

# **FINANCIAL SECURITY**

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NO. 17 JUNE 2017

**FATF PRESIDENT  
JUAN MANUEL  
VEGA-SERRANO:**

*"In taking political  
decisions, we must  
rely on a deep  
understanding  
of the risks,  
problems and trends  
facing us today".*





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## DEAR READERS,

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**A** little over a year is ahead before Russia's submission of its MER to the FATF Secretariat for its analysis by the international community.



The purpose of this report is to demonstrate the effectiveness of the national anti-money laundering system. Over the last year, we – all national AML/CTF system stakeholders – have been working towards this goal with majority of government agencies involved. Main areas of joint activity of the Inter-Agency Committee have been identified and new mechanisms that either had been missing in our national AML/CTF system

or had not used their full potential have started to function.

Russia's initiatives are supported by international organizations. Foreign colleagues frequently pay visits to our country.

Yet we must not rest on our laurels. There are still many areas that require changing our approaches both at the national level and at Rosfinmonitoring, especially when it comes to organizational issues.

In this situation, more than ever before, we need to optimize our technological processes, redistribute resources and identify priorities. We need to set our sights on delivering results or, to use the FATF terminology, on the "Immediate Outcomes", IOs, effectiveness.

*Rosfinmonitoring Director  
EAG Chairman  
Yu. Chikhanchin*

## COVER STORY: COOPERATION WITH FATF

## EXPERT OPINION

*Joint Experts' Meeting on Money Laundering and Terrorist Financial Typologies, and FATF<sup>1</sup>/EAG<sup>2</sup> Risk Assessment was held in Moscow on April 24-27, 2017 at the invitation of Rosfinmonitoring. The meeting was attended by the FATF President, Juan Manuel Vega-Serrano (Spain), who travelled to Moscow for a working visit. The number of participants was indeed impressive: over 250 FSRBs' representatives from more than 40 countries*



*Inessa Lisina,  
Deputy editor-in-chief*

**I**n his opening remarks, the FATF President stressed the importance of such meetings for the FATF global network and the international community as a whole. It is, therefore, extremely valuable that this meeting was attended not only by representatives of financial intelligence, supervisory and regulatory bodies, but also by the private sector.

**J. M. Vega-Serrano:** *"It is worth emphasizing that joint experts' meetings are an essential opinion sharing forum for subject-matter experts and colleagues alike. Such meetings are also important for the FATF: in taking political decisions, we must rely on a deep understanding of the risks, problems and trends facing us today".*

Yury Chikhanchin, Director of Rosfinmonitoring and EAG Chairman, also underscored the importance of constructive cooperation between private and public sector experts and practitioners in fight against all manifestations of financial crime. A whole set of factors makes the issue of countering financing of ISIL<sup>3</sup> and other terrorist groups even more relevant, especially after the recent terrorist attacks in various parts of the world.

The importance of measures undertaken by the FATF has been noted by the entire international community. For instance, a special meeting of the UN Security Council was held in December 2016 and was attended by FATF President Mr. Vega-

<sup>1</sup> Financial Action Task Force.

<sup>2</sup> Eurasian Group on Combating Money Laundering and Financing of Terrorism.

<sup>3</sup> Terrorist organization banned in Russia.



Serrano. Yu. Chikhanchin, meanwhile, briefed the UN Counter-Terrorism Committee on the CTF steps taken by the EAG.

**Yu. Chikhanchin:** *“One should also highlight the regular participation of the FATF President and Executive Secretary in major events held by this [UN] and other organizations. The proactive role played by FATF-style regional bodies makes the global financial system more secure and resistant to the inflows of dirty money used, inter alia, to fund terrorist activities”.*

**B. Toropov** (Russia), Co-Chair of the FATF Working Group on Risks, Trends and Methods (RTMG), shared with us his vision of both new and current group’s projects. Among the latter are vulnerabilities related to beneficial ownership, national inter-agency information sharing (two sessions were attended by representatives of the private sector) and terrorist recruitment financing. The last issue is of strategic importance because recruitment is key to terrorist regeneration. The project dealing with this issue was initiated by Russia and Spain.

One of the new initiatives is a joint Russia-US project on professional money laundering networks and the role of shadow intermediaries. It is aimed at systematic analysis of cross-border financial flows and identification of infrastructure created

by professional intermediaries for redistribution, laundering and management of money assets of their clients that include organized criminal groups and terrorist organizations.

Plenary participants examined issues of the fight against ISIL financing and the link between ML/TF and human trafficking. In addition, APG<sup>4</sup> and UNODC<sup>5</sup> representatives showcased a project on environmental protection.

The last day of the forum was dedicated to risk assessment and held in the form of a workshop, attended by private sector experts. The event was moderated by FATF Secretariat and International Training and Methodology Centre for Financial Monitoring (ITMCFM). Representatives of Russian and foreign banks, investment funds and other financial institutions shared their vision and techniques for assessing and identifying suspicious financial activities.

The forum, according to its participants, underscored their commitment to the key FATF principles, i.e., strengthening international cooperation, discussing and implementing new initiatives and projects, accumulating experience and exchange of best practices.

<sup>4</sup> Asia/Pacific Group on Money Laundering.

<sup>5</sup> UN Office on Drugs and Crime.





*Eugenio Maria Curia, coordinator for international affairs at the Minister's cabinet of the Ministry of Justice and Human Rights of the Argentine Republic, Head of the national delegation to the FATF, President of GAFILAT (Financial Action Task Force of Latin America):*

"I believe this workshop is very useful for all the participants. It includes discussions of the key

topics such as beneficial ownership, risk assessment and, most importantly, cooperation with the private sector. In combating money laundering, joint projects conducted by the private and public sectors, which are key players in this field, should complement each other. Among the project participants there are the security personnel of banks, insurance and other companies involved in the cross-border money transfer services.

We were also provided with the opportunity to discuss a new approach to combating human trafficking. Its scale can be estimated as simply catastrophic. We are studying the link between human trafficking and ML/TF in the context of resolutions and decisions of the UN Security Council. During the workshop, we got a clear picture of this criminal activity and the steps

that must be taken to counter it. And finally, we discussed information sharing, which is key to cooperation not only between various government agencies, but also with the private sector and between countries.

Argentina faces many challenges and threats. The country is currently debating a new version of the Criminal Code that includes a number of predicate and other offences related to money laundering and other novelties.

The country is also working hard to train prosecutors and judges – as we wish to strengthen this part of the system – and enhance skills of supervisory and regulatory personnel. All this is being done also at the GAFILAT level and constitutes part of our efforts to cover all elements of the AML/CTF/PWMD system.

To sum up, it was a very useful workshop and I am glad to be part of it".



*Lansana Daboh (Republic of Sierra Leone), researcher at the GIABA (Inter Governmental Action Group against Money Laundering in West Africa) Secretariat:*

"Risk assessment is very important, as, I believe, it helps to understand ourselves better. For countries it represents a mirror in

which we can see all our shortcomings.

On communicating with representatives of the countries that have already conducted a risk assessment, it became clear that its successful

outcome depends on close interaction both at the domestic and international levels. Only by combining information from different sources we can get a complete picture, as best showcased by our fight against organized crime. Given the cross-border nature of these criminal activities, it is clear that we must act together to succeed in defeating them. It is, therefore, especially useful that during the meeting we were able to share experiences and views on these problems, which are very important for all participants".



***Jeffrey Onyejefu Isima (Republic of Nigeria), Chief officer at the GIABA Secretariat:***

“I would like to thank the workshop organizers both for their administrative efforts and the event’s rich content. I attended the session on terrorist recruitment financing, while my colleague from the GIABA Secretariat the one on beneficial ownership. Both issues are of a priority for our FSRB. We have been conducting numerous studies into terrorism financing, and the workshop gave us a chance to get acquainted with the Russian-Spanish project on financing of recruitment activities.

With regard to the issues of beneficial ownership, their discussion during the meeting showed which problems remain unresolved in West Africa. We still have a lot to do in this area.

Projects for risk assessment are also of interest to GIABA. We have just kicked off the second round of mutual evaluations within the group with the assessment of Ghana. It was the first assessment on the basis of the revised FATF Recommendations and Methodology. This assessment revealed just how significant the problem of establishing beneficial ownership really is for West Africa. For this reason, any projects in this area are of great importance and use to us”.



***Minlend Nouma Didier Maurice, Head of the National Financial Investigation Agency of the Republic of Cameroon:***

“Among the most important topics broached by the experts’ meeting participants are terrorist financing and human trafficking. We are currently implementing several projects focused on terrorist financing.

These initiatives are being implemented in cooperation with other countries in the region (Niger, Chad, Nigeria, Mali and Benin) facing the threat posed by Boko Haram<sup>6</sup>. The terms of this cooperation provide for sharing information between countries, cooperation between national agencies, and coordination of joint efforts and resources”.

<sup>6</sup> Terrorist organization banned in Russia.



*Peter Clark, Acting Director of Australian Transaction Reports and Analysis Centre (AUSTRAC), Co-Chairman of the FATF Risks, Trends and Methods Group:*

"This meeting is very important, particularly as a forum for FATF experts engaged in operational work. They face key AML/CTF risks and

threats that are relevant to the entire international community.

Also important is the participation of private sector representatives in a number of sections, an engagement that improves our understanding of the existing risks and strengthens our efforts to combat the existing threats.

This was a very useful and highly productive event for all of us".



*Andrei Frolov, administrator at the MONEYVAL (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism) Secretariat:*

"The topic of the workshop is more relevant than ever. Many countries, including Russia are in the process of preparation for FATF

and FSRBs' evaluations. The workshop was a good opportunity to share experiences and positive examples regarding the organization

and implementation of a national ML/TF risk assessment.

It is encouraging to see the active involvement of the private sector in the work of the forum. The workshop highlighted the on-going cooperation in many countries between state bodies and the private sector in identifying terrorist financing risks, which is certainly very important".



## MEETING WITH THE FATF PRESIDENT

*On April 26 the President of Russia V. Putin met with President of the Financial Action Task Force (FATF) J. M. Vega-Serrano. Director of Rosfinmonitoring Yu. Chikhanchin also took part in the meeting*

*Based on materials of kremlin.ru*

One of the key topics during the meeting was combating terrorism financing. President V. Putin underlined that CTF efforts had strengthened during Spanish Presidency in FATF and assured that Russia would do everything possible to facilitate all initiatives to counter any types of terrorist activities.

Further FATF President J. M. Vega-Serrano noted that the meeting had once again showed Russia's political commitment to effectively fight money laundering and terrorism financing.

Also J. M. Vega-Serrano highlighted special contribution of Rosfinmonitoring's Director Yury Chikhanchin to FATF's activities.



*Photo from kremlin.ru*

## STUDYING RUSSIA'S APPROACHES TO AML/CTF PERSONNEL TRAINING

*A separate part of FATF President J. M. Vega-Serrano's April visit to Moscow was dedicated to his familiarization with Russian system of AML/CTF education*

**O**n April 24 the FATF President visited the International Training and Methodology Centre for Financial Monitoring (ITMCFM), the backbone AML/CTF training facility. O. Ivanov, the Centre's General Director, briefed the visitor on ITMCFM's cooperation with the FATF: translation of the FATF's guidelines and e-courses into Russian and holding joint training workshops. Another spotlight was centre's joint activities

with the EAG and the Egmont Group, including via videoconferencing. The FATF President also made an introductory tour of the network AML/CTF Institute, an ambitious AML/CTF training project supported by over 40 educational and research institutions from 9 EAG and CIS countries.

As part of his visit to ITMCFM, J. M. Vega-Serrano, jointly with Yu. Chikhanchin, took part in the



opening of workshop “New Payment Technologies and ML/TF Risks”, an event that showcased the centre’s videoconferencing capacities. A lecture at the workshop, attended by representatives from Armenia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan (over 100 participants), was delivered by V. Dostov, Chairman of the board of the E-money Association and Chairman of the E-money, Mobile Payments and Commerce Committee of the National Payments Council Association.

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The acquaintance with Russia’s approaches to personnel training and scientific research continued at the universities participating in the network AML/CTF Institute.

On April 24, 2017 FATF President met with representatives of Rosfinmonitoring, Federal Agency for Scientific Organizations (FASO) and scientists of the Russian Academy of Sciences (RAS) at the Lebedev Physical Institute (LPI).

The meeting was dedicated to the launch of a new Comprehensive Plan of Research (CPR). Under the FASO brand this Plan considers efforts of staff of several academic institutions and universities, members of the network AML/CTF Institute. The Plan is aimed at developing Russian financial security system and solving many relevant problems linked to extremist organizations’ activities, manifestations of corruption, embezzlement of public funds, etc. Today the financial monitoring is much more sophisticated due to rapid extension and complication of financial transactions, increased number of participants and emersion of new payment tools. The CPR suggests working out a universal methodology for timely identification and prevention of new eventual threats and financial risks, which will include consolidated data of financial, economical, legal, social and mathematical analysis.

The basis of the methodology will consist of adaptive technologies that use artificial intelligence. It will help to elaborate and implement practical solutions for improvement of the national anti-money laundering system.

Definitely, the implementation of this ambitious idea is impossible if only one institution or one-field specialists participate. There is an obvious need for a consolidated effort of representatives of various areas.



