

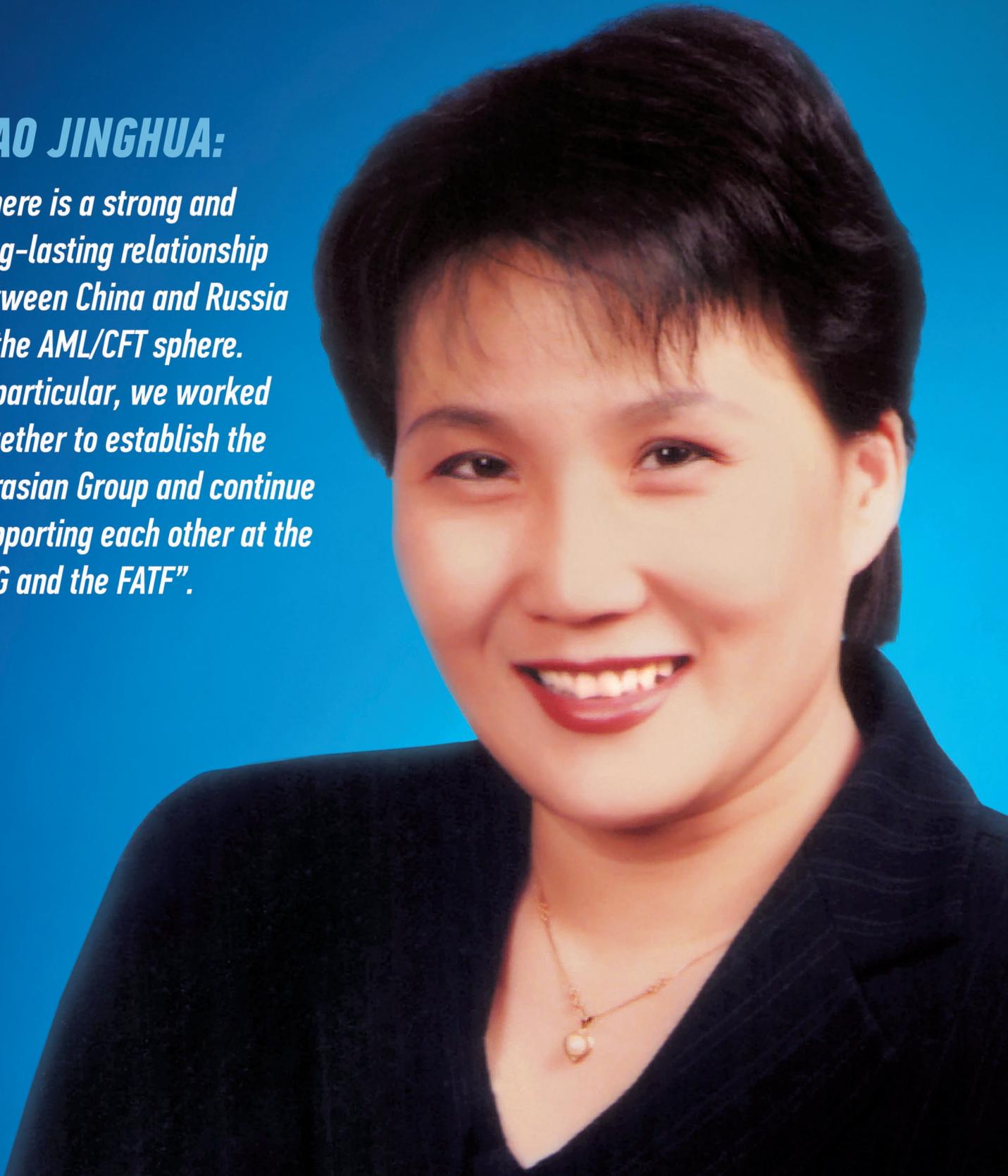
# FINANCIAL SECURITY

---

NO. 19 FEBRUARY 2018

## **HAO JINGHUA:**

*“There is a strong and long-lasting relationship between China and Russia in the AML/CFT sphere. In particular, we worked together to establish the Eurasian Group and continue supporting each other at the EAG and the FATF”.*





# CONTENTS

- 5 Welcome Speech by Mr. Yury Chikhanchin, Director of Rosfinmonitoring

## ***National AML/CFT System***

- 6 Meeting of Rosfinmonitoring Director and Russian President

## ***Cover Story***

- 9 "We Have a Series of Work to Do in the Next Two Years"  
12 Russian-Chinese Cooperation Will Expand

## ***Eurasian Group***

- 14 Importance of the Fight Against Terrorism and Its Financing has been Reaffirmed  
17 Children Against Terrorism

## ***Commonwealth of Independent States***

- 19 "Council Consistently Demonstrates High Results and Commands Due Respect"  
22 "Our Work Helps to Strengthen Cooperation Between All CIS AML/CFT Members"

## ***International block***

- 25 Information Exchange is of Strategic Importance for Effective AML/CFT System Operation  
28 MONEYVAL Plenary Briefed on National Risk Assessment  
30 Role of Judges and Prosecutors in the AML/CFT System  
32 CTED Global Counter-Terrorism Research Network

## ***Interagency Working Group for Combating Illegal Financial Transactions***

- 35 Findings of Systemic Analysis of Precious Metals and Precious Stones Industry

## ***Anti-Corruption Efforts***

- 40 Fight Against Corruption as One of AML/CFT Strategy's Key Elements

## ***AML/CFT Education and Science***

- 44 Personnel Training for EAG AML/CFT Systems Takes Priority  
46 Dialogue Between State and Private Sector to be Continued  
49 FinTech and RegTech Opportunities, Threats and Risks  
54 Processing of Unstructured Data for AML/CFT Purpose

## ***International Network Institute***

- 57 Global Challenges to National AML/CFT System: Universities Responding

## ***Newsblock***

- 60 On Coordination of Cooperation Between Financial Intelligence Units and Migration Authorities of the CIS Member States  
60 Cooperation Agreement between the CIS Council of Heads of FIUs and the Interstate Council for Combating Corruption  
61 On the Meeting of the Compliance Council Members and Kyrgyz Republic Banking System Units' Representatives  
62 On the Meeting of the Expert Advisory Group Under the National Anti-Terrorism Committee on Countering the Financing of Terrorism

## ***Service's Life***

- 63 "The Dynamo Movement will Continue to Prosper and Develop"  
66 Rosfinmonitoring Flag on Top of Elbrus!  
68 "The Kosygin Phenomenon"  
69 Exhibition Dedicated to Rosfinmonitoring Anniversary  
70 "Echo of the Past War"

**EDITORIAL BOARD**



**Chairman  
of Editorial  
Board**

Yury Chikhanchin



**Deputy Chairman  
of Editorial  
Board**

Vladimir Ovchinnikov



**Editor  
in Chief**

Irina Ivanova

**Members of Editorial Board**



Yury Korotkiy



Galina Bobrysheva



Vladimir Glotov



Oleg Ivanov



Alexander  
Klimenchenok



Oleg Krylov



Pavel Livadny



Vladimir Nechaev



Alexey Petrenko



Andrey Frolov

## DEAR READERS,

---

**A**t the 27th Plenary meeting of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), held last November in Moscow, we summed up the outcomes of Russia's two-year Chairmanship. Among our priorities for this period were the steps to further improve the effectiveness of the EAG's activities, strengthen the role played by national FIUs, boost financial literacy in Eurasia, and combat the financing of terrorism.



We succeeded in gaining UN recognition for the work carried out by the Eurasian Group; enhanced the role played by financial intelligence units in addressing the EAG's tasks; and signed a cooperation agreement with the CIS Council of Heads of Financial Intelligence Units, opening up new opportunities for the EAG's operational involvement.

The past two years highlighted the urgency of anti-terrorist financing efforts. So, in order to identify individuals involved in terrorist activities and their financing, the EAG developed a methodology for detecting foreign terrorist fighters, which has since been adopted by the CIS Council of FIU Heads and is currently used in the Barrier operation.

Meanwhile, the EAG's cooperation with the International Training and Methodology Centre for Financial Monitoring and the International Network AML/CFT Institute reached a new level. Just like in other fields, the efforts dedicated to personnel training and development of specialized educational standards, although not immediately effective, help to lay the foundation for the future success of the AML/CFT framework.

In 2017, under the auspices of the EAG a joint UNCTC/CIS ATC/ITMCFM workshop to share experiences in identifying foreign terrorist fighters and applying targeted financial sanctions against them was held. The Russian Federation, with the participation of EAG member states, hosted an international workshop on "Effective Supervision as a Mechanism for Ensuring Transparency and Stability of the Financial System" as well as an international scientific and practical conference "FinTech & RegTech: Opportunities, Threats and Risks Linked to Financial Technologies", for the educational and scientific organizations of the network AML/CFT Institute.

Passing its EAG Presidency to China, Russia hopes that the work to pursue the projects and further improve the effectiveness of our FATF-style regional body will be continued.

*Yours sincerely,  
Yury Chikhanchin,  
Director of Rosfinmonitoring,  
EAG Chairman 2015-2017*

## NATIONAL AML/CFT SYSTEM

# MEETING OF ROSFINMONITORING DIRECTOR AND RUSSIAN PRESIDENT

*Rosfinmonitoring Director Yury Chikhanchin briefed Russian President Vladimir Putin on the agency's current activities at a meeting held on October 23, 2017*

**V. Putin:** Good afternoon, Mr. Chikhanchin. Please.

**Yu. Chikhanchin:** Good afternoon.

Mr. President, I would like to brief you on preparations for the next report to FATF [Financial Action Task Force] and the results of our activities. In the first quarter of the next year, we are to inform the international community about the effectiveness of our legislation and the national anti-money laundering system.

We have done a great deal in this sphere, proving that cooperation with the mega regulator and law enforcement agencies can help to enhance financial institutions' compliance with the law. You can see the figures on this slide. Based on this, we have taken measures to mitigate some negative aspects of special concern to the international community, namely, the transfer of funds abroad, transit schemes and so on.

This is what we have done so far at this stage. First of all, in line with the law you have signed we gave to the banks an opportunity to reject requests for certain transactions, for example, they can refuse to open accounts for clients whom they do not consider

law abiding. This year alone, there were 460,000 refusals, and we prevented 180 billion rubles from being transferred into the shadow economy. I would like to highlight that we have received only a thousand complaints about the allegedly illegitimate reasons for denying these people's requests. Such things do happen. We are working with [the Central Bank Chairperson] Elvira Nabiullina to find mechanisms that would enable us to avoid such unfortunate mistakes.

As I have already said, there was a 2.5-fold drop in the number of...

**V. Putin:** In the number of suspicious transactions.

**Yu. Chikhanchin:** Yes. This is a very important aspect, since all suspicious transactions originating from our country become transparent for foreign banks. This suspicion has become a major factor.

I would like to say that the system we launched at the Federal Financial Monitoring Service jointly with the Central Bank shows there is a 75 to 80% match in our data on banks with revoked licences.



Photo from kremlin.ru

Talking about other areas of activity and particular interest, the first thing that should naturally be mentioned is the creation of a mechanism for monitoring public funds.

**V. Putin:** Related to public procurement?

**Yu. Chikhanchin:** Yes, public procurement and everything else. We started working with the taxation service and prevented illegal VAT refunds totalling 2.5 billion rubles.

As for loans, our data show that we managed to prevent the disbursement of 3.5 billion rubles to companies that had failed to meet the requirements. We shut off malafide contractors from public funds totalling 8.6 billion rubles.

I would like to mention that the use of some criminal schemes has become a thing of the past. For example, when a bank went bankrupt, a government contractor used to suffer. But the removal of authorised banks solved this issue. Today we no longer give any loans to affiliated parties, etc. The whole set of things.

All in all, we were able to save 7 billion rubles of budget funds under public procurement contracts alone.

Regarding the outcomes of financial investigations, we carried out a number of them, referring to law enforcement agencies materials on illegal financial transactions totalling 67 billion rubles. In addition, assets worth of 39 billion rubles were seized and

another 18 billion rubles confiscated. All this was done in cooperation with law enforcement, using our data.

**V. Putin:** What about your relations with law enforcement agencies?

**Yu. Chikhanchin:** I believe we have very good relations, primarily with the FSB, Interior Ministry, Investigative Committee and Prosecutor General's Office.

I can tell you that we worked with the FSB to prevent the embezzlement of some 1.5 billion rubles from construction projects both in the Crimea and the Tyva Republic. Our cooperation with the Federal Taxation Service helped to recover nearly 5 billion rubles and collect approximately 10 billion rubles in underpaid taxes. The Prosecutor General's Office initiated 13 criminal proceedings against various organizations based on our intelligence.

I would like to say a few words about our efforts against the financing of terrorism. It is a very relevant issue. We have indeed found our place in addressing this challenge. The key outcome of our work here is the launch of a system for extrajudicial seizure of assets of persons connected with terrorism. For the moment, we have seized about 6 million rubles this year. This may look like a modest sum, but it is really a rather substantial amount considering that the cost of the terrorist attack in St Petersburg was 150 000 rubles, while in Paris attacks with knives and axes cost virtually nothing. We managed to block bank accounts and disrupt concrete actions.

Also, we have built good relations with international partners, primarily with the Central Asian states, on matters related to terrorism. We engage in information sharing. Our intelligence was used to freeze the assets of some 150 individuals in Central Asia. We have frozen the assets of approximately 100 residents of these countries who live in Russia.

Jointly with the FSB and commercial banks we have built a model of terrorists' financial behaviour. This helped us to identify 200 individuals and initiate criminal proceedings against them. In other words, banks have learned to identify terrorists by these indicators. This is the main result.

I would like to tell you about another project, which we are launching at the FATF. In the past, with your approval, we set up an international centre for training AML/CFT personnel for our system. Later, we also established a special body, the Institute of Financial and Economic Security at MEPhI, and then we involved eight other Russian universities in this project. As of now, over 30 universities from Central Asia and other countries joined this networking project, embracing a common training program and standards. Their students start working with us from the third year. Foreign students (there are about 200 in government-sponsored programs), defend their theses at our headquarters in Moscow, but the procedure is streamed via videoconference to their home countries. The heads of national banks, financial intelligence units and prosecutors general

can see how their students perform their diplomas and make decisions on their employment.

Another interesting development involves the signing of three-year mandatory post-graduate internship contracts with our students. We discussed this issue with Ms. Vasilieva [Minister of Education and Science] and secured her full support. Furthermore, five universities and FASO help us to expand into new fields of study, working closely with the network AML/CFT Institute.

Just for comparison, the current enrolment score for our degree programs in universities of the network AML/CFT Institute is 293 out of 300, which is quite high. The contest is at least eight applications per place. This is a regular situation now.

Right now we have a large group of 15 Cambodians studying at the International Training Centre; last year, we had about 20 trainees from Syria, Iran and Iraq; and before that, from Afghanistan, Pakistan and Latin America. The training process is permanent. In recent years about three thousand foreign trainees took courses, either in person or via videoconferencing at the International Training Centre alone.

The FATF found our work in this area very interesting. A special working group will decide whether to grant this project an international status at the November Plenary meeting. And if it does, it will receive an FATF endorsement as a backbone educational project. At least, that is what we will be promoting.

