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Russia got high ratings
for compliance of its national
AML/CFT system with the
FATF international standards

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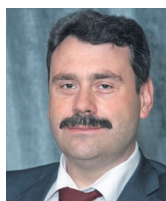
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DEAR READERS,

This issue of the Financial Security magazine is truly special: Russia has successfully undergone an assessment of its AML/CFT system by the Financial Action Task Force (FATF) and been awarded a high compliance rating.



The preparation of any national scale report is an enormous work. In this regard, I would like to thank the assessment team and representatives of the FATF Secretariat, who have put a lot of effort into the drafting of this document, for their professionalism.

Words of gratitude must also go to our delegation at the FATF for their hard work for upkeeping Russia's high reputation at the FATF: financial intelligence specialists, representatives of the Presidential Executive Office, General Prosecutor's Office, Ministry of Foreign Affairs and Ministry of Interior, Federal Security Service, Investigative Committee, Federal Tax Service and Bank of Russia.

Equally appreciated are the efforts of those who for months rendered support and assistance to this work, that is national AML/CFT system stakeholders from public authorities and private sector.

Russia has always been committed to compliance with AML/CFT international standards. The fight against money laundering and the financing of terrorism and proliferation is a policy priority for Russia, as witnessed by the assessment team visiting our country.

I believe the assessors correctly understood the specifics of Russia's AML/CFT/PF system, and their report, by and large, contains an objective assessment of the current situation. We are already taking steps to eliminate the identified shortcomings.

The evaluation has once again underscored the importance of an independent, professionally executed and non-politicized assessment of the national AML/CFT/PF system, an approach provided for by the FATF procedures.

*Sincerely yours,
Yury Chikhanchin
Director of Rosfinmonitoring*

COVER STORY

YURY CHIKHANCHIN: “OUR EFFORTS RESULTED IN SUCCESSFUL ADOPTION OF THE MUTUAL EVALUATION REPORT OF RUSSIA BY THE FATF, WHICH IS QUITE A SIGNIFICANT ACHIEVEMENT”

On November 12, 2019, the Director of the Federal Financial Monitoring Service Yury Chikhanchin met with the President of the Russian Federation. Yury Chikhanchin reported to Vladimir Putin about the activities of Rosfinmonitoring in supervising spending of the funds allocated for the national projects and also reported the results of adoption of the mutual evaluation report of the Russian Federation by the Financial Action Task Force (FATF)



The Director of the Russian financial intelligence unit informed the Russian President that the adoption of the mutual evaluation report of the Russian Federation by the FATF was preceded by the extensive work conducted for almost one and a half years. And this was for the fourth time when Russia underwent the mutual evaluation.

Yury Chikhanchin recalled that as a result of the first mutual evaluation conducted in 2000 the international experts concluded that Russia had no system in place to fight against laundering of dirty money.

- And only after the relevant legislation was adopted and received your approval we succeeded in obtaining the FATF membership, – underscored the Director of Rosfinmonitoring.

On July 15, 2000, the FATF published the list of 15 countries that did not cooperate with the international community in the fight against laundering of criminal proceeds. Russia was included in that black list.

In October 2000 and, later, in January 2001, the European Union warned that it would apply financial and economic sanctions against the black list countries, *inter alia*, against Russia, which could be very strict, including freezing of foreign bank accounts of Russian companies, unless the country complies with the FATF Recommendations. By January of 2001, 12 of 15 countries included in the black list made necessary changes in their legislation, however, Russia was not among them.

The first version of the Law on Combating Legalization (Laundering) of Criminal Proceeds was adopted by the State Duma in October 1998, but was not approved by the Federation Council. The draft Law modified and refined by the conciliation commission was adopted by the State Duma in June 1999 and approved by the Federation Council, but the President of the Russian Federation Boris Yeltsin declined it.

The new national administration headed by Vladimir Putin demonstrated strong political commitment to bring the country out of that situation.

On August 7, 2001 the President of the Russian Federation signed Federal Law No.115-FZ on Combating Legalization (Laundering) of Criminal Proceeds.

Twenty four national agencies and around 1.5 thousand financial institutions were involved in the preparation for the FATF fourth round of mutual evaluations, and nearly 50 laws were adopted during that process.

- In the end, our efforts resulted in successful adoption of the mutual evaluation report of Russia by the FATF. It is quite a significant achievement, since Russia is now among the top five countries, – said the Director of Rosfinmonitoring.

Yury Chikhanchin told the Head of the State that, despite the political pressure, Russia managed to prove the international experts that it has the robust national AML/CFT system. The assessors acknowledged that the country demonstrated the solid understanding of the existing AML/CFT risks and threats. The positive aspects noted by the assessors include the robust anti-terrorism regulatory framework, and successful ongoing efforts aimed at identification of beneficial owners and monitoring of public funds spending.

- There are some remaining issues, but these are not major ones, – clarified Yury Chikhanchin.

For elimination of the deficiencies identified by the international experts, the head of the Russian Financial Intelligence Unit suggested to use the capabilities of the Interagency Commission for Preparation for the FATF Fourth Round of Mutual Evaluations established in accordance with the Presidential Order No.31-rp dated March 2, 2016, and to keep the composition of this Commission unchanged.

The Interagency Commission for Preparation for the FATF Fourth Round of Mutual Evaluations (IAC) is responsible for organizing collaboration among the government authorities and institutions represented in the Interagency Commission, and coordinating their activities. The Director of Rosfinmonitoring Yury Chikhanchin is Chairman of the IAC.

The members of the Interagency Commission for Preparation for the FATF Fourth Round of Mutual Evaluations include representatives of Rosfinmonitoring, Federal Service for Technical and Export Control (FSTEC), Ministry of Internal Affairs, Federal Security Service,

Assay Chamber under Ministry of Finance, Supreme Court, Federal Service for Supervision of Communications, Information Technologies and Mass Media (Roscomnadzor), Federal Agency for State Property Management (Rosimushchestvo), Investigative Committee, General Prosecutor's Office, Federal Tax Service, Ministry of Communications and Mass Media, Federal Bailiffs Service, Federal Customs Service, Bank of Russia, Ministry of Justice, Ministry of Finance and State Administration for the Formation of the State Fund of Precious Metals and Precious Stones, Storage, Dispensing and Use of Precious Metals and Precious Stones (Gokhran).

With regard to the oversight over spending of the public funds allocated under the national projects programs, Yury Chikhanchin reported that the work is currently underway to fine-tune the monitoring mechanism in cooperation with the Federal Treasury, and there have been instances of identification of unscrupulous contractors under the public procurement contracts.

The following measures are taken for mitigating the existing risks:

- **Precautionary measures** are taken to deter potential offences at the earliest stage possible by identifying the risks based on analysis of the national project contractor's business history;
- **Preventive measures** are taken to prevent offences involving misuse of public funds, *inter alia*, by terminating contracts and imposing disciplinary and administrative sanctions;
- **Disruptive measures** are taken to investigate into the committed offences, bringing offenders to justice and compensating the inflicted losses.

The set of criteria that has been developed jointly with the relevant ministries and agencies allow for

scrutinizing contractors more closely and identifying their risks, i.e. whether they are involved in any shadowy schemes or whether they are associated with criminal offences. The unified risk classification system has been developed jointly with Federal Antimonopoly Service, Federal Tax Service, Federal Treasury, etc., that looks at risks arising in the course of implementation of the national projects.

The Director of Rosfinmonitoring presented to the President of the Russian Federation the consolidated table that summarizes the national projects monitoring results and provides for the unified approach to supervision of the national projects implementation process. This information enables to identify individual projects, federal districts and regions of the Russian Federation that are most susceptible to risks as well as to assess the dynamics of the numbers of high-risk contractors and amounts of public procurement contracts in the higher risk areas.

- I would like to emphasize that, currently, we cross-check the information and report it to the relevant agencies almost on a daily basis. As a result of these efforts, we identify, jointly with General Prosecutor's Office, Federal Security Service and Federal Treasury, "bottleneck" problems and resolve them, - elaborated Yury Chikhanchin.

The Director of Rosfinmonitoring referred to two important aspects of work. The first one is related to the *Ecology* national project, where the supervision is conducted under the agreement on cooperation and information sharing with the Russian Ministry of Natural Resources and Environment.

Monitoring of the *Ecology* project has already identified the accumulation of contracts signed with the contractors that fall into the high-risk category related to certain projects, such as *Preservation of Lake Baikal*, *Clean Water*, *Comprehensive Solid Waste Processing System*, etc. If necessary, these findings can be communicated to the major stakeholders in these projects, i.e. the Ministries responsible for supervising these projects, the Plenipotentiary Representatives of the President of the Russian Federation in the Federal Districts, the Regional Governors, etc.

The second joint project is implemented by Rosfinmonitoring in cooperation with the Government of Tula Region in a similar way.

There is another example related to the *Public Health Care* project, where the contracts with the unscrupulous contractors were terminated.

The similar problematic situation was identified in Sevastopol city, where construction contract of around RUR 400 mln was cancelled.

However, some problems still remain:

1. Public funds allocated for implementation of the national projects are not “highlighted”.

In this context, it is expedient to introduce some kind of Treasury supervision mechanisms to monitor the flows of funds (irrespective of their sources) allocated for implementation of the national and federal projects.

2. No unified inter-agency database is used during the tendering process.

It is necessary to consider the introduction of the preliminary screening system under the public procurement framework for identifying signs of dishonesty of potential contractors.

3. Different levels of automation in the operation of all competent authorities

It is necessary to further develop the unified information system that automatically accumulates reliable data provided by various government authorities, which would enable to strengthen cooperation in the process of monitoring the implementation of the national projects.

RUSSIAN NATIONAL AML/CFT SYSTEM

RUSSIA GOT HIGH RATINGS FOR COMPLIANCE OF ITS NATIONAL AML/CFT SYSTEM WITH THE FATF INTERNATIONAL STANDARDS

During the Plenary Week of the Financial Action Task Force on October 13-18, 2019, the Russian delegation headed by the Director of Rosfinmonitoring Yury Chikhanchin demonstrated significant achievements of the national anti-money laundering, counter terrorist financing and counter proliferation financing (AML/CFT/CPF) system. Taking part in the presentation of the mutual evaluation report of Russia were the specialists of the Russian financial intelligence unit and the representatives of Bank of Russia, Presidential Executive Office, General Prosecutor's Office, Ministry of Foreign Affairs, Ministry of Internal Affairs, Federal Security Service, Investigative Committee and Federal Tax Service of the Russian Federation

The mutual evaluation report of the Russian Federation was presented by the Director of Rosfinmonitoring Yury Chikhanchin, who pointed out that the preparation of such document was a result of a very hard work.

- I would like to express our sincere gratitude to the assessment team and the representatives of the FATF Secretariat headed by Mr. Tom Neylan for their professionalism.

Yury Chikhanchin stated that Russia has always been committed to compliance with the FATF International Standards:

- The fight against money laundering, terrorist financing and proliferation financing is the priority of our country's national policy at the highest

political level, which the assessment team could also witness during the on-site visit. We believe that the experts have acquired deep understanding of the specificities of the Russian AML/CFT system, and the report as a whole contains the impartial analysis and assessment of the existing situation. We greatly appreciate this and have already started to rectify the identified deficiencies.

The discussion also touched upon a number of controversial issues which, however, did not affect the overall results of the assessment. Based on the aggregate ratings, the AML/CFT system of the Russian Federation holds the fifth place in the world in terms of effectiveness. Russia was placed in the regular follow-up process which implies provision of regular follow-up reports.



RUSSIAN FINANCIAL INTELLIGENCE TEAM AT THE FATF PLENARY MEETING

Rosfinmonitoring: Yu. Chikhanchin; P. Livadny; G. Neglyad; A. Petrenko; A. Frolov; E. Mozgov; I. Alekseev; I. Ivanova; E. Gileta; Yu. Lafitskaya; A. Kuryanov; A. Bobylkova; M. Kolinchenko; P. Golushko; Sh. Revishvili; B. Toropov; E. Churilina; D. Burda

Ministry of Foreign Affairs: A. Lyzhenkov; I. Lyabukhov

Bank of Russia: D. Skobelkin; I. Yasinsky; A. Gasanov

Federal Tax Service: A. Overchuk; D. Volvach; V. Kolesnikov

Ministry of Internal Affairs: Yu. Kolesnikova

General Prosecutor's Office: P. Litvishko; O. Tisen

Investigative Committee: A. Fomichev

Federal Security Service: I. Parfenov

Presidential Executive Office: M. Nezhinsky; A. Kruglenya

Russian State Assay Chamber under the Ministry of Finance: D. Zamyshlyayev

ITMCFM: B. Safonova; A. Staroseltsev; K. Yeltsov; E. Kokryashkin; K. Panevkina; O. Arsentyeva



The FATF President

Xiangmin Liu:

- It is really the high quality report reflecting serious teamwork.



The FATF Executive

Secretary David Lewis:

- This report is not just the serious test of the Russian AML/CFT system - it demonstrates how the mutual evaluation should be conducted.



Executive Secretary of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG)

Sergei Teterukov:

- In many senses, this report sets a precedent – and surely for the EAG member states.

