of banks, branches, as well as separate structural subdivisions, approved by Order of the Chairman of the Central Bank dated 07.09.2016 No. 291-ish/GPU (DSP)
- Procedure for Qualification Requirements for Candidates Recommended for Positions of Heads and Responsible Employees of Credit Institutions and Interviews with them at the CBT, approved by Order of the Chairman of the CBT Board dated 15.07.2019.

1544. Executives of private banks are also subjected to a special check similar to that of state-owned banks in accordance with the aforementioned documents.

²⁶ Article 16(2) of the AML/CFT/CPF Law: "In the absence of supervisory bodies over the activities of reporting entities, control over the implementation of the legislation requirements in the field of combating money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction shall be exercised by the authorised body (FIU).

1545. BOs of private banks are subject to inspection in accordance with the Regulation on the procedure for registration and deregistration of credit institutions approved by Order No. 59-ish of the Chairman of the Management Board of the Central Bank of Turkmenistan dated 26.2016.

1546. A BO which is a non-resident is additionally subject to inspection by the Agency for Protection Economy from Risk under the MFE.

Criterion 26.4 –

1547. a) The Turkmen legislation (both on AML/CFT and on the CB of Turkmenistan) lacks principles and procedures for the application of consolidated group supervision over banks, including for AML/CFT purposes, which contradicts the basic principles of the Basel Committee on Banking Supervision. The principles of regulation and supervision over insurance activities on a consolidated basis (Articles 33 (prudential measures) and 40 (sanctions)) are laid down in the Law on Insurance. Turkmenistan's securities market legislation generally provides for the basic principles of the International Organisation of Securities Commissions (IOSCO) 24, 28, and 31.

b) Due to the fact that money or value transfer services and money and currency exchange services are provided by banks and "Turkmenpochta", they are subject to general regulatory and supervisory measures, including in the AML/CFT sphere. The RLAs provided by the country do not establish a risk-based approach in regulation and supervision or monitoring, taking into account ML/TF risks in the MVTs sector (institution "Turkmenpochta" engaged in postal money transfers).

Criterion 26.5 – (a - c)

1548. The framework AML/CFT legislation does not provide for AML/CFT supervision over FIs within the limits of a risk-based approach. Only the CB is engaged in risk-based supervision over banks and financial institutions in accordance with the Law on the CB of Turkmenistan and the Guidance on Risk-Based Banking Supervision approved by Order of the CB Chairman No. 190-is dated July 26, 2022, as well as prudential supervision and comprehensive and targeted on-site inspections. According to Clause 6 of the Guidance on Risk-Based Banking Supervision, the RBA applied in the CBT's supervision over financial institutions includes risk assessment, quantitative and qualitative analysis based, among other things, on the motivated judgment of inspectors, an individualized approach to a bank based on its business type, risk profile and significance, and ensures that supervisory resources are efficiently distributed for their most effective use. At each stage of the supervisory cycle, the CBT, based on information from departments, assesses how effectively the bank's management identifies, measures, monitors and manages its risks. The scope and frequency of inspections are determined taking into account the overall supervisory strategy and the bank's characteristics (size, type of business, risk profile, identified deficiencies, etc.) (Clause 17). Each bank, irrespective of its systemic importance and risk profile, should be subject to a comprehensive inspection at least once a year, with targeted/thematic inspections conducted as necessary.

1549. Therefore, the frequency and depth of AML/CFT on-site and off-site supervision over FIs (except for banks and other financial institutions) is independent of, and not based on: (a) ML/TF risks and policies, internal controls and procedures related to the institution or group as determined by the supervisory assessment of the risk profile of the institution or group; (b) ML/TF risks existing in the country; (c) specificities of FIs or groups; in particular, the diversity and number of FIs, as well as the extent of freedom allowed to them within the limits of the risk-based approach.

Criterion 26.6 –

1550. There is no risk-based supervision and risk assessment system for ML/TF risks of FIs in the country, except for banks (including non-compliance risks), no risk profiles of FIs are prepared, therefore there are no requirements for periodic reconsidering of the ML/TF risk profile of a FI or group (including non-compliance risks) and when major events or changes in the management sphere and operations of a FI or group.

1551. In accordance with the Guidance on Risk-Based Banking Supervision, the CB assesses elements of the bank's risk profile, including ML/TF/PF and compliance risks, using the CAMELS system.

Weighting and conclusion

1552. Turkmenistan's legislation establishes requirements for the licensing, regulation and supervision of FIs. However, the country's legislation does not provide for consolidated supervision of banks. The RBS only applies to banks, for other FIs there is no provision for supervision under the RBA.

1553. **Recommendation 26 is rated Partially Compliant.**

Recommendation 27 – Powers of supervisors

1554. In the 2011 MER, Turkmenistan was rated partially compliant with R.29 since only the CBT had the opportunity to use a wide range of sanctions against reporting FIs.

Criterion 27.1 –

1555. The legislation of Turkmenistan establishes the powers of supervisory bodies to supervise and monitor the compliance of FIs with AML/CFT requirements. Within the limits of their competence and in accordance with the Turkmen legislation, the authorised body and other state bodies exercise control over compliance with the AML/CFT legislation. If there are no supervisors to supervise persons engaged in transactions involving funds or other property, the authorised body exercises control over compliance with the AML/CFT/PF requirements (Article 16 of the AML/CFT/PF Law).

1556. According to Part 2 of Article 10 of the Law of Turkmenistan “On Licensing of Certain Types of Activities”, the licensing bodies exercise control over AML/CFT/PF compliance on the part of licensees as provided for by the Turkmen legislation.

1557. The CBT is a bank regulation and bank supervision body that monitors the activities of financial institutions registered in the territory of Turkmenistan and exercises control over how financial institutions and DPMS take AML/CFT measures (Articles 6, 46 of the Law “On the CB of Turkmenistan”).

1558. The MF&E, as part of its supervision, exercises control over compliance with the Law and other insurance regulations of Turkmenistan on the part of insurance organisations (Article 36 of the Law “On Insurance”). According to the Regulation on Licensing of Insurance Activities approved by Resolution No. 14385 of 21 August 2015 of the President of Turkmenistan (Section 5, paragraph 19), failure to provide relevant information to the competent state insurance body under the Turkmen AML/CFT/PF legislation constitutes one of the grounds for suspending a license.

1559. The MF&E is responsible for state regulation of the securities market in reliance upon AML/CFT when dealing with professional activities in the securities market (Article 4 of the Law “On the Securities Market”).

Criterion 27.2 –

1560. Supervisors are appropriately empowered to conduct inspections and reviews of activities of their reporting entities (Articles 46 and 47 of the Law “On the CB of Turkmenistan”, Article 36 of the Law “On Insurance”, Article 8 of the Law “On the Securities Market”), Art. 8 of the Law on Communications, Art. 16, 19 of the AML/CFT/CPF Law.

Criterion 27.3 –

1561. For the purposes of bank supervision, the CBT may request and obtain from financial institutions necessary information about their activities, including information about their financial situation, business reputation of their founders (members) in respect of certain transactions, and demand explanations concerning the information obtained (Part 6 of Article 47 of the Law “On the CB of Turkmenistan”). At the same time, the CBT may not request from financial institutions information – which is not provided for by the Turkmen legislation – about customers of the financial institutions and about other third parties when this information is not related to bank services

provided to the above customers, and may not obligate the financial institutions to request from their customers documents which are not provided for by the Turkmen legislation (Part 7 of Article 47 of the Law “On the CB of Turkmenistan”).

1562. In accordance with the “Procedure for Inspections of Financial institutions” approved by Order No. 375-iş of 15 December 2021 of the Governor of the CBT (registered under No. 1554 of 22 January 2022 by the MJ) set out the rights of the members of the inspection panel to obtain all requested information and documents of the financial institution, including departmental reports, the financial institution's automated system and other necessary information.
1563. According to Part 4 of Article 36 of the Law “On Insurance”, the state insurance supervision body may request from insurance organisations statistical and other reporting about insurance activities and information about their financial situation.
1564. According to Article 8 of the Law “On the Securities Market”, the authorised body may request from securities market participants documents that it needs to address matters that fall within its limits of competence in the area of state regulation of the securities market.
1565. The FMS in relation to a commodity exchange in accordance with Articles 16, 19 of the AML/CFT/PF Act and the Regulation of the FMS has the authority to request the necessary AML/CFT information.
1566. In light of this, supervisors are generally empowered to request from FIs a certain set of information about their activities as part of supervision measures and the exercise of these powers is not conditional upon supervisors having court rulings in place. However, the above list of information is generalised and may not encompass the receipt of all information necessary for monitoring compliance with the AML/CFT requirements as required by R.27.

Criterion 27.4 –

1567. According to Article 48, the CBT may use a wide range of sanctions against FIs, including the right to collect a fine, to restrict or ban certain types of banking transactions, to recommend that a FI remove from office its heads or other officials, or to reassess the professional competence of persons subject to accreditation with the CBT, to suspend or revoke a license of a financial institution as provided for by the Turkmen legislation.
1568. On establishing that insurance organisations breached the insurance legislation, the state insurance supervision body may instruct them to remedy them and should the insurance organisations fail to do so, it may suspend their licenses until the breaches are remedied, or seek the revocation of the licenses in court (Article 36 of the Law “On Insurance”).
1569. On establishing elements of an administrative or criminal offence during inspections, the authorised body responsible for supervision over professional activities in the securities market may submit the materials to the relevant competent bodies of Turkmenistan (Article 8 of the Law “On the Securities Market”). According to paragraph 21 of the Regulation “On Licensing of Professional Securities Market Participants” approved by Resolution No. 14385 of 21 August 2015 of the President of Turkmenistan, if a professional securities market participant fails to comply with licensing requirements and conditions, the authorised body may instruct it to remedy these and should it fail to comply with the instructions, the authorised body may suspend its license until the breaches are remedied. Otherwise, according to Article 17 of the Law of Turkmenistan “On Licensing of Certain Types of Activities” (amended version), the authorised body may revoke the license.
1570. Moreover, as provided for by the AOC, the MF&E may impose administrative penalties for breaches of the AML/CFT legislation (Article 302) within the limits of its powers.
1571. In view of the above, only the CBT has the opportunity to use a wide range of sanctions against reporting FIs.
1572. Overall, the licensing bodies may suspend licenses if they or other controlling bodies, within the limits of their powers, identify repeated breaches or a flagrant breach of licensing requirements and

conditions by the licensee under Article 17 of the Law “On Licensing of Certain Types of Activities”.

Weighting and Conclusion

1573. The legislation of Turkmenistan establishes the powers of supervisory authorities to supervise and monitor compliance of FIs with AML/CFT requirements, including conducting inspections of FIs. In general, supervisory authorities have the power to require FIs to provide a certain set of information as part of supervisory measures regarding their activities. Only the CB of Turkmenistan has the ability to impose a wide range of sanctions on reporting FIs.

1574. **Recommendation 27 is rated Largely Compliant.**

Recommendation 28 – Regulation and supervision of DNFBPs

1575. In the 2011 MER, Turkmenistan was rated partially compliant with R.24. There was no clear regulation of the powers of supervisors in sectoral laws and regulations in this respect in terms of supervision of and sanctions against casinos and other DNFBPs for failing to comply with AML/CFT measures, and there were significant deficiencies in licensing and general monitoring over compliance with AML/CFT measures. The Turkmen legislation did not apply relevant measures to trusts and organisations that incorporate and service legal entities.

Criterion 28.1 –

1576. Turkmenistan reports that, despite the domestic legislation having such terms as casinos and games of chance, as well as regulations relating to the rights and obligations of the above entities, casinos and other activities related to games of chance and gambling are beyond the legal framework and illegal. Nevertheless, the activities of the above entities are regulated, *inter alia*, by the AML/CFT/PF Law of Turkmenistan.

a) Casinos are reporting entities dealing with funds or other property (Article 4 of the AML/CFT/PF Law).

According to the Law of Turkmenistan “On Licensing of Certain Types of Activities”, activities associated with games of chance and gambling are subject to licensing (Article 22). According to paragraph 17 of the List of Licensing Bodies for Certain Types of Activities Subject to Licensing approved by Resolution No. 1771 of 29 April 2020 of the President of Turkmenistan, the MF&E is the permitting body that issues casino licenses.

b) The Law of Turkmenistan “On Licensing of Certain Types of Activities” states that licensing activities should be aimed at AML/CFT. Article 12 of the above law sets out that the Regulation on Licensing establishes a list of licensing requirements and conditions. As explained, there is no such document at present and it is being under development. Given the provisions of the Law of Turkmenistan “On Licensing of Certain Types of Activities”, there are no provisions that would prevent criminals or their accomplices from controlling or occupying managerial positions or having beneficial ownership of casinos.

c) According to Article 10 of the Law of Turkmenistan “On Licensing of Certain Types of Activities”, the licensing bodies exercise control over compliance with the Turkmen AML/CFT legislation on the part of licensees. The MF&E exercises control over compliance with the AML/CFT legislation on the part of casinos, with the MF&E exercising relevant powers relating to casino licensing under Resolution No. 1771 of 29 May 2020 of the President of Turkmenistan.

Criterion 28.2 –

1577. The licensing bodies exercise control over compliance with the Turkmen AML/CFT legislation on the part of licensees (Article 10 of the Law of Turkmenistan “On Licensing of Certain Types of Activities”). The general statutory regime of supervision of DNFBPs for the purposes of AML/CFT is as follows:

- Real estate agents, auditors providing professional accounting services.
Resolution No. 1771 of 29 May 2020 of the President of Turkmenistan “On Organising Licensing Activities in Turkmenistan” states that the MF&E licenses real estate activities and auditors providing professional accounting services.
- DPMS.
The Law “On the CB of Turkmenistan” states that one of the functions of the CBT is to control over how DPMS take AML/CFT measures (paragraph 20 of Article 6 of the Law “On the CB of Turkmenistan”).
- Attorneys, notaries, independent lawyers.

1578. The Law of Turkmenistan “On the Bar and Legal Practice” states that the MJ issues licenses that allow providing legal services (Article 9).

1579. Articles 29-30 of the Law of Turkmenistan “On the Notariat and Notary Practice” state that the MJ exercises control over the activities of notaries public.

1580. The Law of Turkmenistan “On Licensing of Certain Types of Activities” states that providing legal services to individuals and legal entities is an activity that also requires a license. The MJ issues such a license under Resolution No. 1771 of 29 May 2020 of the President of Turkmenistan.

Criterion 28.3 –

1581. Turkmenistan determines other categories of enterprises and institutions covered by the AML/CFT/PF Law. These include pawnshops and persons that organise games of chance and lotteries.

1582. All categories of DNFBP have relevant supervisors and are subject to AML/CFT/PF monitoring (the CBT monitors pawnshops, while the MF&E monitors persons that organise games of chance and lotteries).

1583. Consideration is also given to the statement of Turkmenistan to the effect that the country has no pawnshops in its territory.

Criterion 28.4 –

1584. a) As noted in c.28.1, the licensing bodies exercise control over AML/CFT compliance on the part of licensees (Article 10 of the Law of Turkmenistan “On Licensing of Certain Types of Activities”). Given the above, bodies that exercise control over persons engaged in financial transactions (including DNFBPs) are empowered to control and supervise compliance with the AML/CFT/PF legislation.

b) Designated controlling bodies take the following measures in order to deny criminals professional accreditation insofar as DNFBPs are concerned:

- The Law of Turkmenistan “On the Bar and Legal Practice” states that a person dismissed from the judicial and LEAs for a disciplinary offence cannot become an attorney for a year after the date of dismissal, and neither can a person convicted for a crime whose conviction is expunged or spent as provided for by the Turkmen legislation.
- The Law of Turkmenistan “On the Notariat and Notary Practice” states that persons with an unexpunged or unspent conviction cannot become a notary public.
- The previous Regulation on Licensing of Activities Related to the Provision of Legal Services to Individuals and Legal Entities approved by Resolution No. 10638 of 18 September 2009 of the President of Turkmenistan, with this Regulation now being ineffective, states that a person convicted for a crime cannot engage in the provision of legal services. The conviction should be expunged or spent as provided for by the Turkmen legislation. The Regulation on Licensing of Activities Related to the Provision of Legal Services to Individuals and Legal Entities approved by Resolution No. 2213 of 6 April 2021 of the President of Turkmenistan which contains similar requirements is now in force.

- In the real estate sector, Order No. 245-iş of 11 August 2022 of the MF&E “On Conducting Due Diligence of the License Applicant and on the Denial of the License Following Due Diligence” establishes a procedure that denies the license applicant if he has a conviction.
 - It is worth noting that DPMS are not statutorily obliged to take necessary measures to deny criminals and their accomplices professional accreditation or to prevent them from holding a significant or controlling interest or from performing managerial functions.
 - All DNFBPs are not statutorily obliged to perform the above inspection in respect of BOs or persons with a significant controlling interest.
- c) According to Articles 9 and 17 of the Law of Turkmenistan “On Licensing of Certain Types of Activities”, the licensing body may suspend, extend, renew or early revoke a license. Further, Article 302 of the AOC establishes liability for failing to comply with the AML/CFT requirements.

Criterion 28.5 – (a - b)

1585. Turkmenistan did not provide any regulatory documents evidencing supervision of DNFBPs in light of the RBA. Turkmenistan notes that, while performing its supervision activities, the state body, which approves risk management programmes and other events in respect of persons engaged in transactions, is governed in its activities by the Guidelines on the Development and Approval of the ICR, and is accordingly involved in the RBA.

1586. However, that DNFBPs actually take risk management measures in order to determine, assess and take action to reduce their own AML/CFT risks (and those of their customers too) in the specific activities of each entity classified as DNFBP, cannot constitute evidence of a regulatory requirement for state bodies to use the RBA in supervision, relying upon which the state body, in accordance with its own understanding of risks, allocates resources for AML/CFT supervision and regulates a specific process for the relevant supervisor to apply the RBA to AML/CFT taking into account the features of DNFBPs, their categories, number, type of identified risks, and thoroughness of supervision.

Weighting and Conclusion

1587. All categories of DNFBP have relevant supervisors and monitoring regimes. Despite there being no casinos and gambling sector de jure, their activities are licensed in the country. At the same time, there is no statutory obligation to take necessary measures to deny criminals and their accomplices professional accreditation or to prevent them from holding an interest in DPMS and casinos. All DNFBPs are not statutorily obliged to perform the above inspection in respect of BOs or persons with a significant controlling interest. Turkmenistan did not provide any regulatory documents evidencing supervision of DNFBPs in light of the RBA.