[www.kremlin.ru](http://www.kremlin.ru)

## COVER STORY

# “WE HAVE A SERIES OF WORK TO DO IN THE NEXT TWO YEARS”

*An interview with Ms. HAO Jinghua of China, EAG Chair in 2018-2019*



*Hao Jinghua*

**FS:** *In January 2018 China will take over the leadership of the Eurasian Group on Combating Money Laundering and Financing of Terrorism for a two-year period. What tasks do you plan to tackle during this period?*

**Hao Jinghua:** As one of the international AML/CFT organizations, the Eurasian Group plays an important role in the global AML/CFT system. China is one of the co-founders of the EAG, and I'm glad to have been given the honour to lead it. The EAG former Chair, Head of the Russian FIU, Yury Chikhanchin, was very successful in steering this organization forward. China also intends to make a significant contribution to the EAG work. We have a series of work to do in the next two years, hence we need to plan really well.

Now we already have several major tasks lying ahead of us. First, given that the EAG has started a new round of mutual evaluation on its members' AML/CFT systems, we need to make efforts to carry it forward. Second, in view of the rapidly evolving international threats, we must work towards identifying ML/TF risks and seeking ways to mitigate them. Third, we need to continue improving cooperation between EAG members.

In order to tackle the above tasks, we'll encourage workshops and other training events aimed at raising the capacity of EAG members.

**FS:** *You said that you plan to support the EAG member states' joint efforts to identify risks. Could you elaborate please?*

**Hao Jinghua:** Sure. The work to identify and assess risks lies at the heart of the entire AML/CFT system. After all, only by understanding their own risks can countries effectively combat global challenges. This is particularly true for the EAG, where we're all part of one big family, and this is why it's so important for EAG members to be aware of the situation in other countries.

Naturally, we plan to support this work in every way possible during our chairmanship. We will implement certain projects in this area developing various operational models. To this end, we're currently working jointly with the Russian Federation on a project to study the risks of money laundering through insurance companies, the goal of which is not only to facilitate a general understanding of the situation, but also to identify specific typologies of such companies' abuse by criminals.

**FS:** *The fact that there is a joint Chinese/Russian project suggests a certain level of cooperation between our countries. What's your overall assessment of the relationship between the Russian Federation and China in the AML/CFT field?*

**Hao Jinghua:** There is a strong and long-lasting relationship between China and Russia in the AML/CFT sphere. In particular, we worked together to establish the Eurasian Group and continue supporting each other at the EAG and the FATF.

Two countries have many points of contact at various international organizations. Speaking of AML/CFT,

one of the most important tasks for us today is the FATF 4th round of mutual evaluations, where we face a number of common challenges.

In addition, we should not forget that theory must always be followed by practice, and in this regard I'm very pleased to note that our competent authorities, including financial intelligence units, are actively cooperating on a number of specific cases linked to money laundering and terrorist financing. I'm sure this work will continue in the future.

**FS:** *The issue of e-money and cryptocurrencies is currently on the agenda of many organizations. We know that China has achieved some good results in this area. How is this sector regulated in your country?*

**Hao Jinghua:** The use of electronic money is very common in many areas of China's economy. Notably, a large number of people find the use of e-money in financial transactions very convenient. Unfortunately, it is also abused by criminals and becoming a big challenge to the AML/CFT system. To address this problem, our country has set up a robust oversight regime for online financial companies and e-money services providers. Like traditional financial institutions, online financial companies are also required to take steps to combat ML/TF and are subject to on-site inspections. We are also formulating administrative measure on AML/CFT of online financial institutions to regulate this sector. Moreover, given the importance of this issue, China has established the National Internet Finance Association. As a self-discipline body, it plays an important role in this area.

Of course, we encourage the use of new technologies for AML/CFT. Some banks and online financial companies in China, for example, have already used facial recognition technology for the identification of their customers.

We can invite experts from China's leading financial companies to join our workshops, to discuss the risks posed by various new technologies and the mitigation measures as well.

**FS:** *The role played by educational and scientific institutions in AML/CFT is being actively discussed today. A few weeks ago China hosted the 7th Anti-Money Laundering Forum, where, among important issues, participants discussed the creation of expert*



*evaluation systems and development of educational environments in different countries. What is your opinion in this regard?*

**Hao Jinghua:** I think this is very important because in order to effectively combat money laundering, one must have the right qualification. Bank and other financial institution employees working in this area must possess adequate AML/CFT knowledge and skills. By investing in professional training, we invest in highly qualified AML/CFT personnel.

Jointly with our colleagues from Chinese educational institutions, we are currently working to improve our education system, including with respect to the international academic cooperation.

**FS:** *Russia and China, besides the EAG, are also members of the Financial Action Task Force*

*(FATF). The last FATF Plenary meeting just ended in Argentina's capital, Buenos Aires. What is your impression on its outcomes?*

**Hao Jinghua:** As you know, the FATF plays a unique role among the international AML/CFT bodies, namely, it sets international AML/CFT standards. From this point of view, the past Plenary meeting was a successful event with fruitful achievements, including combating terrorist financing, revising some standards, adopting the mutual evaluation reports of Mexico and Portugal, strengthening its institutional basis, governance and capacity and outreach to Prosecutorial Services and Criminal Justice Systems, etc. The EAG as well as other regional AML/CFT bodies plays more and more important role in the FATF and continues facilitating implementation of the FATF standards and improves the effectiveness of AML/CFT system in Eurasian countries.

## RUSSIAN-CHINESE COOPERATION WILL EXPAND

*During his visit to the People's Republic of China on November 6–8, 2017, Director of the Federal Financial Monitoring Service Yury Chikhanchin discussed the latest AML/CFT developments with the leadership of the People's Bank of China (PBC) and also took part in the 7th China Anti-Money Laundering Forum in Shanghai*

The importance of the fight against money laundering and terrorist financing has been growing in China. For instance, this aspect for the first time was included in the country's economic development strategy, adopted by the Chinese Communist Party Central Committee. At the same time, risk mitigation is recognized as key to the development of China's AML/CFT system.

China's shadow banking, which is used both by criminals and unscrupulous businesses to carry out illicit financial transactions, particularly those linked to the siphoning off funds overseas, continues to pose a major challenge. In addition, much attention is devoted to the risks related to new technologies and payment methods, including cryptocurrencies based on blockchain technology.

Given certain similarities between ML/TF risks facing our countries, Yury Chikhanchin and YIN Yong, PBC Deputy Chairman, agreed during their meeting with the leadership of the China Anti-Money Laundering Monitoring and Analysis Centre (CAMLMAC) and Bureau for Anti-Money Laundering to adopt a package of joint measures to combat money laundering and terrorist financing, promote personnel training and resist unilateral sanctions.





The work to coordinate Russia's and China's approaches to the application of AML/CFT standards, especially within the FATF, combating the financing of proliferation of weapons of mass destruction, and the role of the state in sharing financial intelligence, will be continued.

At the forum, Russia and China agreed to expand their cooperation within the BRICS AML/CFT Council, in particular to prevent the politicization of the international anti-money-laundering system and calls for unilateral sanctions by individual countries.

In addition, the two countries discussed steps to enhance cooperation within the EAG, which China will preside in 2018.

Forum participants endorsed the Russian initiatives to create a common educational environment in Eurasia. The visit ended with the signing of an agreement for the integration of China's Fudan University in the structure of the International Network AML/CFT Institute.

## EURASIAN GROUP

# IMPORTANCE OF THE FIGHT AGAINST TERRORISM AND ITS FINANCING HAS BEEN REAFFIRMED

*The 27th Plenary and working group meetings of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) were held in Moscow on November 21-27, 2017*

*Irina Ivanova,  
Editor-in-chief*

The meeting was attended by delegations from EAG member states: Belarus, China, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan; and EAG observers: Armenia, Iran, Italy, Korea, Mongolia, Poland, Serbia, USA, Turkey, France, Montenegro, Financial Action Task Force (FATF), Asia-Pacific Group on Money Laundering (APG), Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism of the Council of Europe (MONEYVAL), Egmont Group, CIS Anti-Terrorist Centre (CIS ATC), World Bank (WB), European Bank for Reconstruction and Development (EBRD), Eurasian Economic Commission (EEC), United Nations Counter-Terrorism Committee (UNCTC), International Monetary Fund (IMF), Organization for Security and Cooperation in Europe (OSCE), Collective Security Treaty Organization (CSTO), and United Nations Office on Drugs and Crime (UNODC). Among other invitees

were representatives of Azerbaijan and the Central Asian Regional Information and Coordination Centre for Combating Illicit Trafficking in Narcotic Drugs, Psychotropic Substances and Their Precursors (CARICC). The meeting was led by the EAG Chairman Yury Chikhanchin (Russian Federation).

In a welcoming address to the delegates, read out by the EAG Chairman, Russian President Vladimir Putin noted that close cooperation between EAG member states helped to combat the rise in terrorism and organized crime, effectively defend common interests, promote peace, international stability and security.

One of the Plenary meeting's highlights was the election of Ms. Hao Jinhua of China as the new Chairperson of the EAG for 2018-2019. Yury Chikhanchin (Russian Federation) was elected Deputy Chairman of the EAG.



The Plenary considered the draft mutual evaluation report of Kyrgyzstan. It was the first report prepared within the framework of the EAG 2nd round of mutual evaluations of compliance of EAG AML/CFT systems with the FATF 2012 standards. Following a broad discussion by the Working Group on Mutual Evaluations and Legal Issues, the Plenary instructed experts and the EAG Secretariat to finalize the draft report and submit its revised version to the EAG 28th Plenary for approval.

The Plenary studied updated information on the existing UN measures adopted in pursuance of the Security Council resolutions, various reports

and analytical materials prepared by UN structural units along with completed and planned research projects carried out by the FATF. The Plenary reaffirmed the relevance and priority of the tasks linked to the fight against terrorism and its financing.

Participants approved the EAG Secretariat Performance Report 2017 and Action Plan 2018, endorsed the typological report “Structural Analysis of the Financial Flows Linked to Illegal Encashment Transactions Used to Commit Crime and Money Laundering”, and granted observer status to CARICC.





While discussing the promising areas of the EAG's activities, participants expressed their support for the initiative of joint activities with the FATF and other regional bodies, including participation in a workshop for prosecutors and judges, to be held in China in January 2018, and holding an EAG/APG typologies forum in the first half of December 2018.

As part of the efforts aimed at expanding cooperation with international and regional organizations, the Eurasian Group on Combating Money Laundering and Financing of Terrorism and the International Training and Methodology Centre for Financial Monitoring signed a Memorandum of Understanding and Cooperation. Participants reiterated their

commitment to further expanding and strengthening cooperation with international and regional EAG partner-organizations.

Also during the meeting, participants selected the winner of the traditional contest for the best financial investigation. This year winner was the Russian Federation. The case study, detailing the corrupt practices of a high-ranking official, was presented to the Plenary by representatives of Rosfinmonitoring's Far Eastern Federal District branch.

The EAG 28th Plenary meeting will be held in May 2018 in Nanjing, China.

## CHILDREN AGAINST TERRORISM

---

**M**etropol Hotel (Moscow), the venue of the EAG 27th Plenary week, hosted the exhibition of art works by children from the EAG member countries taking part in the contest “**Children against Terrorism**”. Following a vote, the winners were rewarded.

The **3rd prize** was shared between Dai Yumu of China and Taisia Topcheeva of Belarus.

The **2nd prize** went to Alina Ryazanova of Belarus.

And finally the **1st prize** of the contest was awarded to the work by Sakiyna Azamova of Uzbekistan.

Russia’s call for the EAG countries to send children’s drawings dedicated to countering the financing of terrorism was well received, bringing in a total of 56 works.

Among other high-rated entries were the works by the following artists: Daniel Sanat (Kazakhstan), Chen Weinan (China), Herman Kazantsev (Russia), Yury Lyanguzov (Russia), Alina Morozova (Russia), Alexandra Pavlova (Russia), Vafo Bobochenov (Tajikistan), Safo Bobochenov (Tajikistan), Saidakmaly Gulyamov (Uzbekistan), Yusufhon Botirhodzhayev (Uzbekistan) and Amira Soleeva (Uzbekistan).



*Alina Ryazanova (Belarus)*



From left to right, from top to bottom: Dai Yumu (China), Taisia Topcheeva (Belarus), Sakiyna Azamova (Uzbekistan)

COMMONWEALTH OF INDEPENDENT STATES

## “COUNCIL CONSISTENTLY DEMONSTRATES HIGH RESULTS AND COMMANDS DUE RESPECT”

*The 10th anniversary meeting of the CIS Council of Heads of Financial Intelligence Units (CIS CHFIU), chaired by Rosfinmonitoring Director Yury Chikhanchin, was held on November 22, 2017 in Moscow*

*Irina Ivanova,  
Editor-in-chief*



The meeting was attended by Heads of financial intelligence units of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan, as well as representatives of sectoral cooperation bodies and the Executive Committees of the CIS, ATC, BCFOC, CSTO

and others. Mr. Shri Pankash Kumar Mishra, the Director of the Indian FIU took part in the meeting as an observer.

A welcome message to the meeting participants was sent by Russian President Vladimir Putin.



## PRESIDENT OF THE RUSSIAN FEDERATION

22.11.2017

#PR-2334

The Kremlin, Moscow

To the participants of the 10th meeting  
of the CIS Council of Heads of Financial Intelligence Units

Dear members of the Council and participants of the meeting,

Welcome to the 10th meeting of the CIS Council of Heads of Financial Intelligence Units and congratulations on its 5th anniversary.

Over the past years, the Council has established itself as a popular forum for high-profile discussions of a wide range of topical issues related to the fight against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction, as well as for finding optimal and effective solutions to the challenges of regional and international security. Thanks to the proactive, pragmatic position of its participants, the Council consistently demonstrates high results and commands due respect. At the same time, it creates opportunities for further strengthening of cooperation between our countries, with account for each country's specific national and regional interests.

I am convinced that by building up joint efforts and further deepening informational and organizational engagement, we will strengthen our response to modern challenges and threats and contribute to the attainment of our goals.

V. Putin

In his speech, Pavel Livadny, Head of the CHFIU Secretariat, State Secretary and Deputy Director of Rosfinmonitoring, emphasized the importance of cooperation between CIS Heads of State in combating money laundering, terrorist financing and proliferation of weapons of mass destruction. The Concept of this cooperation was approved by the CIS Council of Heads of State on October 11, 2017.

Among the Concept's objectives are:

- development of coordinated approaches within the CIS;
- improving the effectiveness of cooperation;
- identification of the key risks and their mitigation;
- mutual assistance in attaining the objectives set by the Financial Action Task Force (FATF) and FATF-style regional bodies.