Sweden:



- Perhaps, this is one of the best mutual evaluation reports. We should treat it as such, because it is a very good document.

China:



- This is high quality mutual evaluation report. We render Russia our support. The law enforcement practice in Russia is not a deficiency, but one of the FATF best practices.

Italy:



- Perhaps, it is one of the highest quality reports as far as Immediate Outcome 5 is concerned, since it presents a huge volume of information describing the operation of the Russian AML/CFT system.

UK:



- Russia, we congratulate you with the fantastic report!

Norway:



- This mutual evaluation report will be great achievement for the entire Eurasian Region.

Germany:



- The mutual evaluation report of Russia will inform our future work.

Australia:



- The work that has been completed sets a new benchmark for how the mutual evaluation reports should be produced. We would like to thank Russia because it demonstrated many strong points of its AML/CFT system.

Germany:



- This report will be part of the “golden standard” and, therefore, it will not be easy to match it for all who will present their reports after Russia.

Information note

The FATF Methodology for assessing compliance with the FATF Recommendations and the effectiveness of AML/CFT systems was adopted by the FATF in 2013 and envisages examination of two complementary elements: technical compliance and effectiveness.

Technical compliance means fulfillment of the requirements set out in the FATF 40 Recommendations, while effectiveness means the ability of the AML/CFT stakeholders to achieve

the immediate outcomes (IO) in eliminating ML/TF risks.

Mutual Evaluation Report of the Russian Federation summarizes the AML/CFT measures in place in the Russian Federation as at the date of the on-site visit (March 11-29, 2019). It analyzes the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Russia's AML/CFT system, and provides recommendations on how the system could be strengthened.

Key Findings

1. Rosfinmonitoring is core to the functioning of Russia's AML/CFT regime, as it is responsible for leading and coordinating policy and operational activities in the field of AML/CFT. This work is strongly supported, including legislatively, as AML/CFT is afforded the highest priority by the Russian Government. Domestic coordination and cooperation is a major strength of the Russian AML/CFT system.

2. Russian authorities have an in-depth understanding of the country's ML and TF risks, as outlined in Russia's 2018 ML and TF NRAs and communicated by authorities to the assessment team. Both ML and TF risks are well identified and understood. Financial institutions have a good understanding of these risks, while understanding of other reporting entities varies.

3. Rosfinmonitoring has a wealth of available data, including a large volume of reporting, and employs sophisticated technologies and high degree of automation, to prioritise, generate, and contribute to investigations pursued by law enforcement authorities. LEAs routinely and effectively access and use this financial intelligence to investigate

ML, TF, predicate offenses, and to trace criminal proceeds. Prosecutors further ensure the use of financial intelligence in case development by systemically reviewing investigations to verify that LEAs pursue all financial aspects.

4. Russia is investigating ML partly in line with its risk profile. LEAs routinely conduct financial investigations alongside predicate offences. Most ML investigations involve the acquisition or sale of criminal proceeds, so the majority of cases relate to less serious offences. Self-laundering is frequently investigated, unlike third-party ML, which is detected and investigated to a lesser extent. Some complex ML is pursued, however, opportunities for LEAs to uncover and investigate sophisticated and/or high-value ML may exist, especially in the financial sector and involving proceeds sent abroad, particularly those related broadly to corruption. Sanctions applied against natural persons are moderately effective, and while Russia cannot prosecute legal persons, the use of administrative sanctions against legal persons was not demonstrated. Alternative measures are a notable part of Russia's toolkit to combat financial and shell-company-related offences potentially related to ML.

5. Russia has a robust legal framework for combatting TF, which is largely in line with the international standards. On average, Russia pursues 52 TF prosecutions per year. Since 2013, Russia has convicted more than 300 individuals of TF, with the majority resulting in sentences of imprisonment ranging from 3-8 years. Russia demonstrates that it deprives terrorists, terrorist organisations and terrorist financiers of assets and instrumentalities through various approaches, such as through terrorist designations, administrative freezes, court orders, and confiscation. While the total amount of assets and instrumentalities deprived is relatively low, this is consistent with Russia's risk profile.

6. Overall, Russia has an adequate system to implement TF and proliferation financing (PF) targeted financial sanctions, but has gaps and weaknesses in some areas, including TFS implementation without delay and explicit legally enforceable requirements that extend to all natural and legal persons (beyond reporting entities).

7. There is widespread and persistent trend of non-compliance with preventive AML/CFT obligations. Although breaches have been decreasing in recent years, the threshold for suspicious transaction reporting is low and automation in filing leads to a massive number of reports, which, while used in the FIU's datamining, are not detailed or suited for flagging high-suspicion or urgency. This increase

in STRs could be leading to more terminations of business relations and refusals to conduct transactions for ML/TF concerns. Group-wide information sharing among FIs was not possible in Russia until the on-site visit.

8. The Bank of Russia (BoR) has implemented some aspects of risk-based supervision since 2013, and has recently improved the risk-based approach to supervision. Licensing requirements for FIs were strengthened in 2013 and now largely mitigate the risk of criminals being the owners or the controllers of FIs. However, supervision is mostly based on prudential factors and the BoR over-relies on remote monitoring. While number of license revocations has occurred, sanctions are not effective or dissuasive in all cases and monetary penalties imposed are low.

9. Russia has improved its legal framework and operational approach to enhance transparency of legal persons, which makes it more difficult to misuse legal persons established in Russia. Registration requirements have been enhanced and legal persons are constantly being reviewed and removed from the register for inaccurate information or for inactivity. Legal persons maintain information on their beneficial owners and competent authorities effectively supervise the implementation of this requirement. FIs and DNFBPs also collect beneficial ownership information of customers with somewhat limited capacity to verify it.

MOST FREQUENT BREACHES OF AML/CFT LEGISLATION ARE RELATED TO INTERNAL CONTROLS

One of the stakeholders most actively involved in the fight against money laundering and, hence, in the preparation for the FATF fourth round of mutual evaluations, are the prosecution authorities of the Russian Federation, which consider the AML/CFT efforts as their priority

At present, systemic work is undertaken in the Russian Federation to combat legalization (laundering) of criminal proceeds in cooperation with foreign countries and international organizations and with due consideration for the experience gained by them.

To intensify these efforts, the General Prosecutor of the Russian Federation issued Order 87 dated 08.02.2017, which requires prosecutors to ensure effective supervisory arrangements and efficiency of supervision over compliance with the legislation on combating money laundering and financing of extremist activity and terrorism.

The results of this supervision are continuously monitored by the General Prosecutor's Office. Based on the conducted analysis, prosecutors are advised about shortcomings in their work or are informed about the best supervisory practices. Besides that, the methodological guidelines are developed,

which outline the procedures and tactical specificities of supervision conducted by the prosecution authorities and describe how to select appropriate response measures to identified breaches.



The supervisory practice of the prosecution authorities in overseeing compliance with the federal legislation shows that the most common breaches of AML/CFT legislation are related to organization and implementation of the internal controls. In particular, the breaches related to failure by the senior managers and internal control compliance officers of the obliged entities to undergo mandatory AML/CFT training were detected and rectified in the Republics of Bashkortostan and Tatarstan, in Voronezh and Smolensk Regions and in Moscow.

There were also cases detected where the business entities failed to comply with the obligations related to development of the internal control rules and their implementation programs. Following the investigations conducted by the prosecution authorities, the persons found guilty of these breaches were held administratively liable under Para.1 of Article 15.27 (non-compliance with the AML/CFT legislation requirements) of the Code of Administrative Offences.

Inconsistency of the aforementioned rules and programs with the current legislation constituted the grounds for the response measures taken by the prosecutors in the Republics of Karelia and Khakassia, in Kursk and Sakhalin Regions and in Moscow and St. Petersburg. The prosecutors' objections against these internal regulations which conflicted with the law were duly considered and satisfied.

The interventions undertaken by the prosecution authorities in Khanty-Mansiysk Autonomous District as well as in Vologda, Moscow, Rostov and Ryazan Regions resulted in elimination of the violations of the legislation related to failure to report the required information to the Federal Financial Monitoring Service.

It is also worthwhile to mention the positive results of blocking access to the websites containing information about methods and techniques of committing money laundering, illegal cash conversion and associated offences. Upon detection of such websites, the prosecutors of Nizhny Novgorod Region and St. Petersburg applied to the courts with request to deem the information posted on those websites prohibited for dissemination in the Russian Federation.

Where there are the sufficient grounds, the prosecutors consider the need to submit their supervision results to the investigation authorities for initiating criminal prosecution under Article 37 of the Criminal Procedure Code.

For example, in order to disrupt the laundering of criminal proceeds through the use of shell companies, 20 criminal cases were opened in the Chechen Republic under Para.1 of Article 173.1 (unlawful establishment (creation, reorganization)



of a legal entity) and Article 173.2 (unlawful use of documents for establishing (creating, reorganizing) a legal entity) of the Criminal Code based on the findings of the inspections conducted jointly by the prosecution authorities and the tax service, which revealed the use of straw parties for establishing companies and the intentional provision of misleading information about members of these companies to the tax authorities.

In parallel, the efforts are undertaken to prevent registration of shell companies, *inter alia*, through the application of the civil law enforcement measures. For example, upon detection of failures to notify the registration authority of the updated information about legal entity, the courts satisfied the requests of the prosecution authorities of Irkutsk Region to deem inactivity of the legal entities unlawful and ruled to take enforcement actions to ensure registration of such updates according to existing procedures.

The prosecutors took nationwide coordination measures to more effectively combat offences related to laundering of proceeds obtained through crime. The results of these efforts have been repeatedly considered and discussed at the interagency and coordination meetings of the heads of the law enforcement agencies.

In particular, to further improve coordination among different law enforcement agencies, the interagency working groups were established within the prosecutor's offices of the constituent regions and the coordination meetings of the heads of the LEAs were held.

The Ministry of Internal Affairs, being one of the core law enforcement stakeholders of the Russian anti-money laundering and counter-terrorist financing (AML/CFT) system, is responsible for detection and investigation of ML and TF and taking provisional measures to provide for further confiscation of assets and reimbursement of inflicted damage.

The Interagency working group on combating economic crime has been established and successfully operates within the General Prosecutor's Office. The main efforts of the members of this group, which include the representatives of the Bank of Russia, Ministry of Internal Affairs and Federal Security Service, are focused on detection and disruption of illegal financial transactions, including those related to legalization (laundering) of criminal proceeds.

The systemic work arranged and conducted jointly by General Prosecutor's office, Financial Intelligence Service and Bank of Russia has yielded positive results. For example, the scheme of embezzlement of about USD 1 million allocated from the federal budget for establishing the innovative technology company

was uncovered as a result of the investigation conducted by the General Prosecutor's Office jointly with Ministry of Internal Affairs, Federal Security Service and Rosfinmonitoring.

The investigation revealed that the director of this company deceived his counterparties and required them to transfer funds for the supplied products to the bank accounts of the company controlled by him. After that, to give the appearance of legitimacy to possession of these funds, they were transferred under fictitious contracts to the bank accounts of shell companies, which, in turn, transferred the already laundered money to the personal accounts held by the spouse of the company's director.

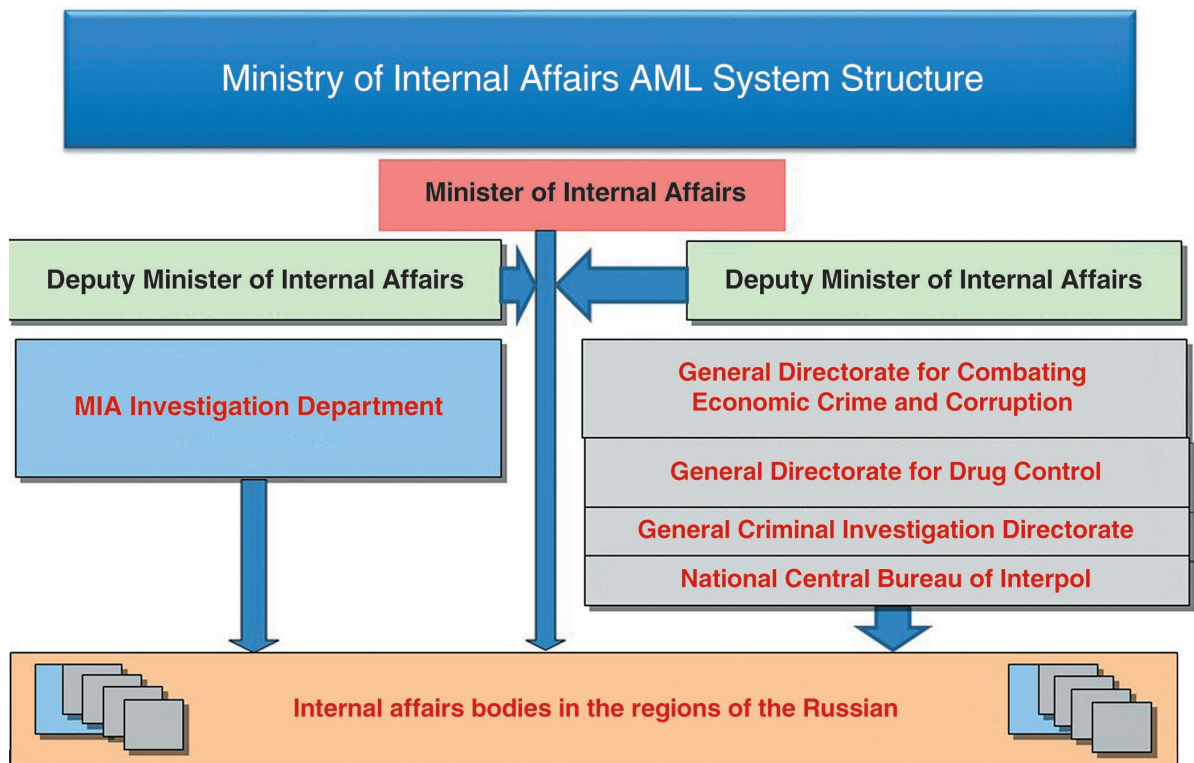
Based on the evidence collected by the General Prosecutor's Office in the course of reviews and inspections a criminal case was opened. Following the criminal investigation, the court found the company's director guilty of fraud and money laundering and sentenced him to imprisonment for the term of four years.