1588. **Recommendation 28 is rated Partially Compliant.**

Recommendation 29 – Financial Intelligence Units

1589. In the 2011 MER, Turkmenistan was rated partially compliant with R.26. The main deficiency was that the FIU failed to provide periodic public reports about their activities. Moreover, there was no information exchange with FIUs of foreign states, and that the FIU was poorly supplied with resources affected its efficiency.

Criterion 29.1 –

1590. By his Resolution No. 934 of 5 October 2018, the President of Turkmenistan established the FMS which had previously operated within the MFE as the Financial Monitoring Department.

1591. Resolution No. 78 of 29 April 2022 of the President of Turkmenistan “On the Matters of the Financial Monitoring Department” established a new Regulation of the FMS.

1592. According to Article 1 (8) of the AML/CFT/PF Law, the FMS is an AML/CFT/PF authorised body.

1593. According to Article 18 (2) of the AML/CFT/PF Law and paragraph 6 of the Regulation of the FMS, the FMS performs the following functions for the purposes of AML/CFT/PF:

- collecting and processing information about transactions involving funds or other property that are subject to mandatory control;
- analysing the information obtained in accordance with the established procedure.
- providing information about transactions or deals as requested by the relevant state bodies as provided for by the Turkmen legislation;
- reports information to the GPO and, if necessary, to other relevant state bodies of Turkmenistan when it has reason to believe that a transaction or deal involving funds or other property is associated with ML/TF/PF.

1594. The FMS collects, analyses and reports information about ML-related predicate offences as part of the above functions it performs.

Criterion 29.2 –

1595. According to Article 5 (6) of the AML/CFT/PF Law, information about transactions or deals involving funds or other property that are subject to mandatory control is reported directly to the FMS by persons engaged in the transactions in cases when the amount of the transaction is equal to or exceeds the threshold.

- a) According to Article 5 (3) of the AML/CFT/PF Law, suspicious transactions are subject to mandatory control irrespective of their type and amount.

Article 20 (2) of the AML/CFT/PF Law sets out that other state bodies are obliged to report suspicious transactions related to ML/TF/PF to the FMS.

- b) Parts 2, 4 of Article 5 of the AML/CFT/PF Law set out types of transactions or deals that are subject to mandatory control and reporting to the FMS in cases when the amount of the transaction is equal to or exceeds the threshold established by the FMS and approved under the Turkmen legislation. Order No. 234-iş of 28 July 2022 of the MF&E established the threshold of TMT 52,000 (approx. USD 14,842).

Order No. 316-Ö of 20 August 2021 of the MF&E approved the procedure for providing information about transactions or deals involving funds or other property that are subject to mandatory control.

Further, according to Article 20 (7) of the AML/CFT/PF Law, the following information is obligatorily reported to the FMS:

- import to or export from Turkmenistan of declared goods and other property, including transport vehicles imported to and or exported from or transited through Turkmenistan, of cultural values, foreign cash, certificated securities to bearer, promissory notes, cheques;
- formalisation and registration of transport vehicles and other property that are subject to state registration and maintenance of a database on them;
- state registration of title to real estate and transactions therewith.

Criterion 29.3 –

1596. a) According to Article 11 (Parts 4, 5), Article 19 (paragraphs 1, 2 of Part 1) of the AML/CFT/PF Law and paragraph 7 (subparagraphs 1, 2) of the Regulations of the FMS, the FMS may obtain and use additional information from reporting entities that it requires to conduct proper analysis.

- b) According to Article 19 (1) of the AML/CFT/PF Law and paragraph 7 (1, 2, 11) of the Regulations of the FMS, the FMS may:

- request necessary information about transactions or deals that are subject to mandatory control from persons engaged in the transactions and from the state bodies;

- demand any necessary information from the state bodies and individuals and legal entities in accordance with the established procedure.

1597. According to paragraph 3 of Article 20 (2) of the AML/CFT/PF Law, other state bodies are obliged, upon the FMS's request, to provide information from their own information systems and databases in order to enable the FMS to pursue its objectives under the AML/CFT/PF Law.

Criterion 29.4 –

1598. According to Article 18 (2) of the AML/CFT/PF Law and paragraph 6 (2) of the Regulations of the FMS, the FMS analyses the information obtained in accordance with the established procedure for the purposes of AML/CFT/PF.

- a) The FMS conducts prompt analysis in accordance with the Regulation on Obtaining and Conducting Analysis of Financial Information Provided by Persons Engaged in Transactions or Deals Involving Funds or Other Property and Reporting Such Information to the Relevant Competent Bodies of Turkmenistan for the Purposes of AML/CFT/PF approved by Order No. 6-Ö of 10 May 2022 of the Chairman of the FMS.

This Regulation sets out a procedure for monitoring and analysing information, opening and completing a case, the term-limits for the case and for reporting the case analysis results to the relevant competent bodies.

- b) The FMS conducts strategic analysis in accordance with the Procedure for Conducting Strategic Analysis of Information for the Purposes of Elaborating AML/CFT/PF Measures approved by Order No. 6-Ö of 10 May 2022 of the Chairman of the FMS.

Strategic analysis aims to improve the efficiency of the national AML/CFT/PF system of Turkmenistan and to study the trends and schemes of illegal ML/TF/PF activities.

Criterion 29.5 –

1599. According to paragraph 5 of Article 18 (2) of the AML/CFT/PF Law and paragraph 6 (5) of the Regulations of the FMS, the FMS, when it has reason to believe that a transaction or deal involving funds or other property is associated with ML/TF/PF, reports the information to the GPO and, if necessary, to other relevant state bodies of Turkmenistan.

1600. According to Article 224 (1) of the CPC, investigators of the prosecution bodies conduct preliminary investigation of ML cases (Article 242 of the CC). According to Article 224 (2) of the CPC, investigators of the national security bodies conduct preliminary investigation of TF cases (Article 271¹ of the CC).

1601. The relevant state bodies send requests concerning AML/CFT/PF-related cases and materials which are registered as provided for by the Turkmen legislation.

1602. According to paragraph 4 of Article 18 (2) and Article 20 (3) of the AML/CFT/PF Law, the FMS provides information about transactions or deals upon requests of the relevant state bodies as provided for by the Turkmen legislation.

1603. The following FMS orders regulate the procedure for providing spontaneous and requested information:

- FMS Order No. 18-Ö of 27 July 2022 “On Approving the Procedure for Complying with and Sending FMS Requests for the Purposes of AML/CFT/PF”;
- FMS Order No. 6-Ö of 10 May 2022 “On Approving the Regulation on Obtaining and Conducting Analysis of Financial Information Provided by Persons Engaged in Transactions or Deals Involving Funds or Other Property and Reporting Such Information to the Relevant Competent Bodies of Turkmenistan for the Purposes of AML/CFT/PF, and Conducting Strategic Analysis of Information for the Purposes of Elaborating AML/CFT/PF Measures”.

1604. The Chairman of the FMS decides whether to report spontaneous and requested information in accordance with the above FMS orders.

1605. FMS Orders No. 6-Ö of 10 May 2022 and No. 18-Ö of 27 July 2022 do not contain any requirements to report information through the use of special safe and secure channels. However, in practice, spontaneous and requested information is reported with a cover letter from the Chairman of the FMS to which the information is enclosed and which is classified (for official use), with the same sent by special safe and secure mail.

Criterion 29.6 –

1606. a) According to paragraph 2 of Article 19 (2) of the AML/CFT/PF Law and paragraph 8 (2) of the Regulations of the FMS, the FMS is obliged to maintain a relevant mechanism for keeping, protecting and safeguarding information constituting state secrets or other legally protected secrets it obtained in the course of its activities.

According to FMS Order No. 15-Ö of 13 July 2022 “On Regulating the FMS Activities in Accessing, Using and Managing the Internal Information and Telecommunications Network and the Internet”, the following documents were approved:

- Rules for granting access to information sources in information systems to FMS employees;
- Rules for connecting to and using the Internet;
- Rules for email management;
- Rules for connecting to and using the internal information and telecommunications system (network environment);
- Scheme (typology) of the information and telecommunications system of the internal network and the Internet.

The above documents set out procedures to maintain the confidentiality of access to the FMS databases and information, internal standards of engaging with the confidential database and documents.

b) According to Article 21 (1) of the AML/CFT/PF Law, FMS employees that have or used to have access to information constituting official secrets are not entitled to disclose it.

According to the Law “On State Service”, for FMS employees to engage in activities involving state secrets they are obliged to obtain access to state secrets as provided for by the Law “On State Secrets”.

FMS Order No. 16-G of 27 July 2022 regulates the procedure for granting access to secret information to FMS employees.

All FMS employees have a certain category of access to engage with secret information and documents and make a written non-disclosure commitment.

All FMS employees are obliged to comply with internal procedures and standards of engaging with confidential information and to maintain a relevant mechanism for keeping, protecting and safeguarding information constituting state secrets or other legally protected secrets they obtained in the course of their activities.

Disclosure of information constituting state or official secrets, loss of documents, items containing state secrets entails criminal liability under Articles 179 and 180 of the CC.

Failure to comply with the conditions envisaged for information security activities and breach of the established requirements for maintaining secrecy when engaging with secret information and their media, entail administrative liability under Articles 255 and 259 of the AOC.

c) According to paragraph 2 of Article 19 (2) of the AML/CFT/PF Law and paragraph 8 (2) of the Regulations of the FMS, the FMS is obliged to maintain a relevant mechanism for keeping, protecting and safeguarding information constituting state secrets or other legally protected secrets it obtained in the course of its activities.

According to FMS Order No. 15-Ö of 13 July 2022 “On Regulating the FMS Activities in Accessing, Using and Managing the Internal Information and Telecommunications Network

and the Internet”, access is restricted to devices and information, including the information and computer systems of the FMS.

Additionally, each FMS employee is given logins and passwords to access the information and engineering systems of the FMS. The FMS building has a biometric identification system at the entrance/exit, whereas all FMS offices have round-the-clock CCTV surveillance.

Criterion 29.7 –

1607. The FMS operates under the MFE. According to paragraph 11 of the Regulations of the FMS, the FMS is a legal entity that has separate assets vested to it in accordance with the established procedure, has an independent balance sheet, budgetary and extrabudgetary accounts, a seal and a stamp depicting the state emblem and its name.

- a) According to paragraph 3 of the Regulations of the FMS, the FMS independently operates and assumes responsibility for performing the duties entrusted to it.

According to paragraph 10 (2) of the Regulations of the FMS, the Chairman of the FMS independently makes decisions on the matters relegated to the FMS.

According to Article 19 (1) of the AML/CFT/PF Law, the FMS may independently make decisions to conduct analysis, submit requests and/or report or disclose certain information.

Paragraph 8 of the Procedure for Complying with and Sending FMS Requests for the Purposes of AML/CFT/PF approved by FMS Order No. 18-Ö of 27 July 2022 states that, in order to make foreign interference with or influence on the operations of the FMS impossible, it is the Chairman of the FMS who makes decisions concerning the necessity to comply with a request, including the matters of analysis under the request, reporting and disclosing certain information.

- b) According to Articles 19 (1) and 20 (3) of the AML/CFT/PF Law, paragraph 7 (11) of the Regulations of the FMS, the FMS, acting in cooperation with the LEAs and other relevant state bodies of Turkmenistan, may establish a procedure for cooperation and exchange of information, and may exchange information with the competent bodies of a foreign state.

Besides, Article 22 of the AML/CFT/PF Law sets out a general procedure for engaging in AML/CFT/PF-related international cooperation with the competent bodies of a foreign state.

That said, the FMS is able to exchange information with other national competent bodies or foreign partners, acting under or absent agreements.

- c) The FMS discharges its functions that differ from those of the MFE.
- d) Article 17 (3) of the AML/CFT/PF Law states that the state bodies are not allowed to interfere with the matters that fall within the limits of competence of the authorised body (FMS) with the exception of cases provided for by the Turkmen AML/CFT/PF legislation. The legislation does not specify these cases, but these may include inspections of the FMS by the LEAs when it comes to prosecutor’s oversight, keeping of state secrets, investigations of crimes in public office.

According to Article 17 (4) of the AML/CFT/PF Law, activities of the authorised body (FMS) are financed by the state budget of Turkmenistan.

According to paragraph 10 of the Regulations of the FMS, the Chairman of the FMS:

- independently makes decisions on the matters relegated to the FMS;
- hires and dismisses FMS employees in accordance with the established procedure;
- establishes the job duties of the Deputy Chairman and employees of the FMS;
- within the limits of his powers issues orders and instructions and exercises control over their performance;
- approves provisions on the structural units of the FMS;
- establishes requirements applicable to the level of qualification of FMS employees.

The Chairman of the FMS is also entitled to use independently financial funds so that the FMS can operate.

The Chairman of the FMS hires and dismisses FMS employees in accordance with the Turkmen labour legislation, FMS Order No. 22-Ö of 7 December 2021 “On Approving the Internal Labour Regulations” and FMS Order No. 7-Ö of 17 April 2020 “On Approving the Committee and Procedure for Interviews”.

Criterion 29.8 –

1608. The FMS has been a member of the Egmont Group since 2 July 2019.

Weighting and Conclusion

1609. **Recommendation 29 is rated Compliant.**

Recommendation 30 – Responsibilities of law enforcement and investigative authorities

1610. In the 2011 MER, Turkmenistan was rated partially compliant with R.27. The main factors that affected the rating of this recommendation included the fact that the LEAs had no system approach to investigating ML/TF which was one of the reasons for the absence of criminal cases. Besides, some LEAs had no special divisions to investigate ML/TF, with the former having insufficient resources and personnel for AML/CFT purposes which served as a prerequisite for their low efficiency. There was no statistics either.

Criterion 30.1 –

1611. In Turkmenistan, detecting, solving and investigating crimes take the form of police intelligence activities and pre-trial proceedings. Pre-trial proceedings have two stages: inquiry and preliminary investigation.

1612. Police intelligence activities mean activities performed by intelligence units of the authorised state bodies within their limits of powers in order to detect, prevent, suppress and solve crimes, to detect and identify persons that prepare, commit or have committed them, and to establish property subject to confiscation.

1613. According to Article 7 of the Law on Police Intelligence Activities, for the above purposes, the LEAs engaged in police intelligence activities include internal affairs bodies, national security bodies, bodies of the SCS.

1614. Even though the Law on Police Intelligence Activities does not delineate areas of responsibility of the bodies engaged in police intelligence activities when it comes to detecting and solving predicate crimes and ML/TF, these powers are practically delineated in accordance with the areas of competence of these bodies in the relevant regulations that govern the specifics of their activities. In light of this, any body engaged in police intelligence activities appears to be able to identify ML during police intelligence activities depending on the type of predicate crime that preceded it.

1615. Bodies engaged in police intelligence activities detect, prevent and suppress crimes upon their own initiative or as instructed by the investigator in the criminal case by conducting police intelligence operations.

1616. Materials on police intelligence activities that record factual data on offences may be used in criminal proceedings as evidence (Article 138 of the CPC).

1617. Inquiry is a procedural type of pre-trial activity of the inquiry bodies aimed at identifying, establishing and recording the totality of facts of the case, as well as holding the perpetrators criminally accountable.

1618. Preliminary investigation is a procedural type of pre-trial activity of the authorised bodies conducted in relation to certain categories of crime aimed at identifying, establishing and recording the totality of facts of the case, as well as holding the perpetrators criminally accountable.

1619. Inquiry may be conducted either individually in respect of cases that do not necessarily require preliminary investigation or as a primary stage of investigation in order to take urgent investigative

action to identify and record the traces of the crime in respect of crimes that necessarily require preliminary investigation (Articles 235-236 of the CPC).

1620. As for predicate crimes, the inquiry bodies (Article 76 of the CPC) include internal affairs bodies, national security bodies (in relation to cases relegated to them by law), commanders of units and detachments of the SCS (in relation to cases involving breaches of the state border legislation), customs bodies (in relation to cases involving smuggling and evasion of customs payments), the SMS (in relation to cases involving breaches of the rules for entering, exiting and staying by foreign nationals).
1621. It should be noted that, proceeding from the provision of Article 76 of the CPC, as well as the obligations arising out of the requirements of Article 15 of the Law “On the Internal Affairs Bodies of Turkmenistan”), Article 5 of the Law “On Combating Terrorism”, the internal affairs bodies (as an inquiry body) are able to identify, establish and record the totality of facts of the cases in relation to any types of crime (ML, predicate crimes and TF).
1622. Investigators of the prosecution, internal affairs and national security bodies conduct preliminary investigation in relation to criminal cases (Article 222 of the CPC). The above provision applies both to ML and TF and predicate crimes which necessarily require preliminary investigation.
1623. ML (Article 242 of the CC) and TF (Article 2711 of the CC) crimes are classified as crimes that necessarily require preliminary investigation. According to Article 224 of the CPC, investigation of ML (Article 242 of the CC) is attributed to the competence of the prosecution bodies, whereas investigation of TF (Article 2711 of the CC) and a number of other terrorist-related crimes is attributed to the competence of the national security bodies. Preliminary investigation in relation to predicate crimes is attributed to the competence of one of the preliminary investigation bodies depending on the type of crime.

Criterion 30.2 –

1624. According to Articles 321 and 322 of the CPC, grounds for opening a criminal case, i.e., commencing an inquiry or preliminary investigation, include applications and communications of citizens, communications of institutions, enterprises, organisations, non-governmental associations and officials; communications in the mass media; voluntary surrender; the inquiry body, investigator, prosecutor, judge or court actually establish elements of a crime.
1625. In light of this, predicate crimes, as well as ML/TF crimes, may be investigated based on any sufficient information about their commission, including based on the results of a parallel financial investigation, if any.
1626. According to the list of facts that are subject to be proven in a criminal case established by Article 126 of the CPC, it is the duty of the inquiry and preliminary investigation bodies to examine the financial aspect of the criminal activity, including for the FATF Methodology purposes.
1627. The LEAs are able to conduct a financial investigation of an ML/TF crime associated with the predicate crime they are investigating.
1628. Turkmenistan has guidelines that regulate the procedure for conducting parallel financial investigations at all stages (police intelligence activities, pre-investigation review, inquiry and preliminary investigation) approved by the joint order of the GPO, MNS and MIA.
1629. According to paragraph 3 of Article 212 of the CPC, that the investigator obtains information about a crime (ML/TF) when investigating another (predicate) crime in a criminal case may constitute grounds for opening a criminal case. Article 217 of the CPC sets out a procedure for opening such a criminal case.
1630. Apparently, Part 6 of Article 224 of the CPC, which states that investigators of those preliminary investigation bodies that opened the criminal case investigate it, makes it possible to further investigate ML/TF crimes irrespective of the investigative jurisdiction of this body. The law, however, does not expressly state this.