As noted by **Mr. Vladimir Glotov**, Deputy Director of Rosfinmonitoring:

*“In this rapidly changing world, in the era of digital economy, we can see that financial system in its traditional banking form is no more relevant. It finds brand new formats like electronic payments via Internet, in particular, cryptocurrencies.*

*These formats are invented by anybody but economists. Therefore, they should be opposed by people with broader competencies than “pure” layers and economists. We are aware that our reality needs a cross-disciplinary approach to be reflected correctly and we promote the idea of collaboration between scientists from different fields.*

*For instance, we are closely cooperating with the LPI as their tools and methods of research and design of physical objects, in particular, artificial intelligence and self-learning software, are applicable to complicated economic systems.*

*Besides physicists and mathematicians, I would like to recall, first of all, sociologists from the Institute of Socio-Political Research under the Russian Academy of Sciences (ISPR RAS) that try to detect the hot spots of the terrorism emersion in the areas of social tension.*

*Economists from the Central Economic Mathematical Institute (CEMI) RAS are no less important to respond to our challenges. Their models of national financial and economic processes facilitate effective detection and countering corruption schemes and embezzlement as well as eventual schemes of terrorism support.*





*We should also mention researchers from the Institute of World Economy and International Relations of the Russian Academy of Sciences (IMEMO) that contribute a lot to the international cooperation in the given fields.*

*Moreover, legal support of the Institute of Legislation and Comparative Law academic staff is also crucial. Their efforts are essential to work out a set of regulations and to provide competent legal assistance to the methodology under development”.*

It is obvious, that our country is interested in successful implementation of the CPR as the Plan is aimed at improvement of Russian social and financial stability, prevention of corruption, timely identification and cutting off terrorism and extremism sources of finance. However, it is also of interest to the FATF. **Mr. Juan Manuel Vega-Serrano** emphasized:

*“We deal with anti-money laundering and counter-terrorism financing (AML/CTF). Today AML/CTF is a “handmade” system built up piece by piece. Yet, such approach has its limitations. First of all, we lack methodological instruments. Therefore, cooperation with the academic community is essential.*

*We are aware of the opportunities provided by complex mathematical models. It is natural that these models have and will have certain limits. Any model is just a simplified system in comparison to the real object. We all realize that it is impossible to predict any individual's behavior, but given the volumes of client data bases we can try to take advantages of the statistical and mathematical models for maximum profit and effectiveness.*

*We are trying to do it now but often the instruments at our disposal are primal. Therefore, we need you to help us with tools for more effective performance. Both parts (yours and ours) make efforts to facilitate this work aimed at improving the quality of life so that it responded to the requirements of increasingly complex financial systems and at the same time remained integral and clear. Your commitment for sure will contribute a lot to the fight against money laundering and terrorism financing”.*

During the meeting the LPI scientists under the CRP briefed on a project of adaptive support system for solutions in financial monitoring linked to terrorists' activities and legalization of criminal proceeds. As the physicists said, it means elaboration of an adaptive returned “financial laser” that detects potential

problems, and creation of in-style models of social and economic phenomena that will allow to give a quantitative description of the system's feedback to the changes in regulatory limits. Signals of interest to the financial monitoring emerge during comparison of norms and actual data, and detection of discrepancies: for example, expenses not correlating to the salary.

Outcomes of such observations will be continuously clusterized and analyzed, forming new images of problems for the knowledge asset and/or allowing for active use of already recorded images, generated automatically or input by Rosfinmonitoring staff. For instance, the ones from other agencies' experience or previous results.

To wrap up the meeting LPI Director **Mr. Nikolai Kolachevsky** said:

*"Unfortunately, we didn't have much time for discussions but our guests were able to share*

*effectively their ideas and thoughts on projects in the field of AML/CTF. We have to admit that this part of our life becomes more and more important and relevant. Nevertheless, the LPI is eager to actively participate in this area's scientific support".*

*Based on "LPI-infrom" materials*

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On April 25 Mr. Juan Manuel Vega-Serrano met with students and teaching staff at the Finance University under the Government of the Russian Federation. Within the question and answer session FATF President was asked about the international experience in training AML/CTF personnel and the curriculum used, international information sharing practice, country specific amendments to anti-corruption legislation and their impact on anti-money laundering efforts, and the high-risk industries that require extra attention of the FIUs.

EAG

## 26<sup>TH</sup> EAG PLENARY MEETING

*The 26th EAG Plenary and working group meetings were held in Bishkek (Kyrgyzstan) on May 22-26, 2017*



Pavel Kukushkin,  
Executive editor

**T**he meeting was attended by delegations from EAG member states Belarus, China, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan as well as representatives of countries and organizations having observer status in the group.

The meeting was led by EAG Chairman Yury Chikhanchin. In his opening remarks to the Plenary, Kyrgyzstan's Deputy Prime Minister Zhenish Razakov highlighted that without mutual support and cooperation, countries would have problems to effectively fight such transnational crimes as terrorism, extremism and money laundering, as well as to improve their national anti-money laundering and counter-terrorism financing systems.

*"In light of the growing threat of international terrorism, it is important for EAG member states to prepare and undertake concerted and active AML/CTF measures not only at the financial intelligence units' level, but also with the involvement*

*of law enforcement, supervisory and fiscal authorities", said Mr. Razakov.*

The key items of the Plenary week's agenda were linked to ISIL and other terrorist organizations' activities. Participants stressed the need to intensify efforts aimed at countering terrorism financing and to effectively implement relevant UN Security Council Resolutions.

The Plenary approved the outcome document on the common financial profile of a foreign terrorist fighter (FTF) for EAG countries, designed to improve the detection of facts of terrorism financing.

The Eurasian Group works hard to strengthen its horizontal links with observer organizations. As part of these efforts, the Plenary week schedule included a joint EAG/CIS ATC<sup>1</sup>/ITMCFM<sup>2</sup> workshop (supported by UN CTED) on experience sharing in identification of foreign terrorist fighters (FTFs) and application of targeted financial sanctions against them.

<sup>1</sup> Common wealth of Independent States Anti-Terrorism Center.

<sup>2</sup> International Training and Methodology Centre for Financial Monitoring.





EAG members and observers continue their preparations for the 2nd round of EAG mutual evaluations and review workshops on best practices in implementing international AML/CTF/PWMD standards.

Participants highlighted the key role of the International Training and Methodology Centre for Financial Monitoring in the preparations for the next round of EAG mutual evaluations and AML/CTF personnel training. In this regard, ITMCFM was urged to consider the possibility of stepping up technical assistance efforts in these areas, taking into account the capacity of other EAG training and methodology centres and donors. In turn, ITMCFM unveiled its technical assistance initiative for EAG countries that includes plans for holding AML/CTF trainings and experience sharing sessions.

EAG members' representatives briefed the Plenary on amendments to their national AML/CTF legislation and progress in conducting national risk assessment,

thereby underscoring their commitment to improving the AML/CTF framework, with the focus on effectiveness.

The Plenary approved technical amendments to the 11th report on progress of Tajikistan under the procedure of its removal from the EAG follow-up process (2014), aimed at harmonizing its format.

A particular agenda item was dedicated to the task of AML/CTF personnel training. As part of these efforts, the EAG established an Expert Group on Development of the Common International Qualification Standard of AML/CTF Specialist. Participants were also informed about the work carried out by the international network AML/CTF Institute, and saw presentations of NRNU MEPhI graduates Yulia Medvedeva (Russia) and Bolot Aiga-Nish (Kyrgyzstan).

The 27th EAG Plenary meeting will be held in Moscow, in November 2017.

## TERRORIST DETECTION EXPERIENCE DISCUSSED IN BISHKEK

*Pavel Kukushkin,  
Executive editor*

The task of combating terrorism financing in general and financing of terrorist recruitment in particular calls for operational cooperation and coordinated actions of financial intelligence units (FIUs) and special services. FIUs provide special services with an effective tool for identifying individuals involved in terrorist activities. An international workshop on experience exchange in detecting foreign terrorist fighters (FTFs) and application of targeted financial sanctions against them was held on May 24 in Bishkek (Kyrgyzstan).

Among the event organizers were the EAG, CIS Anti-Terrorist Centre (CIS ATC), ITMCFM in cooperation with UN CTC Executive Directorate.

It was attended by Yu.Chikhanchin, EAG Chairman and Director of Rosfinmonitoring; M. Abdyraev, Deputy Head of the CIS ATC; representatives of CIS and EAG members and observers; experts from Australia, UK, Canada, France, Belgium, Monitoring Group of the UN Security Council Committee 1267 and the UN CTCED.



Participants discussed a range of key counter-terrorist financing measures, including UNSC sanctions against ISIL (Daesh), Al-Qaeda<sup>1</sup>, and other terrorist organizations, as well as the role of law enforcement and financial intelligence in detecting FTFs.

During the workshop, experts highlighted ISIL's attempts to boost its ranks at the expense of local terrorist organizations around the world, as well as to expand its online presence to spread terrorist ideology, bring in new followers and raise funds. A distinctive feature of the current generation of FTFs is their willingness and ability to use social media – which helps militants from different countries to stay connected and facilitates planning and coordinating terrorist attacks. Militants have succeeded in creating an international FTF community – alternative international fund that supplies fighters for terrorist attacks.

The EAG Chairman and CIS ATC Head agreed that, in order to counter terrorist financing risks and threats in Eurasia, mechanisms to detect individuals with links to ISIL and other terrorist organizations had been developed.

**Yu. Chikhanchin:** *"The EAG system allows us to promptly identify and cut off funding for FTFs, thereby blocking their access to the financial systems of the group members. In the Russian Federation alone, it led to freezing assets of over 1400 FTFs and prosecution of 350 individuals".*

**M. Abdyraev:** *"One of our Centre's databases contains a separate section dedicated to individuals taking part, or who took part, in military hostilities on the part of terrorist organizations or illegal armed groups outside CIS. This section is accessible online by all interested CIS competent authorities".*

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<sup>1</sup> Terrorist organization prohibited in Russia.

## INTERNATIONAL BLOCK

## DEVELOPMENT OF AML/CTF SYSTEM IN COMMONWEALTH OF INDEPENDENT STATES

*The 9th meeting of the Council of Heads of Financial Intelligence Units of the CIS Member States was held on May 24, 2017 in Bishkek, Kyrgyzstan*

*Irina Ivanova,  
Editor-in-chief*

The meeting, chaired by **Rosfinmonitoring Director Yu. Chikhanchin**, was attended by D. Azatyan, Head of the Financial Monitoring Centre of Armenia's Central Bank; V. Reut, Director of the Financial Monitoring Department of Belarusian State Control Committee; A. Dzhumadildaev, Chairman of the Financial Monitoring Committee of Kazakh Finance Ministry; A. Kadyraliev, Chairman of the State Financial Intelligence Service under the Government of the Kyrgyz Republic; and F. Bilolov, Director of the Financial Monitoring Department of Tajik National Bank. A list of observers included P. Mishra, Director of Indian FIU; M. Abdyraev, Deputy Head of the CIS Anti-Terrorist Centre (ATC); N. Kyrmanov, Deputy Director of the Department for Security Cooperation and Combating New Challenges and Threats of the CIS Executive Committee; and P. Nokin, First Deputy Director of the CIS Office for Coordination of Fight against Organized Crime and other Types of Crimes.

Among the positive outcomes of the Council of Heads of Financial Intelligence Units of the CIS member states (hereinafter, CHFIU, Council) - supported cooperation highlighted by participants was a **report by CHFIU Chairman and Director of Rosfinmonitoring Yu. Chikhanchin** at a meeting of the UN Counter-Terrorism Committee on December 15, 2016 (New York, USA), on the efforts undertaken by the Council to detect terrorists and their accomplices operating in Eurasia. The report was based on the CHFIU members' materials related to implementation of the 'Barrier' operation.

The Working Group on the Assessment of Risks and Threats reviewed the Russian initiative aimed at detecting, amid cross-border money transfers between CIS countries and high-risk jurisdictions, transactions linked to so-called "multi-purpose money laundering centres", specialized in redistribution and legalization of criminal proceeds. The Concept of the operation to detect common shadow platforms was approved.





Among other issues were the development of common approaches to combating financing of proliferation of weapons of mass destruction and regulation of electronic payment systems to prevent their abuse for ML/TF.

A serious test for the Council will be its Chairman's speech at the meeting of the CIS Council of Heads of State this November, which will include a presentation of the Concept for the development of the CIS AML/CTF system and the Council's performance report. In this regard, the CHFIU working groups were

instructed to prepare the relevant material outlining the CHFIU's progress in combating terrorist financing and detecting cross-border "money laundering centres" and supporting infrastructure.

Participants noted that the meeting of the Council of Heads of Financial Intelligence Units of the CIS member countries was held in a spirit of mutual understanding, trust and constructive dialogue.

The next CHFIU meeting is scheduled for November in Moscow.

## ANTI-DRUG OPERATION “CHANNEL – WESTERN BARRIER”

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

One of the active stages of the subregional anti-drug operation “Channel – Western Barrier” (hereinafter, Operation), with the deployment of the International Coordination Headquarters in Brest (Belarus), was conducted from May 29 to June 2, 2017 in accordance with the decision of the Collective Security Council of the Collective Security Treaty Organization (CSTO) «On Granting the Status of Permanent Regional Anti-Drug Operation to the Complex Crime-Prevention Operation ‘Channel’ (05/09.2008)» and the 2016-2017 Key Event Plan of the CSTO Coordination Council of Heads of relevant anti-drug agencies.

The goal of the operation was to cut off opiate trafficking routes from Afghanistan to Eurasia; disrupt illicit supplies of precursors to Afghanistan and other regions involved in drug production, synthetic drug flows from Europe

and Southeast Asia and cocaine from Latin America; undertake comprehensive steps to detect and shut down clandestine drug laboratories; undermine the economic foundations of the drug trade, including drug-money laundering; detect and destroy the raw material supply base of the illicit drug industry; and seize illegally held arms, ammunition and explosives.

CSTO anti-drug agencies with observers from law enforcement bodies of Iran, Lithuania, Poland, Moldova, Serbia and China, and from international organizations OSCE and Interpol took part in the Operation.

Among the Operation contributors were financial intelligence units (FIUs) of the EAG members and observers, such as Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia and Tajikistan.

The Operation resulted in the seizure of more than 16.7 tons of various types of drugs, detection of 808 drug-related crimes, filing of more than 10,600 criminal charges, seizure of 242 firearms, 5000 rounds of ammunitions and material assets worth over \$107.000. To investigate the international component of the drug trade, information requests regarding the detained individuals were sent to the relevant FIUs.