The results of the conducted work were discussed at the meetings held in connection with the FATF fourth round of mutual evaluations as well as at other events held under the auspices of the General Prosecutor's Office.

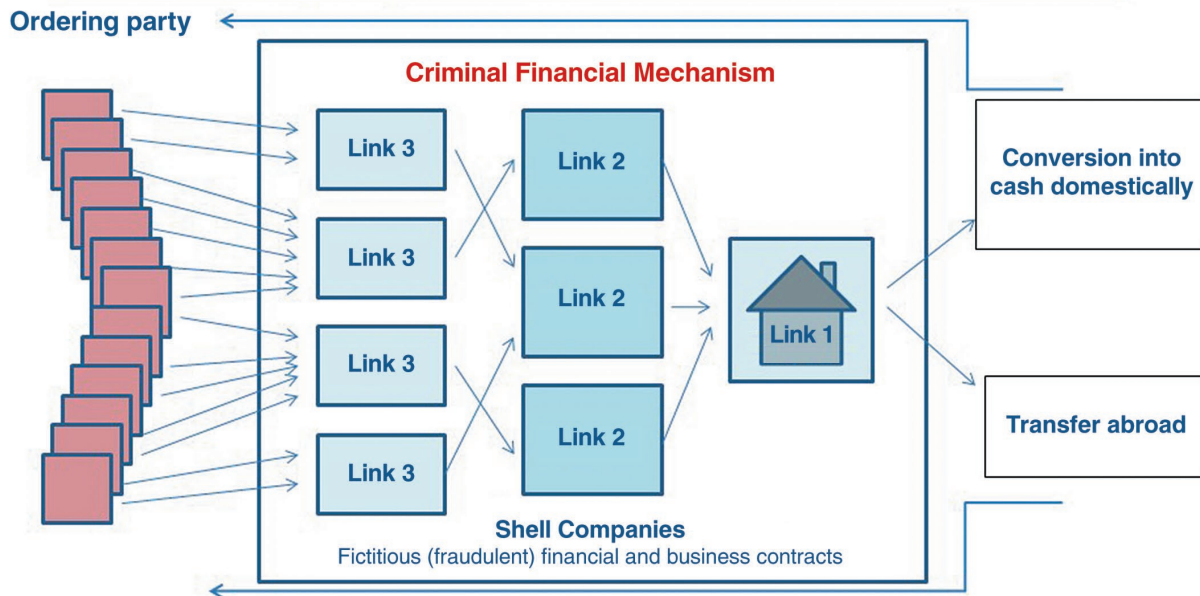
ROLE OF MINISTRY OF INTERNAL AFFAIRS IN ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING SYSTEM

The Ministry of Internal Affairs, being one of the key law enforcement stakeholders of the Russian anti-money laundering and counter-terrorist financing (AML/CFT) system, is responsible for detecting and investigating ML/TF and taking provisional measures to provide for further confiscation or damage recovery

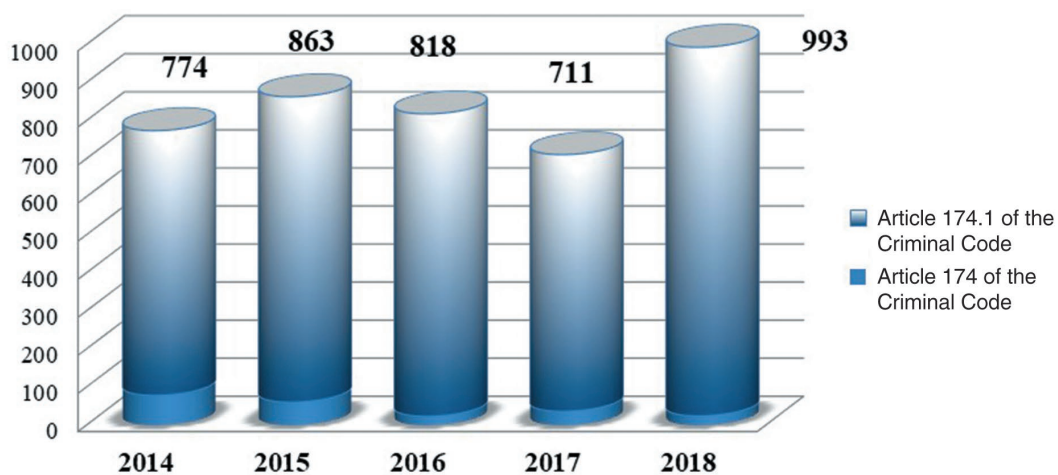


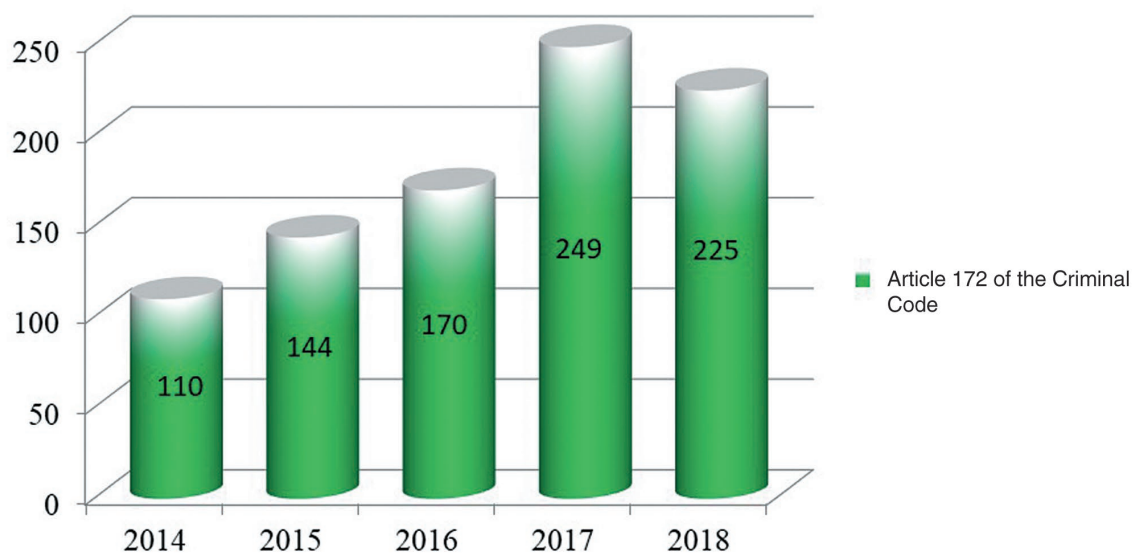
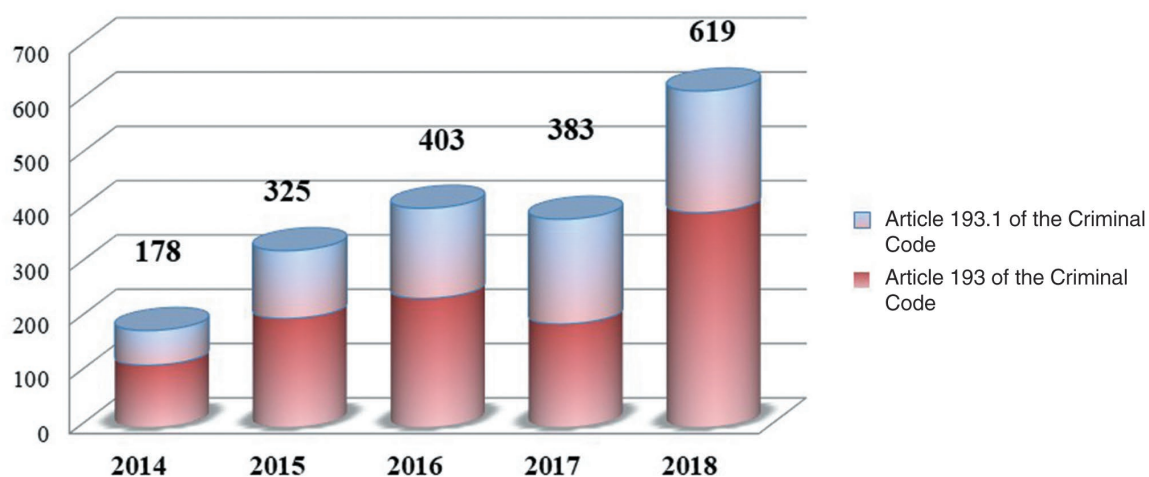


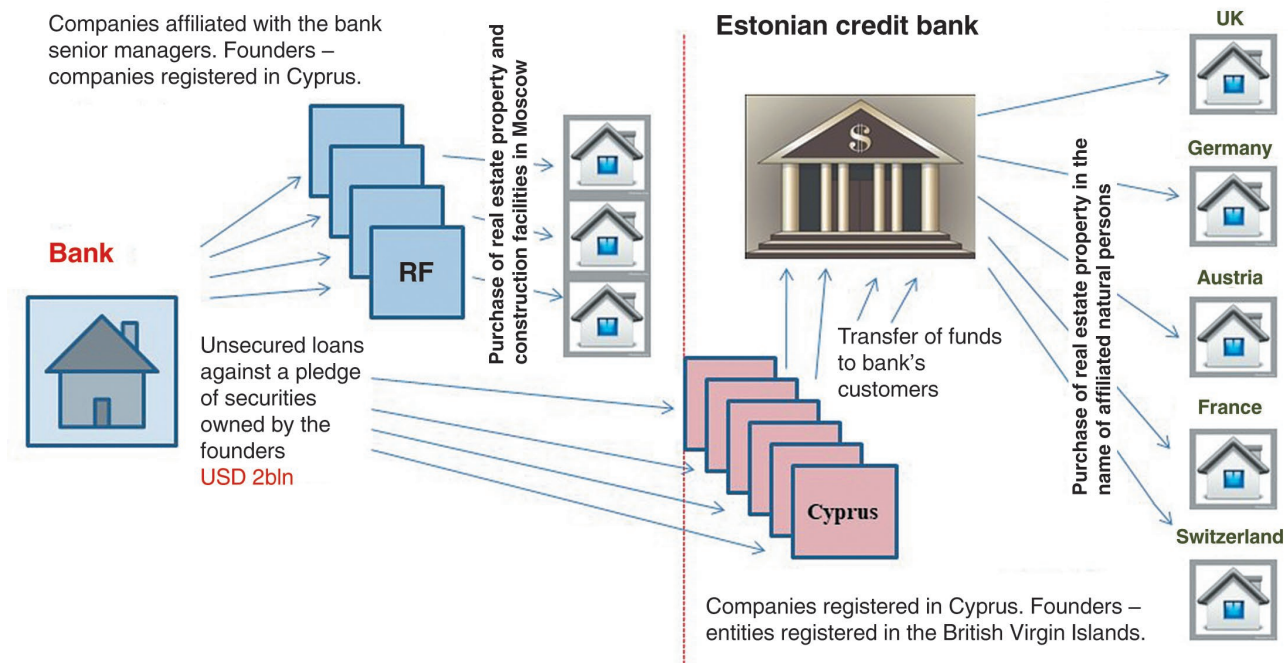
Most Common Money Laundering Scheme in Russia



Number of Detected ML Offences

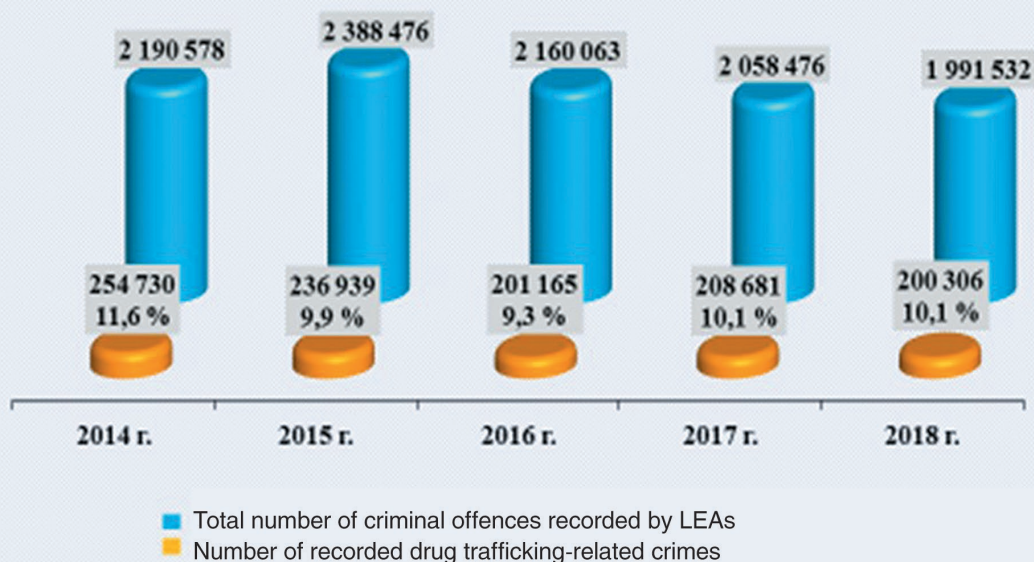


Number of Detected Cases of Illegal Banking Activity**Number of Detected Cases of Illegal Transfer of Funds Abroad**