1631. According to Part 7 of Article 224 of the CPC, it is not allowed to hand over cases to another preliminary investigation body in accordance with the investigative jurisdiction except when the investigation of a criminal case reveals facts of particular social significance and when it is necessary that another body continue the investigation. The General Prosecutor's or his Deputies' written consent is required for that.

1632. The location of a predicate crime is no obstacle for investigation (Parts 1, 2 of Article 225 of the CPC). See R.31 for the powers that allow for a parallel financial investigation as part of a criminal case.

Criterion 30.3 –

1633. Turkmenistan has competent bodies that can promptly identify, trace and seize property. This duty is imposed upon the bodies engaged in police intelligence and pre-trial activities.

1634. According to Article 4 of the Law on Police Intelligence Activities, identifying property subject to confiscation is one of the objectives of police intelligence activities. All bodies engaged in police intelligence activities are vested with this duty.

1635. As part of pre-trial activity, all inquiry and preliminary bodies identify, trace and seize property subject to confiscation, weapons (instruments) of crime in relation to the criminal cases they are engaged in using available powers.

Criterion 30.4 –

1636. The Turkmen legislation endows state bodies, which are not LEAs *per se* but are engaged in financial investigations of predicate crimes, with powers of LEAs within their limit of competence.

1637. For instance, the tax bodies, which are not LEAs, acting within the limit of their functions, are engaged in financial investigations of predicate crimes (tax crimes in this case).

1638. Unscheduled tax desk audits (in accordance with the Procedure for Conducting Tax Desk Audits) may be conducted in accordance with incoming requests from the LEAs, or if there are facts and information evidencing breaches of the tax legislation. Besides, as it stems from Article 207 of the CPC, communications from the tax body may constitute grounds for opening a criminal case.

1639. Given the provisions of the TC, the tax bodies are entitled to obtain information constituting bank secrets, request and obtain from the taxpayer (tax agent) and other persons, including banking institutions, documents and other information, as well as explanations and documents evidencing the fact that tax, financial penalties and late fees are correctly calculated and timely paid; summon to the tax bodies taxpayers (tax agents) and other persons that have documents and (or) information pertaining to the taxpayers (tax agents); inspect during a tax desk audit industrial, warehouse, commercial and other facilities of legal entities and individuals. Moreover, the tax bodies may suspend account transactions in banking institutions, place a ban on the disposition of property and then foreclose on it.

1640. There are no other similar authorities responsible for conducting financial investigations of predicate offenses.

Criterion 30.5 –

1641. According to Part 4 of Article 7 of the Law "On Countering Corruption", the GPO coordinates anti-corruption activities.

1642. Besides, the general rule of Article 224 of the CPC is that investigators of the prosecution bodies conduct preliminary investigation both in relation to corruption and ML crimes.

1643. Article 224 of the CPC also allows the body that opened the criminal case to conduct preliminary investigation in relation to the corruption aspect.

1644. Regardless of which body will conduct preliminary investigation (Department of Internal Affairs, national security, prosecution bodies), the body is empowered to identify, trace and seize assets. However, Law No. 168-IV of 28 March 2011 does not entitle the investigation bodies to obtain information constituting bank secrets of persons in respect of whom no criminal case is opened,

i.e., in respect of those who are not suspects or accused persons, including legal entities (see R.31 for more detail).

Weighting and Conclusion

1645. The preliminary investigation bodies investigating predicate crimes pertaining to corruption and ML crimes are not empowered to obtain information constituting bank secrets of persons in respect of whom no criminal case is opened, i.e., in respect of those who are not suspects or accused persons, which limits their capabilities to identify, trace and seize assets.

1646. **Recommendation 30 is rated Largely Compliant.**

Recommendation 31 – Powers of law enforcement and investigative authorities

1647. In the 2011 MER, Turkmenistan was rated compliant with R.28.

Criterion 31.1 –

1648. PIA and pre-trial proceedings in criminal cases relating to predicate crimes, ML and TF fall within the competence of the LEAs, the list of which is specified at c.30.1. The competent bodies engaged in the investigation of ML/TF and predicate crimes have considerable powers to access necessary documents and information.

1649. For instance, according to Part 1 of Article 133 of the CPC, the inquirer, investigator, prosecutor and court may, within the limits of their competence and relating to cases pending before them, summon in accordance with the procedure established by this Code any person for an interview or testimony as an expert; inspect and take other procedural action provided for by this Code; demand that institutions, enterprises, organisations, officials and citizens provide articles and documents that may establish necessary facts of the case, and demand audits. All citizens, institutions, enterprises, organisations and officials are obliged to comply with these demands.

1650. Part 2 of Article 425 of the AOC establishes liability for refusing to provide, as demanded by officials engaged in a preliminary investigation and inquiry, necessary documents, materials, information, specialists, refusing to engage in inspections or audits, to appear when summoned and to provide explanations on breaches of law. Besides, Article 94 of the CPC sets out types of liability (including criminal) and compulsion used against the witness for refusing to appear when summoned, for providing knowingly false testimony, and for refusing to testify.

a) The investigative bodies may obtain information possessed by FIs and DNFBPs and other individuals and legal entities under Part 1 of Article 133 of the CPC by requesting documents containing such information. Should the documents be denied, these may be forcefully taken during a search (after discovery) or seizure (if it is known in advance who possesses them). Article 273 of the CPC regulates the general procedure of search and seizure.

Meanwhile, according to Article 34 of Law No. 168-IV of 28 March 2011 “On Financial institutions and Banking Activity”, information constituting bank secrets is provided to the investigative bodies in criminal cases pending before them opened against customers of the financial institution. The term “investigative bodies” is not defined in the law. Given the overall interpretation of regulations, such bodies should include preliminary investigation bodies defined under the CPC. In light of this, it appears that bodies engaged in police intelligence activities and inquiry bodies are not able to obtain information constituting bank secrets since the former and the latter are not preliminary investigation bodies, and furthermore bodies engaged in police intelligence activities do not conduct criminal proceedings. Additionally, Law No. 168-IV of 28 March 2011 does not entitle the LEAs to obtain information constituting bank secrets in relation to other persons in respect of whom no criminal case is opened (i.e., in respect of those who are not suspects or accused persons). And considering that the fundamental rules of national law prescribe that only individuals may be held criminally liable, the existing

provisions of this law restrict the investigative bodies in obtaining information constituting bank secrets of legal entities.

Besides, paragraph 18 of Article 16 of the Law “On the Internal Affairs Bodies of Turkmenistan”, the internal affairs bodies are vested with the right to obtain operations-related and reporting information about money and credit transactions and foreign economic agreements from banks and other financial and financial institutions. However, regulations do not define such information, making it impossible to state whether this term is identical to bank secrets. No prosecutor’s authorisation or court decision is required in these cases.

- b) The CPC regulates searches of persons and premises. The personal search procedure is set out in Article 272 of the CPC. The premises search procedure depends on the type of premises. According to Article 270 of the CPC, a search in residential premises is conducted upon an investigator’s order and prosecutor’s authorisation. An investigator’s order suffices for searching official premises under Article 279 of the CPC. However, if documents containing state secrets are seized in the course of such a search, such seizure requires prosecutor’s authorisation.

A police intelligence measure called “police intrusion” is taken during police intelligence activities (Articles 1, 11 of the Law on PIA).

- c) Witness testimony is to be obtained in the course of interviews with witnesses, suspects and accused persons (Chapter 27 of the CPC). According to Article 91 of the CPC, any person (with some exceptions) who may know certain facts relevant to the case may be summoned as a witness to give testimony and be interrogated. Part 2 of Article 92 of the CPC states that the witness is obliged to appear and testify. Articles 255-256 of the CPC regulate the procedure for interviewing suspects and accused persons. A police intelligence measure called “interview of persons” is taken during PIA (Articles 1, 11 of the Law on PIA).
- d) Physical evidence may be obtained during an inspection of the incident site, premises, a search, withdrawal, investigative experiment and seizure as part of other investigative activities, and it also may be submitted by organisations and citizens upon the investigator’s request.

According to Article 130 of the CPC, physical evidence includes articles and documents which served as an instrument of crime or preserved on them traces of the crime or were objects of criminal actions, as well as money and other valuables acquired by criminal means, other articles and documents that may contribute to uncovering the crime, establishing facts of the case, identifying the guilty or rebutting the charges or mitigating the guilt. Physical evidence may be submitted together with the materials of police intelligence activities (Article 18 of the Law on Police Intelligence Activities).

Criterion 31.2 –

1651. The competent bodies may use a wide range of investigative techniques to investigate ML/TF cases and predicate crimes.

1652. According to Part 3 of Article 225 of the CPC, the investigator may entrust conducting the PIO to the inquiry body at the place of preliminary investigation.

1653. Besides, the inquiry body may individually submit the results of PIO to the investigator as provided for by Part 2 of Article 18 of the Law on PIA. Additionally, Article 138 of the CPC allows such results to be used as evidence in a criminal case.

- a) Article 11 of the Law on PIA establishes a list of police intelligence measures (secret operations). These include: (i) interview of persons, (ii) making enquiries, (iii) identifying, secretly recording and collecting traces of illegal actions, comparing them, (iv) controlled purchase, (v) controlled delivery, (vi) examination of articles and documents, (vii) surveillance, (viii) identification of persons, (ix) police intrusion, (x) control over postal items, telegraph and other communications, (xi) secretly eavesdropping on and recording conversations, (xi)

eavesdropping on and recording conversations using a telephone or other intercommunications equipment, (xii) obtaining information about connections between subscribers and (or) subscriber devices, (xiii) retrieving information from technical communications channels, computer systems and other technical equipment, (xiv) searching for equipment used in the illegal retrieval of information, (xv) undercover operations, (xvi) police search of communications networks, (xvii) police experiment.

- b) Article 281 of the CPC (Detention of Correspondence) and Article 282 of the CPC (Interception of Communications) provide for procedural actions relating to communications intelligence. PIO relating to communications intelligence include: control over postal, telegraph and other communications, secretly eavesdropping on and recording conversations, eavesdropping on and recording conversations using a telephone or other intercommunications equipment (Article 11 of the Law on PIA).
- c) To gain access to computer systems, a PIO called “retrieving information from technical communications channels, computer systems and other technical equipment” is used (Article 11 of the Law on PIA).
- d) Depending on the circumstances and objectives, controlled deliveries are conducted as part of police intelligence measures called “controlled delivery” and “controlled purchase” (Article 11 of the Law on PIA). More complicated and comprehensive secret operations, including controlled deliveries, involve a PIO called “police experiment”.

Criterion 31.3 –

1654. a) Information about transactions, accounts and deposits of one’s customers (correspondents) constitutes bank secrets. Turkmenistan has in place a mechanism that allows the investigative bodies to identify accounts owned by individuals and legal entities by requesting the relevant information from the financial institution. However, the LEAs’ capabilities are limited (see paragraph (a) of c.31.1). That it is impossible to obtain information about third party accounts prevents from identifying accounts controlled by individuals or legal entities.
- b) The Turkmen legislation does not require prior notice to be sent to the owner of assets to the effect that the competent bodies are taking an identification action. Aside from the mechanisms under the CPC and Law on PIA, assets may also be identified without prior notice sent to their owner by requesting information from other state bodies and organisations (tax bodies, property registration bodies, FMS, and others), including as part of inter-agency cooperation.

Criterion 31.4 –

1655. According to paragraph 4 of Part 2 of Article 18 of the AML/CFT/PF Law, one of the functions of the FMS is to provide information about transactions or deals upon the LEAs’ requests in accordance with the Turkmen legislation. Besides, according to Article 133 of the CPC, all citizens, institutions, enterprises, organisations and officials are obliged to comply with requests to provide information made by the inquirer, investigator, prosecutor and court.

1656. According to Part 3 of Article 20 of the above Law, the LEAs and other state bodies send their requests concerning AML/CFT/PF cases and materials to the FMS.

1657. The FMS executes requests from the LEAs and other state bodies to the extent of information it has in its possession and to the extent of AML/CFT/PF-related information it obtains from the competent bodies of foreign states.

Weighting and Conclusion

1658. The LEAs are restricted in their capabilities in obtaining information constituting bank secrets, including in identifying accounts owned or controlled by legal entities and individuals in respect of which no criminal proceedings are conducted.

1659. **Recommendation 31 is rated Largely Compliant.**

Recommendation 32 – Cash Couriers

1660. In the 2011 MER, Turkmenistan was rated partially compliant with SR.IX. The customs control system for the purposes of AML/CFT was rarely used, with the declaration regime not covering bearer negotiable instruments and there being no opportunity for international cooperation with the customs bodies of other states.

Criterion 32.1 –

1661. Turkmenistan has a declaration system in relation to the cross-border movement of currency and bearer negotiable instruments (BNI), the procedure of which is governed by the rules of the Customs Code for the declaration of goods.

1662. According to paragraph 19 of Part 1 of Article 5 of the Customs Code, goods mean any movable property moved across the customs border of Turkmenistan, with the exception of transport vehicles used for international transportation of passengers and goods. According to Article 167 of the Civil Code, articles not related to immovable property, including money and securities, are recognised as movable property. Bearer negotiable instruments (BNI) include unregistered cash instruments to bearer such as traveller's cheques, exchangeable instruments (including cheques, promissory notes and money orders).

1663. According to Article 8 of the Customs Code, goods moved across the customs border of Turkmenistan are subject to customs registration and customs control. Article 9 of the Customs Code identifies persons who are obliged to conduct customs operations (including declaration) for the goods to be released depending on the basis on which the goods are moved across the customs border of Turkmenistan.

1664. Chapter 21 of the Customs Code and SCS Order No. 16 of 7 January 2009 “On Approving the Procedure for Filling the Passenger Customs Declaration” determine the goods movement procedure by individuals. Part 1 of Article 228 of the Customs Code sets out that individuals declare goods moved in carry-on and accompanied luggage at the time when they cross the State Border of Turkmenistan. See c.32.2 for the declaration procedure involving funds and BNI and threshold amounts.

1665. Chapter 22 (Articles 232-237 of the Customs Code) regulates the customs clearance procedure for goods moved in international postal items. As a general rule, such goods are cleared based on documents (including declarations) enclosed to the postal items which are executed in accordance with the rules of the Universal Postal Union. As for cases set out in Part 5 of Article 234 of the Customs Code, a separate customs declaration is required to be additionally submitted.

1666. Besides, according to Resolution No. 1803 of 26 June 2020 of the President of Turkmenistan and the Postal Rules approved by Order No. 13 of 21 January 2016 of the MoC, it is prohibited to send money, securities and metals in international postal items.

1667. Additionally, there is an approved customs clearance procedure for goods moved across the customs border by persons providing postal courier services in the territory of Turkmenistan (Joint Order No. 27/68/89 of 13 March 2018 of the Chairman of the SCS, MoC and the Head of Türkmenhowaýollarynyň (aviation service). According to regulations, it is prohibited to send foreign currency, token money of Turkmenistan and traveller's cheques in international postal items.

Criterion 32.2 –

1668. Turkmenistan has in place a differentiated declaration system for persons physically moving BNI and currency in excess of the set threshold across the border.

1669. Given the rules of paragraphs 4, 5 of Part 2 of Article 228 of the Customs Code, the cross-border movement of currency (import and export) by persons in excess of USD 10,000 or equivalent currency requires an obligatory written declaration. According to paragraph 9 of the Procedure for Filling the Passenger Customs Declaration, it is necessary to specify in a customs declaration information about bearer negotiable instruments (BNI) irrespective of their value: unregistered

cash instruments to bearer such as traveller's cheques, exchangeable instruments (cheques, promissory notes and money orders). If an individual is found holding cash currency, which is not declared but should have been, during customs control, he is held liable under the Turkmen legislation.

1670. Paragraph 16 of this Procedure states that customs inspections in the Green Corridor are conducted on a random basis. That some types of customs control were not used does not imply that an individual is released from the obligation to comply with the Turkmen legislation. If necessary, a customs official may use any form of customs control established by the Turkmen customs legislation in the Green Corridor.

Criterion 32.3 –

1671. Since the country applies a threshold declaration system, this criterion is not applicable.

Criterion 32.4 –

1672. The customs bodies have sufficient powers to request and obtain additional information during customs control. Article 315 of the Customs Code provides the following forms of customs control: inspection of documents and information; oral interview; soliciting explanations; customs surveillance; customs inspection of goods and transport vehicles; customs search of goods and transport vehicles; personal search; inspection of markings of goods using special markings to see if these contain identification marks; inspection of premises and territories for customs control; customs audit.

1673. Paragraph 2 of Item 1 of Article 16 of the Law “On the Customs Service” also enshrines the right to request and obtain documents and information necessary for customs control and customs clearance from persons.

Criterion 32.5 –

1674. Breaches of the customs clearance procedure for goods (including currency and BNI) entails administrative and criminal liability as provided for by Articles 390-392, 394 of the AOC and Article 254 of the CC.

1675. Article 391 of the AOC establishes liability for failure to declare or false declaration of goods, the punishment for which is: for individuals – a penalty of one (up to USD 450), for officials – a penalty of up to five (up to USD 2,250), for legal entities – a penalty of five to ten (from USD 2,250 to 4,500) basic units. The punishment under this article does not provide for the confiscation of the object of the offence (currency and BNI), which makes the punishment less dissuasive in nature.

1676. The movement of goods – involving failure to declare or false declaration – on a large scale (above USD 4,300)²⁷ across the customs border of Turkmenistan entails criminal liability under Article 254 of the CC. An illegal movement of funds and BNI involving aggravating circumstances is punished under this Article by a penalty of 75 to 150 times the average minimum wage with or without confiscation of property or by imprisonment for 3 to 5 years with or without confiscation of property.

1677. Criminal punishments are largely proportional and dissuasive. However, punishments for administrative offences related to the movement of funds without declaration or with false declaration do not provide for confiscation.

Criterion 32.6 –

1678. According to Part 7 of Article 20 of the AML/CFT/CPF Law, it is obligatory to submit to the authorised body (FIU) information about the import to or export from Turkmenistan declared cash currency, certificated securities to bearer, promissory notes, cheques, with this information

²⁷ This amount does not include the allowable threshold for moving money without declaring it (the equivalent of \$10,000), i.e. criminal liability is incurred for the undeclared movement or false declaration of at least \$14,300, and administrative liability is incurred for amounts from \$10,000 to \$14,300.

prepared by the tax customs of Turkmenistan in the manner and time-limits established by the Turkmen legislation.