Rosfinmonitoring-initiated audits helped to uncover suspicious financial transactions possibly linked to drug trafficking totaling more than 85.2 million rubles. As part of the efforts aimed at investigating the above crimes, cooperation was established with certain FIUs of Europe, Central Asia and the Persian Gulf.



Following the completion of the Operation's active phase, interaction between FIUs and law enforcement will last.

## PRIORITY PARTNERSHIP

*UNOCD hosted the FATF traditional private sector consultative forum in Vienna on March 20-22, 2017. Among the key discussion points were new AML/CTF technologies, information exchange and beneficial ownership*

Inessa Lisina,  
Deputy editor-in-chief

The event traditionally brought together a large number of experts (over 250). Among them there were employees of financial and other institutions covered by the FATF Recommendations, representatives of FATF members and observers, and civil society.



On March 20, the FATF held a dialogue on FinTech and RegTech – two new trends in the AML/CTF field that are currently in focus of the international community's attention. This dialogue, chaired by the FATF President, Juan Manuel Vega-Serrano of Spain, effectively continued the previous roundtable discussion held in Paris last February.

The recent significant progress in developing these technologies mean that the international community faces a number of challenges and threats linked to FinTech and RegTech. That said, there are also certain opportunities provided by new

technologies, including, most notably, innovations in the field of customer identification, use of artificial intelligence for monitoring and tracking suspicious financial activities, and improvements in financial inclusion.

A standalone section of the consultative forum was dedicated to the last issue. In some countries a significant number of people are denied access to traditional financial institutions. A simplified customer due diligence procedure could be a solution. In this regard, both new identification techniques (biometrics, fingerprints) and improved types of financial products (e-wallets and mobile payments) can be of great help.

Related topics were discussed at the section dedicated to money transfers and de-risking, where experts from banks and MVTs<sup>1</sup> providers talked about the impact of the correspondent banking services loss on the sector. Participants also discussed the existing gaps in intrastate and interstate cooperation.

<sup>1</sup> Money or value transfer services.



Meanwhile, attendees of the terrorist financing section discussed dissemination of the FATF report “Detecting Terrorist Financing: Relevant Risk Indicators” among private sector organizations and the need to keep the report updated.

Building up a dialogue with the private sector is one of the key principles of the FATF's performance. It is employees of financial institutions and DNFBPs<sup>2</sup> that are responsible for implementing due diligence measures, monitoring financial transactions, and promptly responding to emerging challenges and threats. As new technologies and regulatory requirements continue to emerge, FATF and national AML/CTF authorities must do their utmost



to support reporting entities. After all, effectiveness and success of the measures undertaken depend on their ability to construct a dialogue and foster interaction between these two poles of the anti-money laundering system.

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<sup>2</sup> Designated non-financial businesses and professions.

## ITMCFM TRAINING FOR AML/CTF PERSONNEL FROM SOUTH-EASTERN EUROPE

*A workshop for AML/CTF personnel from Russia's partner states in South-Eastern Europe  
"Analytical Methods and Special Techniques of Conducting AML/CTF Investigations"  
was held on April 3-7, 2017 in Moscow*



*Alina Pascal,  
Editor-columnist*

**A**mong the workshop participants there were financial intelligence and law enforcement representatives from Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Serbia.

The workshop was organized by the Federal Financial Monitoring Service, General Administration for Drug Control of the Russian Interior Ministry, International Training and Methodology Centre for Financial Monitoring (ITMCFM) and UN Office on Drugs and Crime (UNODC).

A list of topics discussed at the workshop included the following:

- financial investigations into money laundering;
- AML/CTF international cooperation and information sharing;

- specifics of the Russian AML/CTF system;
- investigations into drug-money laundering;
- prevention of the use of companies registered in offshore jurisdictions for redistribution and laundering of criminal proceeds, etc.

Besides attending lectures, participants of the workshop were engaged in active discussions, shared experiences, and exchanged views on trends in improving the international AML/CTF system. Following a busy week, all participants agreed on the usefulness and relevance of such informative and fruitful meetings for AML/CTF efforts.



***Lufti Minhozi, Director of Investigation of Economic & Financial Crime Office at Albanian State Police:***

“We would like to thank the workshop organizers for this very important event. To succeed in the fight against money laundering and terrorist financing, we all need to join efforts, especially the countries of our region, which are very closely related economically.

As criminals organize themselves, including at the international level, so should we - join our efforts to combat them more effectively.

We were given an opportunity to see Russian and our neighbouring countries' experience in combating money laundering.

I believe our cooperation will last within the framework of specific investigations”.



***Duzho Japunčić, Senior Inspector of the Financial Intelligence Agency at the Anti-Money Laundering Department of Croatia's Finance Ministry:***

“Experience of the Russian Federation naturally differs from that of our countries, given its size. Therefore, it was interesting to find

out more about your modus operandi. Notably, the challenges faced by Russian experts are largely similar to ours. That said, Russia's cryptocurrency and e-wallet sector is more advanced, we will face it only in the future, which makes your experience particularly valuable”.



***Blagoz Ristovski, Head of the Analytical Department at the Financial Intelligence Unit of Macedonia's Finance Ministry:***

"I was particularly interested in analytical methods, mathematical models and approaches to identification of risk level, as it falls within my area of expertise.

I think we should pay more attention to new methods and techniques that can improve safety and effectiveness of AML/CTF efforts, as well as to focus on prevention rather than dealing with the aftermath.

We operate in the financial intelligence sector. And what matters most is not where the money for terrorism financing comes from, but rather

what can be done to trace and effectively stop it. Our intelligence can be used to help other agencies in this area to disclose and identify individuals and legal entities by finding track in their transactions.

Although much smaller than Russia, our country has nevertheless accumulated considerable experience through cooperation with many other countries. Despite having relatively few employees, we try to develop new methodologies and systems that are powered by artificial intelligence. In this area we definitely have something to share. We hope that our cooperation will continue to strengthen for the benefit of both parties".



***Ilya Khodoba, Deputy Chief of the Service for Combating Organized Crime at the Criminal Police Department of the Ministry of Internal Affairs of Serbia***

"First of all, I want to thank the organizers for the opportunity to participate in this workshop. Talking of the quality of

information and practical knowledge we were provided with, it was excellent. I'm pleased that our Russian colleagues found time to introduce us procedures and mechanisms used in their daily work.

I'm convinced, this experience will come in very handy, when back home in Serbia, and I'll integrate it into international practice.

The government of Serbia has adopted the national AML/CTF strategy, setting out clear goals and deadlines for the relevant government agencies. We devote all our time to these efforts, striving to be reliable partners to our international colleagues in all that regards fight against money laundering and terrorist financing".



# SHANGHAI COOPERATION ORGANIZATION'S ASTANA DECLARATION

*A meeting of the Council of Heads of State of the Shanghai Cooperation Organization (SCO) was held on June 8–9 in Astana, Kazakhstan. The meeting was attended by Heads of the SCO member states and observers, representatives of the UN, CIS, CSTO<sup>1</sup>, ASEAN<sup>2</sup> and other international and regional organizations*

*Inessa Lisina,  
Deputy editor-in-chief*

The key feature of the meeting was a discussion of the SCO's development prospects until 2025. The heads of the participating states spoke in favour of strengthening the SCO's role as a regional structure, improving its effectiveness, and enhancing global and regional security, to which the SCO must actively contribute.

In light of the current geopolitical context, the SCO leadership considers the fight against the spread of terrorist ideology and propaganda, including through the media, a key area of the organization's activity. At their last meeting, the SCO members reiterated their commitment to combating the radicalization of society and manifestations of extremism and terrorism. They also expressed their support for the Russia-sponsored UNSC resolution on countering terrorist ideology.

The SCO leaders stressed the importance of the early adoption of the UN Comprehensive Convention on Combating International Terrorism, as well as the ratification of 19 UN universal legal instruments to combat terrorism<sup>3</sup>. They are aimed at countering hostage-taking situations, use of nuclear material and explosives, terrorist bombings and other terrorist manifestations.

Representatives of SCO member states are convinced that it is important not to allow weapons of mass destruction, especially chemical and biological agents, to fall into hands of terrorists. Therefore, a proposal was made to draft international conventions on combating acts of chemical and biological terrorism.

<sup>1</sup> Collective Security Treaty Organization.

<sup>2</sup> Association of Southeast Asian Nations.

<sup>3</sup> Since 1963, 19 international legal instruments to prevent terrorist acts were developed under the auspices of the United Nations and the International Atomic Energy Agency (IAEA).



Photo from [www.secsco.org](http://www.secsco.org)

In 2006, SCO members signed the Agreement on Cooperation in Detecting and Blocking the Entry into SCO Countries of Persons Involved in Terrorist, Separatist and Extremist Activities. Nine years later, it was supplemented by the Agreement on Cooperation on Cross-Border Matters. At the meeting, the member-states reaffirmed their commitment to a closer cooperation in blocking movement of FTFs and terrorist groups; promoting the exchange of information on persons involved in terrorist activities (including on false/stolen identity documents likely to be used by terrorists); and conducting joint investigations of cross-border terrorist crimes.

Another important area of the SCO activities relates to detection of terrorist recruitment, training and financing tools. In this regard, SCO members reaffirm their determination to implement the relevant UN Security Council Resolutions and the FATF Recommendations.

On June 9, 2017 in Astana, Heads of SCO member states signed the SCO Convention on Combating Extremism. It adds to some of the previously

adopted documents of the organization, such as the Convention against Terrorism, Program for Cooperation in Combating Terrorism, Separatism and Extremism 2016-2018, etc. The purpose of the signed convention is to strengthen both regional and global security, increase the effectiveness of joint efforts in fight against terrorism and extremism.

The meeting participants also discussed issues of counter-trafficking in drugs, psychotropic substances and their precursors, information security and cybercrime, socio-economic interaction and other key issues of the SCO member states' activities.

The Secretary-General of the United Nations, António Guterres, who attended the meeting, noted the importance of the SCO's initiatives:

*"The SCO plays an important role in promoting mutual understanding, dialogue, stability and development in much of Eurasia. Together you are combating many contemporary threats to peace and security, including terrorism, militant extremism, drug trafficking and organized crime. These complex problems require a collective response".*

## NATIONAL AML/CTF SYSTEM

# PUBLIC DECLARATION OF ROSFINMONITORING GOALS AND OBJECTIVES FOR 2017

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**W**ith a view to better transparency of its activities and public engagement planning, the Federal Financial Monitoring Service has identified the key areas of activity for 2017.

This year's strategic goals are as follows:

*1. As regards international engagement*

**GOAL: represent and protect the interests of the Russian Federation in the AML/CTF field on the international stage.**

To achieve this goal, Rosfinmonitoring plans to address the following objectives:

- Ensure Russia's active participation in the FATF, Egmont Group, EAG, CIS, and other relevant organizations, in order to implement the initiatives aimed at strengthening the world's financial and economic security.

- Strengthen and expand bilateral cooperation with account for national interests and specifics of financial and economic ties linking Russia and Russian citizens to the countries of the near and far abroad.

**GOAL: ensure compliance of the AML/CTF system with international standards.**

To achieve this goal, Rosfinmonitoring plans to address the following objective:

- Russia's successful presentation of the 4th round of Mutual Evaluation Report.

*2. As regards combating the financing of terrorism and proliferation of weapons of mass destruction*

**GOAL: mitigate the risk of terrorism financing and financing of proliferation of weapons of mass destruction.**

To achieve this goal, Rosfinmonitoring plans to address the following objectives:

- Expand the capacity of the system to prevent and suppress the financing of terrorism.
- Improve the monitoring of the terrorist and NPO financing risks.
- Intensify efforts aimed at combating the financing of ISIL and other terrorist organizations.

### 3. As regards financial institutions' activities

#### **GOAL: improve the effectiveness of financial institutions as reporting entities.**

To achieve this goal, Rosfinmonitoring plans to address the following objectives:

- Use remote monitoring mechanisms to improve

compliance of financial institutions with legislative requirements.

- Improve the quality of information provided to Rosfinmonitoring.

#### **GOAL: eliminate the risk of abuse of the financial sector for dubious transactions.**

To achieve this goal, Rosfinmonitoring plans to address the following objective:

- Cooperate with the Bank of Russia and other supervisors in reducing the involvement of financial institutions in illegal and suspicious financial transactions.

### 4. As regards the real economy

#### **GOAL: participate in decriminalization and improvement of transparency of the real economy with account for the identified risks.**

## Rosfinmonitoring key goals for 2017



### **International engagement**

- GOAL: represent and protect interests of the Russian Federation in the AML/CTF field on the international stage.
- GOAL: ensure compliance of the AML/CTF system with international standards.



### **Combating terrorism financing and financing of proliferation of weapons of mass destruction**

- GOAL: mitigate the risk of terrorism financing and financing of proliferation of weapons of mass destruction.



### **Financial institutions' activities**

- GOAL: improve the effectiveness of financial institutions as reporting entities.
- GOAL: eliminate the risk of abuse of the financial sector for dubious transactions.



### **Real economy**

- GOAL: participate in decriminalization and improvement of transparency of the real economy with account for the identified risks.



### **Public sector**

- GOAL: prevent embezzlement of public funds and ensure stability of the budget system.



To achieve this goal, Rosfinmonitoring plans to address the following objectives:

- Monitor and identify the risks posed by entities' transactions with monetary and other assets.
- Strengthen cooperation between Rosfinmonitoring and law enforcement in preventing economic crime.
- Boost IT support for anti-money laundering efforts.

#### *5. As regards the public sector*

#### **GOAL: prevent embezzlement of public funds and ensure stability of the budget system.**

To achieve this goal, Rosfinmonitoring plans to address the following objectives:

- Improve transparency of public funds expenditure by:
  - identifying and mitigating risks of embezzlement/misuse of defence procurement funds (as part of the inter-agency control system);
  - identifying and mitigating risks of embezzlement/misuse of public funds (as part of treasury support of government contracts);
  - identifying and mitigating risks of embezzlement/misuse of public funds allocated under federal special purpose programs and for large infrastructure projects;
- increasing transparency of financial transactions carried out by businesses of strategic importance for the Russian economy.