Scheme of illegal transfer of funds abroad by senior managers of a bank**Role and Place of the General Directorate for Drug Control of the Ministry of Internal Affairs in the AML System****Federal Drug Control Service****Ministry of Internal Affairs**

Pursuant to Presidential Decree No.156 dated April 5, 2016 on Improvement of Government management in the sphere of control over Trafficking in Narcotic Drugs, Psychotropic Substances and their Precursors and in the Sphere of Migration, the Federal Drug Control Service was dissolved and its functions were assigned to the Ministry of Internal Affairs of the Russian Federation

Share of Drug-Related Crimes in Total Number of Criminal Offences Recorded in 2014 – 2018



Years 2016-2018 period

the LEAs seized
(at the time of opening
of a criminal case)

**around 45.5 tons
of narcotic drugs**



Years 2014-2018 period



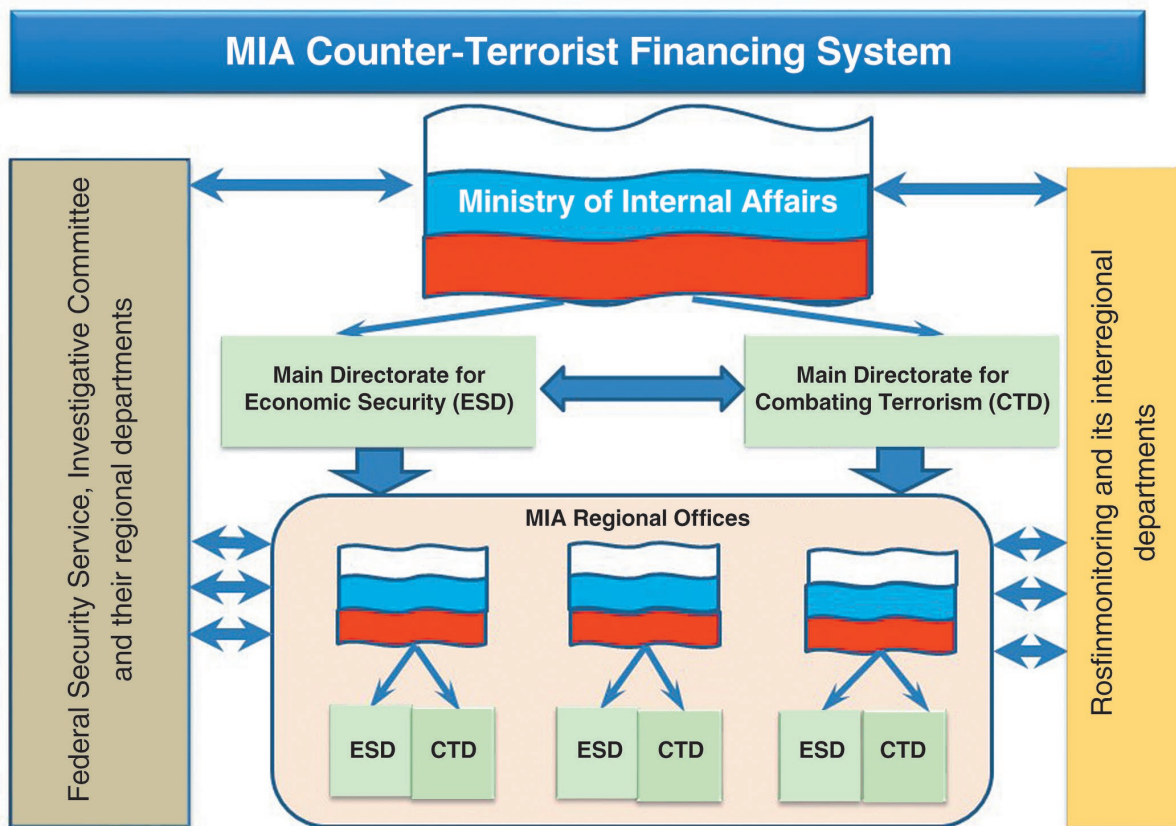
The LEAs detected **151** offences covered by Articles 174 and 174.1 of the Criminal Code, the predicates to which were the drug trafficking-related crimes



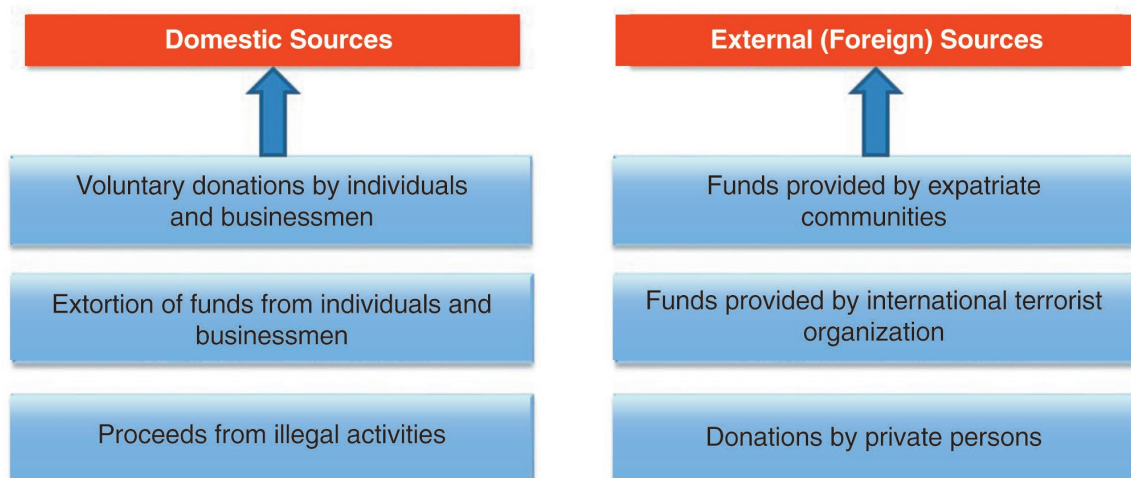
The completed pre-trial criminal investigations identified the laundered funds in amount of about **RUR 4.5bln**



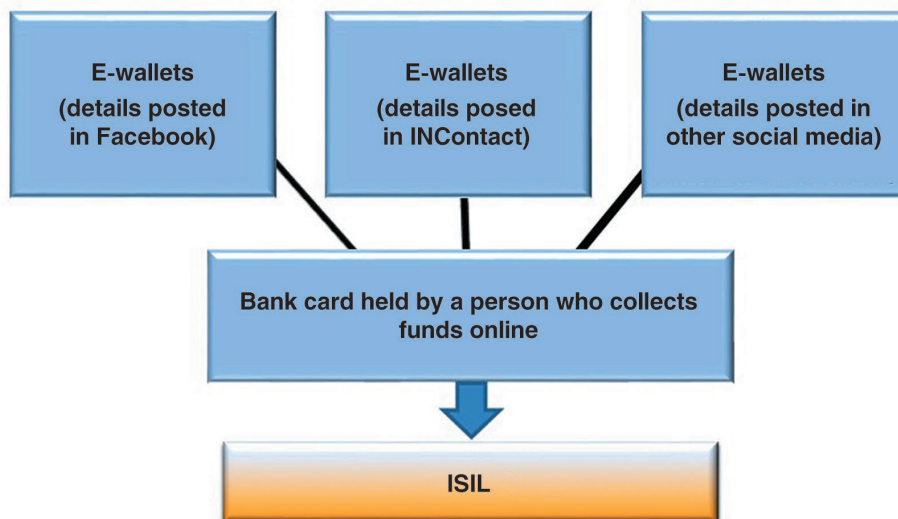
MIA Counter-Terrorist Financing Activity



Main Sources of Financing of Terrorism in the Russian

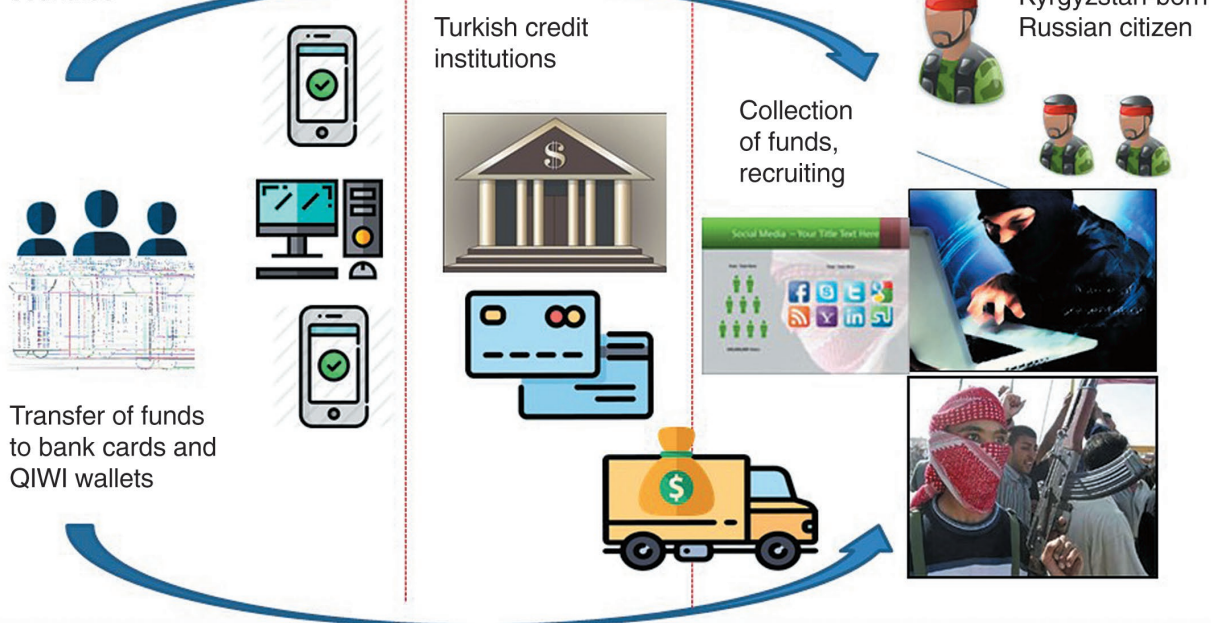


Most Common Scheme of Financing of Terrorism in the Territory of the Russian Federation



Citizens of the Russian
Federation and the CIS
countries

Territory controlled by ISIL



EXPERIENCE ACCUMULATED BY THE INVESTIGATIVE COMMITTEE IN THE COURSE OF PREPARATION FOR THE 4TH ROUND OF MUTUAL EVALUATIONS WILL BE USED IN ITS FURTHER WORK

The Investigative Committee, as the federal executive body with criminal prosecution powers, started its operation on January 15, 2011, when the Federal Law on the Investigative Committee of the Russian Federation came into force. The explanatory note to the draft law states that operation of this investigation agency as the separate federal authority is aimed at improving the integrity in criminal investigations through granting more independence to investigators in making procedural decisions and strengthening the rule of law in the process of criminal prosecutions. The Investigative Committee has successfully pursued this strategy from the moment of its establishment up to the present day

Aleksey Fomichev,

Chief Inspector of the 4th Unit of the Office for Supervision over Investigation Bodies,
Central Investigation Department of the Investigative Committee

The primary objective of the Investigative Committee is to conduct prompt and effective investigations into criminal offences that fall into its investigative jurisdiction under the applicable law, ensure observance of the law in the process of verification of crime reports and criminal investigations, monitor operation of investigation

bodies, identify circumstances and factors that facilitate crime and take measures to address them, pursue international cooperation in criminal prosecution matters within its remit, etc.



Combating money laundering and terrorist financing is one of the priorities of the Investigative Committee and, therefore, the Committee was actively engaged in the preparation of Russia for the FATF 4th round of mutual evaluations from the very beginning of this process. The efforts undertaken by the Investigative Committee in this context included improvement of effectiveness of investigations into the relevant types of criminal offences, enhancement of professional skills of investigators as well as collection and systematization of a huge volume of analytical data produced by decades of investigative practice.

The systemic operation of the Investigative Committee in this area is based on the risk-based approach, which is applied using in-depth analysis and assessment of risks posed by criminal offences committed in the most vulnerable areas of society and economy.