**Pavel Livadny, State Secretary and Deputy Director of Rosfinmonitoring:**

*"Timely access to credible and reliable information has always been an important aspect of international relations.*

*In this regard, the Council makes every effort to expand the capacity of information sharing beyond the existing videoconferencing network. In order to facilitate the implementation of the specific tasks and challenges faced by financial intelligence agencies, as well as to speed up the exchange of important information, the Council is exploring the potential of setting up an information sharing network within the CIS."*



**Albert Druzhinin, Director of the CIS Executive Committee's Department of Cooperation in Security Matters and Combating New Challenges and Threats:**

*"As the number and severity of challenges facing the world today grows, the need to promptly and adequately confront them becomes increasingly urgent. I am convinced that the decisions adopted by the Council will further strengthen practical cooperation between financial intelligence units of our countries in combating terrorism and money laundering, contributing to security of the Commonwealth."*

The meeting participants also discussed measures to mitigate ML/TF risks, the Interstate Program of Joint Anti-Crime Measures 2019-2023, and the development of recommendations for the regulation of electronic payment systems with a view to preventing their abuse for ML/TF. In addition, participants talked about the need for common approaches to combating the financing of proliferation of weapons of mass destruction and information sharing between CIS financial intelligence units.

## ***“OUR WORK HELPS TO STRENGTHEN COOPERATION BETWEEN ALL CIS AML/CFT MEMBERS”***

---

*The CIS Executive Committee in Minsk hosted a meeting of the CIS Council of Permanent Plenipotentiary Representatives at the CIS Founding and Other Bodies, held on November 21, 2017*



**D**uring the meeting, permanent representatives of the CIS member states heard a report on the work carried out by CIS Council of Heads of Financial Intelligence Units (CHFUI). In his speech Pavel Livadny, Head of the Council Secretariat, State Secretary and Deputy Director of the Federal Financial Monitoring Service, reminded the participants that the Council was established in 2012. The agreement on its establishment was signed by the leaders of seven countries: Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan and Ukraine. On November 11, 2015, the status of observer in the CHFUI was granted to India's FIU. The format of the Council's activity is mainly meetings, convened twice a year.

The purpose of cooperation between financial intelligence units participating in the Council is not only to identify and suppress financial crimes,

but also to search for adequate mechanisms, new modes and methods of work for combating new challenges and threats, in order to promote regional and international stability, security and predictable development. The Council's work helps to strengthen cooperation between all CIS AML/CFT system participants.

One important area of cooperation, according to Pavel Livadny, lies in improving the regulatory and legal framework in areas falling under the Council's purview. The outcomes of the work carried out by the Council include, among others, the drafting and approval of various regulations, including the concepts of cooperation and information sharing between financial intelligence units, aimed at facilitating the transition to a qualitatively new level of information sharing and consolidation of efforts, as well as at defining the principles, priorities and the main directions of joint activities.



*Pavel Livadny:*

“In five years since its establishment, the Council has created opportunities for holding regular meetings and discussion of issues linked not only to the fight against money laundering and terrorist

financing but also other related crimes.

Not being a law enforcement structure, the Council still maintains close and robust cooperation with the Anti-Terrorist Centre, BCFOC, CIS Coordination Council of Heads of Tax Investigation Bodies, Council of Border Troops Commanders, Council of Prosecutors General, and Council for Cooperation in Fundamental Science. The relevant agreements with them have been signed.

As part of the efforts aimed at expanding cooperation with international and regional

organizations, inter alia aimed at improving compliance with the revised FATF standards, the Council signed a Cooperation Protocol with the Eurasian Group on Combating Money Laundering and Financing of Terrorism in November 2016.

The need for qualified AML/CFT personnel added extra emphasis to cooperation in personnel training, which is yet another important area of the CHFUI's activity.

In this regard, the CIS Council of Heads of Government, acting on the Council's initiative, granted on October 30, 2015 to the International Training and Methodology Centre for Financial Monitoring (Russia) the status of CIS framework AML/CFT training, retraining and advanced training institution. From November 2015 to November 2017 over four thousand AML/CFT experts attended the ITMCFM training programs”.

The CIS Heads of State approved the CIS Concept of Cooperation in Combating Money Laundering, Terrorist Financing and the Financing of Proliferation of Weapons of Mass Destruction, a framework document. The paper, for the first time in the CIS, merges three areas of cooperation: combating money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. "Another important, multilateral instrument – the CIS Treaty on AML/CFT/PWMD, which, alongside the aforementioned areas of combat, provides for legal assistance, freezing of funds, confiscation, conduct of investigative activities, and recognition of the lists of individuals, legal entities, groups and organizations involved in terrorist activities and proliferation of weapons of mass destruction – is being prepared" - said Livadny.

According to the State Secretary and Deputy Director of Rosfinmonitoring, with a view to tackling the existing

challenges and implementing planned activities, the Council has set up two permanent working groups: on combating terrorist financing; and on the assessment of AML/CFT risks and threats. The work carried out by these working groups has culminated in the launch of three permanent initiatives.

First, the on-going operation to identify individuals involved in the activities of international terrorist organizations, as well as their financial and ideological centres (codenamed "Barrier"). Second, the "Five Elements" project, aimed at identifying and mitigating the risks of illicit financial flows between CIS countries and detecting professional money laundering centres. And third, the "Milky Way" project, whose goal is to analyse cross-border financial flows and detect the professional infrastructure created to manage client funds, including these of criminal and terrorist organizations.

## INTERNATIONAL BLOCK

# INFORMATION EXCHANGE IS OF STRATEGIC IMPORTANCE FOR EFFECTIVE AML/CFT SYSTEM OPERATION

*Joint FATF/GAFILAT<sup>1</sup> Plenary was held on November 1-3, 2017 in Buenos Aires. It was the first Plenary chaired by Mr. Santiago Otamendi, representative of the Argentine Republic*



*Inessa Lisina,  
Deputy editor-in-chief*

The opening ceremony was attended by Mr. Mauricio Macri, President of Argentina. He extended his condolences to New York terrorist attack victims (October 31, 2017). Among them were 5 citizens of Argentina. Mr. Macri also emphasized special priority of the fight against terrorism for the international community. Growing challenges posed by organised crime are still a negative tendency. The mentioned facts more than ever increase the importance of joint measures that should be implemented to counter negative situations. The Argentine Republic coordinates on the national level the fight against money laundering and financing of terrorism to increase the effectiveness of FATF Recommendations.

Mr. German Garavano, Minister of Justice and Human Rights of Argentina addressed the Plenary



on the second day of the meeting and highlighted the challenges in detecting and stopping illicit financial flows all over the world.

Despite the FATF set of measures, tackling terrorism-related financing still remains the top priority. Delegates discussed the actions taken in line with FATF's Operational Plan to counter terrorist financing (CFT). In line with these activities the Plenary approved the results of research "Funding Recruitment for Terrorist Purposes" initiated by Russia and Spain in the framework of FATF Risks, Trends and Methods working group.

Terrorist financing, as well as money laundering, doesn't stop at national borders and can have links to several countries and financial institutions. Therefore, an up-to-date knowledge and understanding of how terrorists raise, move and use funds is critical.

<sup>1</sup> Financial Action Task Force of Latin America, FATF Style Regional Body .



That's why information exchange is of strategic importance for effective AML/CFT system operation. Consultation with the private sector highlighted the need to clarify some FATF requirements in this sphere. Representatives of the FATF global network agreed on revisions to the Interpretive Note on Recommendation 18 to clarify the requirements on sharing information related to unusual or suspicious transactions within financial groups. This also includes providing this information to branches and subsidiaries when necessary for AML/CFT risk management. The FATF also adopted revisions to Recommendation 21 to clarify the interaction of these requirements with prohibition of disclosing (tipping-off) the fact that a suspicious transaction report (STR) is being filed with the FIU.

The Plenary adopted *Guidance on Private Sector Information Sharing*, which identifies the key challenges that inhibit exchange of information to manage ML/TF risks. It also articulates how to apply the FATF standards on information sharing and highlights examples authorities can use to facilitate the process, as well as patterns of constructive engagement between the public and the private sectors.

Financial inclusion remains also a top priority for the FATF. An overly cautious approach to AML/CFT safeguards can have the unintended consequence of excluding legitimate businesses and consumers from the formal financial system. The Plenary adopted a supplement to the FATF *Guidance on AML/CFT Measures and Financial Inclusion (2013)*, which provides examples of customer due diligence (CDD) measures implementation. Lack of reliable identity documentation and data verification is one

of the main obstacles to providing appropriate regulated financial services or products to the unbanked customers.

The main FATF field of activity is to assess the level of AML/CFT systems compliance with international standards – FATF Recommendations. During the Plenary the mutual evaluation reports of Portugal and Mexico were discussed. Following the discussion, Mexico was put on monitoring with the need to report to the Plenary annually. The national AML/CFT system of Portugal was recognized as quite effective. Therefore, the country will provide information on progress in three years.

Also the Plenary recognized significant progress of Austria's compliance with a number of FATF Recommendations. The reports on these countries are expected to be published by January 2018.

In February 2016, the FATF released a statement conveying its deep concerns about Brazil's continued failure to remedy the serious deficiencies identified in its third mutual evaluation report adopted in June 2010, especially those related to terrorism and terrorist financing. During this Plenary the FATF recognized the country's progress; however, there were some deficiencies regarding targeted financial sanctions. Brazil will report on addressing these shortcomings in the next step of follow-up process.

The FATF congratulated Uganda delegation on significant progress. The country will no longer be subject to the FATF's monitoring, and will continue to work with the ESAAMLG<sup>2</sup>.

<sup>2</sup> Eastern and Southern Africa Anti-Money Laundering Group, FATF Style Regional Body.

The Plenary revised how Islamic Republic of Iran implemented the Action Plan on national AML/CFT system improvement. The FATF noted Iran's high-level political commitment in that sphere. So, the FATF decided to continue the suspension of counter-measures. The key threat still remains terrorist financing.

Therefore, upon review the "black" list remained unchanged – Iran and DPRK (counter-measures are applied to DPRK). "Grey" list was updated with Trinidad and Tobago, Tunisia and Sri Lanka. Thus it already includes Bosnia and Herzegovina, Vanuatu, Iraq, Yemen, Syria, and Ethiopia. In the case of Bosnia and Herzegovina the Plenary noted sufficient progress so that expert mission could be sent to the country. Following the results of the mission, the decision about the possible withdrawal of the country from the FATF monitoring process will be made.

The process of giving to Indonesia observer-status in the FATF is going on. In May 2018 a high-level mission to assess compliance with the international standards and the willingness of the government to meet the FATF requirements will be sent to Jakarta.

The work on the regular update of the FATF report on the financing of ISIL in the framework of RTMG acquired a qualitatively new level. A record number of states participated in the preparation of the regular paper for the Argentine Plenum.

During the session, the interim results of the project for the research into professional money laundering networks and related financial flows were summed up. The project was initiated by Russia and USA also in the framework of the FATF RTMG.

The Plenary supported the continuation of working on the project on coordination of technical assistance within the FATF global network. The Project subgroup created and sent a questionnaire to the FATF member states. The analysis of the responses will be presented at the next Plenary meeting.

Next Plenary meeting will be held on February 18-23, 2018 in Paris, France.

## ***MONEYVAL PLENARY BRIEFED ON NATIONAL RISK ASSESSMENT***

*The Russian inter-ministerial delegation, led by Rosfinmonitoring, comprised representatives of the Finance Ministry, Federal Security Service, Interior Ministry, Bank of Russia and the Judicial Department of the Supreme Court. It took part in the 55th Plenary meeting of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism (MONEYVAL), held in Strasbourg on December 4-8, 2017*

In his opening remarks dedicated to MONEYVAL's 20th anniversary, Mr. Christos Giakoumopoulos, Head of CE Directorate General of Human Rights and Rule of Law, emphasized the importance and relevance of the work carried out by the Committee, as well as its status as one of the most effective CE bodies. On the occasion of the organization's anniversary, as well as in connection with the expiration of the contract, Professor Bill Gilmore, the organization's scientific expert, was awarded a medal of CE General Secretary for his services to the Council of Europe. The scientist became the first recipient of this award in the history of MONEYVAL.

As part of the regular election cycle, Mr. Daniel Thelesklaf (Liechtenstein) was re-elected as Chair of the Committee for another two-year term, with representatives of Poland and Russia (Mr. A. Petrenko of Rosfinmonitoring) taking the posts of vice-chairs and the French delegate becoming a new Bureau member.

The discussion of the report on Ukraine's compliance with the revised FATF methodology dominated the meeting agenda. Participants focused on the evaluation of the country's understanding of its own

ML/TF risks and measures taken to mitigate them. Despite the country's positive rating for Immediate Outcome 1 (national risk assessment), the lack of awareness of the risks posed by the shadow economy, cross-border movement of funds, and abuses of NPOs and legal entities for ML/TF, was identified as a serious shortcoming. After the consideration of the report, Ukraine was placed on the enhanced follow-up process, which calls for the submission of annual reports on progress in addressing the identified shortcomings.



As part of the preparations for the forthcoming joint FATF/MONEYVAL/EAG assessment of the Russian AML/CFT system in 2018-2019, Rosfinmonitoring experts presented a detailed report on progress in conducting the national ML/FT risk assessment (NRA), the country's legislative initiatives in the area, and its approaches to FinTech and RegTech. In addition, participants were briefed on the case study chosen by the EAG November Plenary as the winner of the contest for the best financial investigation.

Given the high level of interest in the Russian presentation, it was agreed with the MONEYVAL Secretariat that the Russian delegation would prepare an even more detailed report for the next meeting in July 2018.

A separate part of the meeting was dedicated to the application of the FATF standards to correspondent

banking. The Chairman, Daniel Thelesklaf, informed the participants about the roundtable discussions, held in New York and Washington, of MONEYVAL's progress in clarifying to financial institutions their requirements for establishing or maintaining correspondent relationships.

Participants also heard follow-up reports of Bulgaria, Vatican, Hungary, Poland, Slovakia and Croatia. Despite the measures taken to eliminate the identified shortcomings, all these countries were left under the Committee's supervision.

On the side-lines of the session, Rosfinmonitoring's delegation held bilateral negotiations on the topical issues of sector-specific cooperation with the representatives of the FIUs of Armenia, Bulgaria, Jersey, Guernsey, Italy, Cyprus, Latvia, Lithuania, Liechtenstein, Moldova, Poland, Serbia, France, Montenegro and the Czech Republic.

## ROLE OF JUDGES AND PROSECUTORS IN THE AML/CFT SYSTEM

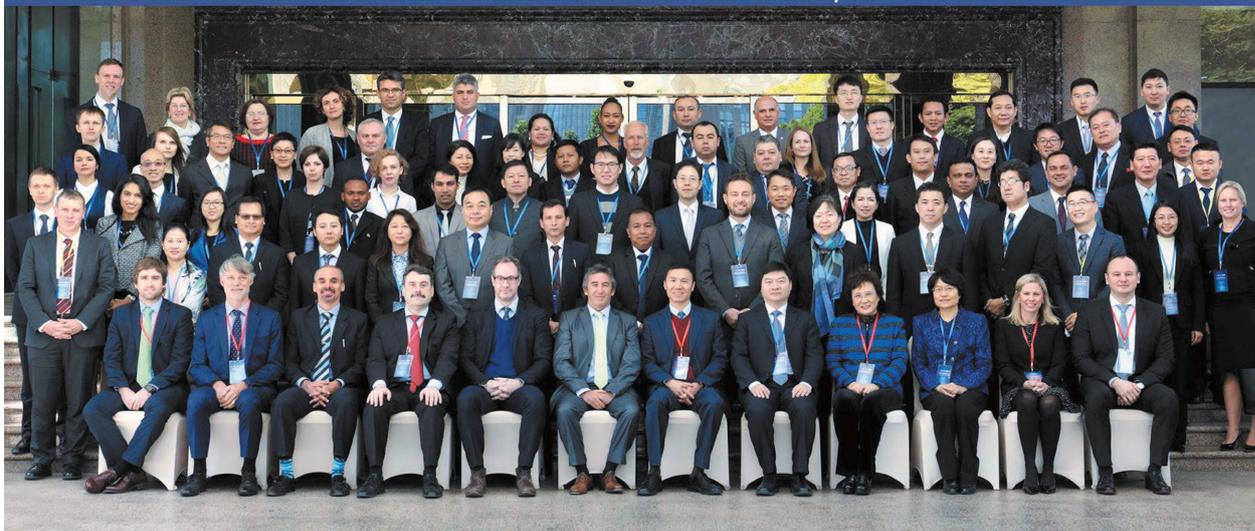
*On January 11-12, 2018 in Shenzhen, China FATF/APG/EAG held a joint workshop on anti-money laundering and countering the financing of terrorism (AML/ CFT) for judges and prosecutors. The People's Bank of China hosted the event with the support of Shenzhen Municipal Government*

The FATF and FATF-Style Regional Bodies APG and EAG jointly organized a second workshop for judges and prosecutors that focused on their experiences, challenges and best practices in investigating and prosecuting money laundering and terrorist financing and confiscating criminal proceeds.