## MEETING OF ROSFINMONITORING COLLEGIUM

*A meeting of Rosfinmonitoring's Collegium "On Improving the Effectiveness of the National AML/CTF System Based on 11 Immediate Outcomes of the FATF Methodology, and Testing the Readiness of Russia's AML/CTF System for Assessment by FATF Experts in 2018" was held on May 18, 2017*

Irina Ivanova,  
Editor-in-chief

**I**n his welcoming speech, **Rosfinmonitoring Director Yu. Chikhanchin** reminded participants that there was a little over one year prior to the presentation of the Russian MER to the FATF.

*"The purpose of this report is to emphasize the effectiveness of our national AML/CTF system," said Mr. Chikhanchin. "Over the last year, we worked hard on the effectiveness, inter alia, by identifying main areas of inter-agency cooperation and effectuating new mechanisms that either were completely absent from the national AML/CTF system or did not function to their full potential. A number of our projects, such as the network AML/CTF Institute, Compliance Council and Personal Account have already been praised by the FATF leadership. It is also important to point at Russia's active engagement in AML/CTF issues with most major international organizations, where it regularly introduces new initiatives. Our colleagues from abroad frequently visit us to share experiences".*

Presidential Order No. 31-rp of March 2, 2016 established an Inter-Agency Committee tasked with preparing Russia for the FATF 4th Round of Mutual Evaluations. Among its members are deputy ministers and deputy heads of government bodies and organizations.

On May 31, 2016 the Inter-Agency Committee approved the Plan for the Preparation of Russia for the FATF 4th Round of Mutual Evaluations. In line with this plan, the Committee drafted a Report on self-assessment of technical compliance with the FATF Recommendations and effectiveness of the AML/CTF system based on **11 Immediate Outcomes of the FATF Methodology**. Among those taking part in the drafting of this report were experts from government bodies, research institutions and international organizations. The report was sent to government bodies and organizations for use in the preparation for the FATF evaluations.

## *Immediate Outcomes*

**IO1.** Money laundering and terrorist financing risks are understood and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism and proliferation.

**IO2.** International cooperation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets.

**IO3.** Supervisors appropriately supervise, monitor and regulate financial institutions and DNFBPs for compliance with AML/CTF requirements commensurate with their risks.

**IO4.** Financial institutions and DNFBPs adequately apply AML/CTF preventive measures commensurate with their risks, and report suspicious transactions.

**IO5.** Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments.

**IO6.** Financial intelligence and all other relevant information are appropriately used by competent

authorities for money laundering and terrorist financing investigations.

**IO7.** Money laundering offences and activities are investigated and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions.

**IO8.** Proceeds and instrumentalities of crime are confiscated.

**IO9.** Terrorist financing offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions.

**IO10.** Terrorists, terrorist organizations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.

**IO11.** Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving and using funds, consistent with the relevant UNSCRs.

## REGULATION AND SUPERVISION

## CONTROL OF EFFECTIVENESS

*Rosfinmonitoring Director Yu. Chikhanchin took part in the 15th annual conference “Relevant Issues of Credit Institutions’ Compliance with Russia’s AML/CTF Regulations”, organized by the Association of Russian Banks (ARB) on April 21*

Irina Ivanova,  
Editor-in-chief

**ARB President G. Tosunyan** thanked all the conference participants, stressing the importance of communicating, posing questions and engaging in dialogue to reach the common goal of business and state security.

*“I must say that over the last year, more exactly for the last six months our work has intensified with both Central Bank and, first of all, with the financial intelligence”.*

**Director Yu. Chikhanchin** noted that the revocation of about 300 bank licenses in recent years had resulted in loss of public trust in the banking system, which now needed to be restored.

*“The prospect of the upcoming assessment of Russian AML/CTF system, scheduled for next year, requires us to demonstrate its effectiveness,” said Mr. Chikhanchin. - Given the monitoring efforts’ focus on credit institutions, the main burden of responsibility for increasing the transparency of the financial system and strengthening its resistance to the inflow of illicit capital lies with the banking sector”.*

Rosfinmonitoring Director drew participants’ attention to the following key FATF requirements that should be in focus of our current efforts:

- transparency of financial institutions to ensure they are not under criminal control; and
- effectiveness of the system for identifying criminal proceeds and their reporting to the designated authority.

Yu. Chikhanchin praised the AML/CTF performance carried out by the majority of the country's banks. Thus, their efforts were helpful in identifying a number of individuals behind the recent terrorist attack in St. Petersburg, and in tracking them.

Among important areas of banks’ activity identified by the Director were as follows: transparency of financial institutions, protection against illegal actions – including by a credit institution’s senior personnel – detection of illegal transactions, assessment of





customer risks, freezing of terrorist assets, application of new technologies, and identification of clients' funds origin and its tracking.

Mr. Chikhanchin recalled launch of a Rosfinmonitoring secure Personal Account currently used by approx. 30,000 financial entities. In this section companies can see how they are rated by authorities with respect to several dozen indicators and learn about emerging risks. The next step is launch by Rosfinmonitoring of a Q&A channel to facilitate key intelligence sharing.

Rosfinmonitoring Director also reminded participants that banks would soon have access to records of other credit institutions' refusals to open accounts for clients. He stressed that inclusion of any client in such register only means that the bank should be more careful.

The near-term plans include drafting regulations designed to prevent repeat identification of holding companies and development of a UN lists-based freezing procedure targeting individuals involved in the proliferation of weapons of mass destructions.

**Deputy Chairman of the Central Bank of Russia (CB) D. Skobelkin** summed up what had been done in AML/CTF during the year, in particular, in improving AML legislation.

*"Our efforts in this area are, first of all, aimed at changes that allow to decrease regular burden of the financial market participants without damage to effectiveness of internal AML/CTF control. This includes longer list of transactions, increase of threshold sums of single transactions which allow a simplified identification of client, client's representative or beneficiary. Additional, more detailed regulation of remote bank accounts'*

*opening, obligation of legal persons to know beneficial owners and provide authorized agencies with information upon request".*

The megaregulator's representative noted improved internal control quality in credit institutions. A key indicator in this area is the volume of transactions via banking sector that have no economic sense.

*"Anticipating your questions, yes we do have results: recently by joint efforts we managed to neutralize rather large and important schemes such as Belarusian-Kazakh, Moldavian and Kaliningrad money-outflow schemes. Money-withdrawal with help of professional financial market participants, infrastructural organizations, important banks, inter alia, such-called securities "mirror deals" were minimized".*

According to the CB data, in 2015 an overall volume of shadow outflow services in the banking sector was estimated at 500 billion rubles, cash-out – at 600 billion. Over the last year illegal withdrawal was reduced 2,7 times to 180 billion rubles, cash-out scaled 13% down to 520 billion.



At the end of 2016 only four banks actively involved in dubious transactions were revealed. According to the CB, back in 2013 the number was around 60.

*"Today internal control services of credit institutions, from our perspective, have learned to evaluate credibility of clients' businesses and compliance with their budget obligations. During our regular meetings with banks, including individual and mass sessions at our venues, we can hear that if a year ago credit institutions had to spend several months to detect and interrupt suspicious transactions, now it takes no more than a fortnight, and in case of especially risky transactions 2-3 days".*

In 2016 Bank of Russia was assessed by the expert mission of the International Monetary Fund and World Bank. Among issues for their evaluation there was compliance with AML/CTF standards.

*"I would like to note, that overall results of the evaluation are positive, although there are some comments. For us it's, firstly, an opportunity to get ready for the 4th round of FATF mutual evaluations, which starts next year. For our country this is truly important. The mission will assess effectiveness of our system".*

#### **Rosfinmonitoring's State Secretary P. Livadny**

spoke of the need to collect information on customer beneficiaries and the plans to set up a registry of such information. Additionally, he broached the subject of remote account opening by legal entities and associated risks. He also drew participants' attention to the procedures for freezing the assets of persons involved in terrorism, control of auditors and other issues related to regularity improvements. At the same time, he stressed that the agency's goal was to reduce regulatory pressure while protecting the interests of the state:

*"Each new law is a certain psychological shock despite the fact that many of them are being*

*discussed for years. First of all, it is a psychological shock for the regulated field, for you, dear colleagues, for the credit institutions you represent. But to a certain extent, it is a psychological shock for the regulator itself, which has been preparing, has reached the goal and now has to organize its performance in line with new rules. For the financial sector's clients, citizens and entities the shock is indirect, it doesn't reach them at once, only when they start to implement the regulations".*

In his speech Head of the № 9 Largest Taxpayers Inspectorates Department at Federal Tax Service, A. Te emphasized that the world had become more transparent:

*"I would like to remind that on May 12, 2016 Federal Tax Service signed a multilateral agreement of competent authorities on automatical financial information exchange, so-called Berlin Agreement. According to the document, since 2018 automatical data sharing with foreign jurisdictions is forseen. It will allow us, Federal Tax Service, to receive contact information of legal persons, account numbers, money assets on accounts with information on grounds for money inflow, names and ID numbers of reporting financial institutions, balance, etc.."*

Moreover, Mr. A. Te stressed that mostly banks' activity was aimed at detecting risks linked to clients. But one shouldn't forget risks related to bank transactions.

*"I wasn't going to reveal the bank's name but given that it has already been mentioned, everybody knows the Deutsche Bank incident. In my opinion, due to the lack of internal control system, the trader practically made a family contract and, to put it simply, he robbed clients and siphoned funds off from the Russian Federation. But it's just one of the renowned cases. Nevertheless, there are risks even in transactions with use of other financial tools".*

## DISCUSSION OF FIGHT AGAINST CRIME IN BANKING SECTOR AT GENERAL PROSECUTOR'S OFFICE

*A coordination meeting of law enforcement chiefs was held on May 3, 2017 at the Russian General Prosecutor's Office. The meeting was chaired by Prosecutor-General Yuri Chaika*

*Irina Ivanova,  
Editor-in-chief*

The meeting was attended by senior officials of the Federal Security Service, Interior Ministry, Investigative Committee, Federal Customs Service, Federal Bailiff Service, Rosfinmonitoring, Federal Tax Service, Central Bank, state corporation Deposit Insurance Agency, deputies to the Prosecutor-General of the Russian Federation, heads of divisions of the Prosecutor-General's Office and federal law enforcement agencies, ministries and departments.

Participants discussed effectiveness of the efforts to prevent, detect, suppress and investigate crimes committed in the banking sector.

The meeting was opened by Prosecutor General Yuri Chaika. The key-note report came from Deputy Prosecutor-General Viktor Grin.

Participants highlighted the measures to enforce the rule of law in this area undertaken by law enforcement and supervisory bodies in 2015-2016.



In 2016 alone, the country's prosecution authorities identified 8,200 financial sector violations (9,800 in 2015), which warranted the issuance of 1600 remedial action orders (2500 in 2015). In response to requests from prosecution bodies, 1800 individuals faced disciplinary and administrative action (2300 in 2015) and 61 were issued cautions (121 in 2015),

with the total number of criminal charges based on the evidence provided by prosecution authorities standing at 96 (105 in 2015).

However, despite intensified efforts to decriminalize the banking sector, the number of violations remains significant.

Each year, since 2015, law enforcement authorities receive more than 71,400 reports of banking sector violations, which resulted in 37,700 criminal charges in 2016 alone (40,700 in 2015).

Experience shows that a vast majority of offences in the sector were committed by individuals obtaining loans on the basis of fake documents. Criminals more and more actively use new technologies to steal money from banks and their clients (such cases were recorded in the Altai Territory, Irkutsk, Pskov, Sverdlovsk regions and other constituent territories of the Russian Federation).

Illicit banking activities, counterfeiting and siphoning off capital overseas damage the integrity of the banking sector and economic stability.

A total of 30,200 criminal cases of this category (32,500 in 2015) were in the country's preliminary investigation bodies last year. Only 12.6%, or about 3,800 (3,700 in 2015, or 11.5%), eventually reached courts following the conclusion of investigations and inquiries.

The low crime clearance rate in the banking sector is caused, among others, by slow response speed and the consequent loss of vital evidence.

Thus, in the Volgograd region back in 2011 a total 150 million roubles received from a bank was stolen and embezzled, but the criminal case was only filed in 2016. Similar situations were also reported in the Republic of Dagestan, Chuvash Republic, Krasnoyarsk Territory and other regions.

To make matters worse, such investigations may meet red tape, unlawful refusals to initiate criminal proceedings and other violations.

In total, according to data compiled by prosecution authorities, prosecutorial action against investigators in connection with the established facts of non-compliance with the effective law was taken more than 3,600 times in 2016, 1.4 times more than in 2015 (2,600). It resulted in 751 prosecutions of officials.

In addition to the above violations, insufficient cooperation between operational and investigative units, as well as between law enforcement and supervisory bodies, has an extremely negative impact on the effectiveness of efforts to bring to justice those who commit crimes in the banking sector.

Participants agreed that it was necessary to take further action to boost the effectiveness of detection, suppression and investigation efforts in the sector, as well as to improve inter-agency engagement.

In conclusion, participants adopted a resolution calling for improved cooperation between law enforcement bodies and supervisors in prevention, detection, suppression and investigation of crimes in the banking sector, which sets out a number of specific tasks for law enforcement and supervisory bodies in this area.



## COMPLIANCE RATINGS

*On April 25, 2017 Financial Action Task Force (FATF) published the consolidated table of assessment ratings obtained by countries based on the outcomes of mutual evaluations of national AML/CTF systems conducted by the FATF and FATF-style regional bodies under the 2013 Methodology for Assessing Technical Compliance with the FATF Recommendations and Effectiveness of the AML/CTF Systems<sup>1</sup>*

*Based on materials of cbr.ru*

The table (see illustration on p. 42) shows countries' ratings for technical compliance with the FATF Recommendations that are of utmost interest to the Eurasian region (R1 "Assessing risks and applying a risk-based approach", R10 "Customer due diligence", R11 "Record keeping", R13 "Correspondent banking", R14 "Money or value transfer services", R16 "Wire transfers", R17 "Reliance on third parties", R18 "Internal controls and foreign branches and subsidiaries", R26 "Regulation and supervision of financial institutions", R27 "Powers of supervisors", and R35 "Sanctions").