1679. According to paragraph 16 of the Instruction of SCS Employees Applying the RBA when Controlling the Movement of Cash Funds and Negotiable Instruments (NI) across the Customs Border of Turkmenistan, in pursuance of paragraph 7 of Article 20 of the AML/CFT/CPF Law, the SCS monthly and no later than the 15th day provides to the FIU information about foreign currency, negotiable instruments (including orally) imported to, exported from and transited through Turkmenistan. The above information is transmitted in electronic form.

Criterion 32.7 –

1680. See c.32.6 for cooperation between the customs service and the FIU on the matters of application of R.32.

1681. The general matters of cooperation between the customs bodies with the LEAs of Turkmenistan are governed by Article 11 of the Law “On the Customs Service” and regulations in the criminal law of procedure, as well as by proceedings on administrative offences.

1682. According to Joint Order No. 74/114 of 16 July 2016 of the Chairmen of the SCS and SMS “On the Provision of Information from the Databases of the State Migration Service of Turkmenistan to the Customs Bodies”, the SCS is granted access to the SMS databases about the crossing of the state border by individuals, under pledge of confidentiality. There is also a joint coordinated plan of action, including smuggling prevention, (the document is classified) containing provisions on cooperation between the SCS and SMS on the smuggling of money and other valuables.

Criterion 32.8 –

1683. a) According to the rules of Articles 235, 277 of the CPC, the competent bodies engaged in preliminary investigation and inquiry may, as part of investigations of opened criminal cases, seize and withdraw currency and BNI provided they suspect a crime was committed. Until the criminal case is opened, the above articles may be withdrawn during an inspection of the incident site (Articles 259, 260 of the CPC).

b) According to Part 1 of Article 521 of the AOC, customs officials may seize property (currency and BNI), documents, as well as articles which are used as instruments of the administrative offence or objects of the administrative offence in themselves and relevant to the case as evidence.

Criterion 32.9 –

1684. According to Article 12 of the Law “On the Customs Service”, the customs service – within the limits of its competence and for the purposes of customs cooperation, information and document exchange under treaties of Turkmenistan – may establish connections and cooperate with the customs and LEAs of foreign states and international organisations.

a) The SCS cooperates and exchanges information and document *materials* with the customs services of other states under inter-government and inter-agency treaties. According to the file register approved by the Chairman of the SCS, passenger customs declarations and their appendices (if any), including cases on breaches of customs rules, are kept in the archives of the customs bodies for 5 years. Customs declarations contain information both about the declared amount of funds and identification information about the declarant.

b) False declaration is an administrative or criminal offence, information about which is obligatorily accumulated in accordance with the legislation. Passenger customs declarations and their appendices (if any), including cases on breaches of customs rules, are kept in the archives of the customs bodies for 5 years. In light of the above, such information may be provided as part of international cooperation.

- c) According to paragraph 1 of Part 2 of Article 4 of the AML/CFT/CPF Law, the customs bodies are entities that provide information about control over how Turkmen residents and non-residents move cash and BNI across the customs border of Turkmenistan.

It is possible to provide information, which is obtained after being declared or as part of international cooperation in the case of ML/TF suspicions, as part of MLA, information exchange between the national FIU and FIUs of foreign states, as well as under information exchange treaties between the competent bodies of Turkmenistan and the competent bodies of foreign states.

Criterion 32.10 –

1685. According to the provisions of Part 2 of Article 359 of the Customs Code, all information, which is confidential by virtue of its content or type of submission to the customs body, is classified as official secrets. The customs body may not disclose it without the consent of the submitter except as otherwise provided for by the Turkmen legislation.

1686. The applicable legislation states that such information is to be submitted to the FIU (Article 20 of the AML/CFT/CPF Law). Additionally, according to Part 2 of Article 19 of the AML/CFT/CPF Law, the FIU is obliged to maintain a relevant mechanism for keeping, protecting and preserving information constituting state or other legally protected secrets that it obtained in the course of its activities.

Criterion 32.11 –

1687. a) Persons engaged in a physical cross-border movement of currency and BNI are held administratively and criminally liable if their acts have elements of a crime under Article 391 of the AOC or a crime under Article 254 of the CC.

If the cross-border movement of currency and BNI was a means to commit ML/TF or other predicate crimes, the individual may be held criminally liable under the relevant article of the CC, including for the totality of crimes.

Punishments for such offences are proportionate but not amply dissuasive since Article 391 of the AOC does not provide for the confiscation of funds and BNI moved across the customs border.

Insofar as legal entities are concerned, they are held liable only under Article 391 of the AOC for an illegal cross-border movement of currency and BNI. Legal entities are not held criminally liable in accordance with the fundamental provisions of law.

Punishments imposed upon legal entities and individuals for ML and TF relating to the cross-border movement of currency and BNI are identical to those described at R.3 and R.5. These punishments against individuals are proportionate and dissuasive, however, it is impossible to pass judgment on punishments against legal entities given that these are not versatile.

b) As part of proceedings on administrative offences, no funds and BNI may be confiscated when it comes to administrative liability under Article 391 of the AOC because this article does not provide for such a type of punishment.

It is possible to confiscate funds or BNI moved across the customs border involving an ML/TF or predicate crime either when the relevant article of the CC provides for such punishment as confiscation or by virtue of Article 130 of the CPC as instruments of crime owned by the accused person, convict, or as money and other valuables acquired by criminal means.

It should however be noted that no funds or BNI moved across the customs border and obtained as a result of illegal migration and for the purposes of laundering money obtained from such crimes will be confiscated since this act is not criminalised under the CC (see c.3.2).

Weighting and Conclusion

1688. Currency and BNI moved across the customs border are not confiscated as the object of the offence under Article 391 of the AOC, which makes the sanctions less dissuasive in nature.

1689. Funds or BNI moved across the customs border and obtained as a result of illegal migration and for the purposes of laundering money obtained from such crimes will be confiscated since this act is not criminalised under the CC
1690. Sanctions against persons engaged in an illegal cross-border movement of currency and BNI are not proportionate and dissuasive in all cases (administrative liability under Article 391 of the AOC, liability of legal entities for ML or TF).
1691. **Recommendation 32 is rated Largely Compliant.**

Recommendation 33 – Statistics

1692. In the 2011 MER, Turkmenistan was rated non-compliant with former Recommendation 32, as the country did not maintain adequate and comprehensive statistics to the fullest extent.

Criterion 33.1 –

1693. a) According to Article 18 of the AML/CFT/CPF Law, the designated government agency (Financial Monitoring Service) arranges for creating and maintaining the relevant databases and ensures methodological consistency and interoperability of information systems. The FMS has a structural division that collects and maintains statistical information. These statistics contain, among other things, quantitative data on received and disseminated STRs. These statistical data are sorted and organized as per the requirements set out in FMS Chairman’s Order No.14-Ö dated August 12, 2020.

- b) Statistics on identified and investigated ML, TF and other predicate offences is maintained in a manner and as per the requirements set out in Turkmen Law No.288-IV on Statistics, the Regulation on Registration of Criminal Offences (for official use only) adopted by the joint order of the MIA, the MNS, the GPOGPO and the SC dated March 31, 2012 and the internal regulations of the relevant government authorities. The MIA has its own Information Center that collects, processes, accumulates and keeps information on committed offences.

Statistical data are accumulated and stored in the “Criminal Statistics” computerized information system by the relevant provincial information units and also in the central Information Center of the MIA. In accordance with the MIA Order, a total of 12 statistical reporting forms are compiled. These include statistical information on: recorded (identified) criminal offences; investigated and solved criminal offences; persons committed criminal offences; elements of crime; investigative authorities; length and outcomes of criminal proceedings, etc.

At the same time, criminal statistics on ML crimes with reference to predicate offences and forms (methods) of ML are not kept, nor are statistics on the seizure of property separately to ensure compensation of damage or confiscation, or other property penalties.

Statistics on court judgments, including ML convictions, is maintained by the SC in accordance with the Turkmen Law on Statistics.

However, there are differences in approaches used by the MIA for recording the number of completed criminal proceedings and by the SC for recording the number of criminal cases heard by courts. In particular, the LEA statistics reflects the number of “episodes” of criminal activity (i.e. number of actually committed criminal acts) which may be combined into a single criminal case, while the judicial statistics reflects only the number of criminal cases actually submitted to courts, irrespective of the number of criminal “episodes” in them.

The statistics take into account the amount of damage caused by the crime, but there is no separate recording of criminal income, the cost of instrumentalities and means of committing the crime, and property intended for terrorism financing. Statistics on the value of the equivalent of criminal income, as well as the income received as a result of the use of criminal property (indirect income) are not kept due to the absence of such a concept in the CC and CPC.

- c) Statistics on frozen assets is maintained by the FMS division responsible for generating and keeping statistical reports.

Statistics on frozen and seized assets (broken down by types of assets) and voluntarily compensated losses/ damage is maintained by the information divisions of the Ministry of Internal Affairs in the *Criminal Statistics* computerized information system (see paragraph b). Besides that, similar statistics is maintained separately by the prosecution authorities and the Ministry for National Security in accordance with their internal regulations.

The confiscation-related statistics is maintained by the SC (conviction-based confiscation) and the TD MFE in accordance with the Regulation on registration, valuation, storage and disposal of confiscated, abandoned, inherited and unclaimed property and hidden treasures turned over to the state (adopted by Turkmen Presidential Resolution No.5879 dated August 23, 2022) and the Instruction on registration, valuation, storage and disposal of confiscated, abandoned and unclaimed property and hidden treasures turned over to the state (adopted by Finance Minister's Order No.62-Ö dated June 11, 2012)

However, the statistics on budget revenues from disposal of assets confiscated as a result of criminal prosecutions is maintained jointly with the statistics on abandoned and unclaimed property and hidden treasures turned over to the state.

No statistical records of the confiscated property with reference to the crimes for which it was confiscated are kept.

- d) Pursuant to their internal regulations, the LEAs, the Financial Monitoring Service and the SC independently maintain statistics on received and provided mutual legal assistance and other international cooperation requests under the international and interagency agreements.

There is no centralized statistics in the field of MLA; much of it is collected analytically.

However, not all LEAs maintain comprehensive MLA statistics broken down by types of criminal offences in respect of which MLA requests were received and sent.

Weighting and Conclusion

1694. The Legislation of Turkmenistan provides for keeping statistics on all matters required by Recommendation 33, but such statistical data are not comprehensive enough.

1695. Statistics do not separately reflect the amount of criminal income received, the value of instrumentalities and means of crime, property intended for TF, the value equivalent of criminal income, and the income derived from the use of a criminal property (indirect income).

1696. Statistics on ML crimes with reference to the predicate offences, as well as forms (methods) of ML, are not kept, nor are statistics on the seizure of property separately to ensure compensation for damages or confiscation, or other property penalties.

1697. Statistics on budget revenues from disposal of assets confiscated as a result of criminal prosecutions is not maintained separately. No statistical records of the confiscated property with reference to the crimes for which it was confiscated are kept.

1698. There is no centralized statistics in the field of MLA; much of it is collected analytically. Not all LEAs maintain comprehensive MLA statistics broken down by types of criminal offences in respect of which MLA requests were received and sent.

1699. **Recommendation 33 is rated Partially Compliant.**

Recommendation 34 – Guidance and feedback

1700. In the 2011 MER, Turkmenistan was rated non-compliant with former Recommendation 25, as there were no guidelines or recommendations for reporting entities engaged in transactions with funds or other assets describing the ML/TF methods and techniques, and FIs had insufficient access to information on the results of financial investigations conducted by the FIU. Besides that, special guidelines for the private sector, which would facilitate more effective performance by FIs of their duties and obligations, including descriptions of new ML/TF trends and typologies, had not been issued.

Criterion 34.1 –

DNFBPs

1701. According to the Turkmen authorities, the FMS and supervisory authorities hold outreach and training events for personnel of the banking and DNFBP sectors and other private sector entities to inform about typologies developed based on the domestic and international practical experiences. Besides that, the supervisory authorities hold regular meetings and workshops on identification and mitigation of ML/TF risks. Turkmenistan presented documents showing that the NRA findings were communicated to the relevant sectors, and also demonstrated that sectoral risk assessments were conducted in some sectors (real estate agents, auditors) with engagement of the private sector entities. Besides that, Turkmenistan presented the example of provided feedback on the results of financial investigation conducted by the FIU that was triggered by the STR submitted by the legal service provider.

FIs

1702. The FMS and supervisory authorities hold outreach and training events (*inter alia*, jointly with international organizations, such as OSCE) for personnel of the banking and insurance sectors and the stock exchange to inform about typologies developed based on the domestic and international practical experiences. The CB of Turkmenistan disseminated 15 FATF guidance documents and 22 FATF and MONEYVAL typology reports to financial institutions for information and practical use in their activities (CBT Letter 0151/952/5354 dated April 1, 2020). Turkmenistan also presented the AML/CFT professional development training plans for the banking sector approved by the Deputy Chairman of the CB. The 5 days long training courses covered the following topics:

- In 2015 – Procedure of identification of parties to financial transactions and identification of beneficial owners of bank customers; and methods of cooperation with the government authorities (sending requests, using the databases, etc.) for better scrutiny of customers;
- In 2016 – FATF 40 Recommendations;
- In 2018 – Banking sector vulnerabilities, risk mitigation mechanisms and measures applied for complying with the FATF Recommendations.

1703. Posted on the FMS website are the EAG and FATF typology reports and annual FMS reports. However, the posted reports were published before 2019, and no 2020 reports are available.

1704. There are no documents that could demonstrate development of guidelines and provision of feedback by the supervisory authorities (except for the CB). Besides that, there are no documents showing that the supervisory authorities (except for the CB) disseminate information on application of national AML/CFT measures, including memos, instructions, guidelines and clarifications of regulators and guidance documents, etc. of supervisors and FIU.

Weighting and Conclusion

1705. Turkmenistan provided information confirming the existence of sufficient guidelines and feedback that help FIs and DNFBPs to apply national AML/CFT measures. However, there are deficiencies in provision of guidelines and feedback to FIs.

1706. **Recommendation 34 is rated Largely Compliant.**

Recommendation 35 – Sanctions

1707. In the 2011 MER, Turkmenistan was rated non-compliant with former Recommendation 17, because, except for the banking sector, the potential for applying a wide range of sanctions against all other types of FIs for AML/CFT violations was not clearly regulated; the legislation did not provide for liability for breaches of AML/CTF legislation other than the basic AML/CFT Law; and limited information about the practical application of AML/CFT sanctions did not allow for objective evaluation of their effectiveness.

Criterion 35.1 –

1708. Breaches of the Turkmen AML/CFT/CPF legislation entail administrative liability under Article 302 of the AOC. Both natural and legal persons are held administratively liable for such breaches.
1709. Failure to apply measures provided for in the Turkmen AML/CFT/CPF Law is punishable by a fine in amount of 2 up to 5 basic units²⁸ (approximately USD 57 - 142) imposed on natural persons and in amount of 10 up to 15 basic units (approximately USD 285 - 428) imposed on legal persons. Sanctions against legal persons provided for in Article 302 of the AOC also include administrative suspension of activity for up to 6 months.
1710. As provided for in Article 512 of the AOC, the provisional measures applicable in the course of administrative proceedings include, *inter alia*, temporary ban on activities which means that unincorporated entrepreneurs, legal entities, their branches, representative offices and structural sub-divisions are ordered to terminate their activities for the established time period until completion of administrative proceedings. However, according to Article 528, Par.3 of the AOC such measures as temporary ban on activities are not applied in case of breaches of the Turkmen AML/CFT legislation.
1711. Article 10 of Turkmen Law No.205-IV on Licensing of Certain Types of Activities provides that the licensing regime is intended, *inter alia*, for AML/CFT purposes and the licensing authorities are responsible for monitoring compliance by license holders with the Turkmen AML/CFT legislation. According to Article 17 of Law No.205-IV, such measures as suspension or cancellation of a license are applied in case of repeated or gross violations by license holders of the licensing conditions and requirements related to development and implementation of AML/CFT internal control rules. Where a natural or legal person carries out activities that are subject to licensing without obtaining the required license or knowingly violates the licensing terms and conditions, such person is held liable under Article 281 of the AOC.
1712. Article 48, Par.1 of Law No.167-IV on the CB of Turkmenistan empowers the CB to impose fines on financial institutions that violated the Turkmen legislation in amount of up to 0.1% of the minimum authorized capital and issue orders to eliminate such breaches. However, the banking legislation does not contain provisions and requirements for suspension or cancellation of licenses in case of breach of the AML/CFT legislation.
1713. The AML/CFT/CPF legislation does not provide for specific response measures applicable to the NPO sector for breaches of the CFT regime and, therefore, no sanctions are imposed against non-profit organizations for such violations.

Criterion 35.2 –

1714. Administrative liability is imposed not only on legal persons, but also on their executive officers (Article 302 of the AOC – fine in amount of 5 up to 10 basic units).

Weighting and Conclusion

1715. In Turkmenistan, sanctions for breaches of the AML/CFT requirements applicable to legal persons are somewhat limited.
1716. There are no separate sanctions applicable to the NPO sector for breaches of the CFT regime. Sanctions appear to be proportionate but not dissuasive.
1717. **Recommendation 35 is rated Largely Compliant.**

Recommendation 36 – International instruments

1718. In the 2011 MER, Turkmenistan was rated partially compliant with former Special Recommendation I and largely compliant with former Recommendation 35. The identified deficiencies included the following: the requirements of the International Convention for the

²⁸1 basic unit = TMT 100

Suppression of the Financing of Terrorism related to criminalization of theft of nuclear materials and illegal actions against fixed platforms located at continental shelf were not met; and shortcomings in implementation of UNSCR 1267 and 1373 were identified.

Criterion 36.1 –

1719. Turkmenistan acceded to Vienna, Palermo and Merida Conventions and the International Convention for the Suppression of the Financing of Terrorism:

Annex Table 2. Accession to/ Ratification of Conventions

Convention	Accession/ Ratification
UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention)	Resolution of Mejlis of Turkmenistan No.150-1 dated June 18, 1996 on accession to the UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
UN Convention against Transnational Organized Crime (Palermo Convention)	Letter of the President of Turkmenistan to the UN General Secretary dated March 28, 2005 on accession to the UN Convention against Transnational Organized Crime of 15.11.2000
UN Convention against Corruption (Merida Convention)	Letter of the President of Turkmenistan to the UN General Secretary dated March 28, 2005 on accession to the UN Convention against Corruption of 31.10.2003
International Convention for the Suppression of the Financing of Terrorism (CFT Convention)	Letter of the Minister of Foreign Affairs of Turkmenistan to the UN General Secretary dated January 7, 2005 on accession to the International Convention for the Suppression of the Financing of Terrorism of 09.12.1999

Criterion 36.2 –

1720. Turkmenistan has taken steps, including legislative and administrative measures, for implementing the relevant Articles of Vienna, Palermo and Merida Conventions and the International Convention for the Suppression of the Financing of Terrorism.