FATF President Mr. Santiago Otamendi and the Head of the People's Republic of China FATF delegation, Mr. Liu Xiangmin, chaired the event. The EAG Chair, Ms. Hao Jinghau, was also present during the event. In his remarks, Mr. Yin Yong, Deputy Governor of the People's Bank of China underscored the importance of hosting the



## FATF / APG / EAG WORKSHOP FOR JUDGES AND PROSECUTORS 11-12 JANUARY 2018 – SHENZHEN , CHINA



event and welcoming the FATF President as well as participating countries to their country.

Approximately 90 delegates representing 32 delegations, including anti-money laundering and counter-terrorist financing expert prosecutors, investigative and trial judges participated in the workshop. These practitioners shared their experiences of the challenges they face during the investigation and prosecution of money laundering and terrorist financing offences and the confiscation of proceeds linked with crime or terror. They shared examples of how to overcome these challenges and discussed effective mechanisms and good practices.

Outreach to the Prosecutorial Services and Criminal Justice System is an initiative by FATF President Santiago Otamendi of Argentina and one of the FATF Priorities for 2017-2018. The judiciary has an essential role in establishing stable institutions, accountability, integrity, transparency and the rule of law, which are all pillars of an effective AML/CFT system.

The workshop in Shenzhen, China was the second of a series of workshops that the FATF and

FATF-Style Regional Bodies will jointly organize this year. The next workshop will take place in February 2018 for judges and prosecutors of the African and Middle-East region and will be organized jointly with MENAFATF, GIABA, GABAC and ESAAMLG. This event will be followed by a workshop in Strasbourg in March 2018 and a final one in Busan, Korea in May 2018.

The outcomes of the discussions at these workshops will contribute to a President's paper that will identify the challenges that prosecutors and the judiciary face, and suggest good practices to deal with them. This should improve the effectiveness of prosecutorial services and criminal justice systems to prosecute terrorist and criminals who abuse the financial system and confiscate assets related to crime.

FATF will continue its focus on enhancing engagement with national Prosecutorial Services and other experts within Criminal Justice Systems to build synergies, and ultimately improve the effectiveness of AML/CFT efforts.

# CTED GLOBAL COUNTER-TERRORISM RESEARCH NETWORK

---

## A. Why the Global Research Network was created

Over recent years, the global security landscape has become significantly more complex, volatile and challenging, as terrorists, terrorist organizations and their affiliates have continued to adapt their tactics and methods. Since 2014, the emergence of new terrorist groups such as the Islamic State in Iraq and the Levant (ISIL, also known as Da'esh) and the development of the foreign terrorist fighter (FTF) phenomenon have significantly exacerbated existing political and security challenges in some of the world's most vulnerable regions.

Terrorist groups have also increasingly urged their supporters to carry out attacks in their name, wherever they are located and using any means available to them. Most such attacks are directed at poorly protected civilian ("soft") targets. "Lone" attackers – who may be completely unknown to the authorities – have been directly guided and instructed by operatives using encrypted messaging services. Terrorist organizations have also compensated for their territorial losses by expanding their presence to new regions.



Security Council  
**COUNTER-TERRORISM  
COMMITTEE**

In response to these evolving threats, Member States have taken an increasingly holistic approach by developing strategies and policies that address the conditions conducive to terrorism and by introducing preventive measures that involve many sectors of society. However, the adoption of such an approach itself presents further challenges. In strengthening their efforts to counter incitement and violent extremism, for example, States must take into account the rights of victims of terrorism; carefully manage the relationship between security and development; and uphold their international obligation to ensure respect for human rights and the rule of law.

In its resolution 2129 (2013), the Security Council directed the Counter-Terrorism Committee Executive Directorate (CTED) to identify emerging issues, trends



and developments relating to Council resolutions 1373 (2001) and 1624 (2005) and to advise the Committee on practical ways in which Member States can implement the resolutions. CTED's primary tools in conducting this work include its assessments of, and dialogue with, Member States and its partnership with the Analytical and Sanctions Monitoring Team of the 1267/1989/2253 ISIL (Da'esh) and Al-Qaida Sanctions Committee. CTED also gathers information from international and regional organizations and civil society, including academic entities and, in particular, the members of its Global Research Network.

### **B. The Global Research Network: past, present and future**

The Global Counter-Terrorism Research Network was formally launched at United Nations Headquarters, New York, on 19 February 2015. Driven by the creative and proactive approach of its members, the Network has evolved into a dynamic forum for sharing evidence-based research; keeping abreast of new and emerging trends and developments; and collaborating in identifying and analysing priority issues, challenges and good practices.

The Network currently consists of over 100 leading think tanks and research institutions from Africa, Asia, Europe,

the Middle East, the Americas and Oceania, including the International Training and Methodology Centre for Financial Monitoring (ITMCFM) and the network of AML/CFT Institutes (for more information, please see: <https://www.un.org/sc/ctc/focus-areas/research/>). CTED is actively seeking to further expand the Network and broaden the range of perspectives and fields of expertise represented. **CTED welcomes suggestions for additional partners. Please contact: CTED@un.org**

### **C. Research Digest and Trends Reports**

Two products of CTED's collaboration with the Network are the *Research Digest* and *Trends Reports*. The *Research Digest* highlights a selection of reports, from all over the world, which provide a broad range of perspectives on new and emerging trends and developments. (For a free subscription, contact: CTED@un.org.) The *Trends Reports* are intended to bring to the attention of policymakers the analytical perspectives of academic entities and international and regional organizations from around the world. The first report may be consulted at: <https://www.un.org/sc/ctc/focus-areas/research/>. **CTED welcomes the suggestions of researchers and academics regarding thematic issues to be included in future issues of the *Research Digest* and the *Trends Reports*.**

#### **D. Second open meeting of the Global Research Network**

On 16 November 2017, the Committee held its second open meeting with the Global Research Network. The discussions focused on three topics: (i) the implementation of Security Council resolution 2178 (2014) in the context of the challenge of returning and relocating FTFs; (ii) national practices in countering violent extremism, which can be conducive to terrorism; and (iii) the protection of civilian (“soft”) targets. The three themes were identified as priority concerns by Network entities. A report on the outcomes of the open meeting will be available shortly on the Committee’ website: <https://www.un.org/sc/ctc/>. **A summary of the meeting and panellists’ statements have already been posted on the website.**

Participants in the open meeting noted that, between 2013 and 2017, Afghanistan, Iraq, Nigeria, Pakistan and Syria had together accounted for three-quarters of all terrorism-related deaths worldwide and that the number of civilian fatalities had increased significantly over recent years. Fifty-six per cent of terrorist attacks carried out in sub-Saharan Africa had been targeted at civilians. In the Middle East and North Africa (MENA) region, the proportion was sixty per cent. Most attacks carried out in Africa and the Middle East had targeted urban areas and refugee camps. In Europe, the deadliest attacks had

involved returning FTFs. The number of individuals who had returned from the conflict zones of Iraq and Syria was estimated to be 5,600. Many had yet to be accounted for. A total of 40,000 individuals had travelled to Iraq and Syria, from over 110 Member States. Some had returned disillusioned and might be mobilized to dissuade others from becoming involved with terrorism. Others remained highly dangerous, and some might have been sent back to their home States by ISIL or relocated to third States in an effort to expand the group’s global reach. The response to the evolving terrorist threat should include proactive monitoring of intelligence; an inclusive approach to deradicalization, rehabilitation and reintegration; and systematic consideration and balancing of preventive, corrective and curative approaches.

#### **E. Future work**

CTED is currently working with its global partners to plan the Network’s 2018 annual meeting, as well as the CTED work plan for the implementation of Security Council resolution 2354 (2017), on countering terrorist narratives. Related information will be made available on the Committee’s website in due course. **CTED encourages its Network partners to collaborate within the framework of joint events, as part of its efforts to further strengthen its engagement with the global research community.**

**INTERAGENCY WORKING GROUP FOR COMBATING ILLEGAL  
FINANCIAL TRANSACTIONS**

## ***FINDINGS OF SYSTEMIC ANALYSIS OF PRECIOUS METALS AND PRECIOUS STONES INDUSTRY***

*In October 2017 the Interagency Working Group for Combating Illegal Financial Transactions, chaired by E. Shkolov, Aid to the President of the Russian Federation discussed the issue “Combating Illegal Financial Transactions Related to the Manufacture, Processing and Circulation of Precious Metals and Precious Stones”*



*Yulia Goncharenko,*

*Deputy Director, Russian Finance Ministry's Department of State Regulation of Manufacture, Processing and Circulation of Precious Metals and Precious Stones and Currency Controls*

**F**ederal Law No. 111-FZ “On Amendments to Certain Regulations” (hereinafter, FZ No. 111) restored oversight powers over the manufacture, use and circulation of precious metals, as well as over the mining (as it pertains to sorting, primary classification and primary evaluation of precious stones), use and circulation of precious stones, to the Russian Finance Ministry and its subordinate bodies –

the Assay Chamber and Gokhran – after a six year abandonment.

Approximately 50 regulations, including 12 Russian Government resolutions, aimed at strengthening oversight over the precious metals and precious stones industry, were adopted in Russia in 2015-2016.

The re-imposition of controls, coupled with the structural changes in the precious metals and precious stones sector due to the enactment of Federal Law No. 111, helped to uncover violations and problems in the industry and simultaneously assess its potential.

Taking into account to the prolonged period of uncontrollable operations in the precious metals and precious stones sector, the Finance Ministry, jointly with the Assay Chamber and other federal authorities, conducted a comprehensive analysis of the situation in the industry, which helped to identify a series of problems requiring systemic changes in the manufacture, processing and circulation of precious metals and precious stones.

**SCHEDULED INSPECTIONS**

*(restrictions provided by Federal Law “On Protection of the Rights of Legal Entities and Individual Entrepreneurs in Exercising State and Municipal Supervision” in conducting scheduled inspections)*

According to statistics, there were 42,107 companies and individual entrepreneurs active in

the precious metals and precious stones industry as of October 2017.

Analysis of the types of entities operating in the precious metals and precious stones industry revealed that 90% of companies and individual entrepreneurs registered with the Assay Chamber are small-sized businesses.

The Federal Law “On Protection of the Rights of Legal Entities and Individual Entrepreneurs in Exercising State and Municipal Supervision” (FZ No. 294) imposes a ban on scheduled inspections of small-sized businesses until the end of 2018. Therefore, the said 90% of companies and individual entrepreneurs active in the country’s precious metals and precious stones sector may only be inspected as part of unscheduled inspection procedures permitted under certain limited grounds.

Of particular concern is the abuse by unscrupulous market participants of the rights granted under FZ No. 294, which limits the frequency of inspections of companies and individual entrepreneurs to not more than once every three years. This requirement allows such unscrupulous individuals to endlessly re-register their businesses before the expiration of the three-year period, thereby allowing a large number of market participants to evade government controls.



As a result, authorities are currently unable to inspect 99.1% of the precious metals and precious stones market participants.

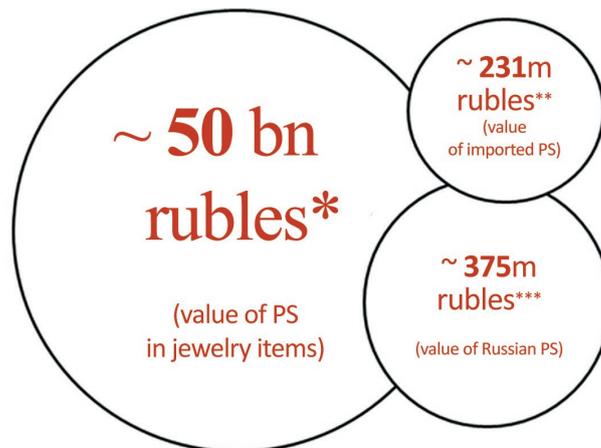
**ILLICIT TURNOVER IN PRECIOUS METALS AND PRECIOUS STONES**

As reported by the Russian Statistics Agency, 2016 sales of jewellery amounted to 224bn rubles, of which precious stones accounted for about 50 billion.

According to Gokhran, Russian businesses imported 28,000 carats of precious stones (excluding diamonds) in 2016 with a total value of 231m rubles (about 30m in taxes).

Statistically, 3000 carats of Russian diamonds worth about 375m rubles could have been used as jewelry inserts.

Therefore, the value of illegally imported gems is greater than the value of precious stones used as jewelry inserts legally, which means loss of tax revenue from customs duties.