This approach is implemented in the routine operation of the Investigative Committee through the introduction of annual thematic reviews of the conducted investigations into ML, TF and associated criminal offences. The results of these reviews are used to monitor the investigation activities, to assess the level of interagency cooperation and to identify measures for improving the efficiency of the conducted work and resolving arising problems in a timely manner through adoption of specific administrative decisions, methodological guidelines and information directives.

In particular, the set of measures was implemented in the Investigative Committee in 2016 to improve the information sharing between the investigation bodies and Rosfinmonitoring for more effective identification and investigation of ML/TF-related crimes. These included the Directive of the Investigative Committee Chairman *on Improvement of the Anti-Corruption Efforts of the Investigation Bodies of Investigative Committee*, which requires the heads of all investigation bodies to pay enhanced attention to examination of investigative line of enquiry in the process of investigations into criminal offences related to laundering of proceeds of corruption.

More attention has been paid to provision of information and methodological support to the field



officers in order to improve the investigators' knowledge and skills in the use of financial information and intelligence for procuring evidence, reimbursement of damage and pursuing international cooperation in criminal matters related to cross-border/ transnational offences. In 2017-2019 the Investigative Committee issued information letters containing methodological guidelines for improving the effectiveness of investigation into criminal offences covered by Articles 174, and 174.1 of the Criminal Code, enhancing interagency cooperation with Rosfinmonitoring and taking additional measures for strengthening the counter-terrorist financing efforts.

The heads of the investigation bodies were duly informed about the outcomes of the national assessment of risks in the relevant areas and about importance of application of the risk-based approach for combating these types of criminal offences, along with the case studies and recommendations for practical implementation of the results of the interagency work in the ongoing activities. Besides that, the methodological guidance "The use of the capabilities of the Federal Financial Monitoring Service in the process of pre-trial investigations" was disseminated to the investigators.

The application of the described measures yielded practical effect. Just in recent years, a number of the high-profile criminal court proceedings resulted in conviction of the high-ranking officials for commissioning the offences related to laundering of criminal proceeds.

These offences included embezzlement of public funds and abuse of power committed by the former Governors of the Komi Republic and Sakhalin Region, the Finance Minister of Moscow Region and other officials. Besides that, the investigations into the fraudulent schemes related to embezzlement of the funds belonging to Sovcomflot shipping company and the International Industrial Bank were successfully completed and convictions followed. Furthermore, a number of channels used for financing of terrorists groups operating in the Russian Federation and abroad were disrupted. As a result of these efforts, the number of identified TF offences increased in more than 2.5 times.

The experience accumulated by the Investigative Committee in the course of preparation for the FATF 4th round of mutual evaluations is used for arranging and pursuing further efforts in this area. In particular, in August 2019, the Directive of the Chairman of the Investigative Committee *"Improvement of AML/CFT Efforts by Investigation Bodies of the Investigative Committee of the Russian Federation"* was published. It contains consolidated materials accumulated in the course of preparation for the mutual evaluation and set out on the regulatory level the elements of the investigation process that were in the focus of attention of the FATF assessment team. It is planned to further pursue these efforts on the on-going and systematic basis.

ROSCOMNADZOR PAID ENHANCED ATTENTION TO PREPARATION FOR THE FATF MUTUAL EVALUATION

The supervisory authorities, being one of the core elements, play the unique role in the national anti-money laundering and counter-terrorist financing (AML/CFT) system

Federal Service for Supervision of Communications, Information Technologies and Mass Media (Roscomnadzor) is the longstanding (since 2002) stakeholder of the AML/CFT system and conducts supervision over compliance by the telecommunication services operators with the AML/CFT legislation.

One of the key aspects in the operation of all federal executive authorities is to pursue the top-priority objectives for implementing the National AML/CFT System Development Concept.

The cooperation between Rosfinmonitoring and Roscomnadzor takes place under the Agreement on Cooperation and Information Exchange. The effective cooperation and coordination and mutual information sharing has been arranged between the local departments of these two agencies. In cooperation with the International Training and Methodology Centre for Financial Monitoring (ITMCFM), the two agencies hold regular events and working meetings, training and international experience sharing events for professional development of personnel and annual round tables with participation of representatives of the supervisory authorities, telecommunication

operators and other stakeholders from the public and private sectors of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

Roscomnadzor paid enhanced attention to the preparation for the FATF mutual evaluation.

As part of this preparation, the intra-agency plan was adopted to strengthen the measures implemented for preventing misuse of communication services contracts for illegal cash conversion and terrorist financing, and the actions were taken to improve the risk-based supervision informed by the NRA results.

Besides that, the action plan for mitigating the risks identified in the sectors supervised by Roscomnadzor is being implemented. The sectoral risk assessments were conducted, the overall performance of the federal postal communication sector, mobile communication operators sector and major telecommunications operators sector was analyzed, the main ML and TF risk areas were identified and the measures were developed for mitigating the identified risks.



It must be pointed out that the threat of misuse of the federal postal communication sector in illegal cash conversion schemes have been significantly mitigated in recent years, *inter alia*, as a result of the undertaken supervisory efforts and interagency coordination between Rosfinmonitoring and Roscomnadzor.

The telecommunication services market in the Russian Federation is quite mature, with the mobile communication services and the fixed Internet connection services being the two major segments of the market. The development of the Russian telecommunications market follows the trends observed in the global market – the number of network subscribers is on the rise and the largest telecommunications companies demonstrate improved financial performance. At the same time, the priority of each of the telecom operators is to ensure availability of the telecommunication services by expanding their service coverage to the maximum possible part of the Russian territory.

The mobile communication services have enjoyed rapid developed over the last 10 years. At the same time, the growth rate of the voice and SMS services declines, while the data transmission volumes continuously increase. Telecom operators strive to provide high quality Internet connection and develop new services, such as mobile phone payment services. Therefore, many financial transactions are now carried out with the use of telecommunication services.

To prevent illegal distribution of SIM cards, Roscomnadzor was actively involved in drafting of a new law. The amendments to the Federal Law on Communications, which came into force on June 1, 2018, require telecommunication services operators to verify accuracy and authenticity of information on their customers in a manner prescribed by the law. At present, the supervisory activity conducted by Roscomnadzor is based on the risk-based model, under which the enhanced attention is paid to the



entities characterized by high and medium risk of non-compliance with the AML/CFT legislation, while the low-risk entities are subject to precautionary measures and compliance monitoring. The scope of precautionary measures has been extended.

In order to mitigate the ML and TF risks identified in the supervised sectors, the following actions have been taken:

- The new forms of AML/CFT information interaction with the private sector entities have been introduced (through the Personal Account on the official website of Roscomnadzor);
- The new automatic tools for application of the risk-based model through the development of the integrated risk matrix have been incorporated in the Roscomnadzor's unified information system (for planning and conducting AML/CFT inspections);
- It is planned to improve the effectiveness and extend the scope of precautionary measures to clarify the requirements of the AML/CFT legislation; "Warning comes first, sanctioning second" principle applies.
- Measures are being taken to further develop the Roscomnadzor's regulations (e.g. a new draft administrative regulation on conducting supervisory inspections has been developed).

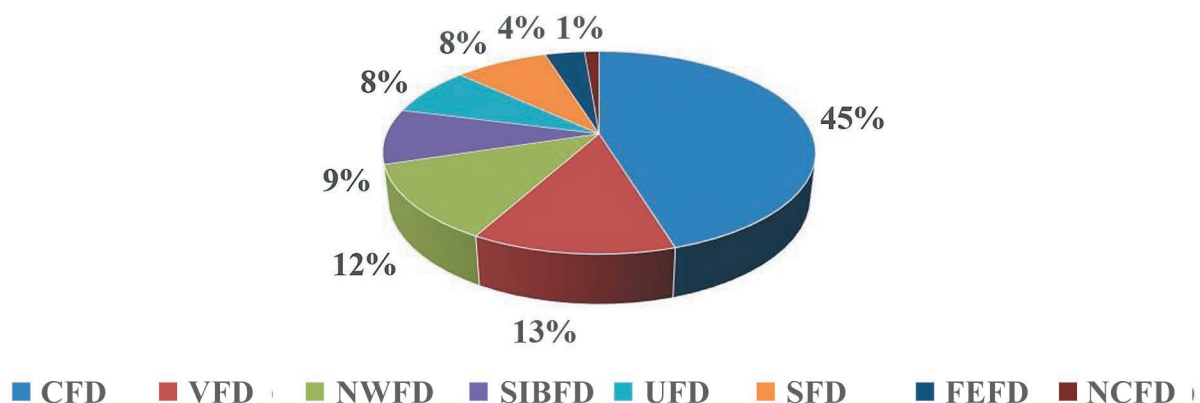
AUDIT SERVICES SECTOR – THE RUSSIAN AML/CFT SYSTEM STAKEHOLDER

In Russia, the audit activities are governed by and are conducted in compliance with the Federal Law on Audit Activity, the International Standards on Auditing, the Auditors and Audit Firms Independence Rules and the Professional Code of Ethics of Auditors. Only audit firms and individual auditors (hereinafter collectively the audit sector entities) are qualified and authorized to perform these activities. Apart from the core audit services, some audit sector entities also provide accounting and legal services as well as other services associated with audit activities. The audit

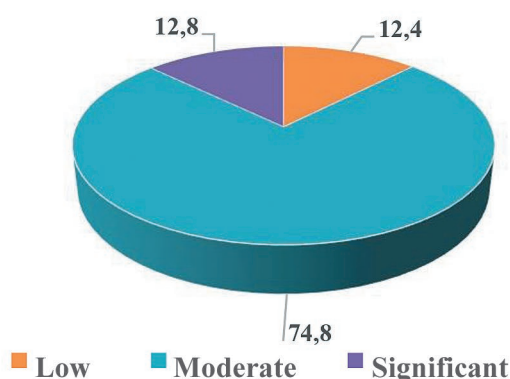
sector entities are prohibited from engaging in any businesses other than provision of audit services and services associated with audit activity.

As of January 1, 2019, 4133 audit firms and 756 individual auditors operated in Russia. According to the national ML risk assessment risks the audit services sector belong to the low ML/TF risk category, mainly due to insignificant volume of dubious financial transactions, low rate of non-compliance with the AML/CFT legislation and little potential damage.

Breakdown of Audit Sector Entities by Federal Districts



Breakdown of Audit Sector Entities by Potential ML/TF Risk Level



The audit services sector is homogeneous in terms of types of performed activities, but is not homogeneous in terms of scope of activities and, therefore, the level of risk exposure varies significantly in different segments of the audit services market. With that in mind, the following categories of the audit sector entities have been identified for AML/CFT purposes:

- Entities exposed to significant risk – audit firms that conduct mandatory audit of accounting (financial) statements of socially significant customers;
- Entities exposed to moderate risk – audit firms that are not engaged in mandatory audit of accounting (financial) statements of socially significant customers; and
- Entities exposed to low risk – individual auditors.

Such categorization in terms of risk level enables to properly structure the monitoring activity and focus on those entities that are exposed to significant risk of non-compliance with the AML/CFT legislation.

The audit activities in Russia are regulated by the Ministry of Finance, Federal Treasury and self-regulatory bodies of auditors.

The main functions of the Ministry of Finance in this area include: development of the government policy; adoption of the regulations; maintaining the state register of self-regulatory bodies of auditors and the master copy of the register of auditors and audit firms that are members of the self-regulatory

bodies of auditors; analysis of situation and developments in the audit services market; and the state control (supervision) over the activities of the self-regulatory bodies of auditors. Besides that, the Ministry of Finance performs the following functions in the framework of the national AML/CFT system:

- Is directly involved in the development of the AML/CFT/CPF legal framework in the audit and accounting services sectors;
- Organizes sectoral ML/TF/PF risk assessments in the audit and accounting services sectors;
- Monitors AML/CFT/CPF activities of the self-regulatory bodies of auditors;
- Provides information to audit firms and individual auditors on AML/CFT/CPF issues;
- Conducts AML/CFT/CPF outreach (workshops, conferences, etc.);
- Promotes friendly environment for developing the AML/CFT/CPF skills of auditors and individuals who wish to become auditors.

The Federal Treasury conducts an independent (from audit professionals) external monitoring of quality of work of audit firms engaged in mandatory audit of accounting (financial) statements of socially significant customers. The self-regulatory bodies of auditors are the non-profit organizations, membership in which is obligatory for auditors and audit firms, established

with the aim of providing for performance of audit activities. At present, the audit sector entities are united into two self-regulatory bodies of auditors – the Russian Union of Auditors (Association) and Sodruzhestvo Association.

In the course of preparation for the FATF fourth round of mutual evaluations, Ministry of Finance, Federal Treasury and self-regulatory bodies of auditors analyzed, jointly with Rosfinmonitoring, the audit services sector from the AML/CFT/CPF perspective. This exercise resulted in the report on sectoral assessment of risks of money laundering and terrorist financing covering auditors sector, which was adopted by the Interagency AML/CFT/CPF Commission on January 25, 2019. The report summarizes and assesses potential threats and vulnerabilities of the audit services sector to ML/TF/PF and identifies measures for mitigating risks of abuse of the sector for ML/TF/PF purposes.