1721. Basically, the relevant Articles Vienna, Palermo and Merida Conventions and the International Convention for the Suppression of the Financing of Terrorism were implemented in the CC, CPC, Code of Administrative Offences, AML/CFT/CPF Law, Law on Combating Terrorism and Regulation on registration, valuation, storage and disposal of confiscated, abandoned, inherited and unclaimed property and hidden treasures turned over to the state (adopted by Turkmen Presidential Resolution No.5879 dated August 23, 2022).

1722. Turkmenistan made no reservations than could restrain application of the Conventions, except for criminal liability of legal persons (see Criteria 3.10 and 5.7).

1723. A shortcoming in implementation of the basic Conventions is that that the legislation does not contain comprehensive provisions regulating different types of confiscation (confiscation of property of corresponding value is not provided for in the legislation, and confiscation of proceeds obtained through the use of criminal assets is limited). Besides that, proceeds of migrant smuggling are not subject to confiscation because this type of offence (migrant smuggling) is not criminalized in Turkmenistan. Lack of such legislative provisions hinders execution of the relevant MLA requests

1724. The requirements of the basic Conventions related to access by LEAs to financial information are not fully implemented in the national legislation. In particular, according to Article 34 of Turkmen Law No.168-IV on Financial institutions and Banking Activity dated March 25, 2011, information constituting banking secrecy may be provided to the designated government AML/CFT agency, courts and investigative authorities only under criminal cases instituted against financial institutions' customers that are investigated/ considered by these authorities. Information constituting banking secrecy may also be provided to the Ministry of Finance and Economy, but is limited to information and documents that can be disseminated to foreign competent authorities under the international treaties and agreements signed by Turkmenistan. Given that investigative authorities can obtain information constituting banking secrecy only under criminal cases

investigated by them, it seems that that their ability to receive and disseminate such information for MLA purposes is limited.

1725. Shortcomings in the existing procedure of execution of MLA requests related to asset freezing and confiscation and extradition also hinder full implementation of the Conventions (for more details, see Recommendations 38 and 39).

Weighting and Conclusion

1726. Turkmenistan ratified all necessary conventions, but is not able to fully implement them due to legislative restraints: the legislation does not contain comprehensive provisions regulating different types of confiscation; proceeds of migrant smuggling are not subject to confiscation because this type of offence is not criminalized; limited ability of disseminate information constituting banking secrecy for MLA purposes.

1727. Shortcomings in the existing procedure of execution of MLA requests related to asset freezing and confiscation and extradition also hinder full implementation of the Conventions.

1728. **Recommendation 36 is rated Largely Compliant.**

Recommendation 37 – Mutual legal assistance

1729. In the 2011 MER, Turkmenistan was rated largely compliant with R.36 and partially compliant with SR.X. The main deficiencies include: the CPC or other regulations do not provide for mechanisms to determine the best location (jurisdiction) to prosecute accused persons and no statistics on MLA was provided either.

Criterion 37.1 –

1730. Turkmenistan has a legal framework that allows it to provide the MLA in connection with investigations and prosecutions for ML, predicate offences and TF.

1731. The provision of MLA in Turkmenistan is based on international treaties (agreements) on MLA, ratified conventions and, in the absence of such treaties, on the principle of reciprocity. The MLA may be provided to the investigating authorities and courts of foreign states. The procedure for the provision of MLA in criminal cases is determined by articles 542-562 of the CPC of Turkmenistan.

1732. When providing MLA, it is possible to take procedural action as provided for by the CPC and other actions provided for by other laws and treaties of Turkmenistan.

1733. According to Article 543 of the CPC, procedural documents executed in the territory of foreign states and bearing an official seal are recognised as valid procedural documents without any limitation unless otherwise provided for by the treaty of Turkmenistan.

Criterion 37.2 –

1734. The GPO and SC are specified as the central competent bodies for MLA purposes (Article 544 of the CPC). The GPO is responsible for procedural actions in criminal cases at the pretrial stage, and the SC is responsible for procedural actions in criminal cases, the need for which arises at the stage of judicial consideration and execution of court decisions.

1735. According to paragraph 4 of Article 544 of the CPC, an instruction to provide legal assistance and a reasoned petition of the relevant prosecutor, court are forwarded to the General Prosecutor or Chairman of the SC respectively.

1736. The General Prosecutor or Chairman of the SC decide whether to forward an instruction to provide legal assistance to the relevant institution of a foreign state.

1737. In the case of MLA provision under an international treaty (agreement, convention), the central authorities for communication are defined in the relevant treaties.²⁹

²⁹ For example, in accordance with Article 80 of the Minsk Convention on MLA, communications concerning extradition, criminal prosecution, as well as

1738. The CPC does not spell out a similar procedure in relation to the consideration of incoming MLA requests. However, considering Articles 549, 552, 556, 559, 562 of the CPC, an incoming MLA request (insofar as investigative actions are concerned) is considered by the General Prosecutor of Turkmenistan who decides whether to execute MLA requests.
1739. Diplomatic and other communications channels specified in treaties are used for forwarding outgoing MLA requests and receiving incoming MLA requests.
1740. According to Article 562 (1) of the CPC, the judge considers matters relating to the enforcement of a court judgment of a foreign state in the courtroom without the convict being present as provided for and in the time-limits established by the CPC, following the petition of the General Prosecutor of Turkmenistan.
1741. The Turkmen legislation does not provide for a detailed procedure for considering incoming MLA requests, including requirements as to the priority in executing MLA requests (the same holds true for treaties (international agreements)).
1742. Document management for the execution of international requests is regulated by the relevant instructions for documentation, with the use of the electronic document management system. The competent bodies (GPO, SC) did not provide internal procedures (instructions) on the matters of forwarding outgoing MLA requests and considering incoming MLA requests, including those that concern prioritisation so that MLA requests can be timely executed.

Criterion 37.3 –

1743. Grounds for denying legal assistance are set out in MLA treaties, as well as in Chapter 52 of the CPC that concerns the provision of assistance in accordance with the principle of reciprocity.
1744. According to Article 546 of the CPC, an instruction to provide MLA is returned unexecuted if it is contrary to the Turkmen legislation or if its execution could undermine the sovereignty, national independence, policy and principles of permanent neutrality or security of Turkmenistan.
1745. Some MLA treaties contain additional grounds for denial, e.g., if the execution of a request could breach human rights (the MLA treaty between Turkmenistan and Armenia). These grounds for denial are not unjustified or unreasonably restrictive conditions.

Criterion 37.4 –

1746. Grounds for denying MLA requests are set out in the assessment of c.37.3.
- a) The Turkmen legislation does not have any provisions to the effect that an MLA request is denied because the crime is considered to be tax-related.
 - b) The Turkmen legislation does not have any clear provisions to the effect that an MLA request is denied on the grounds of secrecy or confidentiality to be maintained by FIs or DNFbps. However, according to Article 34 of Law of Turkmenistan No. 168-IV of 28 March 2011 “On Financial institutions and Banking Activity”, the investigation bodies are not entitled to obtain information constituting bank secrets of persons in respect of whom no criminal case is opened (i.e., in respect of those who are not suspects or accused persons). In view of this, such MLA requests also appear to be inexecutable.

Criterion 37.5 –

1747. The competent authorities of Turkmenistan are able to ensure the confidentiality of MLA requests received and the information contained therein in accordance with the basic principles of the CPC.
1748. Turkmenistan's criminal procedural legislation (chapter 52 of the CPC) does not contain specific norms on ensuring the confidentiality of MLA requests received and the information contained in them. Nevertheless, requirements to maintain the confidentiality of state, official or other legally protected secrets are contained in Article 49 of the CPC, Law of Turkmenistan No. 71-V of 3 March

the execution of investigative orders affecting the rights of citizens and requiring prosecutorial authorization, are carried out by the Prosecutors General (prosecutors) of the Contracting Parties.

2014 “On State Secrets”. Some regulations, including Article 22 of the AML/CFT/PF Law, also provide for liability for the disclosure of information constituting state or other legally protected secrets.

1749. When taking procedural actions, according to Article 49 (1) of the CPC, measures may be taken to maintain confidentiality, including measures to protect obtained information constituting state secrets (state, military and official secrets, secrets of inquiry and preliminary investigation) and other secrets (trade, medical, personal secrets and any other types of secrets). According to Article 49 (7) of the CPC, inquiry and preliminary investigation information is not to be disclosed. It may be made public only with the consent of the criminal prosecution body to the extent this body finds it possible unless it is contrary to the investigation and relates to breaches of rights and legitimate interests of other persons.

1750. Besides, obligations to maintain confidentiality are spelled out in treaties. When forwarding requests and receiving instructions to provide MLA, these necessarily specify an obligation to maintain the confidentiality of information and to use the information obtained exclusively for the purpose of criminal prosecution. Meanwhile, not all MLA treaties have provisions on the confidentiality of information obtained by the requesting and requested states as part of the execution of MLA requests.

Criterion 37.6 –

1751. Dual criminality is not required to provide MLA that does not involve measures of compulsion.

Criterion 37.7 –

1752. If the provision of MLA requires that measures of compulsion (extradition, arrest) be taken, Turkmenistan requires dual criminality for the act that constituted grounds for forwarding the MLA request. The legislation mentions the criminality of the act rather than its classification. It is therefore the criminality of the act under the CC rather than its classification that constitutes the criterion for executing the MLA request, i.e., irrespective of whether both countries give the same category of crime to this crime or have the same term for it.

Criterion 37.8 –

1753. When executing requests for MLA from investigation bodies and courts of foreign states with which Turkmenistan has concluded international treaties on legal assistance, or on the basis of the principle of reciprocity, the competent authorities of Turkmenistan may use all the powers and conduct procedural actions provided for in the CPC (detailed in [R.31](#)) as well as other actions provided for in other laws and international treaties of Turkmenistan (article 542 of the CPC).

1754. In addition, at the request of the state from which the request comes, the procedural norms of that foreign state may be applied during the execution of the request, if it is provided for in an international treaty between Turkmenistan and that state (Article 546 of the CPC).

a) According to Article 546 of the CPC, the inquiry body, investigator, prosecutor, court execute requests for investigative or judicial actions under the CPC that they obtain in accordance with the established procedure from the relevant institutions and officials of foreign states,

According to Articles 547, 548 and 557 of the CPC, an MLA request may constitute grounds for summoning and interviewing a witness, victim, civil plaintiff, civil defendant, their representatives, an expert, handing over the criminal case for further criminal prosecution, and transferring instruments of crime, or articles bearing traces of the crime, as well as articles acquired by criminal means.

However, according to Article 34 of Law of Turkmenistan No. 168-IV of 28 March 2011 “On Financial institutions and Banking Activity”, the investigation bodies are not entitled to obtain information constituting bank secrets of persons in respect of whom no criminal case is opened (i.e., in respect of those who are not suspects or accused persons). In view of this, such MLA requests also appear to be inexecutable.

- b) According to Article 542 of the CPC, when providing MLA, the investigation bodies and courts of foreign states, with which Turkmenistan entered into legal assistance treaties or acting under a mutual arrangement, may take procedural action as provided for by the CPC and other actions provided for by other laws and treaties of Turkmenistan.

According to Article 22 (2) of the AML/CFT/PF Law, international AML/CFT/PF cooperation between the state bodies of Turkmenistan and the competent bodies of foreign states may be maintained by sending a request or communication and any other forms and by exchanging information using secure and safe communications channels which do not contravene the Turkmen legislation and treaties.

Weighting and Conclusion

1755. Turkmenistan, in general, has a sufficient legal framework and competent bodies that possess sufficient powers to provide MLA in connection with investigations and prosecutions in the court for ML, predicate crimes and TF.
1756. It is not possible to assess the timeliness of the execution of MLA requests, as well as the prioritization of their execution due to the failure to submit the relevant NLAs.
1757. The legislation does not detail the procedure for consideration of incoming MLA requests, and the procedure for prioritization of execution of MLA requests.
1758. The restriction of the right of investigative bodies to obtain information that constitutes bank secrecy in relation to other persons, whose criminal investigation is not in progress (i.e. they are not suspects or defendants) prevents the execution of such requests as part of the provision of MLA.
1759. **Recommendation 37 is rated Largely Compliant.**

Recommendation 38 – Mutual legal assistance: freezing and confiscation

1760. In the 2011 MER, Turkmenistan was rated partially compliant with R.38. The country does not provide for the confiscation of property of equivalent value, and deficiencies in the criminalisation of ML restricted potential confiscation. Turkmenistan did not address the matters of sharing confiscated property with the competent bodies of foreign states whose actions contributed to the confiscation of the property, nor did it provide statistics on MLA.

Criterion 38.1 –

1761. The Turkmen legislation does not provide for a special body or mechanism for the execution of MLA requests relating to the identification, freezing, seizure and confiscation of property. MLA related to the identification, seizure, freezing (called “temporary attachment” in the CPC) and confiscation is provided in accordance with the standard procedure by the authorised bodies under the provisions of Chapter 52 of the CPC and ratified international conventions, agreements and treaties.
1762. MLA is provided under a treaty or in accordance with the principle of reciprocity. The GPO, SC and MJ are specified as the central competent bodies for communications for MLA purposes in accordance with the principle of reciprocity under Article 544 of the CPC. The central competent authorities for communications for MLA purposes under international conventions, agreements and treaties and specified in the relevant conventions, agreements and treaties or regulations ratifying such documents³⁰.
1763. MLA related to the identification, freezing, seizure or confiscation in accordance with the principle of reciprocity is provided under the provisions of Chapter 52 of the CPC and the provisions of the CC and CPC regulating the procedure for identifying, seizing or confiscating property (see R.4).

³⁰ For example, according to Article 3 of the Treaty on Legal Assistance and Legal Relations in Civil, Family and Criminal Cases between Turkmenistan and the Republic of Armenia, the MJ, SC, GPO, MIA and Committee for National Security are the central bodies for communications purposes.

1764. When providing MLA under international conventions, agreements and treaties, the identification, freezing, seizure and confiscation of property are regulated either by the national legislation or the relevant convention, agreement or treaty³¹. According to Article 546 of the CPC, when executing the request, it is possible to use procedural rules of the foreign state if it is provided for by the treaty between Turkmenistan and this state.

1765. Provisions of certain MLA treaties concern the matters of identification, freezing and seizure of criminal property (Armenia, Iran, Minsk Convention on MLA, and others). However, the matters of its confiscation are not regulated, in view of which these are considered under the national legislation.

- a) MLA requests relating to the identification, freezing and seizure of laundered property are executed under the provisions of Article 542 of the CPC concerning the possibility of taking procedural action provided for by the CPC, and other actions provided for by other laws and treaties of Turkmenistan.

Besides, Article 557 of the CPC provides that it may be possible to transfer to the requesting party or to place articles that are instruments of crime under temporary attachment, as well as articles acquired by criminal means. However, such transfer or temporary attachment is conducted only when the matter of extradition of the criminal arises so that proceedings in another criminal case may proceed provided that the relevant body of the foreign state guarantees that it will return the articles once the proceedings have been completed. Similar rules are contained in other MLA treaties too, e.g., with the Republic of Armenia.

Judging by the interpretation of Article 562 of Chapter 52 of the CPC (the procedure under which the judge considers matters relating to the enforcement of a court judgment of a foreign state), insofar as MLA is concerned, it is possible to enforce the court judgement only to the extent of the punishment imposed upon the person. As Article 52 of the CC provides for the confiscation of property owned by the convict and acquired by criminal means as additional punishment, it is possible to enforce the court judgement only to the extent of this property.

It is impossible to execute MLA requests relating to the confiscation of laundered property acquired through an illegal import of migrants since such acts are not criminalised under the CC (see R.3).

- b) MLA requests relating to the identification, freezing, seizure and confiscation of proceeds from predicate crimes are executed as provided for by the rules of Articles 542, 557 and 562 of the CPC in a manner similar to the above at subcriterion (a).

It is impossible to execute MLA requests relating to the confiscation of proceeds from an illegal import of migrants since such acts are not criminalised under the CC.

- c) *and d)* MLA requests relating to the identification, freezing and seizure of instrumentalities used or intended to be used for the purposes of ML, TF or predicate crimes are executed as provided for by the rules of Articles 542, 557 of the CPC in a manner similar to the above at subcriterion (a).

It is impossible to confiscate instrumentalities used or intended to be used for the purposes of ML, TF or predicate crimes under MLA requests by virtue of Article 562 of Chapter 52 of the CPC.

- e) MLA requests relating to the identification of property of equivalent value may be executed as provided for by the provisions of Article 542 of the CPC concerning the possibility of taking procedural action based on the request as provided for by the CPC.

³¹ According to Article 4 of the Law on Treaties, if a treaty of Turkmenistan establishes rules that differ from those provided for by the Turkmen legislation, the provisions of the treaty apply.

It is impossible to execute requests relating to the freezing, seizure and confiscation of property of equivalent value since the applicable Turkmen criminal and criminal procedure legislation does not provide for the confiscation of such property.

Criterion 38.2 –

1766. There is no authority in Turkmenistan to provide non-conviction-based confiscation assistance, since the execution of such requests by the MLA or other cooperation is not possible due to the provisions of article 562 of chapter 52 of the CPC.

1767. At the same time, Turkmenistan has provisions (Articles 130, 313 of the CPC) that actually regulate application at the national level of the confiscation which is not based on conviction (no such term is expressly provided for by law), in relation to instrumentalities of crime owned by the accused person, and funds and other values acquired by criminal means in cases when a criminal proceeding is terminated:

- for the absence of elements of a crime in the act;
- since the statute of limitations has expired;
- an act of pardon is issued;
- in respect of a person who, by the time of the socially dangerous act, had not reached the age at which he may be held criminally accountable by law;
- in respect of a deceased person;
- on the grounds provided for by Articles of the Special Part of the CC³².