Countries' compliance with Recommendations 11, 13 and 14 was rated best – except for one FATF member country (Australia), which was rated non-compliant under R13, while Armenia, Honduras,

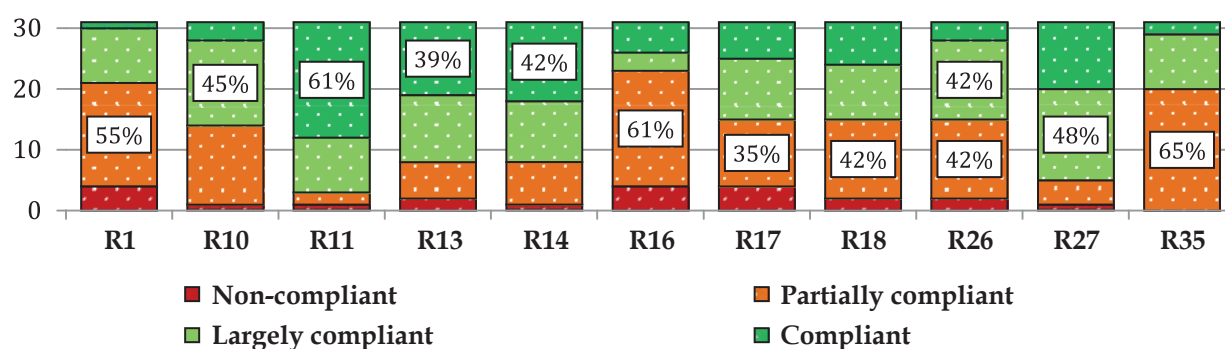
Spain and Trinidad & Tobago received the highest ratings under all three.

Low ratings were awarded under R1, R16 and R35. Spain was the only country that was able to demonstrate that responsibilities for assessing ML/TF risks and applying a risk-based approach<sup>2</sup> were fully incorporated into its legislation. At the same time, the partially compliant rating under R1, in particular, was awarded to Australia, Austria, Norway and the United States.

It is noteworthy that compliant and largely compliant ratings under R16 were given to Armenia, Bhutan, Cuba, Malaysia, Singapore, Trinidad & Tobago, Ethiopia and Jamaica, while Australia, Austria, Belgium, Canada, Italy, USA, Switzerland, Sweden and even Spain (overall leader) were rated partially compliant.

<sup>1</sup> Up to now, the national AML/CTF systems of 31 countries have undergone mutual assessments under the revised Methodology: Australia, Austria, Armenia, Bangladesh, Belgium, Bhutan, Vanuatu, Cambodia, Canada, Costa Rica, Cuba, Guatemala, Honduras, Hungary, Italy, Malaysia, Norway, Samoa, Serbia, Singapore, Spain, United States, Trinidad & Tobago, Tunisia, Uganda, Fiji, Switzerland, Sweden, Sri Lanka, Zimbabwe, Ethiopia and Jamaica, as well as the Isle of Man (the assessment outcomes of the latter are not included in the consolidated table).

<sup>2</sup> Importantly, given the cross-cutting status of Recommendation 1, the rating received for compliance with this recommendation tends to impact the ratings for compliance with other FATF Standards.



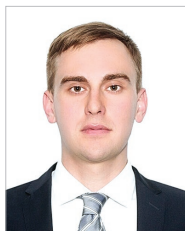
Most countries failed to demonstrate sufficient proportionality and deterrent nature of sanctions that can be applied to persons who do not comply with AML/CTF requirements: only Austria and Spain were rated compliant under Recommendation 35.

A summary of countries' ratings that reflect the extent to which a country's measures are effective shows that the lowest ratings were given for IO3

(supervision of the financial and DNFBP sectors) and IO4 (compliance by the financial and DNFBP sectors with AML/CTF requirements). Thus, no country was given high level of effectiveness, while four countries (Spain, Canada, Cuba and Malaysia) were given substantial level of effectiveness for IO3 and only Armenia was given substantial level of effectiveness for IO4.

# PROBLEMS OF IDENTIFYING ILLEGALLY GAINED INCOME IN INVESTIGATION OF TAX CRIMES

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*Alexander Krotov,  
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**F**ederal Law No. 134-FZ of June 28, 2013 “On Amending Certain Legal Acts of the Russian Federation with Relevance to Combating Illicit Financial Transactions” included tax crimes provided for in Articles 198, 199, 199.1 and 199.2 of the Criminal Code of the Russian Federation as predicate offenses. This legislative measure was caused by the introduction of a new edition of the Recommendations of the Financial Action Task Force on Money Laundering (FATF). It states that tax crimes are included in the list of predicate offenses used for money laundering. On the one hand, this will allow to expand and extend the powers used to counter money laundering to illegal tax evasion and to income received as a result of tax evasion. On the other hand, this will strengthen interaction between tax authorities and bodies responsible for fight against money laundering and to remove possible obstacles in the way of international collaboration in combating tax crimes.

In this regard, the Russian legislation now provides that the amount of tax payments unpaid by an organization or an individual, which are economic entities, can be considered as a criminal acquisition of these tax payments, and, therefore, their further use in legal activities shall be recognized as legalization of criminal proceeds.

Legalized income includes money, other property, and property rights obtained as a result of a crime. When committing tax crimes, the directly unpaid tax payments will be considered as an illegally gained income.

The further use of “saved” taxes in legal activities requires attributing these assets an appearance of lawful origin. Monetary assets, passing through a number of companies and transactions, are transformed and later recovered by the person who has committed tax crimes.

There are several serious problems in the present law enforcement practice associated with identifying illegally gained income in investigation of tax crimes, which will be considered a component of the incomes legalization.

The key problem is the fact that when “cashing-out” with the help of “shell companies” or withdrawing funds abroad, organizations use schemes that render these transactions legitimate in order to exclude the increased attention of tax and law enforcement agencies. Monetary assets are transferred in the amount of transactions, and these expenses incurred by the company include “saved” tax payments, but only in terms of tax rates (most often it is a value-added tax and profit tax), since payments cannot be reduced directly and the transaction should seem legal. Thus, this money supply passes through a number of different schemes. As a result, the amount that will return to the offender is reduced by the amount of interest of the money transfer fee passed to intermediaries.

With a view to resolve the problem of identifying monetary assets that have not been paid in the form of taxes, the following explanation was given in the Ruling of the Plenary Session of the Supreme Court of the Russian Federation No. 32 of July 7, 2015 “On judicial practice regarding legalization (laundering) of monetary assets or other property acquired through criminal means and on acquisition and sale of property known to have been unlawfully obtained”. When mixing monetary assets not meeting the conditions of individually-specified goods or other property acquired illegally with a homogeneous lawfully acquired property, further performance of financial operations or transactions with such property shall be qualified under Article 174 or 174.1 of the Criminal Code of the Russian Federation. Thus, when illegal and legal incomes are mixed in order to attribute an appearance of legality to the possession, use and disposal of property, the entire property acquires criminal nature, and transactions or financial operations involving such property can be recognized as legalization in the amount that corresponds to the sum of relevant crime proceeds.

For instance, cases when money is withdrawn abroad for further transfer to accounts of a foreign company that gives a loan to the Russian taxpayer are quite frequent in tax crimes investigation. As a result, the Russian organization not only “saves” the corporate profit tax and VAT, but also builds superficially legal relationship with the foreign partner.

Another classic case of legalization, including unpaid taxes, on the Russian market is as follows. Monetary assets are withdrawn through a number of organizations that possess “shell companies” attributes to accounts of natural persons, “cashed out” and transferred to the organization that initiated the “encashment” due to a loan made by the leadership of the company or to payments in order to increase the company’s net assets. This, firstly, is not subject to the corporate income tax, and secondly, improves the organization’s balance sheet structure. To qualify tax evasion, it is sufficient to prove facts of encashment by organizations, which are members of the money withdrawal “chain”, or the fact of withdrawing funds abroad through a number of organizations without a corresponding obligation to deliver goods for fictitious services, etc. But to identify the illegally gained income of a person who has committed tax crimes and re-injected money into the company’s turnover, a significant number of special investigative activities is required, as well as testimony of individuals directly receiving cash from accounts of “shell companies”, which are often connected with the “remitter” not directly, but through a series of intermediaries, often acting as a group of persons that provide encashment services. International operations require an effective interaction with competent authorities of foreign countries in order to detect further financial transactions involving monetary assets and to determine actual owners of foreign organizations and their connections with a person made liable under Articles 198 – 199.2 of the Russian Criminal Code.

A significant part of tax crimes is committed by the direct tax evasion, for example, by underestimating the mineral extraction tax or land tax, as well as by improper use of tax benefits. In all these cases, income in form of tax payments uncollected by the budgetary system remains at disposal of the organization that spends it for its routine needs (wages, purchase of raw materials, etc.) and cannot be considered as its legalization. An exception may be the case where as a result of non-payment of taxes, an organization generates a significant net profit, which is paid in form of dividends of the company’s founder. This income can be considered as legalized crime proceeds if there is a criminal intent of the company owners.

The present judicial practice is that the judgement of conviction under Articles 174, 174.1 of the Russian Criminal Code can also be delivered in the absence of a judicial decision on a tax crime preceding the legalization.



Within the law, the finding of a court that examines a criminal case under Article 174 or Article 174.1 of the Russian Criminal Code, which exposes the criminal nature of the acquisition of property, whose possession, use and disposal the accused intends to present as legal, along with other criminal case materials, might be based on a conviction for a particular crime envisaged by Articles 198 – 199.2 of the Criminal Code of the Russian Federation. Besides, the grounds for a court may be a resolution issued by a preliminary investigation body on termination of the criminal case (criminal prosecution) for the commission of a tax crime in connection with:

- the death of a person subject to criminal prosecution;
- the expiry of the statute of limitations for criminal prosecution in cases provided for in Item 6 of Part 1 of Article 24 of the Criminal Procedure Code of the Russian Federation;

- an amnesty act due to active repentance, and also on the grounds provided for in Article 28.1 of the Criminal Procedure Code of the Russian Federation, if criminal case materials contain evidence testifying to the fact of the event of a crime, as well as to the presence of corpus delicti of a principal crime, and the preliminary investigation body has evaluated them accordingly.

The judgement of conviction can also be delivered on the basis of a resolution issued by a preliminary investigation body on suspension of the enquiry or of the preliminary investigation due to a failure to identify at the time of examining a criminal case a person who is to be held liable for the principal offence, if criminal case materials contain evidence testifying to the fact of the event of a crime, as well as to the presence of corpus delicti of such a crime, and the preliminary investigation body has evaluated them accordingly.

## TREND

# INTERNATIONAL REMITTANCES: WAYS TO MITIGATE MONEY LAUNDERING AND TERRORIST FINANCING RISKS<sup>1</sup>



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Remittances are probably the oldest type of financial services, or, at least, the oldest type of cross-border financial services. Despite dating back to the days of first caravans, remittance services have survived almost unchanged until the present day and are still popular. Globally, nearly \$600 billion<sup>2</sup> is transferred each year by approximately 200 million people<sup>3</sup>. Historically, the market has been targeted at people with low income, young people and those with low financial inclusion, which determines its social role.

Despite its thousand-year history, this market, which is dominated by fairly regular (once or twice a month) low-value remittances and a small number of spontaneous transfers, has changed very little.

It is important to point out that, despite the apparent simplicity of the concept of money transfer from one

point to another, the remittances segment is constantly evolving and diluting.

For quite some time, a remittance service was understood as a transaction involving the transfer of cash from the payer to an intermediary and then to the payee. Nowadays, remittances between individuals can be sent via bank transfers, transfers between cards or e-wallets, digital currencies and even specialized intermediary services, such as TransferWise. The system works even if the instruments used by the payer and payee are not the same, e.g., bank account, card or mobile phone, cash. Instinctively, when people talk about remittances, they mean all of the above options, except for transfers between accounts, a tradition we will also observe. To be more precise, we are talking about international remittances, although much of what is said is true for domestic ones too.

<sup>1</sup> This article is part of a broader study of the payment services sector conducted by the Center for Financial Technology Analysis (CTFA).

<sup>2</sup> Migration and Remittances Factbook. Third edition // the World Bank Group. 2016. P. 21.

<sup>3</sup> The use of remittances and financial inclusion // International Fund for Agricultural Development. 2015. Pp. 14-15.

Notably, the international remittances (IR) market has been experiencing rapid technological growth over the past few years. Its investment attractiveness is driven by such factors as stable volumes, very high profit margins compared to “traditional” payments<sup>4</sup>, numerous small- and medium-sized niches – such as services for specific ethnic groups and well-paid expats – and its perceived status as an alternative to standard, but expensive, money transfers. New technologies, meanwhile, have the potential to not only open up new sectors, like the above-mentioned expats-oriented services, but also squeeze out entire segments. In Russia, for example, the growing popularity of intra-bank transfers via mobile phone number – such as those offered by Sberbank – have squeezed domestic remittances, pushing them towards the non-bank people. Similarly, the recent arrival of cross-border card transfer services can also be expected to put an additional pressure on this traditionally cash segment. Meanwhile, transfers to legal entities, when funds, instead of being sent to the payee, are channelled directly towards paying his or his family’s phone, utilities or other bills and services, also become part of this market. Naturally, these processes further contribute to the dilution of the segment, and the definition of international remittances beyond institutional and functional aspects includes social dimension as well.

This article focuses on the modification of AML/CTF risks related to the technological and business development of the IR market.