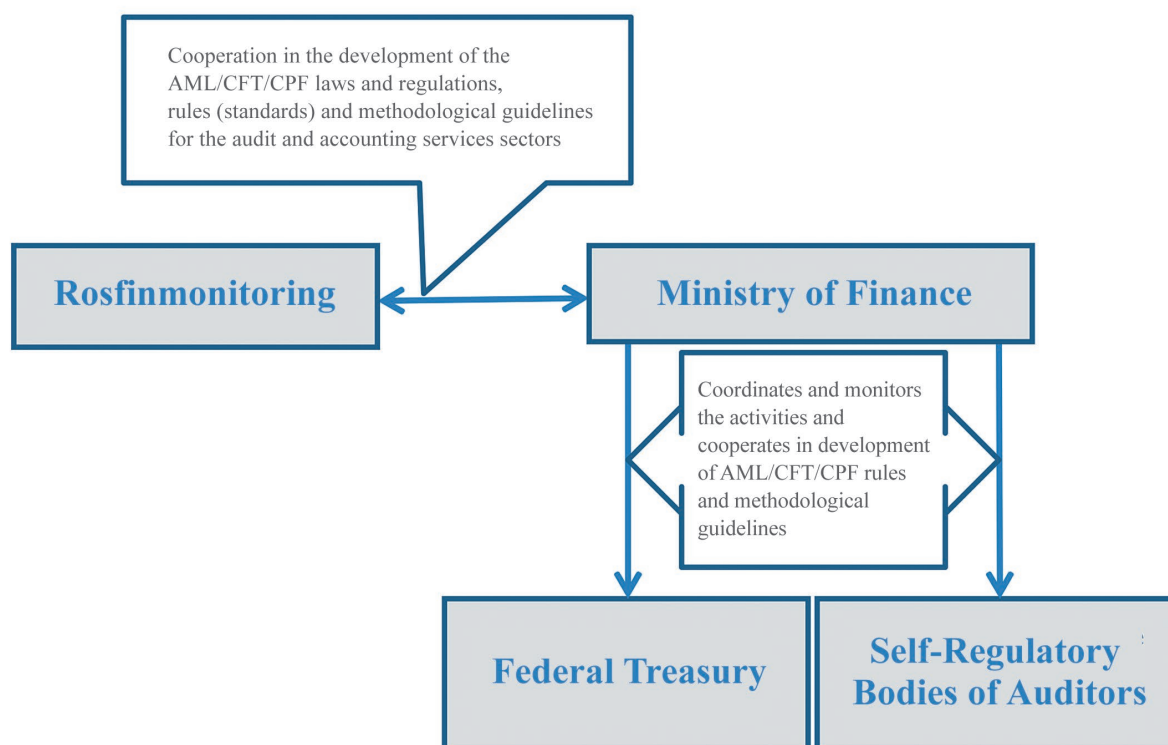
Besides that, in order to further mitigate risks of misuse of the audit services sector for ML/TF/PF purposes and to more actively engage the auditors into the national AML/CFT system, the Ministry of finance

and Rosfinmonitoring developed draft amendments to the legislation, which:

- Oblige auditors to notify Rosfinmonitoring of any suspicions that give grounds to believe that deals or financial transactions of audited entity could have been carried out for ML/TF purposes (Federal Law 112-FZ of April 23, 2018); and
- Specify and clarify the AML/CFT/CPF obligations of audit firms, individual auditors and persons who as business provide accounting services (Federal Law 33-FZ of March 18, 2019).

A set of the AML/CFT methodological documents has been developed. The most important of them include *Methodological Guidance on Consideration of ML/TF Risk by Audit Firms and Individual Auditors in the Process of Provision of Audit Services* (November 2018), *Recommendations for Use of ML and TF NRA Results by Audit Firms and Auditors* (December 2018), and *Methodological Guidelines on Monitoring Compliance with the Anti-Money Laundering, Counter-Terrorist Financing and Counter-Proliferation Financing Legislation* (February 2019).

Role of the Ministry of Finance in the AML/CFT System



The Ministry of Finance, the Federal Treasury and the self-regulatory bodies of auditors have created and maintain special sections dedicated to the AML/CFT/CPF issues on their websites. In particular, the AML/CFT/CPF information materials for auditors are regularly posted on the official website of Ministry of Finance for auditors, including: Annual Recommendations to audit firms, individual auditors and auditors of annual financial statements by business entities; and *New Developments in Audit Legislation: Facts and Comments* and *New Developments in Accounting Legislation: Facts and Comments* Information Bulletins. The model AML/CFT/CPF professional development training program for auditors was developed (December 2018). This program is included in the top priority topics of

mandatory professional development training of auditors in 2018-2019.

The measures have been taken to ensure that all audit firms and individual auditors are provided with the Personal Account on the website of Rosfinmonitoring.

The training and outreach events (conferences, meetings, workshops, round tables, etc.) dedicated to compliance with the AML/CFT legislation are held on a regular basis. For example, a round table on combating money laundering in the process of provision of accounting services was held on November 29, 2018, and a round table on increasing the role of auditors in the AML/CFT system took place on December 6, 2019.

EFFORTS OF THE STATE FUND AND GOKHRAN CONTRIBUTE TO BUILDING UP RUSSIA'S RESERVES

The State Fund of Precious Metals and Precious Stones of the Russian Federation is an important Russia's state reserve. The State Fund of the Russian Federation includes the Diamond Fund, which is the collection of the coronation regalia, unique precious stones, gold and platinum nuggets, art jewelry of historical, artistic, scientific and material value, as well as precious metals and precious stones in various forms

Aleksey Blokhin,
Head of Gokhran's Depository

The Gokhran of Russia provides functioning of the State Fund. The history of Gokhran dates back 100 years, when the State Valuables Depository of the People's Commissariat of Finance (Gokhran) was created by the Decree of Council of People's Commissars in 1920 due to the urgent need for accumulation, storage and accounting of all valuables belonging to the Russian Soviet Federative Socialist Republic.

The Russian Federation has the priority of purchasing precious metals and precious stones from mining companies, which are used for additional replenishment of the State Fund. The State Fund is also replenished through acquisition of unique jewelry of high artistic value made of precious metals and stones.

One of the activities of Gokhran is to accept and register expropriated and abandoned valuables, as well as other valuables transferred to state



GOKHRAN OF RUSSIA

ownership, which are delivered to Gokhran pursuant to the Government Resolution *on Disposal of Property Appropriated by the State*. As part of its efforts, Gokhran implements decisions of judicial or investigation authorities and transfers precious metals, precious stones and items made thereof appropriated by the State to the State Fund.

Gokhran daily receives precious metals and precious stones from all regions of the Russian Federation in the form of wrapped and sealed parcels, which are accepted by a commission in the presence of the authorized representative or the specialized carrier.

The initial reception of delivered parcels is performed without opening the package by verifying matching of the information contained in the supporting and shipping documents with the data indicated on the package. Based on the results of such verification, certificate is filed. It is signed by the authorized representatives of consignor of valuables and Gokhran. Since this moment, valuables are registered in Gokhran, and the responsibility for their safe storage is borne by accountable officers working in independent units of Gokhran.

Parcels with valuables are opened by special commission, and the entire process is continuously recorded on video. After the parcel is opened, its contents are counted and weighted for identifying any potential discrepancies with the data contained in supporting documents. The identified discrepancies, if any, are documented for further notification of the consignor by Gokhran.

After resolving the issues related to the identified discrepancies, the valuables are entered in budgetary accounting records of the State Fund, and the certificate of transfer of valuables to the State Fund, with an indication of their value, is sent to the consignor. Upon receipt of this certificate, the consignor informs the judicial or investigation authority about the results of decision implementation in the established order, and writes off the valuables from its accounting records.

Given the importance of this work, as well as the need to complete it as fast as possible, Gokhran effectively cooperates with the federal executive authorities and institutions that transfer the seized precious metals and stones to Gokhran in addressing not only issues that may arise before or at the moment of items' transfer, but also when conducting further transactions with them.

The government authorities, with which Gokhran cooperates in the most productive and efficient way, include General Prosecutor's Office, Ministry of Internal Affairs and Federal Customs Service of the Russian Federation. Gokhran and the aforementioned government authorities signed the relevant cooperation agreements. The Main



Directorate of the Ministry of Internal Affairs of the Russian Federation for Moscow appointed responsible individuals of Internal Affairs departments across administrative districts for ensuring operational coordination and cooperation with Gokhran.

Because of active cooperation between Gokhran and General Prosecutor's Office, a large amount of abandoned precious metals and stones temporarily stored in both Gokhran and other agencies were appropriated by the Russian Federation and further transferred to the State Fund.

Issues arising during the transfer of precious metals and stones by Federal Customs Service (FCS) and its local agencies to Gokhran and further transactions with them are regulated by the cooperation agreement concluded between these two agencies. This agreement provides for the presence of the FCS representatives not only when parcels are delivered to Gokhran, but also during the opening of these parcels and verifying availability and quantity of valuables contained therein, which enables to document all errors and discrepancies and to promptly resolve all arising issues.

The measures taken in recent years to streamline the work of Gokhran resulted in significant increase in quantity of precious metals and stones transferred to the State Fund, which contributed to the steady growth of Russia's reserves and, hence, to the replenishment of the national budget.

Gokhran is actively engaged in the development of legal framework governing the trade in precious metals and stones. The level of automation of the processes related to transfer of precious metals and stones is continuously increasing, which reduces time required for carrying out all operations and, therefore, expedites the work of Gokhran.

The Gokhran future strategic development plans provide for the expansion of cooperation, *inter alia*, in form of electronic interaction with the federal and regional executive authorities and other institutions on issues related to transfer of precious metals and stones to the State Fund, as well as on other issues arising in the process of Gokhran operation.

As a result of the work conducted by Gokhran, parcels with more than 25 thousand jewelry items made of precious metals and precious stones and

other valuables have been received by Gokhran over the last three years, the total value of which exceeds 2 billion rubles.

After expert examination and evaluation of the incoming valuables in Gokhran, those of them that have no cultural and artistic value are refined into bullions, which are transferred to the state ownership and are further used by the government for making international payments or are sold when necessary.

If the representatives of the law enforcement agencies and other government authorities raise any questions or issues related to reception and transfer of precious metals and stones to the State Fund or in relation to other transactions with precious metals and stones, they can use the detailed information posted on Gokhran official website.

EFFORTS UNDERTAKEN BY FEDERAL CUSTOMS SERVICE FOR FURTHER IMPROVEMENT OF THE RUSSIAN AML/CFT SYSTEM WERE HIGHLY ASSESSED BY THE FATF

Pursuant to the Eurasian Economic Union (EAEU) Law and the customs legislation of the Russian Federation the customs authorities are assigned responsibility for combating money laundering, terrorist financing and financing of proliferation of weapons of mass destruction (AML/CFT/CPF) by exercising control over transportation of cash and monetary instruments across the EAEU customs border, monitoring compliance with the prohibition on movement of certain categories of goods and carrying out foreign currency transactions in the framework of foreign trade activity

These functions are implemented by the customs authorities of the Russian Federation in line with particular Recommendations of the Financial Action Task Force (FATF).

During the preparation for the FATF fourth round of mutual evaluations, special attention was paid to effective use of measures aimed at practical implementation of the FATF international standards.

One of the key elements of compliance with the FATF Recommendations is prevention of financing of terrorism. According to the analysis of international and national practices, the use of cash is one of the methods of financing terrorist activities, which requires the customs authorities to apply the comprehensive approach to implementation of **FATF Recommendation 32 – Cash Couriers**.

To comply with this Recommendation, the customs authorities collect information on movement of cash

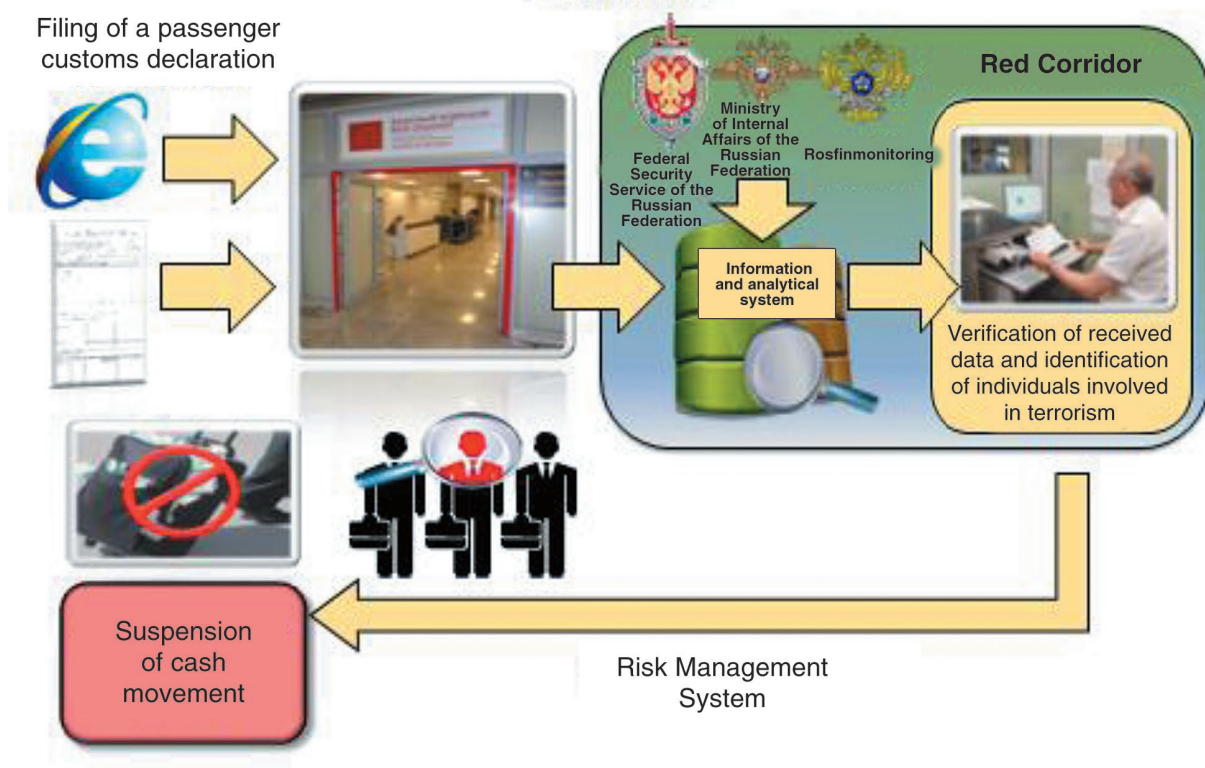
and monetary instruments by natural persons based on the data contained in the passenger customs declarations and disseminate this information to the Federal Customs Service (FCS) on a monthly basis.