1768. When the accused person absconds during the investigation or trial or when his whereabouts are unknown for other reasons, and when the perpetrator of the crime is not identified, the criminal proceedings are terminated (Article 308 of the CPC), The legislation does not provide for any confiscation either based on a court judgment or conviction until the criminal proceedings have been completed.

Criterion 38.3 –

1769. a) As already noted in c.38.1, it is possible to confiscate based on an MLA request under Article 562 of the CPC only when it comes to the confiscation of property owned by the convict and acquired by criminal means and to ML and predicate (including TF) cases. The country did not provide any documents evidencing arrangements with other states concerning coordination on deprivation and confiscation procedures. The treaties and international agreements provided by Turkmenistan do not contain any provisions on coordination of provisional measures and confiscation of property with other states.

b) As concerns the existing MLA treaties, Turkmenistan may engage in international cooperation on the matters of management and disposal of frozen, seized or confiscated property.

If an MLA request to identify, freeze, seize or confiscate property is executed, the management and disposal of such property is conducted in a manner similar to criminal proceedings as part of domestic criminal prosecution (see c.4.4 of R.4).

Criterion 38.4 –

1770. The Turkmen legislation does not have any provisions that allow sharing confiscated property with other states, in particular, when confiscation directly or indirectly results from joint efforts of the LEAs.

1771. Relevant provisions may be enshrined in treaties with other states since, according to Article 546 of the CPC, when executing the request, it is possible to use procedural rules of the foreign state if it is provided for by the treaty between Turkmenistan and this state. However, the treaties provided

³² For instance, according to a note to Article 271¹ of the CC, a person who commits a crime under this article as a result of violence or threatened violence against him is exempt from criminal liability if the person timely reports this to the state bodies, assists in the prevention and solving of the crime, and if there are no elements of another crime in his acts.

by Turkmenistan do not contain any provisions to the effect that confiscated property may be shared with other states either.

Weighting and Conclusion

1772. Turkmenistan has competent bodies providing MLA on the matters of freezing, seizure and confiscation and has in place treaties and relevant national legislation that allows providing MLA on the matters of freezing, seizure and confiscation.
1773. In Turkmenistan, it is impossible to execute MLA requests relating to the confiscation of laundered property and criminal proceeds acquired through an illegal import of migrants since such acts are not criminalised under the CC.
1774. It is impossible to confiscate funds used or intended to be used for the purposes of ML, TF or predicate crimes or to freeze, seize and confiscate property of equivalent value under MLA requests by virtue of Article 562 of Chapter 52 of the CPC.
1775. There is no body to provide assistance relating to confiscation which is not based on a judgment since it is impossible to execute such MLA or other assistance requests by virtue of the legislation.
1776. There are no arrangements with other states concerning coordination on deprivation and confiscation.
1777. It is impossible to share confiscated property with other states, in particular, when confiscation directly or indirectly results from joint efforts of the LEAs.
1778. **Recommendation 38 is rated Partially Compliant.**

Recommendation 39 – Extradition

1779. In the 2011 MER, Turkmenistan was rated largely compliant with R.39 because the CPC or other regulations did not provide for mechanisms to determine the best location (jurisdiction) to prosecute accused persons, and deficiencies in ML criminalisation restricted extradition capabilities. Besides, Turkmenistan did not provide MLA statistics which makes it impossible to evaluate the efficiency of the system.

Criterion 39.1 –

1780. Turkmenistan has a legal basis for the execution of extradition requests for various crimes. Under article 9 of the CC, foreign citizens and stateless persons who have committed a crime outside Turkmenistan and are on the territory of Turkmenistan may be extradited to a foreign State to be prosecuted or to serve a sentence in accordance with the international treaties and agreements and also the conventions and other international legal acts to which Turkmenistan has acceded.
1781. Turkmenistan is a party to multilateral and bilateral international treaties in the framework of which international cooperation on extradition may be carried out.
1782. The conditions and procedure of extradition are determined by the CPC and the international treaties of Turkmenistan with the respective foreign country. Under article 552 of the CPC, a request for extradition of a foreign national accused or sentenced in Turkmenistan is considered by the Prosecutor General, which makes a decision on the request.
1783. According to Article 552 of the CPC, an institution in which this person is held under custody, after the General Prosecutor of Turkmenistan issues an extradition order, should within thirty days convoy and hand over the said person to the relevant body of the state to which the person is extradited and report to the General Prosecutor of Turkmenistan that his order has been executed.
- a) *Mostly met*) ML- and TF-related extradition requests are executed in accordance with the above legislation since ML and TF are criminalised. Given that sanctions for ML and TF include punishment by imprisonment for more than one year, these crimes will be considered in extradition cases and in accordance with those treaties of Turkmenistan which require a

minimum threshold of punishment (imprisonment) for the extradition decision to be made.³³ However, it appears impossible to extradite persons for the laundering of money obtained through an illegal import of migrants since this act is not a crime under the CC (see R.3) and, accordingly, the laundering of such money does not constitute a crime.

- b) The CPC and international agreements (treaties) of Turkmenistan in the field of MLA do not contain norms regulating the prioritization of execution of extradition requests. Detailed mechanisms and guidelines on the execution of extradition of persons who have committed crimes to foreign states on the basis of the Minsk Convention of the CIS Member States are contained in Order No. 50 of the Prosecutor General of Turkmenistan dated 30 April 2000. These mechanisms and regulations are also applied in relation to the execution of extradition on the basis of other treaties and conventions.

Incoming extradition requests are executed in accordance with the procedure established by departmental documents on document management in the GPO.

- c) According to Article 553 of the CPC, no extradition to another state is conducted or extradition is denied in cases when (1) the person in relation to whom the foreign state forwarded its extradition request is a Turkmen national, (2) Turkmenistan has granted asylum to the requested person, (3) the act underlying the extradition request is not considered to be a crime under the Turkmen legislation, (4) an effective judgment has already been delivered in relation to the person for the same crime or the proceedings have been terminated, (5) no criminal case may be opened or the judgment cannot be enforced under the Turkmen legislation since the statute of limitations has expired or for other legal reasons, (6) the person serving his sentence has not fully redressed the damage done. Moreover, extradition may be denied if the crime underlying the extradition request was committed in the territory of or beyond Turkmenistan but went against the interests of Turkmenistan (Article 553 of the CPC).

The enumerated grounds for extradition as a whole suggest that the conditions contained in the legislation of the assessed State for the refusal to extradite a person are reasonable.

The AT believes that the grounds for refusal of extradition on grounds of incomplete compensation of damage appear to be an overly restrictive condition for the execution of extradition requests. This refers to the possibility of refusing to extradite a person to the requesting party when the person is serving a sentence in Turkmenistan for a crime committed and the damage caused by the crime has not been fully or partially compensated (regardless of the amount of damage not compensated). The AT believes that this ground can be interpreted rather formally, without an appropriate assessment of the gravity of the offence for which extradition is sought. This can also be confirmed by the fact that such a condition regulates extradition only on the basis of the principle of reciprocity, there is no such requirement in the international treaties (agreements) on MLA of Turkmenistan.

Criterion 39.2 –

1784. The legislation of Turkmenistan stipulates the following provisions with regard to the extradition of its citizens:

- a) According to Article 10 of the Constitution of Turkmenistan, Article 9 of the CC and Article 553 of the CPC, a Turkmen national cannot be extradited to another state.
- b) Turkmen nationals, as well as stateless persons permanently residing in Turkmenistan, who commit a crime under the Turkmen criminal legislation outside Turkmenistan are to be held liable under the Turkmen criminal legislation if the criminal legislation of the state the crime was committed in provides for liability for the said crime and if these persons are not convicted in the foreign state (Article 8 of the CC).

³³ For instance, according to Article 18 of the Treaty on Mutual Legal Assistance in Criminal Cases between the Government of Turkmenistan and the Islamic Republic of Iran, extraditable offences include those that under the legislation of the requested and requesting Contracting Parties are punished by imprisonment for more than one year or a harsher punishment.

However, considering that Turkmen nationals who committed crimes abroad are to be held liable under the Turkmen criminal legislation, they will not be held liable for an illegal import of migrants they engaged in abroad since this act is not criminalised under the CC, nor will they be held liable for ML resulting from these crimes.

The General Prosecutor of Turkmenistan considers requests from the relevant body of a foreign state for the referral of a criminal case for further investigation in relation to a Turkmen national who committed a crime in the territory of the foreign state and returned to Turkmenistan (Article 549 of the CPC). In this case preliminary investigation and judicial proceedings are conducted in accordance with the requirements of the CPC. The preliminary investigation bodies may open a criminal case against the Turkmen national under the CPC based on materials and documents pertaining to this crime which were provided by the relevant institution of the foreign state to the General Prosecutor of Turkmenistan. The body conducting the criminal proceedings should report, and provide a copy of, the final decision in the case to the General Prosecutor of Turkmenistan.

Criterion 39.3 –

1785. According to Articles 553 and 560 of the CPC, no extradition is conducted or extradition is denied in the following cases: (1) the act underlying the extradition request is not considered to be a crime under the Turkmen legislation, or (2) none of the acts that caused the person to be convicted in Turkmenistan are considered to be crimes under the legislation of the state of his nationality.

1786. Nevertheless, when extradition requests are under consideration, it is the criminality of the act rather than its classification in accordance with the criminal legislation of the states that is taken into account.

Criterion 39.4 –

1787. The Turkmen legislation and treaties do not provide for simplified extradition mechanisms.

1788. According to Article 552 of the CPC, the General Prosecutor of Turkmenistan considers a request for the extradition of a national of a foreign state accused of a crime or convicted in the territory of Turkmenistan and makes a decision in relation to this request.

1789. Still, Article 555 of the CPC sets out that, upon receiving a request from the relevant competent body of a foreign state which is executed in compliance with all rules, if there are legal grounds for the extradition of the person, the person may be detained and subjected to extradition arrest as a pre-trial restriction. As petitioned by the requesting state, the person may be taken into custody even before the extradition request is received. The petition should refer to the custody warrant or effective judgment and to the fact that an extradition request will follow separately. Until the extradition request is filed, the custody petition may be forwarded by mail, telegraph, telex, fax or email. The prosecutor makes a decision on extradition arrest and immediately reports the extradition arrest he performed to the General Prosecutor of Turkmenistan.

Weighting and Conclusion

1790. Turkmenistan has a legal and institutional framework for executing ML/TF-related extradition requests.

1791. It is impossible to extradite persons for the laundering of money obtained through an illegal import of migrants since this act (illegal import of migrants) is not a crime under the CC.

1792. Turkmen nationals cannot be held liable for an illegal import of migrants they engaged in abroad since this act is not criminalised under the CC, nor will they be held liable for ML resulting from these crimes.

1793. The reason for denial of extradition under Article 563 of the CPC based on the fact that there is no full redress for the damage done appears to be an excessively restrictive condition for the execution of extradition requests.

1794. The Turkmen legislation and treaties do not provide for simplified extradition mechanisms.

1795. **Recommendation 39 is rated Largely Compliant.**

Recommendation 40 – Other Forms of International Cooperation

1796. In the 2011 MER, Turkmenistan was rated PC with R.40 due to the fact that there was no international AML/CFT cooperation among law enforcement and supervisory authorities, and there was insufficient international cooperation on the part of the FIU and no effective mechanisms or channels for information exchange with foreign partners.

Criterion 40.1 –

1797. According to Article 22 (1) of the AML/CFT/CPF Law, international cooperation of the Turkmen government authorities with competent authorities of foreign countries in the prevention, detection, suppression and investigation of ML/TF/PF-related acts, as well as the search, seizure, return and confiscation of these illegal income and assets, shall be carried out in accordance with the legislation and international treaties of Turkmenistan.

1798. According to Article 22 (2) of the AML/CFT/CPF Law, international AML/CFT cooperation between the Turkmen government authorities and competent authorities of foreign States may be carried out by sending requests or messages, as well as in any other forms, and exchanging information via secure and safe data transmission channels, which do not contradict the legislation and international treaties of Turkmenistan.

1799. At the same time, all the Turkmen competent authorities do not have guidance documents (methodological guidelines) on the implementation of international cooperation, allowing to improve the timeliness and quality of sending outgoing requests and preparing responses to incoming requests. However, the execution of international requests is regulated by the relevant instructions on office work with the use of electronic document management system.

Criterion 40.2 –

1800. a) The main legal basis for the Turkmen competent authorities for carrying out international cooperation is Article 22 of the AML/CFT/CPF Law.

Besides that, the legal basis for the implementation of international cooperation are sectoral laws governing the activities of competent authorities.

Annex Table 3.

LEAs	
GPO	Article 4 of the Law on the GPO
MIA	Article 3 (1), Clause 20, Article 7, Article 15 (32) and Article 16 (1) of the Law of Turkmenistan on the Internal Affairs Authorities
MNS	Article 5, Clause 22, Article 18 (1) of the Law of Turkmenistan on the National Security Authorities
Supervisory authorities	
CB	Article 49 of the Law of Turkmenistan on the CB
MJ	Article 4 (11) and Article 5 of the Law of Turkmenistan on the Adalat Authorities of Turkmenistan
MFE	Clause 5 of the Regulation on the Ministry of Finance and Economy of Turkmenistan approved by Presidential Decree No. 383 of 05.10.2017, as well as Articles 5 and 7 and 19 of the Law on International Treaties of Turkmenistan
Agency "Turkmenaragatnashyk" (the Agency for Transport and Communications under the Cabinet of Ministers of Turkmenistan)	
Other competent authorities	
FMS	Articles 19 (1) and 20 (3) of the AML/CFT/CPF Law, Clause 7 of the Regulations of FMS
SCS	Article 12 of the Law of Turkmenistan on the Customs Service
SMS	6 (13), 10 of the Law of Turkmenistan on the Migration Service
SC	Article 38 (5) of the Law of Turkmenistan on Courts

International treaties of Turkmenistan are also the legal basis for the implementation of international cooperation.

The above-mentioned competent authorities interact on the basis of multilateral, interstate and intergovernmental international treaties, as well as interagency international agreements concluded with the competent authorities of foreign States.

However, the above-mentioned competent authorities (except for the FMS) do not have international cooperation agreements in the AML/CFT/CPF sphere.

The Ministry of Finance and Economy and the Agency "Turkmenaragatnashyk" did not provide information and specific legal acts stipulating the powers of these bodies to cooperate with competent authorities of foreign States, including the exchange of information both spontaneously and upon request.

- b) The Turkmen legislation does not contain specific legal provisions prescribing the competent authorities to use the most effective means to cooperate.
- c) According to Article 22 (2) of the AML/CFT/CPF Law, international AML/CFT/CPF cooperation between the Turkmen government authorities and the competent authorities of foreign States may be carried out by sending requests or messages, as well as in any other forms, and exchanging information via secure and safe data transmission channels, which do not contradict the legislation and international treaties of Turkmenistan.

The competent authorities use open and closed channels, access points or mechanisms to expedite and ensure the transfer and execution of requests (the FIU uses a secure channel of the Egmont group and MIA - a secure channel of Interpol). The competent authorities also use a dedicated communication channel, communication by courier, diplomatic channels, mail, fax and e-mail.

- d) The Turkmen legislation lacks specific legal provisions obliging competent authorities to prioritize and execute requests in a timely manner. Also, no local documents of competent authorities stipulating procedures for the prioritization and timely execution of requests were provided.

According to the Turkmenistan representatives, incoming requests are typically executed within one month in accordance with the rules of internal regulations and record keeping, as well as international treaties of Turkmenistan, including interagency treaties.

- e) According to CPC Article 49 (1, 7), during criminal proceedings the measures stipulated by the CPC and other laws shall be taken to protect received information constituting State secrets (State, military and official secrets, secrets of inquiry and preliminary investigation) and other secrets (trade secret, medical secret, personal secret and any other types of secrets). The inquiry and preliminary investigation data shall not be subject to disclosure.

According to Article 19 (2), Clause 2, Article 20 (1), Clause 3, Article 20 (2), Clause 4 of the AML/CFT/CPF Law, the authorized body (FIU), government authorities exercising control over compliance with the AML/CFT/CPF legislation within their purview and other government authorities shall ensure appropriate storage and protection regime of information obtained in the course of their activities and constituting State or other law-protected secret.

According to Article 21 (1) of the AML/CFT/CPF Law, persons who perform or performed activities under this Law and who in the performance of their duties have or had access to information related to official secrets are not permitted to disclose them.

Besides that, the Law on Information and its Protection (Articles 8, 15, 16), the Law on Ethics and Official Conduct for State Officials (Article 9) and the Law on Electronic Document (Articles 11, 12, 13) stipulate requirements for guaranteeing the confidentiality of received information.

In this regard, the competent authorities of Turkmenistan are obliged to protect the confidentiality of received information in accordance with the requirements of the above-mentioned laws.

Multilateral international treaties contain provisions on protecting the confidentiality of information received from the other party, if such information is confidential or the transmitting party considers it undesirable to disclose its content.

Criterion 40.3 –

1801. According to Article 22 of the AML/CFT/CPF Law, international cooperation shall be carried out in accordance with laws and international treaties of Turkmenistan.

1802. The procedure for the conclusion, execution and termination of international treaties of Turkmenistan is determined by the Law of Turkmenistan on International Treaties of Turkmenistan.

1803. According to Article 5 (2) of the Law on International Treaties of Turkmenistan, proposals on the conclusion of international interagency treaties are submitted to the Cabinet of Ministers of Turkmenistan by ministries and departments together with the Ministry of Foreign Affairs of Turkmenistan or in agreement with it.

1804. According to Article 6 of the Law on International Treaties of Turkmenistan, decisions on negotiating and signing international treaties of Turkmenistan shall be taken by:

- The President of Turkmenistan – with regard to inter-State and intergovernmental treaties;
- The Cabinet of Ministers – with regard to interagency agreements.

1805. According to Article 7, Part 2, Subclause c of the Law on International Treaties of Turkmenistan, the Cabinet of Ministers of Turkmenistan - ministers and heads of departments - may be authorized to negotiate and sign international interagency treaties.

1806. According to Article 9 of the Law on International Treaties of Turkmenistan, ministries and departments of Turkmenistan engage in relations with the relevant bodies of foreign States or international organizations on issues of international treaties through the Ministry of Foreign Affairs, which coordinates the activities of public administration bodies on the conclusion of international treaties.

1807. The above-mentioned procedure for concluding international treaties can be lengthy and affect the timeliness of decisions to negotiate and sign international treaties.

1808. At the same time, according to representatives of Turkmenistan, in practice there are no difficulties with negotiating and signing international treaties in a timely manner.