Among the traditional risk factors are the cross-border nature of international remittances and the dominance of cash payments (Interpretive Note to the FATF Recommendation 10). Additional risk factors include the use of agents and market segmentation (“payer – payer’s agent – payer’s agent’s bank – operator’s bank – payee’s agent’s bank – payee’s agent – payee” is not the longest of possible chains). Notably, the use of “traditional” money laundering schemes in the international remittances market is examined in detail in the FATF Guidance for a Risk-Based Approach for Money and Value Transfer Services (2016). However,

in our view, the cited schemes and figures point at a limited use of these services for money laundering: both the format and cost of transactions severely hamper the effective integration of international remittances into conventional money laundering schemes. At the same time, due to possible involvement of legal proceeds and the presence among the top remittance destinations of developing countries that are home to various radical groups, the risk of FT is very high here. Another specific feature of the international remittances segment is the disproportionately high share of unofficial value transfer services – from hawala<sup>5</sup> to cash couriers travelling by train or plane, which account for a significant chunk of the remittances market.

IR risks can also be affected by the closure of specific remittance corridors, e.g., Russia-Ukraine. The growth of AML/CTF risks caused by such actions is discussed in detail in the article “Sanctions as Local Threats to the Global AML/CTF System”<sup>6</sup>. Importantly, any ban on legal remittances has little impact on the actual volume of funds sent through these corridors, since the latter owe their existence to objective economic reality. Therefore, blocking these corridors will only result in growth of illicit flows and emergence of proxy third-country intermediaries and other trends contributing to greater opacity of such cash flows and facilitation of illicit funds concealment.

Technological and economic development outcomes will be the following:

1. Reduction in remittance speed to 1 minute<sup>7</sup> or less.
2. Dilution of the traditional remittances segment with purchase, payroll and similar transactions.
3. Improved customer identification (due to the use of funding tools with a higher level of identification).
4. Greater technological diversity of approaches to carrying out standard transactions.

<sup>4</sup>The situation is well described by the World Bank’s “5x5 objective”, designed to reduce the average remittance cost by 5% within five years (2009-2014).

<sup>5</sup>Hawala is a money or value transfer system typically used by the residents of specific geographic regions or ethnic communities. Instead of occurring in parallel to the transfer of funds or equivalent values, the settlement of debt between hawala users may take the form of trade transactions, cash payments or long-term mutual arrangements.

<sup>6</sup><http://bankir.ru/publikacii/20161201/sanktsii-kak-lokalnye-ugrozy-mirovoi-sisteme-pod-ft-10008336/>

<sup>7</sup>The interval between the cash-in and cash-out time.

- 5. Improved availability of remittance services in the banked segment.
- 6. IR bifurcation into banking services and cash services and their segmentation according to type of population.

As we can see, 1 causes an insignificant increase in risks; 2 and 4 are rather risk-neutral, but make it difficult to isolate specific remittances in the total flow; 3 and 5 reduce risks; 6 leads to the segregation of risks in the IR cash sector.

Thus, the following strategies can be applied to mitigate ML/TF risks in the remittances sector.

- 1. Encouraging a transition away from the cash-cash model to new technological models involving identified non-cash instruments.
- 2. Encouraging institutionalized payment services providers to launch their own IR services.
- 3. Encouraging “traditional” remittance services providers to develop high-tech services both on their own and in cooperation with institutionalized payment services providers.
- 4. Focusing on fight against TF more than against ML.
- 5. Preventing IR services from entering the illicit sector due to excessive regulatory pressure and systemic de-risking (refusals to open correspondent accounts for remittance services providers, etc.).
- 6. Developing mechanisms for sending and/or requesting data to/from the payer along the transaction chain.
- 7. Evaluating the use of “general” mechanisms for transferring funds between individuals, such as transfers between cards, e-wallets, etc., to send remittances, isolating such remittances from the rest, and assessing the increased risks posed by hybrid transactions, such as card-wallet, card-cash, etc.
- 8. Identifying control points such as services providers and/or financial institutions in segmented IR chains.
- 9. Combating de-risking, facilitating the establishment of correspondent relationships for IR providers, and using a risk-based approach to limit correspondent banks’ liability for remittance systems’ actions.

Summarizing the above, we can state that the specificity of the international remittances market warrens a separate study and development of a strategy for mitigating ML/TF risks by the FATF leadership.



## BLOKCHAIN IS BASIS FOR DIGITAL ECONOMY

*The St. Petersburg International Economic Forum (SPIEF) held on June 1-3 in St. Petersburg gathered over 14 000 participants, which is a record number. One hundred twenty-seven forum events took place in the format of panel sessions, round tables, televised debates and negotiations. Their main topics were the world economy prospects, global trading system, investments, and public-private collaboration*

*Inessa Lisina,  
Deputy editor-in-chief*

The organizers emphasized several key discussions on digital economy, in particular, blockchain technology and innovations that it brings into the actual banking and financial sector.

Blockchain is one of the most discussed topics today, and it is of interest both to the business community and the state. Many experts and researchers believe that it is blockchain that may lie at the heart of the fourth industrial revolution.

First, this technology was mentioned in connection with the first active use of bitcoins: blockchain was a register of Bitcoin transactions. Explaining the operation principle of this technology, experts compare it to a DNA molecule: a transaction is a molecule of the macrostructure containing information about the whole organism. Unauthorized modification of the system data is impossible, as it will be rejected. This is achieved with complex mathematical algorithms, cryptographic mechanisms, and data storage on computers of all of the system participants.



Blockchain has a huge impact on the entire financial system today. This technology is able to establish a decentralized system of relationships in which multiple parties have simultaneous access to information on financial transactions. In general, this technology allows considering many phenomena in conjunction with each other in different time intervals. This characteristic defines a wide range of its possible applications: registries, banking services,



trading, control over disbursing budget funds, remote identification of customers of financial and banking institutions (for example, on the basis of biometrics), and other spheres. Currently, on behalf of Prime Minister D. Medvedev, relevant Russian ministries study the possibility of using this technology in public administration. In addition, a number of countries have already implemented blockchain-based projects.

These and other issues were discussed at SPIEF panel section “Blockchain is the birth of a new economy”, which brought together representatives of the Russian financial system, public authorities, international experts, developers and other professionals.

As part of discussions, **Brett King**, a well-known futurist and researcher into the banking sector, said that today billions of dollars are spent on a global scale on combating money laundering. Blockchain will optimize these expenses: supervisory system bodies will not require banks to report on customers who carry out suspicious financial transactions. This technology will help to track not isolated actions but flows of transactional activity and monetary funds, showing the entire chain of their movement. As a result, it will reduce the burden on banks and their customers, increasing the effectiveness of control activities.

Deputy Chairman of the Central Bank (CB) of Russia **Olga Skorobogatova** spotlighted the project designed in December 2016 - the FinTech association established by the CB in cooperation with the country's largest banks. Its site was used to define the projects with a prospect of introducing distributed resource technologies (not just blockchain, but also a number of others). In particular, the system of exchange of financial reports and information for

carrying out “Know Your Customer” and compliance procedures, as well as other initiatives.

The collision with blockchain and cryptocurrencies based on this technology allows us to say that in the near future national virtual currencies will be created all over the world.

First Deputy Prime Minister of the Russian Federation **Igor Shuvalov** noted that the legislative regulation of new technologies is the most urgent task of the state. It is key for the supervisory authorities to establish the link between a specific person and legally significant actions taken by him, first of all, in the banking sector.

According to I. Shuvalov, blockchain technology will be in demand in the area of tracking goods within the Eurasian Economic Union, of fighting against illegal economies, ensuring the budget discipline, and protecting property rights.

Following the discussion, the participants concluded that the future had arrived and it was the time of digital economy, which would be determined by new technologies, such as artificial intelligence, virtual and augmented reality, and many others. This position was also shared by Russian President V. Putin in his speech at the Plenary session.

Blockchain holds a special place among new technologies: its effect can be compared to the Internet in the early 1990s. Currently, regulators face the task of the most complete definition of risks and threats, which new technologies can bring, and eventual solutions. All these measures are intended to protect participants of financial and economic activities and enhance the security of money transfers.

## SCIENCE &amp; EDUCATION

## EXTENDED OFF-SITE MEETING OF NETWORK AML/CTF INSTITUTE COUNCIL

*An off-site meeting of the network AML/CTF Institute Council was held on May 24, 2017 in Bishkek, Kyrgyzstan. It's the first time that the Council meeting was held outside the Russian Federation. The event was dedicated to strengthening international cooperation in AML/CTF education and science*



*Ekaterina Butkeeva,  
Executive Secretary, network AML/CTF  
Institute Council*



*Ella Kalinina,  
Project manager, ITMCFM International  
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**T**he Council meeting was chaired by Rosfinmonitoring Director Yu. Chikhanchin and co-chaired by Kyrgyzstan's Deputy Minister of Education and Science, A. Muratov, and Assistant to the President of Tajikistan, Mahmadaly Vatanzoda.

The meeting was attended by Heads of EAG members' delegations, rectors and senior teaching staff and scientists of 28 universities participating

in the network AML/CTF Institute from Armenia, Belarus, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan and other countries. A list of other participants also included representatives of Russia's (the Russian Academy of Sciences was represented by the senior staff of P.N. Lebedev Physical Institute) and Kyrgyzstan's (represented by members of the Bureau of the Presidium of the National Academy of Sciences) academic communities.



The network community of universities and scientific and educational centres play a leading role in training AML/CTF personnel for Eurasia. The Institute helps to improve personnel supply for national AML/CTF systems. It does so by promoting, jointly with the professional community, the development of qualification requirements for specialists in this field, extending them not only to the basic knowledge, but also to the AML/CTF skills and competencies taught at specialized training and undergraduate courses.

As noted by the Chairman of the network AML/CTF Institute Council and Director of Rosfinmonitoring, Yuriy Chikhanchin, success in fight against ML/TF largely depends on our ability to combine educational, scientific and expert capacity, as well as resources and tools, of all AML/CTF system participants.

The Council Co-Chairs from Kyrgyzstan and Tajikistan stressed that, due to the fruitful joint work of national ministries and departments, as well as to the sector-specific experience of universities and financial intelligence units, the quality of the AML/CTF personnel training had reached a new level. Despite the important role of the modern regulatory framework, highly intelligent detection systems and innovative analysis and forecasting methods, qualified human capital remains key to the country's financial security and its fight against the shadow economy.

The network AML/CTF Institute's best practices are designed to promote continuity and the highest standards of professionalism and AML/CTF

knowledge while preserving the most valuable thing in this important area – professional culture.

Among the issues discussed by the Council participants were the on-going efforts to create a common educational environment, including on the basis of electronic means of information exchange; further expansion of the videoconferencing network to cover other Institute's participants and involve them in distance learning; development of a common AML/CTF educational standard for EAG members; increasing the volume of joint research aimed at improving national financial monitoring systems and preventing cross-border crime; creation of a common qualification assessment system for international AML/CTF personnel in Eurasia; coordination of joint AML/CTF outreach activities targeting residents of EAG member states; expansion of academic mobility of students and teachers under bilateral agreements between participants; continued exchange of AML/CTF educational programs between participating universities; continued international conferences and workshops on financial and economic security; other AML/CTF issues faced by EAG members.

For the first time, presentations were made by 2017 IFES MEdPhI graduate, Yulia Medvedeva ("Assessment of a company's foreign economic activity for possible links to money laundering"), and a fourth-year IFES MEdPhI student, Bolot Aiganysh ("Description of the business process of public procurement for the purpose of developing proposals for legislative improvements").





Participants not only shared experiences and achievements in personnel training, but also reiterated their commitment to EAG students training in the network AML/CTF Institute within the allocated quota. Universities of the network AML/CTF Institute are currently involved in personnel training for AML/CTF systems of over 20 partner countries.

Participants also expressed their support for further training of the AML/CTF teaching staff at the International Training and Methodology Centre for Financial Monitoring.

The Council decided to establish 8 international working groups, made up of representatives of

the universities of the network AML/CTF Institute, members of national academies of sciences specialized in AML/CTF matters and AML/CTF experts from national FIUs. The Council members agreed to meet in October at the Sevastopol State University to draft regulations governing activities of the working groups and discuss future work plans.

Participants thanked the staff of the Kyrgyz-Russian Slavic University and the Kyrgyz FIU for their help in preparing and holding the meeting of the network AML/CTF Institute Council.

The Council's performance report, presented to EAG Plenary on May 25, 2017, earned praise from the EAG Chairman and all participants.



# AML/CTF PERSONNEL TRAINING: DIRECTIONS OF FUTURE DEVELOPMENT

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*The focus of this article is on the role of the educational cluster in fight against money laundering and terrorist financing (AML/CTF). In the spotlight are the main stages of development of the educational cluster as an institutional element of the AML/CTF system and its future development directions*

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Combating money laundering and terrorist financing is one of strategic objectives facing each and every country today. For Russia the relevance of these challenges became particularly apparent at the times of formation and development of market economy, when the country's liberalization promoted opportunities for obtaining illegal income, legalizing it and investing in criminal activities. The 21st century challenges added new dimensions to the discussions of the role of the AML/CTF system in ensuring national security and sustainable development of modern countries. Rapidly growing diversity and complexity of financial transactions, and emergence of a large number of new payment systems and financial entities complicate financial monitoring procedures. In modern Russia, corruption

and ML/TF offences are viewed by the public as extremely important and urgent challenges both from the point of view of research and development of counter measures. Notably, far from gradually abating, the severity and complexity of the ML problems tend to increase rapidly in a challenging economic and financial situation caused both by the shortcomings in the budgetary system and a series of economic crises.

To overcome these challenges, we require a comprehensive, integrated approach and a concerted effort of the entire international community. The AML/CTF system – a FATF-led multi-institutional, multi-tier and interstate structure designed to address modern financial security challenges – is to find financial security solutions.

## INTERNATIONAL AML/CTF SYSTEM

Institutional foundations of the international AML/CTF system began to form in the late 1980s. Established by G7 in 1989, FATF is a universally recognized AML/CTF standard-setting body, which, jointly with FATF-style regional bodies, monitors the implementation of its standards around the world through, in particular, mutual evaluations of countries' compliance with its Recommendations. In order to protect the international financial system against money laundering and terrorist financing risks, as well as to promote compliance of national regimes with international AML/CTF standards, the FATF regularly identifies jurisdictions with deficiencies in their AML/CTF systems to jointly eliminate them.