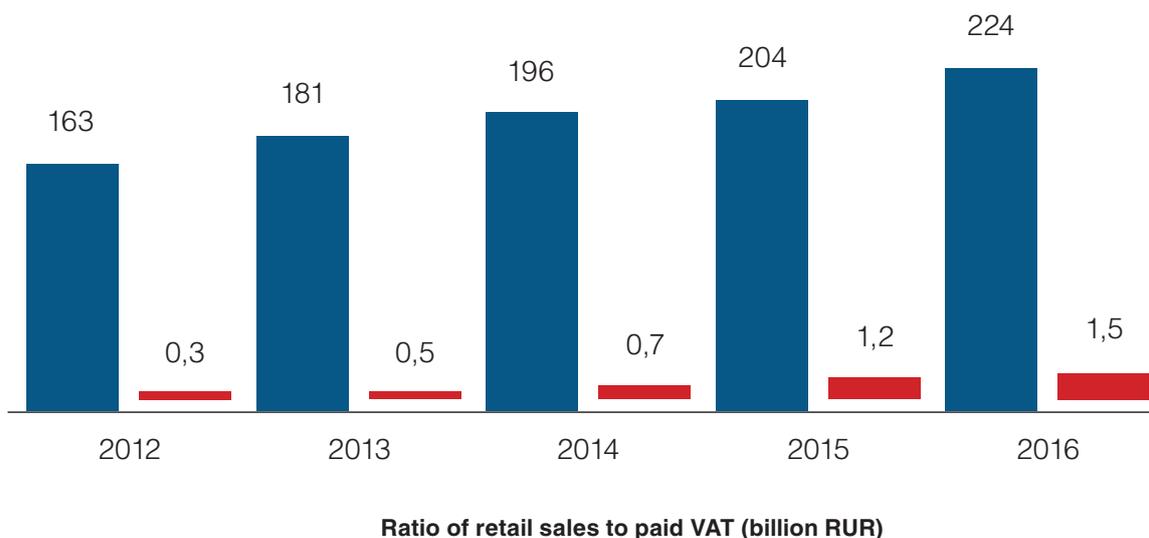


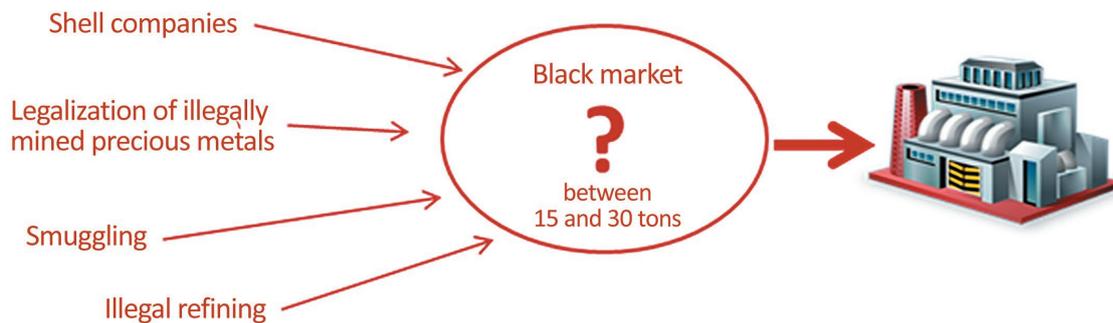
**VAT FRAUD INVOLVING PRECIOUS METALS**

The existence of diverse tax regimes opens the door to various types of VAT fraud, including illegal VAT refunds and VAT evasion.

This allowed the industry to reduce VAT payments in 2016.

**40bn rubles would have been paid in 2016 if a standard VAT regime was applied**





In addition, the existing tax regime enables businesses to obtain illegal VAT refunds or claim them repeatedly. As a result, the amount of VAT refunds exceeded the total amount of taxes paid by the manufacturers of precious metals by 9.6 billion rubles in 2014; 12.8 billion in 2015; and 6 billion in 2016.

### DETERMINING THE ORIGIN OF PRECIOUS STONES

Following the government decision to make the refining of precious metal scrap and waste mandatory in 2015, its deliveries to refineries increased 6.5-fold: from 2 to 13.5 tons.

That said, the amount of gold entering the shadow economy through shell companies, sale of illegally mined precious metals, smuggling and illegal refining is estimated at 15 to 30 tons per year.

### NEED TO IMPROVE ADMINISTRATIVE PROCEDURES

Among the factors contributing to rise in illicit transactions with precious metals and precious stones are:

- low penalties for administrative violations in the precious metals and precious stones industry and, consequently, the lack of motivation to comply with mandatory requirements;
- lack of powers to deregister market participants and, consequently, the lack of objective information about such participants;

- Assay Chamber's lack of access to government databases and, consequently, its inability to promptly respond to the evolving situation in the precious metals and precious stones market;
- transfer in 2015 of the powers to adjudicate administrative cases from the Assay Chamber to courts, resulting in a 2-fold decrease in the total amount of paid fines, a 4-fold drop in the number of suspended businesses and a 1.4-fold increase in the use of such enforcement measures as a warning.

### STRENGTHENING GOVERNMENT OVERSIGHT

The main goal of state regulation of the precious metals and precious stones industry should lie today in the drafting and enactment of the new rules and procedures governing the conduct of businesses and their relationship with the state, as well as in strengthening oversight over unscrupulous market participants, in order to enable a qualitative change in the industry's structure.

### SYSTEM CHANGES

First Deputy Prime Minister I. Shuvalov's Order of November 27, 2017 approved the Plan for the creation of an integrated information system for monitoring the circulation of precious metals and precious stones at all stages, providing such functions as:

- registration of all market participants and provision of rapid access to the up-to-date and complete information on their activities;

- development of a mechanism for determining the origin of precious metals and precious stones;
- separate tax and customs accounting for transactions with precious metals and precious stones;
- labelling of jewelry and precious stones.

## REGULATION

The Finance Ministry, jointly with the relevant federal executive bodies, is currently in the process of drafting regulations that will provide for the following:

- inclusion of businesses operating in the precious metals and precious stones sector in the list of entities subject to two or more scheduled inspections in three years;
- designation of transactions with precious metals and precious stones as activities subject to licensing;
- evaluation of the pros and cons of abolishing the customs duty for the import of coloured gemstones and small diamonds;
- analysis of the possibility of changing the tax regime for the precious metals and precious stones industry;
- development of a mechanism and formulation of grounds for a compulsory deregistration of precious metals and precious stones market participants;
- review of the type and size of penalties provided under the Code of Administrative Offences;
- restoration of the powers to independently adjudicate administrative cases to the Assay Chamber;
- connection of the Assay Chamber to the UIECs (Unified Interagency Electronic Communication Systems) and SIS SMP (State Information System on State and Municipal Payments).



## ANTI-CORRUPTION EFFORTS

## FIGHT AGAINST CORRUPTION AS ONE OF AML/CFT STRATEGY'S KEY ELEMENTS

*Two-day workshop on “Application of Russia’s Anti-Corruption Legislation” was held on November 23-24 in Moscow (Russia). Representatives of the state authorities summed up the past years anti-corruption efforts*

*Oleg Krylov,  
Deputy Director, Federal Financial Monitoring Service*



*Oleg Krylov*

**T**he Federal Financial Monitoring Service views the fight against corruption as one of the key elements of the anti-money laundering strategy, which it pursues in compliance with the principles and standards of the Financial Action Task Force on Money Laundering (FATF).

In eighteen months, Russia has to undergo another round of assessments of its compliance with international standards and to prove again the effectiveness of its AML/CFT framework. To a large extent, this assessment will depend on the success of the country’s on-going anti-corruption efforts.

Given the importance of the upcoming FATF assessment, Russian President Vladimir Putin set up, in March 2016, a special Interagency Commission tasked with examining all aspects of compliance with AML/CFT regulations.

Rosfinmonitoring's anti-corruption efforts are subject to a substantial body of domestic and international anti-money laundering and anti-corruption regulations.

There is a solid and evolving regulatory framework. For example, this year the Russian Federation has ratified the Council of Europe Convention on Laundering of Criminal Proceeds, which, among others, covers such important matters as confiscation of criminal proceeds and extrajudicial asset freezing.

Rosfinmonitoring, meanwhile, has established a three-tier system of practical anti-corruption measures and interdepartmental cooperation. In identifying corruption risks, Rosfinmonitoring makes good use of the information contained in the requests from:

- Russian law enforcement agencies;
- foreign financial intelligence units on the financial activities of Russian nationals and identified overseas property;
- government agencies, submitted in compliance with Presidential Decree No. 309 of 02.04.2013.

For instance, Rosfinmonitoring used this information to conduct **more than 28,000 checks** in 2016 **targeting individuals and their relatives. More than 4000 checks** were initiated at the request of qualification boards of judges in respect of candidates applying for the positions of judges and their relatives.

When it comes to preventive measures, Rosfinmonitoring helps to:

- create the state financial control infrastructure;
- promote the transparency of businesses and financial institutions.

Anti-corruption efforts take the form of financial investigations.

In the 11 months of 2017, Rosfinmonitoring received anti-corruption requests from:

- law enforcement (over 3800 requests);
- foreign financial intelligence units (37);
- private individuals (58).

The number of financial anti-corruption investigations **exceeded 3000.**

**Rosfinmonitoring's investigative materials were used to initiate over 340 proceedings, inter alia 25 for money laundering offences, resulting in 76 convictions. Over 3.6bn rubles, including more than 2.2bn linked to money laundering was frozen under the corruption criminal cases.**

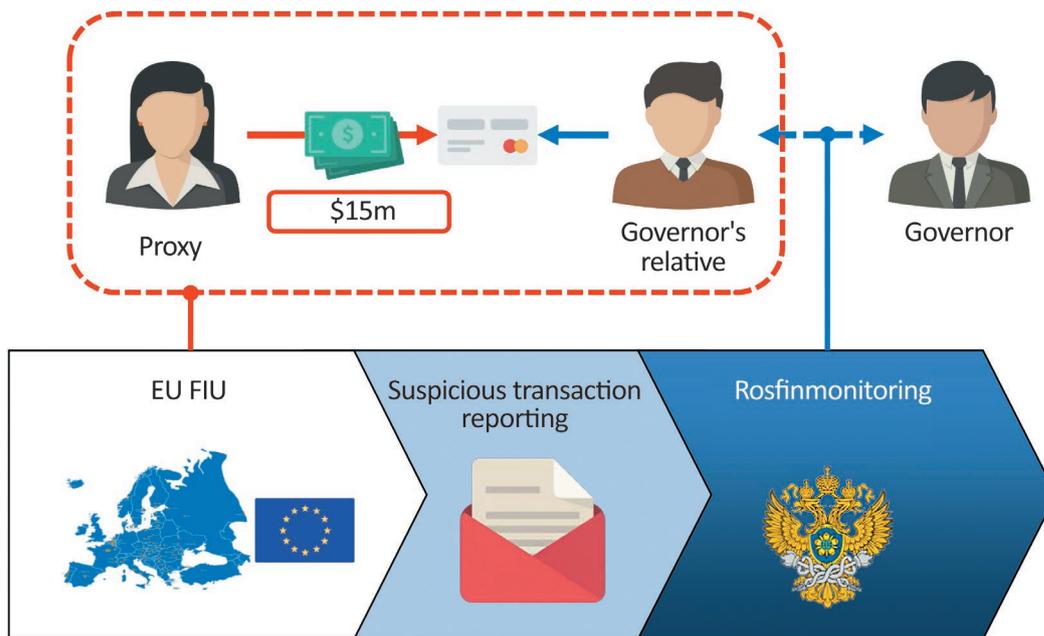
Rosfinmonitoring is actively involved in anti-corruption discussions held at various international organizations.

A list of positive examples of Rosfinmonitoring's investigative efforts includes criminal proceedings, initiated by the Russian Investigative Committee against the former governor of the Sakhalin region, A. Khoroshavin, into the offences falling under par. 6 of art. 290 and par. 4 of art. 291 of the Russian Penal Code.

Using the intelligence provided by Rosfinmonitoring, the IC additionally charged the defendant with offences falling under art. 174.1, sub.pars. "a" and "b", par. 4 of the Russian Penal Code, for laundering criminal proceeds totalling 77m rubles. In addition, acting in response to the claim filed by the Prosecutor General's Office, the **court ordered the confiscation of A. Khoroshavin's assets, including the property registered on members of his family, worth more than 2bn rubles.**

Rosfinmonitoring is engaged in close cooperation with financial intelligence units of other countries. For example, the agency was notified by one European FIU of large assets being held by a Russian national in a foreign bank. As it turned out, the person in question was a relative of one of the regional leaders. The funds were deposited by a proxy to his account in a Russian bank (about \$15 million). The evidence was referred to law enforcement.

This example highlights the importance of the widest possible involvement of commercial (such as banks) and public organizations in anti-corruption investigations.



As part of its investigations into public procurement transactions, Rosfinmonitoring has uncovered evidence of public officials' affiliation with private contractors.

Analysis of tender documentation has revealed that a majority of public procurement violations are committed today with the direct or indirect involvement of officials tasked with organizing tender proceedings.

Among the known red flags here are:

- procurement of goods at significantly inflated initial (maximum) prices;
- issuance by the procuring entity of unreasonable specifications for the performance of the contract, such as restrictive conditions for the location of the contractor or materials needed for the performance of the contracts, or the use of particularly tight deadlines.

Rosfinmonitoring works closely with the Prosecutor General's Office to verify the information provided by foreign financial intelligence units.

One such report detailing an alleged failure by one local MP to declare his foreign assets was used as the grounds for his removal from public office.

At the same time, the inability of banks and other financial institutions to conclusively identify politically exposed

persons (PEPs) among their customers impedes their ability to promptly identify suspicious transactions carried out for the benefit of both foreign counter parties and representatives of the Russian private sector. What is more, the government is still to designate an authority responsible for compiling, maintaining and updating the centralized PEP register, as well as for communicating it to the relevant agencies and organizations. To be fair, this problem is not characteristic only for Russia.

Interestingly, the use of fake divorces to conceal the purchases of assets is still popular.

The scheme involves crediting funds to the account of, or purchase of property by the spouse of a public official who has not previously declared the possession of any significant assets. After the divorce such official, when filing assets declarations next time, will not be required to submit a declaration for his former spouse.

A few years ago, there was a situation in the UK when several foreign public officials suspected of corruption by that country's intelligence agencies simply disavowed the ownership of their foreign bank accounts with millions of dollars. Sometimes it is easier to give up money than to prove that it came from a legitimate source.

Corruption practices in pricing and public tenders continue to pose problems. But even here, a robust interagency cooperation has helped to achieve some positive results.

Thus, intelligence made available by Rosfinmonitoring allowed the Federal Anti-Monopoly Service to:

- expose and prove the existence of Russia's largest price-fixing scheme for awarding government contracts for supply of military uniforms and accessories to law enforcement bodies. As a result, 90 legal entities were found guilty of violating the anti-monopoly legislation in holding 18 electronic auctions for a total of more than 3.5bn rubles;
- uncover evidence of collusion in the pharmaceutical industry that allowed its participants to generate over 400m rubles in revenue. The evidence gathered was referred to law enforcement.

A timely response by the Ministry of Natural Resources and regional authorities to Rosfinmonitoring's report helped to prevent the embezzlement of public funds allocated for the reclamation of a water reservoir. Following a change of contractor, the contract price was reduced from 900m to 250m rubles.

Rosfinmonitoring continues to identify cases of affiliation between the senior executives of state companies and private contractors.

Seizure and confiscation of property remains the most effective penalty against the identified corrupt officials today, with the possibility of confiscating the property of public officials who cannot prove its lawful origin being the most revolutionary aspect of our legislation.

## AML/CFT EDUCATION AND SCIENCE

## PERSONNEL TRAINING FOR EAG AML/CFT SYSTEMS TAKES PRIORITY

*A meeting of the International Network AML/CFT Institute Council, attended by the Heads of all universities and scientific institutions participating in the Institute, was held on November 22 in Moscow. The event was also attended by the Head of the Federal Agency for Scientific Organizations (FASO), Mikhail Kotyukov*

Vladimir Glotov,  
Deputy Director, Federal Financial Monitoring Service

The meeting began with welcoming remarks from the Rosfinmonitoring Director and Chairman of the International Network AML/CFT Institute Council, Yury Chikhanchin, and the FASO Head, Mikhail Kotyukov.