1809. According to Article 19 (2), Clause 9 of the AML/CFT/CPF Law, the FMS has the right to conclude agreements and memorandums on information exchange, contracts, protocols and other documents on mutual understanding with international and regional organizations, relevant foreign bodies in the manner prescribed by law, and to involve relevant bodies in their implementation.

Criterion 40.4 –

1810. The legislation and international treaties of Turkmenistan do not contain specific requirements for the Turkmen competent authorities to provide feedback in a timely manner to competent authorities, from which they have received assistance, on the use and usefulness of the information obtained, upon their request.

Criterion 40.5 –

1811. Article 22(4) of the AML/CFT/CPF Law provides that the transfer to a competent authority of a foreign State of ML/TF/PF information may be carried out if it:

- does not violate the constitutional rights and freedoms of man and citizen;
- is not detrimental to the national security of Turkmenistan;
- does not affect the course of criminal proceedings.

1812. The FMS staff confirmed that this provision applies to all competent authorities of Turkmenistan.

1813. According to Article 22 (3) of the AML/CFT/CPF Law, the transfer of ML/TF/PF information in the possession of the authorized body is carried out at the request of a competent authority of a foreign State, provided that it will not be used for purposes not specified in the request or transferred to third parties without the prior consent of the authorized body.

- a) The Turkmen legislation does not stipulate any grounds for refusal to execute a request for assistance due to the fact that the request is considered to involve fiscal matters.
- b) The Turkmen legislation does not stipulate any grounds for refusal to execute a request for assistance due to the fact that the laws require FIs and DNFBPs to maintain secrecy or confidentiality.
- c) According to CPC Article 49, the data of the inquiry and preliminary investigation shall not be disclosed. They may be made public only with the permission of the criminal prosecution authority to the extent it deems possible, if it is not contrary to the interests of the investigation and does not involve a violation of the rights and lawful interests of other persons.

According to CPC Article 546 (5), an MLA request is returned without execution if it contradicts the Turkmen legislation or if its execution may be detrimental to the sovereignty, national independence, policy and principles of permanent neutrality or security of Turkmenistan.

Besides that, international treaties of Turkmenistan may provide for other grounds for refusal to execute a request for assistance.

In view of the above, the grounds for refusal may be interpreted broadly and create unreasonable or unduly restrictive conditions in the consideration of a request for assistance.

- d) The Turkmen legislation does not stipulate any grounds for refusal to execute a request for assistance due to the fact that the nature or status (civil, administrative, law enforcement, etc.) of the requesting counterpart authority is different from that of its foreign counterpart.

Criterion 40.6 –

1814. Article 22 (9) of the AML/CFT/CPF Law stipulates that the authorized body (FMS) may not, without the prior written consent of a competent authority of a foreign State, transmit to a third party or use information and documents in violation of the conditions and restrictions imposed by the competent authority of the foreign State from which they were received.

1815. The Turkmen legislation does not require other competent authorities of Turkmenistan to use information received from a competent authority of a foreign State for the purposes for which it is requested or transmitted and not to share the received information with third parties without the prior consent of a foreign competent authority.

1816. At the same time, multilateral international treaties of Turkmenistan stipulate conditions that the exchanged information will not be used for purposes other than those for which it is transmitted without the prior consent of the transmitting Party. See also the Criterion 40.7 analysis.

Criterion 40.7 –

1817. According to Article 21(1) of the AML/CFT/CPF Law, persons who perform or performed activities under the AML/CFT/CPF Law and who in the performance of their official duties have or had access to information related to official secrets are not entitled to disclose them.

1818. In accordance with CPC Article 49 (1), during procedural actions, measures may be taken to maintain confidentiality, including measures to protect the received information that constitutes state secrets (state, military and official secrets, secrets of inquiry and preliminary investigation) and other secrets (trade secrets, medical secrets, personal secrets and any other types of secrets).

1819. Multilateral international treaties of Turkmenistan stipulate:

- the obligation that the competent authorities shall not disclose the fact of the request (instruction) and its content, unless otherwise agreed by the competent authorities of the requesting Party,

and shall protect the confidentiality of the information transmitted by the requested Party;

- the provision that information received from a competent authority of a foreign State is confidential and subject to the regime of protection provided by national law for similar information received from domestic sources.

1820. The Turkmen legislation does not empower the Turkmen competent authorities to refuse to provide information if the requesting competent authority cannot protect the information effectively.

Criterion 40.8 –

1821. According to Article 542 (1) of the CPC, as part of mutual legal assistance rendered to investigative authorities and courts of foreign countries with which Turkmenistan has concluded international treaties on legal assistance or on a mutually agreed basis, legal proceedings stipulated by the CPC may be carried out as well as other actions stipulated by other laws and international agreements of Turkmenistan.

1822. Subject to Article 546 (1) of the CPC, the agency of inquiry, the investigator, the court shall implement the assignments of foreign competent agencies and officials for the conduct of investigative or judicial actions delivered to them in the prescribed manner in accordance with the rules of the CPC.

1823. Subject to multilateral international treaties of Turkmenistan, the competent authorities shall execute requests for intelligence operations.

Criterion 40.9 –

1824. Subject to Clause 6 of Article 19 (1) and Article 22 of the AML/CFT/CPF Law, Clause 7 of the FMS Regulation, the FMS has sufficient legal grounds to ensure AML/CFT/CPF cooperation, including opportunity to exchange information with foreign FIUs.

1825. The procedure for executing and sending AML/CFT/CPF requests to the FMS (including international requests) is approved by Order of the FMS Chairman of the FMS dated July 27, 2022 No. 18-O.

1826. Also, interdepartmental international treaties of Turkmenistan are the legal basis for cooperation. The FMS has signed interdepartmental international treaties with 19 financial intelligence units of foreign states. In addition, international cooperation is carried out via the Egmont Group.

Criterion 40.10 –

1827. Subject to Article 22 (2) of the AML/CFT/CPF Law, international AML/CFT cooperation among the state authorities of Turkmenistan and competent authorities of foreign states can be carried out by sending a request or a message, as well as in any other forms, and by information exchange using safe and secure data communication channels that do not contradict the legislation and international treaties of Turkmenistan.

1828. Subject to Subclause 13, Clause 7 of the FMS Regulation, the FMS has the right to independently exchange AML/CFT information with a competent authority of a foreign state in accordance with the established procedure.

1829. At the same time, the legislation and interdepartmental international treaties of Turkmenistan do not specifically stipulate obligation of the FMS to provide feedback to its foreign counterparts (upon request and whenever possible) on the use of the provided information, as well as on the outcomes of the analysis conducted on the basis of the provided information.

1830. At the same time, subject to Clause 19 of the Principles for Information Exchange between Financial Intelligence Units, the FMS cooperation stipulates mandatory feedback on the usefulness of information received from foreign partners.

Criterion 40.11 –

1831. a) Subject to Clause 6 of Article 19 (1) and Article 22 of the AML/CFT/CPF Law, Clause 7 of the FMS Regulation, the FMS has the authority to share all information available to it.

Subject to Parts 3 and 4 of Article 22 of the AML/CFT/CPF Law, ML/TF/PF information available to the competent authority can be transferred at the request of a competent authority of a foreign state, provided that the information:

- Will not be used for purposes other than specified in the request;
- Will not be transferred to third parties without prior consent of the authorized body;
- Does not violate the constitutional civil rights and liberties;
- Does not damage the national security interests of Turkmenistan;
- Does not affect criminal proceedings.

b) The FMS has the authority to share any other information that it can obtain domestically.

Criterion 40.12 –

1832. Subject to Part 1 of Article 22 of the AML/CFT/CPF Law, cooperation of other state bodies (including supervisors) of Turkmenistan with competent authorities of foreign states is carried out in line with the national legislation and international treaties of Turkmenistan.

1833. The CB cooperates (in particular, exchanges information regarding any financial institution and (or) financial organization) with banking supervisors of foreign states on a reciprocal basis (Article 49 of the Law on the CB). There are no regulations regarding exchange of information about other organizations supervised by the CB (for example, dealers in precious metals and precious stones) with supervisors of foreign states.

1834. General powers of the MJ for international cooperation are determined by Articles 4 and 5 of the Law on Adalat (Justice) Authorities.

1835. The Regulation on the MFE (approved by Decree of the President of Turkmenistan dated October 15, 2017 No. 383) stipulates no guidelines regarding international cooperation with competent authorities of foreign states.

1836. The country failed to provide regulatory legal acts governing activities of other supervisors (including the post office supervisor), therefore it is impossible to make a conclusion about their powers to exchange information with supervisory authorities of foreign states.

1837. The CB has entered into a Cooperation Agreement with the CB of the Republic of Belarus and the CB of the Republic of Turkiye. At the same time, there is no information about any other agreements with supervisors of foreign states.

Criterion 40.13 –

1838. The CB of Turkmenistan has the authority to exchange information available to it domestically, including information held by FIs, with foreign competent authorities. However, the deficiencies mentioned in criteria 40.12 and 27.1 affect the rating of this criterion.

Criterion 40.14 –

1839. International information exchange with financial supervisors of foreign states is carried out in line with general mechanisms of international cooperation.

1840. Subject to Article 49 of the Law on the CB of Turkmenistan, the CB cooperates with banking supervisors of foreign states on a reciprocal basis, in particular, exchanges information regarding any financial institution and (or) financial organization operating within its jurisdiction, provided that the confidentiality of the received information is mutually observed. However, the types of information that the CB can exchange is not specified. At the same time, subject to Article 47 of the Law on the CB of Turkmenistan, the CB has the right to request and receive from financial institutions the necessary information about their activities, including financial standing, business reputation of the founders (participants), specific transactions, and ask for clarification in relation to the received information.

1841. The justice authorities have the right to exchange legal information with foreign states (Article 17 of the Law on Adalat (Justice) Authorities).

1842. As mentioned above, the law doesn't determine powers for international exchange of information of the MFE, which is the supervisor for insurance companies.

Criterion 40.15 –

1843. Regulatory legal acts of Turkmenistan do not stipulate powers of the financial supervisors to conduct inquiries on the instructions of foreign counterparts or to facilitate conducting inquiries by foreign counterparts in the country.

Criterion 40.16 –

1844. Mutual observance of confidentiality is stipulated only in the powers of the CB of Turkmenistan (Article 49 of Law of Turkmenistan dated March 25, 2011 No. 167-IV "On the CB of Turkmenistan") and only in relation to information exchange with banking supervisors of foreign states.

Criterion 40.17 –

1845. Turkmenistan is a party to a large number of bilateral agreements (more than 25) which stipulate exchange of information related to combating crime.

1846. There are opportunities for information exchange as part of cooperation between the customs authorities (an agreement between the SCS or the Government of Turkmenistan on mutual assistance in customs matters).

1847. Turkmenistan has been a member of Interpol since 2005. The National Bureau of Interpol under the MIA actively cooperates and exchanges information with foreign partners.

1848. At the same time, given that subject to Article 34 of Law of Turkmenistan dated March 28, 2011 No. 168-IV "On Financial institutions and Banking Activities", the investigating authorities are not empowered to receive information constituting bank secrecy in relation to other persons who are not under criminal investigation (i.e., who are not suspects or accused persons, as well as legal entities), it seems that exchange of such information is impossible as part of other forms of international cooperation, which affects information exchange for the purpose of identifying and tracing proceeds and instrumentalities of crime.

Criterion 40.18 –

1849. LEAs of Turkmenistan, at the request of foreign competent authorities, carry out the necessary investigatory activities within their powers. The relevant regulations are stipulated in the sectoral legislation related to fields of activity of the competent agencies and the legislation on investigative activities.

1850. Such powers include: interrogation, making inquiries, detection, covert fixing and seizure of traces of illegal acts, their comparative study, controlled purchase operations, controlled delivery, examination of documents and items, surveillance, identification of a person, undercover penetration, control of postal items, telegraph and other messages, covert interception and recording of conversations, interception and recording of conversations using a telephone or other intercom device, obtaining information about connections between subscribers and (or) subscriber devices, retrieving information from technical communication channels, computer systems and other technical devices, search for devices for illegal retrieval of information, undercover operations, operational search on communication networks, sting operations (Article 11 of the Law on PIA).

Criterion 40.19 –

1851. The national legislation of Turkmenistan doesn't stipulate the creation of joint international investigation teams. The creation of joint investigation teams is regulated by conventions to which Turkmenistan has acceded (for example, the United Nations Convention against Transnational Organized Crime, etc.). However, given that such conventions apply to a limited number of entities, the lack of national regulation of possible creation of joint international investigation teams invokes legal uncertainty regarding the possibility of their creation with other partners.

1852. In addition, Agreement on Cooperation of the MIA in Combating Illicit Trafficking of Narcotic Drugs and Psychotropic Substances (signed in Kiev on October 21, 1992) stipulates the possibility of creation of such teams. However, the powers of representatives of foreign competent authorities appear to be extremely limited.

Criterion 40.20 –

1853. There are no legal provisions prohibiting indirect exchange of information with non-partner agencies. Indirect information exchange with non-partner agencies of the competent authorities of Turkmenistan is carried out through diplomatic channels, through the MFA.

1854. Overall, the general framework described above creates an environment that does not impede indirect exchange of AML/CFT information between non-partners, where necessary.

Weighting and Conclusion

1855. The competent authorities of Turkmenistan have legal and institutional grounds for international cooperation in the exchange of information both spontaneously and upon request, and also communicate on the basis of multilateral interstate and intergovernmental international treaties, as well as interdepartmental international agreements with competent authorities of foreign states.

1856. The competent authorities of Turkmenistan sufficiently ensure confidentiality of the received request and the received information and use them as intended. At the same time, they do not impose unreasonable or excessively restrictive conditions of the information exchange.

1857. The competent authorities are able to conduct inquiries on behalf of their foreign counterparts and exchange all available information with their foreign counterparts.

1858. The FMS has sufficient legal grounds for cooperation in connection with ML, related predicate offenses and TF, including exchange of all available information.

1859. At the same time, the following circumstances may adversely affect other forms of international cooperation:

- Not all competent authorities of Turkmenistan have guidelines on international cooperation which allow improving the timeliness and quality of sending outgoing requests and preparing responses to incoming requests;
- Competent authorities (except for the FMS) have no international agreements on AML/CFT/PF cooperation;
- The MFE and Turkmenaragatnashyk Agency have not provided information and specific legal acts stipulating powers of these agencies to cooperate internationally with competent authorities of foreign states;
- There are no specific legal regulations in the legislation of Turkmenistan:
 - Which instruct the competent authorities to use the most effective means of cooperation;
 - Which oblige the competent authorities to prioritize the requests and timely respond to them;
 - Related to timely sending information on the use and usefulness of the feedback to those competent authorities that provided assistance, upon their request;
 - Which stipulate obligation of the competent authorities of Turkmenistan to use information received from the competent authority of a foreign state for the purposes for which it has been sought or provided, and not to transfer the received information to third parties without prior consent of the competent authority of a foreign state;
 - Which stipulate powers of the competent authorities of Turkmenistan to refuse to provide information if the requesting competent authority cannot ensure effective data protection;
 - Which stipulate obligation of the FMS to provide feedback to its foreign counterparts (upon request and whenever possible) on the use of the provided information, as well as on the outcomes of the analysis conducted on the basis of the provided information.

1860. Exchange of information constituting bank secrecy is impossible as part of other forms of international cooperation, which affects information exchange for the purpose of identifying and tracing proceeds and instrumentalities of crime.
1861. There are no legal provisions to: conduct inquiries on behalf of their foreign counterparts and exchange all available information with their foreign counterparts,
1862. The lack of national regulation of possible creation of joint international investigation teams invokes legal uncertainty regarding the possibility of their creation with other partners.
1863. **Recommendation 40 is rated Partially Compliant.**

SUMMARY OF TECHNICAL COMPLIANCE – KEY DEFICIENCIES

Annex Table. Compliance with FATF Recommendations

Recommendations	Rating	Factor(s) underlying the rating
1. Assessing risks and applying a risk-based approach	LC	<ul style="list-style-type: none"> • Mechanisms for communicating the NRA results are not adopted at the legislative level; • There is no clear allocation of resources in accordance with the identified risks; • No response measures to high risks identified by the assessment findings have been developed for FIs and DNFBPs; • Not all private sector participants are required to assess their own risks and keep it up to date; • There are no mechanisms to report such assessments to competent authorities.
2. National cooperation and coordination	LC	<ul style="list-style-type: none"> • There is no unified national AML/CFT policy in place and no provisions for regular review of national AML/CFT policies.
3. Money laundering offence	LC	<ul style="list-style-type: none"> • The CC does not provide for liability for one of the types of crimes that are the predicate for ML – smuggling of migrants; • There is no administrative liability of legal persons for participating in ML or using a legal person for ML; • Sanctions against legal persons in the form of suspension or termination of legal persons' activities do not apply to all legal persons; • It is not possible to draw an unambiguous conclusion about the proportionality and dissuasiveness of sanctions against legal persons; • The preparation for ML envisaged in CC Article 242, Clauses 1 is not criminalized.
4. Confiscation and provisional measures	PC	<ul style="list-style-type: none"> • Confiscation as an additional punishment is not envisaged for all predicate offences falling under the category of designated offences according to the FATF Methodology, and in a number of cases its application is alternative, i.e. at the discretion of the court; • Income derived from criminal property, if obtained in a manner not prohibited by law, may not be confiscated; • Criminal and criminal procedure legislation does not provide for the possibility of confiscating property of corresponding value; • Confiscation of instrumentalities (means) of ML crimes or predicate offences and property (except money and other valuables) obtained in a manner prohibited by law and not owned by the accused or convicted person, is not envisaged by the legislation; • It is not possible to confiscate criminal proceeds (including proceeds or other profits derived from such proceeds) or instrumentalities used or those intended to be used for illegal migration; • The confiscation for TF committed without aggravating circumstances under CC Article 271¹, Clause 1 is not mandatory; • Bodies engaged in PIA and inquiry bodies are limited in their powers to identify, trace and evaluate property subject to confiscation in terms of obtaining information that constitutes bank secrecy; • The LEAs are not authorized to obtain information that constitutes bank secrecy with respect to other persons who are not being investigated in a criminal case; • The application of provisional measures against property subject to confiscation in connection with the commission of illegal migration is impossible due to the lack of its criminalization in the CC.
5. Terrorist financing offence	LC	<ul style="list-style-type: none"> • The prosecution of a person for financing terrorist organization depends on the recognition of the organization as such, but it is unclear by whom, in what order and at what point the organization is recognized as a terrorist organization; • The financing of travel to obtain terrorist training by persons who do not fall within the definition of a 'terrorist', i.e., who are not yet engaged in terrorist activity but who intend to train for it, is not criminalized; • The sanctions for TF apply to a limited range of legal entities and are dissuasive but not proportionate, as they do not provide for measures other than suspension or termination of the activity, or confiscation of property.