To assess the existing practices in building human resource development models and implementing training programs for AML/CTF personnel, the authors studied experience of foreign countries, which showed that the modus operandi of the financial intelligence unit – a key element of the AML/CTF system – not only largely determines directions of development in this area, but also affects the characteristics of, among others, the personnel training process. Administrative-type financial intelligence units (FIUs) – the most common type of FIU in the world, for instance, in the USA, Australia, Spain, Canada, Belgium, France, Russia, etc. They act as intermediaries between financial institutions that are required to report transactions suspected of money laundering and terrorist financing, and law enforcement authorities.

FIUs have massive databases and fairly sophisticated data management systems, which include artificial intelligence-powered software for real-time monitoring of the entire electronic banking process. Therefore, government agencies and private entities involved in AML/CTF set very high qualification requirements for both new recruits and actual employees, with the latter being required to undergo regular AML/CTF training and further training. Candidates with academic or professional AML/CTF or related background are typically given priority (usually, at least 5-year experience is required). Meanwhile, all actual employees participate in regular AML/CTF activities (trainings, conferences, etc.). Some countries offer undergraduate AML and postgraduate AML/compliance courses. Demand for

AML/CTF personnel, including from financial markets, continues to grow, driven by globalization processes and economic growth. Thus, the established AML/CTF personnel training system is highly complex and diverse. It provides both for the initial training of new recruits whose job responsibilities necessitate possession of specialized AML/CTF knowledge, skills and competences, as well as for the on-going skills upgrade of the actual staff.

## RUSSIAN AML/CTF SYSTEM

The national AML/CTF system is the aggregate of state authorities, organizations carrying out transactions with monetary and other assets, other entities undertaking AML/CTF measures, the means for enforcing these measures, Russian regulatory framework and a set of intra-system relations designed to facilitate coordination and interaction between different elements of this system. The AML/CTF system is an important mechanism for ensuring economic security and sustainable development of the Russian Federation. Its task is to coordinate the efforts of the state, private businesses and society in preventing, detecting and suppressing money laundering and the financing of terrorists and criminals. The Russian AML/CTF system was created over a relatively short period of time.

The key phases in the development of the national AML/CTF system were:

- adoption of Federal Law No. 115-FZ of August 7, 2001 “On Combating Money Laundering and Terrorist Financing”;
- establishment in the Russian Federation in November 2001 of the Financial Monitoring Committee (since 2004 the Federal Financial Monitoring Service), authorized agency responsible for combating money laundering and terrorist financing, as well as for coordinating the activities of other government agencies in this area;
- removal of Russia from the list of countries and territories not involved in the fight against money laundering (October 2002);
- granting FATF membership status to Russia (June 2003);

- establishment at Russia's initiative of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (October 2004);
- establishment of the Inter-Agency AML/CTF Committee (October 2005) and the International Training and Methodology Centre for Financial Monitoring (December 2005);
- successful completion of mutual evaluation of compliance of the Russian AML/CTF system with international standards, conducted by FATF, EAG and the Committee of Experts on the Evaluation of Anti-Money Laundering and the Financing of Terrorism (MONEYVAL), and approval of the follow-up reports of Russia by the FATF, MONEYVAL and EAG Plenary in 2010, 2011 and 2013.

The Federal Financial Monitoring Service (Rosfinmonitoring) is a key element of the national AML/CTF system. Russian FIU is responsible for protecting the national financial system from abuse, and for combating money laundering and terrorist financing.

Rosfinmonitoring duties include gathering, processing and analysing information on transactions with monetary or other assets subject to control under Russian law; taking steps to combat money laundering and terrorist financing; and coordinating activities of other executive agencies in this area. Where there is sufficient evidence of a transaction's link to money laundering or terrorism financing, such evidence, along with the necessary supporting documents, is forwarded to the relevant law enforcement agency.

Law enforcement agencies use information provided by Rosfinmonitoring, as well as their own intelligence, to detect, investigate, suppress and prevent ML/TF offences.

Russian authorities, organizations carrying out transactions with monetary or other assets, and other persons apply anti-money laundering and counter-terrorist financing measures in accordance with the procedure established by Russian legislation.

Supervisors monitor compliance by organizations carrying out transactions with monetary and other assets, their officials, and other persons, with the AML/CTF law; draft, within their competence,

regulations and guidelines governing activities in this area; and review cases of administrative offences related to non-compliance by supervised organizations and individuals with the AML/CTF law.

Organizations carrying out transactions with monetary or other assets, as well as non-financial institutions and persons related to designated non-financial businesses and professions that are required by law to report to the designated authority transactions subject to mandatory control, along with other transactions with monetary or other assets linked to money laundering and terrorist financing, play an important role in the national AML/CTF system. These reporting entities take steps to contribute to the voluntary development and dissemination of best AML/CTF internal control practices. Thus, the national AML/CTF system is a multi-level institutional and organizational structure based on federal agencies directly involved in AML/CTF, as well as on organizations and individual entrepreneurs carrying out transactions with monetary or other assets.

As evidenced from the experience of certain national AML/CTF systems, an active position of the educational sector's representatives is key to the effective control of money laundering and terrorist financing processes within national financial systems. After all, the AML/CTF system includes not only detection and investigation of money laundering, but also prevention of these offences. Meanwhile, the effectiveness of preventive measures in the fight against illegal income generation depends on the preparedness, competence and professionalism of the personnel.

The expanding range of AML/CTF activities calls for new competencies, which can be formed within the existing professional education formats brought together under a network organization. To ensure supply of qualified professionals for the national AML/CTF system, Russia established over two years ago a network AML/CTF Institute, a scientific and educational hub for AML/CTF training. According to the network AML/CTF Institute Establishment and Development Concept 2014-2016, the centre's objectives lay in promoting the exchange of functions and resources, as well as in maintaining dialogue between educational institutions and facilitating experience sharing. Participants of the network organization rallied behind the common strategic goal: to establish a modern scientific and educational centre (network AML/CTF Institute) that

would play a major role in promoting sustainable development and protecting national security, by maintaining a constant reproduction of AML/CTF personnel on the basis of science and practice integration, and academic mobility of students and teachers. The network AML/CTF Institute is being built as a community of universities and research and educational centres capable of playing a leading role in AML/CTF education and research across the CIS.

Network Institute's strategic objectives are:

- establishment, within universities and scientific and educational centres comprising the network AML/CTF Institute, of advanced IT technologies and highly qualified personnel centres specialized in AML/CTF research and personnel training;
- concentration in the AML/CTF sector of intellectual and other resources, including through recruitment of top teaching staff and highly mobile and capable young talents;
- following global AML/CTF research and development trends, as well as the recommendations of the FATF and other international organizations.

The network AML/CTF Institute is an alliance of structural subdivisions of universities, research and educational and methodology centres (departments, faculties, institutes, research laboratories, shared use centres, resource centres, etc.). The International Training and Methodology Centre for Financial Monitoring (ITMCFM), together with the leading universities in the field of IT technologies, economics and finance, international and national law, and international relations, form the core of the network AML/CTF Institute.

The implementation of the proposed mechanism for the establishment of the network AML/CTF Institute helps to achieve the following results:

- creation of a common educational, intellectual, economic and cultural space in Eurasia through the supply of highly qualified personnel for national AML/CTF systems;
- optimization of the list of AML/CTF training programs;

- development of common AML/CTF learning and teaching standards;
- development of mechanisms for ensuring academic mobility of students and teachers;
- provision of AML/CTF support for scientific schools.

These opportunities will enable the network AML/CTF Institute to become a leading educational and scientific institution for AML/CTF training in the post-Soviet space, an institution whose services are sought by Russia and other countries. Meanwhile, the creation and development of scientific schools will not only consolidate this success, but will also allow the Institute to raise its profile in the FATF, EAG and other international AML/CTF organizations.

The professional standard for financial monitoring specialists (in combating money laundering and terrorist financing) [6], which reflects the complexity of AML/CTF training, was adopted in 2015. Undoubtedly, this complexity (above all, the link between legal and financial competencies) will be reflected in the upcoming educational standard for AML/CTF personnel.

V. Ponomarenko and A. Nikitova [2, pp. 18-20] distinguish two key prerequisites for the synthesis of legal and financial competencies in the educational process:

1. Requirements of the labour market. Today, more than ever, the market demands professionals in possession of a diverse set of skills: financial, foreign trade and tax consultants, AML/CTF experts, etc.
2. Convergence of economic and legal sciences in an economic crisis. This process manifests itself, inter alia, in the following:
  - growing popularity of the “regulatory policy” concept, and in its core is effective combination of legal and non-legal regulations;
  - increasing level of anti-crisis state regulation of the financial market and the economy as a whole;
  - popularity of complex practices for evaluating the effectiveness of regulatory policies (e.g., regulatory and actual impact assessment, effectiveness audit);

- establishment of an anti-crisis framework in the form of new international financial standards;
- development of theoretical and methodological approaches to the “economization of law” or “legalization of economy” (Austrian Economic School, institutional economy, economic law, etc.). The importance of legal literacy in the field of AML/CTF is due to the following:
  - existence of an international standard (FATF Recommendations) mandatory for implementation by all UN member states, as well as the specific mechanisms for monitoring the level of this standard integration into national regulatory frameworks (mutual evaluations);
  - expected adoption of the AML/CTF Concept as a public policy framework, as well as its alignment with other strategic planning regulations;
  - development and growing complexity of the legal AML/CTF framework;
  - changes in the institutional AML/CTF framework, particularly in relation to non-credit financial institutions;
  - growing role in AML/CTF matters played by a supervisory sector;
  - importance of legal liability for violations of the AML/CTF law.

According to V. Ponomarenko and A. Nikitova, the importance of AML/CTF competencies is primarily due to the need to understand the nature, methods and types of money laundering and terrorist financing schemes, as well as the nature and characteristics of the ML/TF risks, ways to manage these risks and apply a risk-based approach.

Therefore, an AML/CTF specialist should be in possession of such important legal, financial and organizational competences as:

- ability to implement the requirements of the Russian AML/CTF legislation applicable to reporting entities;
- ability to identify, evaluate and manage ML/TF risks in carrying out transactions with monetary and other assets;

- ability to organize, implement and improve internal AML/CTF controls in an organization;
- ability to build effective communication within an organization on issues related to AML/CTF.

In view of the above, we propose the following methodological approaches designed to combine the elements of financial and legal literacy in the training of AML/CTF personnel:

- focused and conscious work at the confluence (conflict) of economic and legal terminology;
- comparison of legal and economic approaches to the structure of economic systems (financial, credit, banking, payment, currency, etc.);
- increased attention to institutions (forms of market participants' incorporation, differences between them and their economic motivation; specifics of the regulator's status, scope of their competence and authority);
- economic and legal analysis of international financial standards and their impact on the national financial system; analysis of the mechanism, challenges, opportunities and constraints of integration of these standards into a national legal system, as well as the areas of related standards convergence (e.g., FATF Recommendations, Basel Accords and IAIS and IOSCO standards); analysis of the impact of the regionalization processes on the implementation of international financial standards.

The purpose of AML/CTF personnel training has to combine – within the scope of an integrated methodology – legal and financial competencies based primarily on sufficient for performance of professional duties level of financial and legal literacy. In addition, these competencies should, if possible, also have an integration vector due to the largely supranational nature of this topic.

Thus, the Russian AML/CTF system is currently facing challenges related to expanding financial globalization, which determines the direction of its further improvement. In view of the above, it is argued that the Russian educational environment



must meet modern challenges in a timely manner, developing in the following areas:

- training of personnel in line with the approved professional standard for financial monitoring specialists (in combating money laundering and terrorist financing) and responding to the demands of the labour market;
- development of various forms of professional training of public officials and employees of government agencies involved in AML/CTF;
- development and implementation of specialized upskilling programs for prosecutors and judges on issues of pursuing and reviewing cases of this category [4, pp. 110-117];
- language training for Russian experts involved in international AML/CTF cooperation [5, p. 121];
- improving scientific and methodological support of the AML/CTF system;
- promotion of public-private partnership in the field of personnel support for the AML/CTF system;
- international cooperation between educational institutions participating in the AML/CTF system, and expansion of the partnership network;
- on-going improvements in the public financial literacy;
- creation of a positive perception of AML/CTF activities among youth and students.

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## NEWSBLOCK

## *Preparations for the Second Round of Mutual Evaluations*

A training workshop for Tajikistan's inter-agency delegation to prepare for the 2nd round of the FATF mutual evaluations was held in Moscow on April 10-14, 2017 at the International Training and Methodology Centre for Financial Monitoring.

The workshop was attended by the Director of the Financial Monitoring Department of the National Bank of Tajikistan, Farhod Bilolov, representatives of the General Prosecutor's Office, Supreme Court, Ministry of Foreign Affairs, law enforcement agencies, Customs Service, and various government officials.

Participants attended lectures from leading Russian AML/CTF experts on such topics as:

- Experience in preparing for FATF and EAG mutual evaluation.
- International standards for combating money laundering, financing of terrorism and proliferation of weapons of mass destruction. Implementation into the national AML/CTF framework.
- International AML/CTF standards for supervisors.

- Implementation of UNSC targeted financial sanctions related to the identification, freezing and blocking of assets of persons involved in terrorist or extremist activities.
- Use of electronic payment systems to purchase drugs. Use of cryptocurrencies and electronic payment systems for drug trafficking.

Summing up the training outcomes, participants highlighted importance of such meetings for more effective fight against money laundering and terrorist financing, as well as for easier experience sharing and better understanding of key AML/CTF issues.

The training week ended with a meeting of the EAG Chairman and Director of Federal Financial Monitoring Service, Yury Chikhanchin, and members of the Tajik delegation. Rosfinmonitoring Director shared his vision of the existing international ML/TF threats and risks, and outlined the most relevant areas of cooperation between the countries' FIUs.