**Yury Chikhanchin:**

*"There's no doubt about the role of talented personnel in the success of our AML/CFT regimes. Therefore, we deliberately combine our efforts and participate in the training of personnel. We believe that building cooperation between EAG member states, each of which has its own unique regional characteristics, is key to the fight against money laundering and the financing of terrorism. The network AML/CFT Institute is making a major contribution to the training of personnel for the AML/CFT systems of EAG member and observer countries, as well as to the enhancement of interstate cooperation and integration of expert capacity. I would like to highlight the expansion of our cooperation in personnel training in Eurasia due to the accession of the Fudan University Research Centre to the International Network AML/CFT Institute".*

**Mikhail Kotyukov:**

*"I'm very pleased to see that the number of participants in the meetings of the network AML/CFT Institute Council increases every time. This means that we are on the right track. In my opinion the network cooperation model works well. And today the institutes of the Russian Academy of Sciences have also joined this work. We're confident that the scope of our joint work will expand further, as we consider the universities of the international network AML/CFT Institute our key partners in both scientific research and practical tasks facing us today".*

Vladimir Ovchinnikov, Director of the network AML/CFT Institute, briefed the meeting participants on the Institute's performance in 2017 and its plans for 2018.

Among those who shared their experiences in AML/CFT personnel training were representatives of the universities participating in the network Institute from the Russian Federation (Mikhail Strikhanov, Rector of the National Research Nuclear University MEPhI, and Igor Lebedev, Head of the Department of Risk Analysis and Economic Security of the Financial University



under the Government of the Russian Federation), People's Republic of China (Yan Lixin, Acting Director of the China Centre for Anti-Money Laundering Studies at Fudan University), Kyrgyzstan (Mukash Israilov, Head of the Accounting and Analysis Department at the Kyrgyz-Russian Slavic University named after the First President of the Russian Federation B. N. Yeltsin) and Uzbekistan (Botir Usmonov, Vice-Rector for Scientific Work at Tashkent University of Information Technologies).

Participants listened to the report by the Director of the International Training and Methodology Centre for Financial Monitoring, Oleg Ivanov, on creation of a common AML/CFT scientific and educational environment.

Nikolai Kolachevsky, Director of the Lebedev Physical Institute of the Russian Academy of Sciences and its corresponding member, spoke about the on-going academic research to develop hardware and software solutions based on AML/CFT artificial intelligence.

The meeting ended with a presentation by Ekaterina Kameneva, Doctor of Economics and Vice-Rector of the Financial University under the Government of the Russian Federation, entitled "Independent Assessment of Qualifications as an Indicator of the Employer's Requirements. On Occupational Standards and Qualifications in the Eurasian Economic Union (EurAsEC)".

The Council participants discussed issues related to the personnel training and building scientific and educational capacity in AML/CFT within the framework of the established network AML/CFT Institute, outlined the promising avenues for its development along with the problems hindering the reach of common goals.

The universities of the network AML/CFT Institute shared their experiences in the best personnel training practices

and innovative techniques designed to promote continuity, professional development and a high level of AML/CFT knowledge and skills.

The meeting ended with signing the following documents:

- Memorandum on Cooperation between the international network AML/CFT Institute, Anti-Money Laundering Centre, Fudan University (China), MEPhI and Lebedev Physical Institute, for elaboration of a joint Russian-Chinese laboratory for the development of artificial intelligence solutions for the benefit of financial monitoring and financial security;
- Agreements on cooperation in AML/CFT personnel training between ITMCFM and Uzbek universities of the network AML/CFT Institute: Tashkent State Law University; Tashkent Financial Institute; Tashkent University of Information Technologies; Tashkent State Economic University; Tax Academy of Uzbekistan's State Tax Committee.

The universities participating in the network AML/CFT Institute received letters of gratitude and certificates of honour from Rosfinmonitoring for their contribution to AML/CFT personnel training.

The Institute comprehensively addresses challenges related to the training of experts for the EAG national AML/CFT systems, advancement of scientific research, and development of professional qualifications and requirements for AML/CFT personnel, extending them beyond the basic knowledge in economics, law and electronic technologies to include specialized skills and professional competencies obtained at specialized training courses and higher education programs. The network community of the sector-specific universities, scientific and educational centres plays a leading role in the AML/CFT personnel training for Eurasia.

## DIALOGUE BETWEEN STATE AND PRIVATE SECTOR TO BE CONTINUED

*Last autumn Moscow hosted the III international workshop on “Effective Supervision as a Mechanism for Ensuring Transparency and Stability of the Financial System”*



*Konstantin Litvinov,  
Literary editor*

**T**he workshop was organized by the Russian Federation and attended by countries that are members of the Eurasian Group on Combating Money Laundering and Financing

of Terrorism (EAG). The International Training and Methodology Centre for Financial Monitoring (ITMCFM) and the State University of Management (SUM) provided organizational support.





More than 150 experts from the public and private sectors of the EAG countries (Belarus, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan and Uzbekistan) as well as Armenia, an EAG observer which, took part in the workshop. The main purpose of the workshop was to share experiences and best practices in AML/CFT supervision and to prepare countries for the FATF mutual evaluations.

“The meeting will allow us, on the one hand, to familiarize ourselves with the innovative approaches to supervision and private sector engagement, and on the other, to receive feedback from financial institutions on the prospects of improving the effectiveness of compliance procedures,” said Rosfinmonitoring Deputy Director Galina Bobrysheva.

Vladimir Nechaev, EAG Executive Secretary, emphasized that nevertheless the latest round of EAG mutual evaluations had just begun, participants should urgently take comprehensive efforts aimed at preparation of materials demonstrating the effectiveness of both the public and private sectors, including collection of statistics and preparation of notable case studies and examples.

Much attention was devoted to the review of the key findings of the mutual evaluations conducted in compliance with the revised FATF standards, already completed in a number of countries. Materials were presented by Mr. Yehuda Schaffer, a highly reputable international appraiser and Deputy State Attorney of Israel.

Another highlight was a presentation on the introduction of such new communication tools as “Personal Account” and the Compliance Council (Russia). The building of information systems capable of extracting beneficial ownership information from open sources (China), remote identification and account opening (Belarus and Russia), new approaches to risk management in the implementation of FinTech projects (China, Belarus and Russia), and typologies of identification of individuals linked to terrorism and drug trafficking (Russia) were also in the spotlight.

The recommendations drawn up by the workshop participants will be used to further improve AML/CFT regimes across Eurasia.

## *Recommendations of the III International Workshop on “Effective Supervision as a Mechanism for Ensuring Transparency and Stability of the Financial System”*

Participants underlined the relevance of the comprehensive efforts to strengthen cooperation between supervisors and the private sector as a key element of the AML/CFT framework, as well as the importance of further improvement of risk-based approach methodology and tools.

EAG countries, as part of their preparation for the mutual evaluations, need to focus on the following elements of the strategy for improving the effectiveness of national AML/CFT systems:

- enhancement of financial institutions' internal controls, with an emphasis on improving the quality of STRs and promoting feedback mechanisms based on various formats of interaction between the public and private sectors;
- implementation of all available mechanisms for involving representatives of the non-financial professions sector in the national anti-money laundering systems, as well as the permanent experience-sharing practices within the EAG;
- adoption of measures designed to boost the private sector's awareness of ML/TF risks through the use of various information exchange channels;
- introduction of innovative control tools for supervisory response in line with the target's risk profile including remote (contact-free tools);
- consideration of the opportunity for implementation of FinTech solutions and simultaneous introduction of ML/TF risk management models.

Application of innovative financial products, according to the participants, requires the use of risk modelling prior to the adoption of the relevant legislative changes.

Attendees called for further dialogue between the public and private sectors in EAG, taking into account the regional specifics and correspondent relationships between financial institutions in Eurasia.

# FINTECH AND REGTECH OPPORTUNITIES, THREATS AND RISKS

*The III International Scientific and Practical Conference “FinTech & RegTech: Opportunities, Threats and Risks Related to Financial Technologies” was held in Moscow on November 21-23, 2017*

Konstantin Litvinov,  
Literary editor

The meeting was organized by the Federal Financial Monitoring Service with support from participants of the International Network AML/CFT Institute. The venue for the first day of the forum was provided by Lebedev Physical Institute of the Russian Academy of Sciences. The Institute Director, Nikolai Kolachevsky moderated the discussion.

In his opening remarks, Yury Chikhanchin, Rosfinmonitoring Director, emphasized the importance of the chosen topic in the context of the rapidly developing financial technologies and associated money laundering risks:

**Yu. Chikhanchin:**

*“In the digital age, those who blaze new trails in finance and economics must be on the same team with those who think about regulation and oversight – otherwise, the risks and threats become unmanageable.*

*In our subject area – combating money laundering and terrorist financing – international standards require countries to take measures to mitigate risks posed by new types of financial services, long before the emergence of cryptocurrencies, blockchain and even the term ‘FinTech’ itself”.*

Welcoming speeches were delivered by Igor Divinsky, First Deputy Chairman of the Financial Market Committee of the State Duma of the Federal Assembly; Sergei Shklyayev, Head of the Department for Trade Restrictions, Currency and Export Controls of the Federal Customs Service; Alexander Murychev, Chairman of the Board of the Financial Market Participants’ Association “Financial Market Professional Qualifications Board” and Executive Vice-President of the Russian Union of Industrialists and Entrepreneurs; and Gennady Mesyats, member of the RAS Presidium.



### *Igor Divinsky:*

“The theme of today’s event accurately characterizes the modern era, highlighting the timeliness of our conference. Financial technologies pose the biggest challenge to the financial sector. Terms like

acquiring, P2P and bitcoins have become widely used not only by economists but also by the public. The rapid technological evolution causes a change in the financial and monetary systems of many countries, triggering a transition from cash to e-wallets, from traditional bank loans to on-line lending services, etc.

The financial services market and its customers are changing rapidly. The customer wants all at once anywhere in the world. It means growing

interest in products and services based on financial technologies.

The digital revolution in the financial services market will change beyond recognition the financial landscape not only in Russia. Banks as we know them today will become a thing of the past... It may turn out that the banking giants dominating the sector for decades have become too slow and unwieldy to adapt to the rapid pace of innovation in the financial technologies sector of the 21st century. Their archaic systems are unlikely to repel the future attacks by hackers and terrorist groups...

The goal of financial IT companies, regulators and politicians is to promote technological advancement in a way that guarantees maximum opportunities while minimizing risks for our society”.



### *Gennady Mesyats:*

“I have a feeling that the Academy of Sciences is stepping over a certain barrier. Only a year ago it was difficult to imagine such a refined institute,

moreover a physical one, which was established in 1934 by Academician Vavilov – acting as a venue for discussions we are having today. In a certain period this hall hosted discussions on the problems brought about by the Great Patriotic War – namely, the effects of radiation, laser technology and electromagnetism.

The Academy of Sciences is in fact a very conservative institution. We understand that hasty, rash changes cause dire consequences. So, when about a year ago, it was proposed that the Academy of Sciences institutes should get

involved in finding solutions to the problems we are discussing today, we reacted with caution. However, after looking into the situation and visiting Yury Chikhanchin at Rosfinmonitoring, talking to financiers, we realized that our country is indeed facing a huge problem. While all financial relationships, for example, in the US or UK, were established approximately 300-400 years ago, ours are still under formation.

The adoption of the fundamental research program of the Presidium of the Russian Academy of Sciences was preceded by a heated discussion. I personally believe we have made the right decision, as this area definitely needs our support. Whereas the tremendous work, referred to by Yury Chikhanchin, carried out by the network Institute, other universities, etc. is of huge importance and scale”.



### *Sergei Shklyaev:*

“The Federal Customs Service is actively involved in the fight against money laundering and terrorist financing. It is a foreign exchange regulator since 2016. The agency identifies more than 10,000 administrative violations of customs regulations each year. Success in the fight against illegal currency transactions, according to the FCS, can only be achieved through coordination of efforts with other federal executive bodies. The

mechanisms and instruments that are currently being created in the state require daily monitoring and updating, often on-line.

Today we are talking about combining the efforts of major supervisory bodies – Rosfinmonitoring, Bank of Russia, Federal Customs Service and Federal Tax Service – to combat money laundering. We insist that information sharing between these federal executive bodies is key to the effective fight against illegal cross-border movement of funds”.



### *Alexander Murychev:*

“Training of personnel, including in AML/CFT, is key to the building of a new financial sector. As it is a very important area, the Financial Market Professional Qualifications Board has been dealing with this issue for quite a while. We prepared an occupational standard for AML/CFT personnel, which was adopted by the Government of the Russian Federation and the Ministry of Labour and Social Protection. As this is not a perfect product, we plan to update it once every three years to keep it relevant. This,

undoubtedly, will help us to train experts demanded by employers. This the task that is directly linked to the issue of closer cooperation with educational institutions.

To that end, we must constantly monitor the labour market and know its requirements. The rapid development of technology means that almost every month we witness the inclusion of some new instruments of financial intermediation in the field of FinTech. It is the job of the professional community, the Professional Qualifications Board and educational institutions to keep up with these changes”.

Among the speakers of the first day of the meeting were Mikhail Strikhanov, Rector of the National Research Nuclear University (MEPhI), Academician of RAS; Taliya Khabrieva, Director of the Institute of Comparative Law and Legislation under the Government of the Russian Federation, Academician of the RAS; as well as other representatives of educational and scientific institutions, government departments and the private sector. The outcomes of the first day’s discussions were summarized by LPI RAS Rector N. Kolachevsky.

Rosfinmonitoring Director Yury Chikhanchin congratulated the staff of the International Training and Methodology Centre for Financial Monitoring (ITMCFM), who took an active part in the preparation of the conference, on the 12th anniversary of the organization, established on November 21, 2005.

On the same day, Yury Chikhanchin of Rosfinmonitoring and Alexander Murychev of the Association Of Financial Market Participants “Financial Market Professional Qualifications Board” signed a cooperation agreement.



The agenda of the second day of the conference included thematic sections and a Student Forum, with “Hundred Paths –One Is Yours: Your Career in Financial Intelligence” section. It was particularly popular among students and school pupils. The discussion moderator was Anna Frolova, Head of Rosfinmonitoring’s Personnel and Anti-Corruption Department. Participants heard presentations from the representatives of Rosfinmonitoring, students, post-graduate students and teachers of the universities participating in the network AML/CFT Institute. A list of the section activities also included presentations of AML/CFT professions and fields of study, as well as a master class where participants discussed job opportunities available to AML/CFT specialists.

The Student Forum, meanwhile, included a video contest for AML/CFT students. The winners were the teams of the Pacific State University and MEPhI.

On the same day, the sports facilities of the State University of Management (SUM) hosted the sports competition for students of the universities participating in the network AML/CFT Institute, organized with support from the regional public organization Dynamo No. 33 and autonomous non-profit organization the Central Sports Club of the Russian Fiscal Authorities. The 1st prize of the completion was won by the team of the National Research Nuclear University “MEPhI”, with 2nd and 3rd prizes going to the teams of the Moscow University of Finance & Law (MFUA) and the SUM, respectively.

The outcomes of the conference were summed up at the closing ceremony on November 23 at SUM, by

Vladimir Glotov, Deputy Director of Rosfinmonitoring, and Vladimir Ovchinnikov, Director of the International Network AML/CFT Institute.

**V. Ovchinnikov:**

*“I’m grateful to the universities of the network AML/CFT Institute for the resources made available by them for the conference, which is very important”.*

The network AML/CFT Institute Director separately thanked the MEPhI for its willingness to publish a digest of articles by the conference participants (more than five hundred). He also mentioned that the Fudan University of China, a member of the International Network AML/CFT Institute was eager to publish a magazine with the conference proceedings in Russian, Chinese and English languages.