6. Targeted financial sanctions related to terrorism and terrorist financing	LC	<ul style="list-style-type: none"> • There are no separate rules governing the interaction between competent authorities for the identification of persons and entities for the submission of proposals for inclusion on UN lists; • The grounds for de-listing are not specific and do not cover all possible cases; • The available procedures for unfreezing assets do not include a timeframe within which the FIs and DNFBPs should carry out these actions; • No detailed provision is made to review the appeals of domestically designated persons to have access to frozen assets.
7. Targeted financial sanctions related to proliferation	LC	<ul style="list-style-type: none"> • Available procedures for unfreezing assets do not include a timeframe within which the FIs and DNFBPs must take this action; • In the frame of the mechanism that permits the crediting of accounts frozen under UNSCR 1718 or 2231, no freezing obligations are established.
8. Non-profit organizations (NPOs)	PC	<ul style="list-style-type: none"> • There is no risk-based approach upon conducting oversight of NPOs; • There are insufficient measures to ensure transparency of NPO activities; • There are no requirements to periodically reassess and review the adequacy of measures that regulate the NPO sector, as well as effective, proportionate and dissuasive sanctions for violation by NPOs are not in place; • No strategies to raise public awareness of NPO activities, and there are no specific programmes to encourage NPOs to conduct operations through regulated financial channels; • There is no threat assessment in the NPO sector.
9. Financial institution secrecy laws	C	
10. Customer due diligence (CDD)	LC	<ul style="list-style-type: none"> • According to part 4 of Article 6 and parts 1 and 2 of Article 8 of the AML/CFT Law, when a customer makes a non-cash payment or money transfer without using a bank account, unless the customer carries out a suspicious transaction and if the transaction amount does not exceed EUR 15 000, CDD measures may not be taken. It is therefore not in line with R.16, which requires a CDD requirement for cross-border transfers above USD/EUR 1,000; • The definition of beneficial owner in AML/CFT law does not cover the case where the beneficial owner may be an individual on whose behalf a transaction is being conducted; • FIs are required to scrutinize business relationship transactions to ensure that they are consistent with knowledge of the customer, their business and risk profile, and the source of funds (clause 7 of the Regulation on implementation by the banks of AML/CFT measures). There are no similar specific requirements in the legal framework for insurance companies. • There are no specific requirements to identify the parties to a foreign trust for other FIs and DNFBPs other than banks. • There is no specific requirement to include the beneficiary of a life insurance policy as a relevant risk factor in determining the applicability of enhanced CDD measures. • The Act does not specify exactly at what level of risk the enhanced measures must be taken.
11. Record keeping	C	
12. Politically exposed persons	PC	<ul style="list-style-type: none"> • The definition of PEPs covers most of the persons designated as national PEPs under the FATF Glossary, with the exception of the Head of State and Government; • Enhanced CDD measures are not provided for in respect of close ones of foreign PEPs; • For the insurance sector there is no process in place to inform senior management prior to the payment of insurance indemnity and consideration of the need for a suspicious activity report.
13. Correspondent banking	C	
14. Money or value transfer services (MVTS)	LC	<ul style="list-style-type: none"> • Amount of fines does not appear to be dissuasive or proportionate.

15. New technologies	PC	<ul style="list-style-type: none"> • The risk assessment requirements of new technologies are not fully reflected in the legislation; • Legislation does not explicitly prohibit VASP activities or regulate it.
16. Wire transfers	PC	<ul style="list-style-type: none"> • In two cases the cross-border wire transfers up to USD 14 857,14 are not accompanied by the necessary information as no CDD is performed. This shortcoming does not comply with R.16 requirement to accompany all cross-border transfers above USD 1,000 with identification data; • The national legislation does not set out specific requirements (i) when to execute, reject or suspend a wire transfer that does not have the required originator information or the required beneficiary information; and (ii) the appropriate follow-up action; • there are no separate requirements for cross-border wire transfers bundled into a batch file in the legislation; • The laws and statutory instruments do not stipulate the obligation and deadline for providing the relevant information by the sending FI at the request of the beneficiary FI where only the account number or unique transaction reference number is available.
17. Reliance on third parties	C	
18. Internal controls, foreign branches and subsidiaries	LC	<ul style="list-style-type: none"> • There are no specific procedures for the exchange of information required for CDD and ML/TF risk management purposes between the head office, parent company and branches, subsidiaries of FIs; • There are no specific requirements obliging branches and subsidiaries of FIs to provide higher-level compliance, audit and/or AML/CFT groups with the necessary information on customers, accounts and transactions, if necessary, have been established in the laws and statutory instruments of Turkmenistan.
19. Higher risk countries	LC	<ul style="list-style-type: none"> • There are shortcomings in the application of proportionate risk measures, as all transactions with countries with inadequate AML/CFT systems are automatically reported as transactions subject to mandatory control.
20. Reporting of suspicious transactions	C	
21. Tipping-off and confidentiality	C	
22. DNFBPs: customer due diligence	LC	<ul style="list-style-type: none"> • There is no requirement regarding the sufficiency of data to be used as evidence in court proceedings in the AML/CFT/CPF Law of Turkmenistan and it is directly established only for attorneys and other persons providing legal assistance; • The shortcomings noted in recommendation 12 also apply to DNFBPs; • The shortcomings noted in recommendation 15 also apply to DNFBPs.
23. DNFBPs: other measures	PC	<ul style="list-style-type: none"> • There are no requirements to DNFBPs for the organization of internal control within groups, as well as requirements to foreign branches and subsidiaries; • Automatic transaction reporting does not always mean that proportionate risk measures are applied, and DNFBPs are entitled, but not required, to refuse to establish or terminate business relationships; • The independent audit functions to verify this system is only provided for financial institutions and do not provide this procedure for DNFBPs; • Turkmenistan has also not demonstrated the regulatory requirements to DNFBPs that provide for compliance management (including the appointment of an officer at the management level) and a verification procedure to ensure high staff recruitment standards; • The deficiencies noted in R.19 also apply to DNFBPs.
24. Transparency and beneficial ownership of legal persons	PC	<ul style="list-style-type: none"> • The analysis of the legal persons sector does not contain information on specific ML/TF risks; • Information is typically updated when the FI becomes aware of the change or on a risk-sensitive basis (see c.10.7 b), which does not ensure that information is as up-to-date as possible for all legal. • There is no requirement to verify the information provided by the Ministry of Finance and Economy of Turkmenistan; • There are deficiencies in terms of the definition of "beneficial owner";

		<ul style="list-style-type: none"> • There are no requirements to prevent the illegal use of bearer shares for ML/TF purposes; • Sanctions are not proportionate and dissuasive; • Information from the SSRLE is provided only upon written requests, which complicates the mechanism for the prompt receipt of information by foreign competent authorities.
25. Transparency and beneficial ownership of legal arrangements	PC	<ul style="list-style-type: none"> • There are some isolated deficiencies related to the identification of participants in a foreign trust, obtaining and keeping information on the founders of trusts by DNFBPs and FIs (except banks) and disclosure of status by trust service providers.
26. Regulation and supervision of FIs	PC	<ul style="list-style-type: none"> • The RBS only applies to banks, for other FIs there is no provision for supervision under the RBA.
27. Powers of supervisors	LC	<ul style="list-style-type: none"> • Only the CB of Turkmenistan has the ability to impose a wide range of sanctions on reporting FIs.
28. Regulation and supervision of DNFBPS	PC	<ul style="list-style-type: none"> • For all DNFBPs, there are no legal requirements to check BOs or persons with a significant controlling interest in order to prevent criminals and their associates from owning the DNFBPs; • Turkmenistan did not provide any regulatory documents evidencing supervision of DNFBPs in light of the RBA.
29. Financial intelligence units	C	
30. Responsibilities of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> • The preliminary investigation bodies investigating predicate crimes pertaining to corruption and ML crimes are not empowered to obtain information constituting bank secrets of persons in respect of whom no criminal case is opened, i.e., in respect of those who are not suspects or accused persons, which limits their capabilities to identify, trace and seize assets.
31. Powers of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> • The LEAs are restricted in their capabilities in obtaining information constituting bank secrecy, including in identifying accounts owned or controlled by legal entities and individuals in respect of which no criminal proceedings are conducted.
32. Cash couriers	LC	<ul style="list-style-type: none"> • Currency and BNI moved across the customs border are not confiscated as the object of the offence under Article 391 of the AOC, which makes the sanctions less dissuasive in nature; • The funds or BNI moved across the customs border and obtained as a result of illegal migration and for the purposes of laundering money obtained from such crimes will be confiscated since this act is not criminalised under the CC; • Sanctions against persons engaged in an illegal cross-border movement of currency and BNI are not proportionate and dissuasive in all cases.
33. Statistics	PC	<ul style="list-style-type: none"> • Statistics do not separately reflect the amount of criminal income received, the value of instrumentalities and means of crime, property intended for TF, the value equivalent of criminal income, and the income derived from the use of a criminal property (indirect income); • Statistics on ML crimes with reference to the predicate offences, as well as forms (methods) of ML, are not kept, nor are statistics on the seizure of property separately to ensure compensation for damages or confiscation, or other property penalties; • Statistics on budget revenues from disposal of assets confiscated as a result of criminal prosecutions is not maintained separately; • No statistical records of the confiscated property with reference to the crimes for which it was confiscated are kept; • There is no centralized statistics in the field of MLA; much of it is collected analytically; • Not all LEAs maintain comprehensive MLA statistics broken down by types of criminal offences in respect of which MLA requests were received and sent.
34. Guidance and Feedback	LC	<ul style="list-style-type: none"> • There are no documents that could demonstrate development of guidelines and provision of feedback by the supervisory authorities (except for the CB)

35. Sanctions	LC	<ul style="list-style-type: none"> • In Turkmenistan, sanctions for breaches of the AML/CFT requirements applicable to legal persons are somewhat limited. • There are no separate sanctions applicable to the NPO sector for breaches of the CFT regime. • Sanctions appear proportionate but not dissuasive.
36. International Instruments	LC	<ul style="list-style-type: none"> • All necessary conventions are not fully implemented due to legislative restraints: the legislation does not contain comprehensive provisions regulating different types of confiscation; proceeds of migrant smuggling are not subject to confiscation because this type of offence is not criminalized; limited ability of disseminate information constituting banking secrecy for MLA purposes; • Shortcomings in the existing procedure of execution of MLA requests related to asset freezing and confiscation and extradition also hinder full implementation of the Conventions.
37. Mutual Legal Assistance	LC	<ul style="list-style-type: none"> • It is not possible to assess the timeliness of the execution of MLA requests, as well as the prioritization of their execution due to the absence of the relevant NLAs; • The legislation does not detail the procedure for consideration of incoming MLA requests, and the procedure for prioritization of execution of MLA requests; • The restriction of the right of investigative bodies to obtain information that constitutes bank secrecy in relation to other persons, whose criminal investigation is not in progress (i.e. they are not suspects or defendants) prevents the execution of such requests as part of the provision of MLA.
38. Mutual Legal Assistance: Freezing and Confiscation	PC	<ul style="list-style-type: none"> • It is impossible to execute MLA requests relating to the confiscation of laundered property and criminal proceeds acquired through an illegal import of migrants since such acts are not criminalised under the CC; • It is impossible to confiscate funds used or intended to be used for the purposes of ML, TF or predicate crimes or to freeze, seize and confiscate property of equivalent value under MLA requests by virtue of Article 562 of Chapter 52 of the CPC; • There is no body to provide assistance relating to confiscation which is not based on a judgment since it is impossible to execute such MLA or other assistance requests by virtue of the legislation; • There are no arrangements with other states concerning coordination on deprivation and confiscation; • It is impossible to share confiscated property with other states, in particular, when confiscation directly or indirectly results from joint efforts of the LEAs.
39. Extradition	LC	<ul style="list-style-type: none"> • It is impossible to extradite persons for the laundering of money obtained through an illegal import of migrants since this act (illegal import of migrants) is not a crime under the CC; • Turkmen nationals cannot be held liable for an illegal import of migrants they engaged in abroad since this act is not criminalised under the CC, nor will they be held liable for ML resulting from these crimes; • The reason for denial of extradition under Article 563 of the CPC based on the fact that there is no full redress for the damage done appears to be an excessively restrictive condition for the execution of extradition requests; • The Turkmen legislation and treaties do not provide for simplified extradition mechanisms.
40. Other Forms of International Cooperation	PC	<ul style="list-style-type: none"> • Not all competent authorities of Turkmenistan have guidelines on international cooperation which allow improving the timeliness and quality of sending outgoing requests and preparing responses to incoming requests; • Competent authorities (except for the FMS) have no international agreements on AML/CFT/PF cooperation; • The MFE and Turkmenaragatnashyk Agency have not provided information and specific legal acts stipulating powers of these agencies to cooperate internationally with competent authorities of foreign states; • There are no specific legal regulations in the legislation of Turkmenistan: <ul style="list-style-type: none"> ○ Which instruct the competent authorities to use the most effective means of cooperation; ○ Which oblige the competent authorities to prioritize the requests and timely respond to them;

		<ul style="list-style-type: none"> ○ Related to timely sending information on the use and usefulness of the feedback to those competent authorities that provided assistance, upon their request; ○ Which stipulate obligation of the competent authorities of Turkmenistan to use information received from the competent authority of a foreign state for the purposes for which it has been sought or provided, and not to transfer the received information to third parties without prior consent of the competent authority of a foreign state; ○ Which stipulate powers of the competent authorities of Turkmenistan to refuse to provide information if the requesting competent authority cannot ensure effective data protection; ○ Which stipulate obligation of the FMS to provide feedback to its foreign counterparts (upon request and whenever possible) on the use of the provided information, as well as on the outcomes of the analysis conducted on the basis of the provided information. • Exchange of information constituting bank secrecy is impossible as part of other forms of international cooperation, which affects information exchange for the purpose of identifying and tracing proceeds and instrumentalities of crime; • The lack of national regulation of possible creation of joint international investigation teams invokes legal uncertainty regarding the possibility of their creation with other partners.
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GLOSSARY OF ACRONYMS

Abbreviation	Full name of agency
APER under MFE	Agency for Protection of Economy from Risks under the Ministry of Finance and Economy of Turkmenistan
SC	The Supreme Court of Turkmenistan
GPO	The General Prosecutor's office of Turkmenistan
SCS	State Customs Service of Turkmenistan
SMS	State Migration Service of Turkmenistan
SOCE	State-owned Commodities Exchange of Turkmenistan
TD of MFE	Tax Department of Ministry Finance and Economy of Turkmenistan
MIA	Ministry of Internal Affairs of Turkmenistan
IC	Interagency Commission
MFA	Ministry of Foreign Affairs of Turkmenistan
MFE	Ministry Finance and Economy of Turkmenistan
MJ	Ministry of Justice (Adalat) of Turkmenistan
MNS	Ministry for National Security of Turkmenistan
FMS, FIU	Financial Monitoring Service under Ministry of Finance and Economy of Turkmenistan – FIU of Turkmenistan
CB	The Central Bank of Turkmenistan
AML/CFT ICC	Interagency Coordination Commission on combating money laundering, terrorist financing and the financing of proliferation
IC on EAG ME	Interagency Commission on the Preparation of Turkmenistan for EAG mutual evaluation

Abbreviation	Definition
BO	Beneficiary owner
VA	Virtual assets
Velayat	Region
GDP	Gross domestic product
MLA	Mutual legal assistance
CivC	The Civil Code of Turkmenistan approved by the law of Turkmenistan No. 294-1 dated July 17, 1998 On the Approval and Enactment of the Civil Code of Turkmenistan
SSRLE	Single State Register of Legal Entities
Law on International Treaties	The Law of Turkmenistan No. 108-IV dated May 10, 2010 On International Treaties of Turkmenistan
Law on PIA	The Law of Turkmenistan No. 136-V dated November 08, 2014 On Police Intelligence Activities
AML/CFT/CPF Law	Law of Turkmenistan No. 335-VI dated March 13, 2021 On combating laundering of illegal proceeds, terrorist financing and the financing of proliferation
FTFs	Foreign terrorist fighters
ITN	Individual tax number
AOC	The Administrative Offences Code of Turkmenistan approved by the Law of Turkmenistan No. 422-IV dated August 29, 2013 On the Approval and Enactment of the Administrative Offences Code of Turkmenistan
Minsk MLA Convention	Convention of CIS member states on legal assistance and legal relations in civil, facility and criminal cases (concluded in Minsk on January 22, 1993)
ITOs	International terrorist organizations

The TC	The Tax Code of Turkmenistan
NLA, RLA	Normative (regulatory) legal act, an act of the Turkmen's legislation
NRA-1	National risk assessment for 2015 - 2017
NRA-2	National risk assessment for 2018 - 2019 and first six months of 2020
PIA	Police intelligence activities, Operational intelligence activity
PIO	Police intelligence operations, Operational intelligence means
ICR	Internal control rules
AML/CFT/CPF	Combating money laundering, terrorist financing and the financing of proliferation
Regulations of FMS	Regulations of Financial Monitoring Service under Ministry of Finance and Economy of Turkmenistan approved by the Order of the President of Turkmenistan No. 934 dated October 5, 2018
LEAs	Law Enforcement Authorities
VASPs	Virtual asset service providers
UN SCR	UN Security Council Resolution
The UN SC	The UN Security Council
CIS	Commonwealth of Independent States (regional interstate organization that comprises a part of former republics of the USSR)
AMW	Average monthly wage means an index in Turkmenistan to identify the amounts of fines, damage, criminal proceeds in criminal proceedings
SRA	Sectoral risk assessment
CusC`	The Customs Code of Turkmenistan approve by the Law of Turkmenistan No. 137-IV dated September 25, 2010 On the Approval and Enactment of the Customs Code of Turkmenistan
CC	The Criminal Code of Turkmenistan No. 104-IV dated May 10, 2010 On Making Amendments in the Criminal Code of Turkmenistan and the Approval of its New Version
CPC	The Criminal Procedure Code of Turkmenistan approved by the Law of Turkmenistan No. 28-IV dated April 18, 2009 On the Approval and Enactment of the Criminal Procedure Code of Turkmenistan
FIs	Financial institutions
TFS	Target financial sanctions
Etrap	District