## Auditors Gain Access to “Personal Account”

**A**udit firms and individual auditors, providers of legal and accounting services, are classified as reporting entities by the Federal Law No. 115-FZ. They are responsible for compliance with the Russian AML/CTF legislation, in particular, as regards customer identification, exercising internal controls and record keeping.

These requirements apply in cases where they prepare for or carry out in the name, or on behalf of, their clients the following types of transactions with monetary and other assets:

- deals with real estate;
- management of client money, securities or other assets;
- management of bank or securities accounts;
- fundraising for creation, operation or management of companies;
- creation, operation or management of legal persons or arrangements, and buying and

- selling of business entities.

Audit firms, individual auditors may render, along with audit services, other services related to auditing, inter alia: establishment, keeping and restoration of accounting records, preparation of financial statements, accounting consulting, legal assistance in areas related to auditing, etc. This list is not complete.

To gain access to the list of organizations and individuals known to be involved in extremist or terrorist activities, audit firms and individual auditors must log in the “Personal Account” on Rosfinmonitoring website (with or without e-signature).

More information on the access process is available on Rosfinmonitoring website or through the hotline.

A detailed procedure of registration and access to the “Personal Account” is set out in Rosfinmonitoring Information Letter dated May 30, 2017 “On providing access to the Personal Account on Rosfinmonitoring official website for audit firms and individual auditors” (<http://www.fedsfm.ru/news/2573>).

## Counter-Terrorism Financing is Council of Europe’s Long-Term Priority

**T**he inter-agency delegation, led by Rosfinmonitoring and comprising representatives of the Russian Foreign Ministry, Bank of Russia, Interior Ministry and Federal Security Service, took part in the 53rd Plenary meeting of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and Financing of Terrorism (MONEYVAL), held from May 30 to June 1, 2017.

Traditionally, the meeting was opened by Jan Kleijssen, Director of the Information Society and Action against Crime Directorate of the Council of Europe. He underscored the importance and relevance of the work carried out by the Committee against the backdrop of rising international terrorism. Mr. Kleijssen also said that fight against terrorism financing remained one of the Council of Europe’s long-term priorities.

During the plenary week, Rosfinmonitoring experts presented a report on Russia’s approaches to tackling

modern terrorist challenges and threats, a topic that generated a lively discussion among participants and highlighted their interest for Russian experience in this area. This was followed by the presentation of best practices by representatives of the French financial intelligence and special task forces.

Presentation of the report on the outcomes of the mutual evaluation of Slovenia’s AML/CTF system under the revised FATF Methodology was based on a document prepared by the MONEYVAL Working Group on Evaluations. It contained the most contentious issues for the upcoming discussion. During the presentation, priority attention was traditionally given to the level of the country’s understanding of its own ML/TF/PWMD risks and measures taken to mitigate them. Among the major deficiencies identified by experts were the superficial analysis of the existing risks of both money laundering and terrorist financing, almost

complete absence of information about risks from the private sector and a very limited and subjective understanding of risks by the supervisors.

Participants also discussed reports on progress in improving the national AML/CTF systems



of Bulgaria, Lithuania, Poland, Slovenia and Montenegro. None of these countries has so far succeeded in exiting the follow-up process.

Briefing the delegates on the staff situation at MONEYVAL, Executive Secretary Matthias Kloth thanked Russia for assigning its representative to the Committee's Secretariat.

During the plenary week, Rosfinmonitoring held bilateral meetings on the topical issues of sector-specific cooperation with FIUs of Cyprus, Latvia, Liechtenstein, Moldova, Poland, France, Croatia and the Czech Republic, as well as with the MONEYVAL Executive Secretary.

The next plenary meeting will be held in Strasbourg in September 2017.

## *Raising Public Awareness of Financial and Economic Security*

**T**he national scientific and practical conference “Enhancing the Effectiveness of Efforts to Raise Public Awareness of Russia's Economic and Financial Security and of Fight against Money Laundering, Terrorist/Extremist Financing, Anti-State and other Destructive Activities” was held on June 6, 2017 in Rostov-on-Don.

The event was organized by the Russian Academy of Natural Sciences (RANS), the Department of Economics and Finance of the Rostov State Economic University (RSEU) and the International Training and Methodology Centre for Financial Monitoring (ITMCFM).

Among the conference participants there were not only representatives of scientific and educational institutions but also district and regional authorities.

The conference was one of the activities on the calendar plan for a socially relevant project to create a nation-wide system for disseminating knowledge about economic and financial security. A presidential grant in support of this project was awarded to the RANS, RSEU and other universities participating in the network AML/CTF Institute.

The Plenary session of the conference was attended by V. Gurba, Deputy Plenipotentiary Representative of Russian President in the Southern Federal District;

V. Rudoy, Deputy Governor of the Rostov Region; I. Rukavishnikova, Deputy Chair of the Legislative Assembly of the Rostov Region, Chair of the Committee on Legislation, State Building and Law and Order; A. Frolova, Head of Rosfinmonitoring Human Resources and Anti-Corruption Department; Sh. Magomedov, Deputy Director for Science of the Institute of Regional Economic Studies; V. Chop, Head of Rosfinmonitoring Interregional Directorate for the Southern Federal District; and E. Butkeeva, Deputy Head of ITMCFM's Department of Education and Science.

In his welcoming speech to the participants, RSEU rector A. Albekov said that the university was one of the first to join the network AML/CTF Institute. Among its achievements was the establishment of the Department of Financial Monitoring and Financial Markets. In 2016, the RSEU became home to the Centre for the Dissemination of Knowledge and Information on Financial and Economic Security. The university was also the first to offer a specialized master course for the Institute.

In his speech, Deputy Plenipotentiary Representative of Russian President in the SFD V. Gurba drew participants' attention to the need to involve professionals who can implement anti-corruption mechanisms. Issues of the shadow economy and counter-terrorism financing are no less relevant.





*"We've made significant progress in building a legal framework, strengthening information exchange and increasing liability for supporting terrorist groups,"* said V. Gurba.

Deputy Governor of Rostov Region V. Rudoy identified the lack of economic and financial literacy as the cause of many destructive phenomena in these areas. To improve public financial literacy, the Government of the Rostov region, financial and educational institutions and the mass media are currently implementing in number of projects in the region.

I. Rukavishnikova, Deputy Chair of the Legislative Assembly of the Rostov Region and Chair of the Committee on Legislation, State Building and Law and

Order, identified four factors for improving the detection of corruption and terrorist financing offences, namely, the public's willingness to assist law enforcement, interagency cooperation, law enforcement personnel training and development of new mechanisms to combat economic crime.

The focus of the conference participants' attention was on the most pressing AML/CTF problems: corruption, terrorist and extremist activities, business activities, personnel training, information sharing, etc.

During the conference, participants attended a roundtable discussion of the challenges facing AML/CTF systems.

## Russian-Kyrgyz Cooperation

**N**egotiations of Russian President Vladimir Putin and Kyrgyz President Almazbek Atambayev, who came to Russia with a state visit, took place on June 20, 2017 in Moscow.

The visit resulted in signing a set of interagency cooperation agreements in different areas. Among these papers are Agreement between Federal Financial Monitoring Service (Russian Federation), Autonomous Non-Profit Organization International Training and Methodology Centre for Financial Monitoring and State Financial Intelligence Service under the Government of the Kyrgyz Republic on Cooperation in Education and Personnel Training for the Kyrgyz System of Anti-Money Laundering and Counter-Terrorism or Extremism Financing.





## VICTORY DAY

# IMMORTAL REGIMENT OF ROSFINMONITORING



ВЫПУСКНИЦЫ Лемешкинской средней школы Мария Каченко, Нина Божковз, Мария Девяч, Матрена Шамшик, Мария Лемешкина, Мария Болдырь и Мария Галюга, как и тысячи их сверстниц из раз-

## ОНИ ЗАЩИЩАЛИ СТАЛИНГРАД

тел в воздух... И сама она была ранена. Далее читаем в письме...

...В одном из боев погибла Мария Галюга. Две вражеские пули попали ей в голову. Упала наша любимая подруга детства. Мы с Машей Болдырь обнялись, заплакали... взяли из кармана гимнастерки красноармейскую книжку, комсомольский билет, фотографию. Опустили ее в ровик, насыпа-



The employees of the Federal Financial Monitoring Service took an active part in the Immortal Regiment march coinciding with the 72nd anniversary of the Great Victory. On May 5, 2017 the exposition dedicated to the memory of family members and loved ones who passed through the war, to those people whom we owe our lives, was opened in the Service's headquarters.







Photos, biographical references, documents yellowed with age, stories about the war – all this Rosfinmonitoring employees and their families carefully stored for many years. The Army and Navy veterans, partisans, conspirators, Resistance fighters, homefront workers, survivors of Leningrad siege, persons born in time of war – the geography of life and heroism of relatives of the central office employees, Rosfinmonitoring territorial bodies and the International Training and Methodological Centre for Financial Monitoring covers the entire country.

## Наградной Лист

1. Фамилия и имя отчества **Бобков Лётёр Федорович.**
2. Звание **сй. сержант** 3. Должность, часть **Командир отделения**  
**91-го пограничного - лыжного дивизиона.**
- Представляется к награждению медалью **За отвагу**
4. Год рождения **1914** 5. Национальность **русский**
6. Политическая **беспартийный**
7. Участие в **гражданской войне, последующих боевых действиях по защите СССР и Отечественной войне.**  
**Участник Отечественной войны с 1941г.**
8. Имел ли ранение и контузии в Отечественной войне.  
**ранений и контузий не имеет.**
9. С какого времени в Красной Армии с августа 1941г.
10. Каким РВК призван **Жидишевским РВК г. Горький.**





С новым годом!



тов Малышин в боях за Советскую Родину  
с немецко-фашистскими захватчиками был ранен  
21-го августа 1945 года в голову с повреждением  
сердца и ~~ранением~~ глаза. Ранение тяжелое,  
так, как впереди были ранения пулей в  
потеря глаза.  
Южнее Вены; 3-й Украинский фронт, 106 дивизия  
347 стр. полк, 3-й батальон  
В борьбе с немецко-фашистскими захватчи-  
ками проявил отвагу и мужество, стойко  
противостоял врагу. Не один десяток фашистов  
сразил своим личным оружием своего пулемета  
и был ранен в голову с утратой глаза.



The exhibition presented photos and materials about more than 70 relatives of employees who gave us the Victory, as well as essays on the Great Patriotic War of 1941-1945. The exposition also included photos of Rosfinmonitoring employees – participants of the Immortal Regiment march. This is an international social movement whose main goal is to preserve our memories of the war generation. Every year on Victory Day people march in various cities around the world with portraits of their relatives – those who were touched by tragic events of the war.

Besides this, the Rosfinmonitoring employees prepared an audio composition of poems, songs, and stories about the Victory in the Great Patriotic War.

An important part of the exhibition was represented by the drawings of employees' children "We are the Great Victory's Heirs". They reflect the value of a peaceful future and the need to preserve the memory of the war heroes.



  
МИНИСТЕРСТВО ОБОРОНЫ  
РОССИЙСКОЙ ФЕДЕРАЦИИ

ФЕДЕРАЛЬНОЕ КАЗЕННОЕ  
УЧРЕЖДЕНИЕ  
ВОЕННЫЙ КОМИССАРИАТ  
РЕСПУБЛИКИ ХАКАСИЯ

№ 4 / 97  
30 марта 2017 года

655004 РХ г. Абакан  
ул. Пушкина, 152  
телефон: (3902) 34-21-18

Уважаемая Ольга Николаевна!

По существу Вашего обращения в ходе личного приема в отделении по работе с гражданами Военного комиссариата Республики Хакасия 16.03.2017 года сообщая, что в архивных документах Военного комиссариата Аскизского и Таштыпского районов, г. Абаза Республики Хакасия имеются следующие сведения о Вашем отце, **Соколове Николае Даниловиче, 27.11.1924 г.р.**: рядовой, 1924 г.р., с марта 1943 года по декабрь 1944 года принимал участие в Великой Отечественной войне 1941-1945 г.г. в составе 26 моторизованной бригады, военный билет НА № 2614510.

Основание: Именной список на получение удостоверения участника ВОВ, стр. 2 (Вершино-Тейский поссовет), п/н 7.

Дополнительно сообщая, что поиск сведений о Соколове (Собакине) Н.Д. на сайтах открытого доступа Центрального архива Министерства обороны Российской Федерации (ЦАМО РФ) [www.obd-memorial.ru](http://www.obd-memorial.ru), [www.podvignaroda.ru](http://www.podvignaroda.ru), [www.pamyat-naroda.ru](http://www.pamyat-naroda.ru), к сожалению, не принес результатов. Следует учесть, что указанные информационные порталы находятся на стадии пополнения по мере приведения архивных документов в цифровой вид, таким образом, содержат сведения пока не на всех защитников Отечества.

Информирую Вас о том, что в Республике Хакасия при активном содействии Правительства, Верховного Совета, Министерства труда и социального развития Республики Хакасия, Хакасского республиканского Совета ветеранов (пенсионеров) войны, труда, Вооруженных Сил и правоохранительных органов изданы три тома книги «Солдаты Победы». В настоящее время идет сбор информации на всех защитников Отечества, живших или призванных в Хакасии, ставшими солдатами Победы в Великой Отечественной войне 1941-1945 г.г. Рекомендую Вам обратиться в Хакасский республиканский Совет ветеранов (пенсионеров) войны, труда, Вооруженных Сил и правоохранительных органов с просьбой внести в т.4 книги «Солдаты Победы» сведения о Вашем отце, Соколове (Собакине) Н.Д., для увековечения имени Защитника Отечества.

Адрес Хакасского республиканского Совета ветеранов (пенсионеров) войны, труда, Вооруженных Сил и правоохранительных органов: 655017, г. Абакан, ул. Щетинкина, 18, тел. 8 (3902) 243-763.

Начальник отделения по работе с гражданами  
Военного комиссариата Республики Хакасия  
Ю.В. Орешкова









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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  
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*Autonomous Non-Profit  
Organization ITMCFM*

*2017*