In his address to the students taking part in the forum, Rosfinmonitoring Deputy Director said:

**V. Glotov:**

*“There is a well-known Chinese saying: a long road begins with the first step. I wish all the conference participants taking their first step on the path towards their chosen profession, to achieve great results as they pursue this long and difficult journey”.*

The closing meeting ended with an awards ceremony for the winners of the AML/CFT videos contest and the sports competition, during which Vladimir Glotov presented cups and certificates to the winners and awardees.



***Irina Smolokurova, Dean of the Institute of Advanced Education, MFUA:***

“Among other conference activities, I found the section “Hundred Paths – One Is Yours: Your Career in Financial Intelligence” particularly interesting and useful. Rosfinmonitoring staff met with the younger generation and told them about their work. I don’t think there are many adults who can tell you about Rosfinmonitoring’s work. But in our case, with a simple language future students were told about the agency’s job and career opportunities. I believe

many scholars were impressed with the story, which prompted them to think not only about a possible career in financial intelligence, but also about the realities we live in. I hope one day Rosfinmonitoring will hire the children who were present today and saw themselves as potential members of the FIU.

As for the conference, I think the organizers should broaden its scope by involving the business community. It’s important for people to understand the risks that we are facing”.



***Leonid Evseev, student of the International Network AML/CFT Institute, “Financial Monitoring” program:***

“I’d like to thank the conference facilitators. The accommodation was good. We were welcomed with care and patience, which helped us to avoid any misunderstanding. I was also impressed with the scale of the event and the global nature

of the agenda, which concerns everyone – not to mention the cross-border nature of the AML/CFT. I also liked the fact that the conference included a number of interesting sections, which served for discussions, including on scientific issues, as well as sports competitions. It all means that the organizers were keen on making the conference interesting and highly diverse”.

# PROCESSING OF UNSTRUCTURED DATA FOR AML/CFT PURPOSE

---



*Oksana Tarasova,*  
*Student, National Research Nuclear University MEPhI,*  
*Institute of Cyber Intelligence Systems,*  
*Financial Monitoring Department*

The control over banking activities in the anti-money laundering/ combating the financing of terrorism (AML/CFT) sphere is entrusted to the Federal Financial Monitoring Service (FFMS, Rosfinmonitoring) and is regulated by Federal Law No. 115-FZ “On Countering the Legalization of Illicit Earnings (Money Laundering) and Terrorism Financing”.

Federal Law No. 115-FZ requires credit institutions to develop internal control rules and procedures for identifying shady and unusual deals and transactions in favor of individuals and organizations regarding which there is the evidence of their involvement in ML/TF crimes and to report them to the controlling body, i.e. Rosfinmonitoring. The law provides the guidelines of customer identification and bank account operations subject to mandatory control.

Early detection of shady transactions and verification of transactions that are subject to mandatory control, which may be aimed at laundering criminal proceeds and terrorism financing, is a necessary procedure for maintaining the bank’s reputation and ensuring its stable and uninterrupted work. Shady transactions means transactions, which are of intricate and unusual nature and evidence the lack of obvious economic sense or apparent lawful purpose.

For example:

- systematic withdrawal of large amounts of cash by credit institutions’ customers from their accounts. Particular attention should be paid to customers who have a high (80% or more) ratio of the amount of cash withdrawn to turnover on their accounts;

- regular transfers of large amounts of money from third parties to bank accounts followed by the encashment or transfer to bank accounts of third parties within a few days;
- conducting by credit institutions' customers (residents) of non-cash transfers in large amounts in favor of non-residents under contracts for the import or supply of goods, purchase and sale of securities;
- payment of taxes or other mandatory payments to the budgetary system of the Russian Federation from accounts used to transfer money to non-residents is not carried out or is carried out in extremely small amounts.
- high profile incident associated with the activity of credit institutions;
- information on the bank's beneficial owners, its management, top management and employees.

For example, the open source information on delays in payment of deposits and in conducting settlements by order of customers, as well as information that the bank offers more profitable conditions in comparison with market conditions for attracting private deposits and deposits of legal entities, is relevant.

According to the Bank of Russia, there are more than 600 commercial banks and non-banking organizations in Russia, therefore the amount of data is significant.

The main source of information for Rosfinmonitoring in the performance of its AML/CFT responsibilities are suspicious transaction reports, as well as the data from the Unified State Register of Legal Entities (EGRUL) and the Book for State Registration of Lending Institutions, departmental classifier of the Bank of Russia (KGRKO).

Processing such information and transforming it into a single data source can enhance the capabilities of Rosfinmonitoring in the field of supervisory activities and minimize the resources required to carry out this work.

Analyzing and comparing suspicious transaction reports from credit institutions allow Rosfinmonitoring to determine how effective is the AML/CFT measures implementation in banks, as well as to unveil the participation of banks themselves in the so-called "schemes".

The analysis of the unstructured data coming from open sources promotes the identification of various kinds of relations between legal entities and individuals. Detection, formation and visual demonstration of such relations allow to improve the forecasting quality of the ML/TF events.

An additional source of information can be the unstructured data from the Internet presented in the form of text, which can contain dates, figures and facts. The constantly increasing volume of the unstructured data and their ambiguity adversely affect the speed and quality of their processing.

One tool suitable for this task is the RCO Fact Extractor SDK text parser, which is a component for the development of information retrieval and analysis systems that require the linguistic analysis. The component is able to process texts in Russian, English, Ukrainian, Kazakh and Armenian. The text parser selects different entity classes mentioned in the text and builds a network of relations that connects these entities, and also provides all the grammatical information about the components of the examined text.

The analysis of the unstructured data makes it possible to forecast events related to the bank's activity, to reveal suspicious activity both inside the organization and in its information environment, and also to stop the destructive activity of bank employees aimed at committing ML/TF-related offenses and endamaging the organization.

The selection of entities in the text is carried out by using special rules and regular expressions. For this purpose, such special language as CAPE (C ++ Annotation Pattern Engine), consisting of templates and rules that are translated into the finite state machine for efficient text processing, is used in the text parser.

At the moment, the following information is of great interest to the Federal Financial Monitoring Service:

- sanctions and restrictions applied to credit organizations by the Bank of Russia;
- To identify the facts and connections between entities, a special kind of network descriptions are used in the text parser, the so-called semantic templates, which are superimposed on isomorphic fragments of a semantic text network. In total, there are approximately

1000 semantic templates in the standard delivery, which allow to extract more than 150 types of situations from the description text. To create templates, the RCO Fact Tuner graphical application is used.

The RCO Fact Extractor SDK is the only high-performance cross-platform software product in the Russian market that implements a mechanism for finding fact descriptions in a semantic network of text. This mechanism is the key in solving the problems of high-precision data collection.

As a rule, the product is used to build systems that perform the following typical tasks:

- media and social networks monitoring;
- analysing requests from clients and citizens;
- expanding search and navigation analytical capabilities of existing information systems;
- database cleaning.

The capabilities of this text analysis component were used in the Suite of Functional Subsystems “Novosti” (abbreviated as KFP “Novosti”, operated by the Central Bank of the Russian Federation) and the Unstructured Data Processing Component (abbreviated as KOND, operated by Rosfinmonitoring). Both systems are designed for information extraction from the arrays of media messages and the following main text processing functions:

- clustering (plots, announcements, trends, etc.);
- rubrication (topics, countries of the world, regions of the Russian Federation, etc.);
- search and analysis (search for documents, objects, facts, connections, etc.).

Besides, KFP “Novosti” provides an opportunity to review references to credit institutions for the required period of time to identify significant information related to them.

The user interface of both systems is deployed in Intranet environments. Access to the systems is provided via a web browser installed on the user’s workstation.

Both KFP “Novosti” and KOND have rich opportunities for viewing receipts, navigating and searching through texts and results of their analytic processing. The given process allows to automate revealing the essential information on the classes of objects in the open sources of the unstructured data.

Thus, the described software solutions for the open source data analysis expand the list of available information resources and can be useful in Rosfinmonitoring activities in the part of prompt response to high profile (significant, signal, etc.) incidents in the bulk information relating to credit institutions and natural persons and legal entities linked with them.

**INTERNATIONAL NETWORK INSTITUTE**

# ***GLOBAL CHALLENGES TO NATIONAL AML/CFT SYSTEM: UNIVERSITIES RESPONDING***

---

*Aleksey Zabelin,*

*Rector, Moscow Finance and Law University (MFUA)*

*Svetlana Barkova,*

*Head of Postgraduate Study Department, Moscow Finance and Law University (MFUA)*

*Daria Semenova,*

*Editor of Scientific Releases, Moscow Finance and Law University (MFUA)*

**T**he National System for Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) is a set of public authorities and organizations carrying out transactions in amounts of money or other property, as well as other persons taking AML/CFT measures, means providing the implementation of these measures, regulatory legal acts of the Russian Federation and intrasystemic relations that facilitate the coordination and interaction of the system elements. The AML/CFT system is an important mechanism in the fight against terrorism and crime and is aimed at ensuring economic security and sustainable development of the Russian Federation.

According to the experience of organizing single national AML/CFT systems, an active position of the educational cluster representatives is an important condition for effective monitoring of processes related to money laundering or terrorism financing within the framework of national financial systems.

After all, the effectiveness of the AML/CFT system is largely determined by the level of competence and professionalism of its staff.

The modern world constantly makes us confront with new challenges, which need to be addressed immediately. Today, information technologies cover all areas of human activity and are widely used both in public administration and in the provision of services. Currently, the expert community is actively discussing the use of the blockchain technology and others involving distributed ledgers in public administration, assessing the risks associated with them and their impact on the national economy, as well as on its security. Experts are unanimous in the opinion that these technologies open enormous opportunities, and the financial industry is on the verge of significant changes as fundamentally new structures and methods are being created for both interpersonal interaction and intergovernmental cooperation.

The digital economy development was announced in Russia. The “Digital Economy of the Russian Federation<sup>1</sup>” Program approved by the Resolution of the Russian Federation Government No. 1632-r of July 28, 2017, stated the following objectives:

- creating the digital economy ecosystem of the Russian Federation, where the data in digital form is the key factor of production in all spheres of social and economic activity, and which provides effective interaction, including cross-border, of business, scientific and educational community, the state and citizens;
- creating necessary and sufficient conditions of institutional and infrastructural nature, removal of existing obstacles and limitations for the creation and (or) development of high-tech businesses, and avoidance of new obstacles and restrictions for both traditional and new industries and high-tech markets;
- increasing the competitiveness in the global market of separate branches of Russian economy and Russian economy as a whole.

In order to manage the digital economy development, the “Digital Economy” Program has set goals and objectives within the framework of five basic directions for the development of the digital economy in the Russian Federation for the period up to 2024. One of the basic directions includes personnel and education.

The main objectives of this field are as follows:

- creating key conditions for training of the digital economy personnel;
- improving the education system, which should provide the digital economy with competent personnel;
- the labor market, which must be based on the demands of the digital economy;
- creating a system of motivation to develop necessary competencies and the participation of personnel in the development of the digital economy in Russia.



It is obvious that within the framework of the forthcoming full-scale digitization of the economy, the issue of economic security of the state, and, consequently, the training of the AML/CFT system personnel changes its nature. The AML/CFT specialists must have “digital competencies” and be prepared to work in a rapidly changing environment. Therefore, it is important that the curricula within the existing formats of professional education meet modern challenges.

The network AML/CFT Institute is aimed at solving the task of training the AML/CFT system personnel. The Institute was established in December 2013 by the Federal Financial Monitoring Service with the support of the Ministry of Education and Science of the Russian Federation and the Federal Agency of Scientific Organizations. Its participants are to build an interaction in such a way that the trained specialists can be proactive.

The network AML/CFT Institute is a modern scientific and educational consortium that unites universities, scientific and educational centers of Russia, as well as CIS and EAG member states. This modern educational cluster is an important factor for sustainable development and national security that ensures the reproduction of modern specialists for the AML/CFT system based on the integration of science and practice, as well as the academic mobility of students and teachers.

Autonomous Educational Private Institution of Higher Education “Moscow Finance and Law University (MFUA)” is a member of the network AML/CFT Institute. There are departments of financial

<sup>1</sup> <http://static.government.ru/media/files/9gFM4FHj4PsB79I5v7yLVuPgu4bvR7M0.pdf>.

monitoring and state control at the university. Scientific and educational literature for the AML/CFT personnel training is published. The MFUA conducts student conferences, where anti-corruption issues are discussed and specialists in this field share best practices with students and intensify work on the formation of student associations for fighting against corruption. The MFUA acts as a co-organizer of international scientific and practical conferences of educational and scientific organizations participating in the network AML/CFT Institute, such as “Threats and Risks Facing the Global Economy” (November 1-3, 2016) and “Improving the Effectiveness of Forms and Methods of Disseminating the Knowledge on the Economic and Financial Security of Russia, Combating Shadow Incomes, Countering the Financing of Terrorism, Extremism, Anti-State and Destructive Activities” (April 20, 2017).



Scientific conferences on the given themes always arise a keen interest among a wide range of representatives of the scientific community and practitioners in the sphere of public administration and AML/CFT supervision.

It is important to note that the development and implementation of programs aimed at increasing both financial and digital literacy of population is of particular importance for building an effective national AML/CFT system. Universities and other scientific and educational organizations, acting as the main adherents of modern knowledge, should conduct vigorous outreach activity among the population in the field of finance and innovative information technologies. The participants of the network AML/CFT Institute should become leaders in this field, and the Moscow Finance and Law University is ready to join the efforts and offers a number of educational programs and activities for a wide range of participants.

## NEWSBLOCK

## *On coordination of cooperation between financial intelligence units and migration authorities of the CIS member states*

**T**he Protocol on Cooperation between the Council of Heads of Financial Intelligence Units of the CIS Member States and the Council of Heads of Migration Authorities of the CIS Member States was signed in Moscow.

The signing ceremony took place in the framework of the 21st meeting of the Council of Heads of Migration

Authorities of the CIS Member States, which was held on November 29, 2017.

Within the scope of their competence, the parties will coordinate the cooperation of financial intelligence units and migration authorities of the CIS member states in the field of anti-money laundering and combating the financing of terrorism, as well as illegal migration.

## *Cooperation Agreement between the CIS Council of Heads of FIUs and the Interstate Council for Combating Corruption*

**O**n December 8, 2017, the CIS Council of Heads of Financial Intelligence Units and the Interstate Council for Combating Corruption signed a Cooperation Agreement in the Moscow Office of General Prosecutor of the Russian Federation.

The signing ceremony was held on the eve of the International Anti-Corruption Day, which is celebrated on December 9 since 2004.

The basic ideas aimed at strengthening the economic security of the Commonwealth of Independent States



are in the core of the Concept of Cooperation of the CIS member states in the field of anti-money laundering and combating the financing of terrorism, which was approved by the CIS Council of Heads of States this October. The same meeting approved the Concept of Cooperation in the field of fighting against corruption, which symbolically proves the need for coordinated efforts to counter new challenges and threats.