On the basis of this information FCS ensures the creation of information resource which contains mentioned information and uses this resource when conducting analytical work aimed at detecting instances of transportation of large amounts of cash (in excess of USD 1mln in equivalent), as well as at identifying the so-called cash couriers.

Information on transported cash and monetary instruments is provided to the law enforcement agencies (Ministry of Internal Affairs and Federal Security Service of the Russian Federation) and Rosfinmonitoring on a monthly basis.

Detection of Cases Related to Transportation of Cash and Monetary Instruments across the EAEU Customs Border by Individuals Involved in Terrorism



Besides, the automated information system used by the customs authorities enables individuals to declare the transported cash and monetary instruments in electronic form and provides for on-line integration of the filed declarations into the relevant database in the automatic mode.

In accordance with the FATF Recommendations, the customs authorities are empowered to suspend movement of cash and monetary instruments by natural persons upon receipt of information on their involvement in ML/TF activities from the law enforcement agencies or from Rosfinmonitoring.

The FCS has arranged uploading of the list of designated individuals to the automated information system used by the customs authorities in the framework of automation of the process for filing passenger customs declarations, so that the customs authorities can properly exercise these functions. This enables the customs authorities to verify the information contained in the passenger customs declarations with the aforementioned list in order to identify and promptly disrupt channels

used for movement of TF-related funds into the territory of the Russian Federation.

By now, the implementation of the provisions of the EAEU Customs Code has been finished. Pursuant to these provisions, individuals are required to provide documents certifying the origin of cash and monetary instruments to the customs authorities in cases prescribed by the law.

According to the Resolution of the Eurasian Economic Commission such documents shall be provided in case of transportation of cash and (or) monetary instruments in amount exceeding USD 100,000 in equivalent across the EAEU customs border since February 1, 2020.

In order to create the effective tool for countering illegal movement of cash and monetary instruments, the liability for their non-declaration or false declaration has been strengthened. The main novelty is criminalization of smuggling of large amounts of cash and monetary instruments (exceeding USD 20 thousand), which entails, inter alia, restriction of liberty for up to 4 years.

The amounts of administrative fines imposed for these types of offences have also been significantly increased - from 2.5 thousand rubles up to twice the amount of non-declared cash and monetary instruments, and the alternative administrative penalty, such as confiscation, has also been introduced.

As a result of the implemented measures, the Russian Federation was rated highly compliant with Recommendation 32 in the course of the FATF fourth round of mutual evaluations.

Apart from implementing FATF Recommendation 32, the FCS ensures the application of AML/CFT/CPF measures in foreign trade activity.

One of the important objectives in this area is to combat illicit financial flows related to foreign trade transactions. The ML national risk assessment which was conducted in 2018 detected a high risk of using fictitious foreign trade contracts by shell companies in ML schemes.

In this context and in line with **FATF Recommendation 1 – Assessing Risks and Applying a Risk-Based Approach**, improvement of the mechanism for

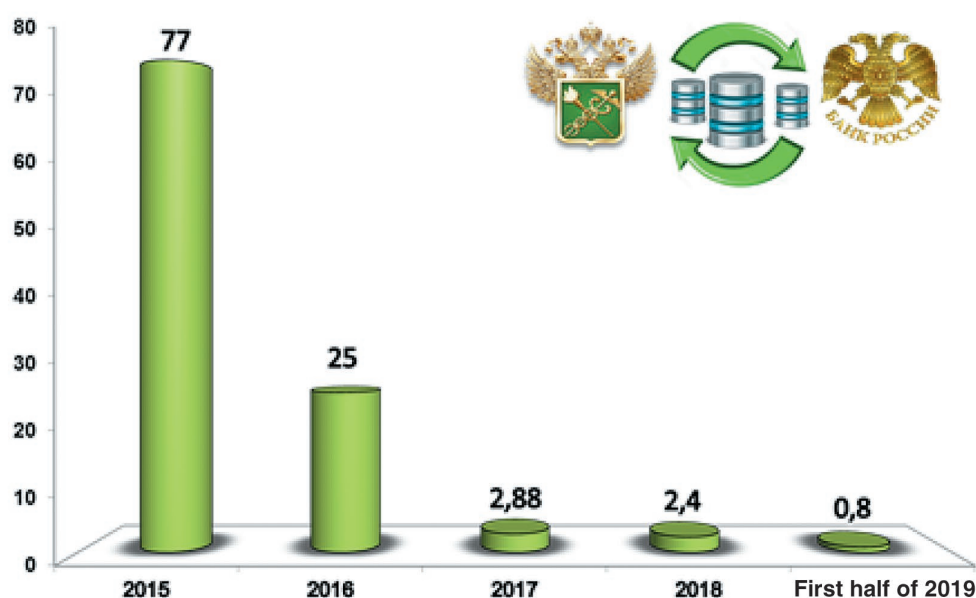
combating dubious foreign trade transactions was included in the public declaration of the FCS goals and objectives for 2019.

Pursuant to the aforementioned Recommendation the FCS regularly takes measures to mitigate the risks of dubious foreign currency transactions, *inter alia*, related to provision of invalid documents to the authorized banks. This work is made in cooperation with the Bank of Russia using AML legislative tools.

The effectiveness of this cooperation is proved by significant decline in volumes of dubious foreign trade transactions carried out with the use of declarations of goods. According to the Bank of Russia, in 2018 the volume of such transactions decreased by more than 32 times compared to 2015. According to the FCS expert assessment a total amount of funds, illegal transfer of which was prevented over the last 3-4 years, exceeded USD 3 billion.

In order to prevent and disrupt criminal activity of shell companies, the FCS has organized transfer of information on legal entities that are in arrears in payments of administrative fines and also on legal entities that are not physically present at their state

Dynamics of Volumes of Dubious Foreign Currency Transactions Using Declarations of Goods Based on the Results of Collaboration between FCS and Bank of Russia, RUR bln (source: Bank of Russia)



registration address or are established through the use of straw men (nominees) to the Federal Tax Service (for refusal of state registration of shell companies or their exclusion from the Single State Register of Legal Entities).

As estimated by the FCS, since 2016, such information interaction with the tax authorities helped to prevent dubious foreign trade transactions amounting to over USD 3.6 billion (including transactions worth USD 1.2 billion in 2019).

Besides, the FCS has prepared a number of legislative initiatives that are reflected in the draft federal law developed by Ministry of Finance, which provides for establishment of entirely new system of monitoring dubious foreign currency transactions aimed at prevention of illicit activities of unscrupulous entities. Enshrinement of this mechanism in the legislation will significantly increase effectiveness of implementing **FATF Recommendation 2 – National Cooperation and Coordination** by the Russian Federation.

For the purpose of developing legal framework of international cooperation in the area of cross-border foreign currency transactions and complying with

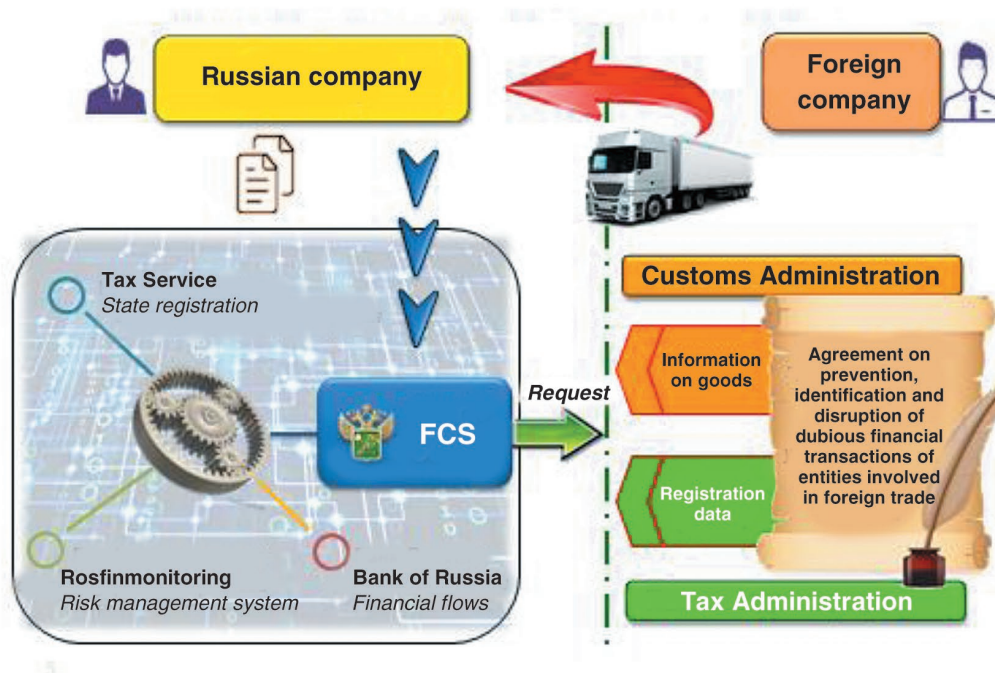
FATF Recommendation 40 – Other Forms of Cooperation, the FCS takes measures to establish the information interaction with the customs and other designated authorities of foreign countries.

The FCS has developed typical drafts of international agreements that provide for exchange of information on declarations of cash and monetary instruments filed by individuals, as well as on dubious financial transactions conducted in the framework of foreign trade activity.

The initiatives aimed at concluding the relevant cooperation agreements are pursued bilaterally as well as on various international platforms under the auspices of the FATF and the World Customs Organization.

The agreements on sharing information concerning declarations of cash and monetary instruments have already been signed with a number of countries, and the documents on cooperation with certain CIS member states in fighting against dubious financial transactions are being finalized. A number of the EU and Latin American states also expressed their interest in signing the relevant agreements.

Diagram of International Cooperation Pursued by Federal Customs Service for Countering Dubious Financial Transactions



In the framework of implementing **FATF Recommendations 6 and 7 – Targeted Financial Sanction Related to Terrorism and Terrorist Financing and to Proliferation**, the customs authorities ensure application of the UNSC sanctions related to prohibitions on movement of certain categories of goods across the EAEU customs border.

The requirements set out in more than 20 UN Security Council Resolutions are implemented in the risk management system of the customs authorities pursuant to which customs examination is conducted, clearance of goods is prohibited or goods are confiscated if necessary.

In addition, the lists of persons against whom the restrictions are imposed by the UN Security Council are also integrated in the risk management system. The FCS has developed the step-by-step procedure that the customs officers shall follow in case of detection of relevant risks.



In 2018-2019, the outcomes of efforts made by the FCS in order to improve the national AML/CFT/CPF system were repeatedly considered on the WCO and FATF platforms and were highly assessed by the representatives of these international organizations.

USING COURT RULINGS IN THE PREPARATION FOR ASSESSMENT OF THE RUSSIAN FEDERATION LAW ENFORCEMENT AGENCIES PERFORMANCE

Evgenia Rebrova,

Head of the Department for Information Resources of the General Directorate for Organizational and Legal Support for Activities of Courts

Participation of the Judicial Department under the Supreme Court of the Russian Federation in the preparation of materials for the FATF mutual evaluations is provided by the powers under Federal Laws No. 7-FZ of January 8, 1998 and No. 282-FZ of November 29, 2007¹.

For the purpose of effective interaction, improvement of the information exchange process and implementation of particular provisions of Federal Law No. 115-FZ of August 7, 2001², Rosfinmonitoring and the Judicial Department concluded an agreement in July 2017.