Taking into account the global outreach and modern scale of corruption, the legalization of illicit earnings (money laundering) and the financing of terrorism, the governments will interact in combating corruption, money laundering and terrorism financing, as well as in other areas of mutual interest.

### *On the Meeting of the Compliance Council members and Kyrgyz Republic banking system units' representatives*



**O**n December 5, 2017, a meeting of members of the Compliance Council, an advisory body affiliated with the Interagency AML/CFT Commission, and the heads of internal control services of the largest financial institutions of the Kyrgyz Republic was held at the International Training and Methodological Centre for Financial Monitoring. It was organized by the State Financial Intelligence Unit of the Kyrgyz Republic and Rosfinmonitoring.

The participants of the event addressed the approaches to building a public-private partnership in the AML/CFT sphere through the example of the Compliance Council, as well as the issues of improving the internal control mechanisms in credit institutions.

The Kyrgyz banks representatives were particularly interested in the issues of the ML/FT risk management, taking into account the prospects for the development of remote customer identification technologies based on biometric data, as well as the development of digital compliance systems in the banking sector based on complex modeling of behavior of clients involved in illegal financial schemes.

In conclusion, the meeting participants supported the idea to hold events in such format regularly with the involvement of the banking community of the Eurasian region.

## ***On the meeting of the expert advisory group under the National Anti-Terrorism Committee on countering the financing of terrorism***

**O**n December 1, 2017, in the Rosfinmonitoring board hall, a regular meeting of the expert advisory group under the National Anti-Terrorism Committee on countering the financing of terrorism was held under the chairmanship of A. Klimenchyonok, Rosfinmonitoring Deputy Director.

The meeting discussed the operation results of the system for suppressing the financing of terrorism and extremism this year, as well as the planned changes aimed at improving its effectiveness, and specifically in the context of preparations for the forthcoming FATF evaluation in 2018.

The results of the analysis of the investigation practice and operational support of criminal cases on crimes linked to terrorism and extremism regarding the financing channels identification were considered; proposals were made to address the problems revealed by the analysis findings.

Besides, the meeting commented on the outcomes of interagency information exchange in the field of countering the financing of terrorism in 2017. The algorithms of its short- and long-term development were discussed and agreed.

## SERVICE'S LIFE

**“THE DYNAMO MOVEMENT WILL CONTINUE TO PROSPER AND DEVELOP”**

*Eugenia Kalikhova,  
Chief Expert, Department for Macro Analysis and Typologies,  
Federal Financial Monitoring Service*

**FS:** *Mr. Korotkiy, what share does the Dynamo sports society have in your life?*

**Yu. Korotkiy:** At the age of ten I joined the table tennis section and received a dark blue certificate with the lettering “Yuniy Dynamovets” (Young Dynamo Member) for the first time. They also gave me a uniform shirt and a badge with the letter “D”, which I had to sew on the shirt myself. I must admit that I was very proud of my first Dynamo uniform.

During my sport life I experienced everything – victories and defeats. First in the junior category, then in the senior. I obtained the title of a Candidate Master of Sports, played for the Moscow junior team. Unfortunately, since then I held the table tennis racket in my hands rarely.

Later there was a service in the national security. And again the Dynamo. Let me remind you that the sports

society was formed as part of the GPU NKVD. And the Honorary Chairman of this sports movement in the early years was Felix Dzerzhinsky himself.

And now, many years later, already serving in Rosfinmonitoring, with great joy and nostalgic feeling I found myself as part of the Dynamo society in its regional organization Dynamo No. 33, which managed to unite almost all financial departments of the country. These days, more than 1500 employees of Russian financial and economic agencies are involved in mass health and fitness and sportive work of Dynamo No. 33. I am glad that our Service is among them.

Thus, it turns out that I was a member of this famous sports organization three times. I am sure that sport has laid the foundations of my personality, taught me to overcome myself and obstacles in the way, and it was very useful.



Yury Korotkiy

**FS:** *As you have noted, the Dynamo has a lot of experience and established traditions in working with law enforcement, national security and internal affairs officials. What role does the Dynamo and sports play in the profession of a financial intelligence officer?*

**Yu. Korotkiy:** Yes, the Dynamo traditionally united in its ranks those who combat crime. And, of course, it stands to reason that we have entered the Dynamo sports society. Rosfinmonitoring, though not a law enforcement structure, occupies a strong position in the system of forces that ensure the country's economic and financial security. At the present time, methods of combating crime with the tools for financial analysis and tracking financial flows related to ML/TF are becoming more and more important, no less than forceful actions. It is critical to establish close cooperation with colleagues from other authorities. And it goes without saying that nothing brings together and helps to establish and strengthen the relationships more than joint sports events.

As for the role of sports in the profession of a financial intelligence officer – judge for yourself. The basis of our work is the analytics. As a curator of the analytical unit of our Service, I submit that sports achievements and strong performance are closely welded. There are many examples. For instance, Aleksey Stepanov, Head of the Department for Macro Analysis and Typologies, Head

## Biographical background

### Yury Korotkiy

Born on January 25, 1953. Higher education. Graduated with a gold medal from the higher school of the KGB of the USSR in Legal studies with the knowledge of English. Candidate of Juridical Sciences.

Position: First Deputy Director of the Federal Financial Monitoring Service, Acting State Counselor of the Russian Federation, 2nd class .

Awards: Medal of Honor, the “Honored Lawyer of the Russian Federation” title, Retired Major General.

Favorite sports: table tennis, volleyball.

of the Risk Assessment Center, is a billiards champion and, in general, the life and soul of our sports team. Igor Voluyevich, Assistant Director of the Analytical Service, who managed to unravel more than one tangle of complex intertwining of illegal financial transactions and shadow schemes, is our proven chess champion. The list can be continued.

I think that the connection between sports and intellectual activity is much more complicated than the famous saying “where there is a sound body there must be a sound mind.” Sports teach us to manage ourselves and to find and mobilize the inner reserves of man, not only physical, but also intellectual.

**FS:** *Rosfinmonitoring has a lot of international activities. Is there any experience in holding sports events globally?*

**Yu. Korotkiy:** If possible, we try to include sports events in the program of international forums that we hold. The Federal Financial Monitoring Service carries out a great deal of work in the world arena, participates in a number of commissions and committees operating under the aegis of major international organizations, including the UN, and also cooperates with financial intelligence units (FIUs), primarily at the sites of the Egmont Group and the Council of Heads of FIUs of the CIS member states.



*11.22.2017. Winners of sports competitions held in the framework of the III International Conference organized by Rosfinmonitoring with the support of higher education institutions participating in the International Network AML/CFT Institute*

In 2012, international friendly football matches took place during the Plenary Meeting of the Egmont Group in St. Petersburg. European, African, South American and Asian teams met on the field. It does not matter who won, the main thing is that a good basis for conducting further fruitful negotiations with Heads of FIUs was created. After all, nothing brings together more than sport! Today, in conversations with heads of foreign FIUs, I see that many of them still remember our sports battles five years ago.

In November 2015, at the initiative of the Federal Financial Monitoring Service, the Dynamo No. 33 organization and the Central Sports Club of Russia's Financial and Economic Bodies, the first sports competitions called the Universiade of the BRICS countries were conducted within the framework of the BRICS (Brazil, Russia, India, China and South Africa) student forum. More than 80 representatives of different countries competed in five sports: streetball, arm wrestling, kettlebell lifting, table tennis and darts. We cannot say that that there was only one leader. Each person won, no one was disappointed.

In the current international context, the negotiation process at certain venues is extremely difficult.

However, the relations with the same participants immediately change on the sports ground. Where are double standards, mistrust, suspicion and secrecy? Every time we are convinced that sport is an excellent tool for uniting people and improving mutual understanding. After all the interstate relations and big politics are based on the human links.

**FS:** *Mr. Korotkiy, what would you like to wish to numerous participants of the Dynamo movement?*

**Yu. Korotkiy:** I take this opportunity to thank the Dynamo No. 33 organization for promoting healthy lifestyle, conducting purposeful, constant work on moral, patriotic and physical education of youth, organizing children's and family competitions, for supporting the mass health and fitness movement among the leaders, as well as strengthening the interdepartmental cooperation in the field of physical culture and sports. I am confident that the Dynamo movement will continue to prosper and develop. And we, in turn, will do everything possible to make our contribution to this necessary and very useful work.

I wish everyone high physical education and sports achievements!

## ROSFINMONITORING FLAG ON TOP OF ELBRUS!

---

*Evgeny Gileta,*

*Deputy Head of the Anti-Money Laundering Department,  
Federal Financial Monitoring Service*

Once in a conversation with my friend and colleague Alexey Rusin, we had an idea to climb Elbrus. This is the highest mountain peak of Russia and Europe, rising up over the border of the Kabardino-Balkaria and Karachay-Cherkessia republics. Its height is more than 5,5 thousand meters above the sea level.

The history of Elbrus conquest derives from the XIX century. Currently, the ascent is quite popular due to its relative ease, from the mountaineering point of view. But not for us. Neither I nor Alexey had any relevant experience at that time and did not know how to start preparations for this challenge. We had to ask for help another our friend Murat Chechenov. And at the end of August 2017 we arrived in the Elbrus district of Kabardino-Balkaria.

You can reach the top of Elbrus approximately by ten different routes. We chose the most popular one, along the southern slope.

On the first day, for acclimatization, the instructor sent us to the Cheget mountain. Its height is over 3 thousand meters. The ascent did not cause any special difficulties.

On the second day, on the assignment of the instructor, we went to the waterfall Maiden braids. Encouraged by the easy climbing the day before, we decided to go beyond the program. So along the footpath laid in 1938 encircling the foot of Mount Elbrus, we walked past the observatory to the "105th picket".

The next few days we climbed directly along the slope of Elbrus. You cannot climb mountains of this height in one day. There is a threat of getting a "mountain sickness" - a condition in which you feel very dizzy because of lack of oxygen and you cannot continue your journey. Therefore, the key to successful ascent is proper acclimatization. That is the reason why we walked along the slope of Elbrus, gradually gaining altitude up to 4800 meters above the sea level.

Having reached that altitude, we stayed for a day in a hotel for the final adaptation. According to the instructor, we had to gain strength before climbing. After a one-day stay in the hotel, at 2 a.m. we set off to conquer the heights of Elbrus accompanied by our instructor.



After acclimatization the next obstacle for the conqueror of the mountains is cold. If the hands begin to freeze, you cannot continue climbing, because it is necessary to use an ice ax. I was afraid of this most of all and asked Alexey to speed up when climbing not to get cold. So we reached an altitude of about 5100 meters, from where on the so-called "oblique hill cut" we came to the intermountain saddle (5416 m). At that moment the forces left us. We wanted to eat, sleep, drink - anything, but go. There was no way out, we had to move up. We came up with such a system of motion: take a step, think up to seven, then do the next step. At such height, the human body behaves differently than under normal conditions.

At the foot of the summit we saw the dawn. Almost the whole Great Caucasian Ridge could be seen spread before our eyes. Beauty is a great power. Emotions gave us strength for a short time. Up to the top there were still about two hundred meters left. But such a seemingly insignificant distance in a plain turns into hours of suffering at a height of five thousand meters. And finally we reached the summit of Elbrus! I will not say that once reached the goal, the fatigue vanished magically. But besides fatigue, there was another feeling, completely overwhelming. We did it! The first ascent will stay with you forever.

At the top, we placed the flag of Rosfinmonitoring and made some photos.

## “THE KOSYGIN PHENOMENON”

---

The Federal Financial Monitoring Service actively supports the development of arts. Various exhibitions and presentations have been organized in the building of Rosfinmonitoring for a long time, providing the opportunity for employees and guests to enrich their inner world and raise the level of spiritual education.

Alexey Kosygin is a Soviet state and party figure. Some historians and economists affirm that this man surpassed the tsarist minister Pyotr Stolypin in the effectiveness of his reforms. He was called the favorite of Joseph Stalin, the gray cardinal and at the same time the most professional and effective Head of the Soviet government.

On September 27, 2017 the exhibition “The Kosygin Phenomenon” opened in Rosfinmonitoring.

It was attended by the Director of the Service, Yury Chikhanchin, employees and guests of the event.

The exhibition was attended by the grandson of A. Kosygin - Academician of the Russian Academy of Sciences Alexey Gvishiani and the representative of the Cultural Foundation “Ekaterina” Vladimir Semenikhin.

The exposition includes originals of archival documents and photographs, items from the personal archive of the Kosygin family, works of art from the largest museum collections, time artefacts and chronicles. These sources and testimonies reflect the key moments of Kosygin’s biography and the history of the country, tell about the achievements of the Soviet era, which were

implemented directly with his participation: evacuation of the civilians from the besieged Leningrad, solution of economic problems during the Great Patriotic War, re-equipment of factories in the postwar period, modernization of industry, creation of the country’s gas and oil complex and much more.



*“We remember our grandfather Aleksey Kosygin as a serious, courageous and noble person. By nature, he was a leader with a deep sense of situation assessment. Kosygin combined flexibility and ability to take a principled, unequivocal position. Often that position about the people around him, events and circumstances proved to be the right one. These capacities helped him to successfully advocate and defend his position that he believed to be true in this or that time period of the history of our country”* - said the scientific leader, Academician of the Russian Academy of Sciences Alexey Gvishiani (in photo second on the right).

The Director of Rosfinmonitoring awarded Alexey Gvishiani with the certificate of honor and expressed gratitude for fruitful cooperation.

## EXHIBITION DEDICATED TO ROSFINMONITORING ANNIVERSARY

---

**O**n November 1, the Federal Financial Monitoring Service celebrated its 16th anniversary. As part of the ceremonial events, the leadership of the Service awarded diplomas of honor and expressed gratitude to the employees for the work done. On the occasion of holiday, an exhibition was also

organized. The employees of the Service were able to share with their colleagues the results of their creative projects dedicated to Rosfinmonitoring's Birthday. The children of the employees also prepared drawings, hand-made items with the emblem or other meaningful symbols of the Russian financial intelligence.



*On behalf of Rosfinmonitoring the awarding ceremony is held by the First Deputy Director of the Service, Yu. Korotkiy*

## “ECHO OF THE PAST WAR”

---

Students of the Diplomatic Academy of the Russian Ministry of Foreign Affairs and the Russian MFA College jointly with Rosfinmonitoring employees had prepared a concert program “Echo of the Past War” for the veterans of the Great Patriotic War and Labor in the House of Culture “Metallurg” (Tula). Participants of the concert performed verses and songs of the war years, recited memories of the war participants.



### **Editorial Board**

I. Ivanova – editor-in-chief, I. Lisina – deputy editor-in-chief,  
A. Petrenko – editor of the English version, P. Kukushkin – executive editor,  
K. Litvinov – literary editor, K. Sorokin – special reporter,  
E. Butkeeva – columnist, M. Bortnikova – reporter, A. Bulaeva – reporter.

### **Publisher**

Autonomous Non-Profit Organization ITMCFM  
Staromonetny Lane 31, bld. 1,  
Moscow, Russia, 119017. E-mail: [info@mumcfm.ru](mailto:info@mumcfm.ru).

**Number of copies:** 150.

Opinions and viewpoints expressed by authors do not necessarily reflect opinions  
and viewpoints of the “Financial Security” journal editorial board

*Autonomous Non-Profit  
Organization ITMCFM*

*2018*