For the convenience of processing judicial information by the Judicial Department within the scope of its

powers, authorized representatives of Rosfinmonitoring were provided with remote access to the federal repository of statistical information of the «Judicial Record Keeping and Statistics» subsystem of the «Justice» State Automated System of the Russian Federation. Statistical information was introduced in the framework of federal districts for the analyzed range of years. Moreover, in accordance with the Regulation on the Federal Financial Monitoring Service and within the powers to summarize and analyze law enforcement practices, familiarization with not sanitized judicial acts containing personal details of ML/TF criminal cases was organized.



¹ In line with Federal Law No. 7-FZ of January 8, 1998 «On the Judicial Department under the Supreme Court of the Russian Federation» and Federal Law No. 282-FZ of November 29, 2007 «On Official Statistical Accounting and State Statistics System in the Russian Federation», the Judicial Department under the Supreme Court of the Russian Federation as a subject of official statistical accounting is involved in compiling official statistical information on the quantitative indicators of the consideration by federal arbitration courts, federal courts of general jurisdiction and magistrates of cases and materials concerning civil, administrative proceedings and proceedings in cases concerning administrative offences.

Formation of statistical indicators is based on the data of the primary statistical accounting submitted by the Supreme Court of the Russian Federation, supreme courts of republics, territory and regional courts, courts of federal cities, courts of autonomous regions and autonomous districts, military district courts, district arbitration courts, arbitration appeal courts, arbitration courts of constituent entities of the Russian Federation, and administrations of the Judicial Department in constituent entities. Judicial statistical data is official statistical information on quantitative indicators of the consideration by federal courts and magistrates of cases concerning criminal, civil, administrative proceedings and proceedings in cases concerning administrative offences compiled by the Judicial Department under the Supreme Court of the Russian Federation as a subject of official statistical accounting.

² Federal Law No. 115-FZ of August 7, 2001 «On Countering the Legalization of the Proceeds from Crime (Money Laundering) and the Financing of Terrorism»

It should be noted that the applied approach of access to primary data allowed not only to carry out a comparative analysis of dynamics of statistical indicators for a number of years concerning all criminal offences and familiarization with materials supporting judicial statistics, but also to link information on specific judicial cases with the stages of pre-trial and executive proceedings. In its turn, this allowed to fulfill the FATF requirement concerning preparation of detailed examples of sequential law enforcement activities, results achieved and analysis of law enforcement practices.



Amendments to criminal law and legislation on administrative offences are specially controlled in the agency's statistical supervision over court practice and rulings and therefore the statistical reporting forms on the activities of courts in consideration of cases and criminal records are approved by orders of the Judicial Department under the Supreme Court of the Russian Federation annually.

Automated calculation of regulatory statistical reporting forms is carried out on the basis of agreed software algorithms in the special «Justice» State Automated System of the Russian Federation software with the use of relevant regulatory and reference information³.

Consolidated statistical reporting forms, including on persons in respect of which sentences have come into legal force for crimes related to the legalization of proceeds from illegal and terrorist activities, as well as on other offences under the Criminal Code⁴ which may be predicate, are in open access.

In line with Federal Law No. 262-FZ⁵ of December 22, 2008 and the Regulation on posting information on activities of the Judicial Department⁶ on the website of Judicial Department, in «Judicial Statistics» section, such sections as «Regulatory Framework», «Reviews on the Activity of Courts», «Judicial Statistics Data» and «Judicial Statistics Data on Corruption Cases»⁷ are also regularly updated.

In accordance with the National Anti-Corruption Strategy⁸, Judicial Department collects and summarizes primary data of judicial statistics on the number of crimes and persons convicted of corruption-related crimes.

In accordance with the Instruction on keeping judicial statistics⁹, the statistical reporting forms on activities of courts provide for accounting of the number of cases received and considered by the courts. The statistical reporting forms on the outcomes of criminal proceedings following the entry into force of judicial acts provide for accounting of the number of defendants.

³ <https://techportal.sudrf.ru/?id=234>.

⁴ The Criminal Code of the Russian Federation No. 63- FZ of June 13, 1996.

⁵ In line with Federal Law No. 262-FZ of December 22, 2008 «On Providing Access to Information on the Activities of Courts in the Russian Federation», information on court cases in accordance with the Russian Federation law is posted on the Internet, including case numbers, judicial matter, information on participants, stages of court proceedings and judicial acts passed taking into account restrictions on dissemination of personal and confidential information. By means of the «Search for Judicial Acts» publicly available information resource, a service has been organized on the Internet portal of the «Justice» State Automated System of the Russian Federation that allows for contextual search (subject to the selection of information on the topic of interest) by judicial acts of federal courts of general jurisdiction posted on the Internet.

[http://pravo.gov.ru/proxy/ips/?docbody=&nd=102126522&intelsearch=262-%F4%E7](http://pravo.gov.ru/proxy/ips/?docbody=&nd=102126522&intelsearch=262-%F4%E7;);

<https://sudrf.ru>.

⁶ The regulation on the posting information on the activities of the Judicial Department under the Supreme Court of the Russian Federation and Administrations of the Judicial Department in constituent entities on the Internet was approved by Order of the Judicial Department No. 335 of November 2, 2015. <http://www.cdep.ru/index.php?id=301&item=3251>.

⁷ <http://www.cdep.ru/index.php?id=5>.

⁸ The National Anti-Corruption Strategy was approved by Decree of the President of the Russian Federation No. 460 of April 13, 2010.

<http://pravo.gov.ru/proxy/ips/?docbody=&nd=102137438>

⁹ Instruction on keeping judicial statistics was approved by Order of the Judicial Department No. 169 of December 29, 2007. <http://www.cdep.ru/index.php?id=301&item=4428>.

Special lists classifying elements of crime approved by the General Prosecutor's Office and the Ministry of Internal Affairs¹⁰ are used in development of statistical reporting forms on criminal records. In this way, unified requirements for qualification of crimes (special characteristics) are implemented.

The statistical reporting forms on criminal records are compiled on the basis of a statistical card of the

defendant¹¹, which provides for accounting of not only the subjective characteristics of the defendant but also a detailed classification of the imputed charge, the sanctions imposed by the court and the criminal law measures detailing each criminal offence¹².

Access to the federal statistical reporting database is available to any person upon request¹³.

¹⁰ Directive of December 25, 2018 «On introduction of lists of articles of the Criminal Code of the Russian Federation used during the formation of statistical reporting» (General Prosecutor's Office No. 853/11, Ministry of Internal Affairs No. 5), Instruction of July 12, 2019 «On introduction of lists of articles of the Criminal Code of the Russian Federation used during the formation of statistical reporting» (General Prosecutor's Office No. 487/11, Ministry of Internal Affairs No. 1)).

¹¹ Order of the Judicial Department No. 325 of December 21, 2018 «On approval of a statistical card of the defendant». <http://www.cdep.ru/index.php?id=301&item=4957>.

¹² Regulatory statistical reporting forms on the mentioned subject include (Order of the Judicial Department No. 108 of May 30, 2019 «On amendments to the Table and forms of statistical reporting on the activities of courts and criminal records approved by Order of the Judicial Department under the Supreme Court of the Russian Federation No. 65 of April 11, 2017»):

Report on the work of courts of general jurisdiction in considering criminal cases in the first instance;

Report on the work of courts of general jurisdiction in considering administrative offense cases;

Report of courts of general jurisdiction on the amount of damage from crimes, the amount of material penalties in state revenue, the number of decisions on the payment of procedural costs from the federal budget and conduct of expert examination;

Report on the work of courts of general jurisdiction in considering criminal cases on appeal;

Report on the work of courts of general jurisdiction in considering criminal cases under cassational procedure;

Report on the work of the Supreme Court of the Russian Federation in considering criminal cases under the supervisory review procedure;

Information on persons detained in custody, on restrictive measures and their enforcement for corruption-related offences, on those convicted of crimes in the area of entrepreneurial activity and on those sentenced to pay fines;

Report on the work of courts of general jurisdiction in considering criminal cases under particular articles of the Criminal Code of the Russian Federation in the first instance;

Report on the number of prosecuted persons and the types of criminal punishment;

Report on the specifics of criminal proceedings, the use of real types of punishment and the grounds for terminating criminal cases;

Report on the types of sentences for the most serious crime (excluding addition);

Report on the terms of imprisonment and the amount of fines;

Report on the outcomes of criminal trials on corruption-related crimes according to final and binding sentences and other court orders;

Report on the outcomes of criminal trials under individual articles of the Criminal Code of the Russian Federation on sentences and other court rulings that have entered into force, including crimes of a terrorist or extremist nature; Report on the outcomes of criminal trials involving jurors;

Report on the number of persons convicted of all offences under the Criminal Code of the Russian Federation and other persons in respect of whom judicial acts in criminal cases have been passed;

Report on the composition of convicts and the crime scene;

Criminal record report on individual sectors of economy, as well as on persons engaged in entrepreneurial activities;

Report on convicted offenders who have committed crimes as minors;

Information on persons convicted of offences related to illicit trafficking in narcotic drugs, psychotropic substances and their precursors or analogues, potent substances, plants (or parts thereof) containing narcotic drugs or psychotropic substances or their precursors and new potentially dangerous psychoactive substances.

<http://www.cdep.ru/index.php?id=78&item=5010>.

¹³ <http://www.cdep.ru/index.php?id=218>

FATF MISSION VISITED ST. PETERSBURG

In order to demonstrate the effectiveness of the national AML/CFT system, the assessors were invited to visit private sector organizations, as well as to communicate with law enforcement representatives at the site of the Interregional Department of Rosfinmonitoring in the North-Western Federal District



*Igor Loskutov,
Head of the Interregional Department of Rosfinmonitoring
in the North-Western Federal District*

A key element of the FATF business program was the visit of assessors to the Compliance Center of PAO Sberbank, a centralized compliance unit of Russia's largest bank.

Specially highlighted was a joint work of Department and Compliance Center of Sberbank of Russia, which is characterized by the implementation of a number of pilot projects in order to improve the efficiency of detecting suspicious transactions of the bank's clients.

Assessors also visited one of the largest regional banks in the North-West and a credit consumer cooperative.

During communication with law enforcement agencies, the focus was made on the fight against organized crime and the problem of transferring criminal proceeds abroad for the purposes of legalization.

As a demonstration of the system effectiveness, a case study related to prevention of transferring

funds out of Russia was presented in which citizen of both Russia and Estonia, who had previously been the Chairman of the Board of Directors of a bank the license of which had been revoked, set up a channel for transferring funds out of Russia. Following the revocation of the bank's license on April 17, 2015 for non-compliance with AML/CFT legislation, he established such a channel as a natural person, namely, as a manager and founder of non-resident companies registered in Estonia, as well as being registered in Estonia as an individual entrepreneur, he organized the illegal transfer of funds abroad using the accounts of his own non-resident companies.

This financial investigation is proactive. Previously, a financial investigation into the theft of budgetary funds had been conducted. This investigation established an illegal channel for the transfer of funds to Poland using fictitious contracts for the sale and purchase of land worth more than 1.5 billion rubles.



As an example of effective joint work of law enforcement agencies, Rosfinmonitoring and credit organizations the investigation of the terrorist attack that happened in the subway of St. Petersburg on April 03, 2017 was presented.

As part of the implementation of the materials in respect of persons who carried out criminal activities to recruit individuals into terrorist organizations and terrorist financing and also in respect of individuals who have an indirect connection with the organizer of the terrorist attack that took place on 03 April 2017, monitoring procedures in respect of operations with the use of bank cards of the people involved, as well as their further suspension and extrajudicial blocking were established.

As a result of joint work, the main perpetrator was sentenced to 5 years and 6 months of imprisonment for recruitment to the ITO and their financing.

Another issue that was raised in the course of the conversation was the new threats and related risks of the credit and financial system. The Directorate demonstrated its experience in identifying criminal schemes related to the theft of funds through hacker attacks. This work is characterized by active interaction with the FIUs of foreign states, as international cooperation is an essential tool for suppressing ML/TF and investigating crimes. The volume of information exchange with foreign FIUs is constantly growing.

At the same time, it was noted that the intensity of information exchange in the states where we request information almost coincides with those states where financial flow is the most intensive. First of all, these countries have preferential tax treatment and vulnerabilities in the credit and financial system. Recent scandals at ABLV, Danske bank, Nordea, Swedbank confirm this.

In the context of international cooperation, we should not forget about the cooperation on the platforms of EAG and Council of FIU Heads, where new ML/TF risks and typologies are discussed.

The participants of the mission positively assessed the meetings and the organization of the working and cultural program as a whole. During the meeting, the assessors had the opportunity to interact with representatives of Ministry of Internal Affairs, Federal Security Service, Investigative Committee, customs authorities and Prosecutor's General Office.

It took the Directorate more than a year to prepare for the mission reception. At the beginning of 2018, a working group comprised of Directorate's staff members was set up in order to plan and carry out the mission activities in St. Petersburg in cooperation with the Head Office of Rosfinmonitoring. Together with the supervisory authorities, special events were carried out for representatives of the private sector, not only in St. Petersburg, but also in other NWFD entities.



The successful meeting and organization of the mission work in St. Petersburg was the result of the well-coordinated work of all the participants involved in the national AML system.

An extensive cultural program was also prepared for the visit of assessors to St. Petersburg, including visits to the main sights of the Northern capital - the Peter and Paul Fortress, Hermitage and Tsarskoye Selo. In the Peter and Paul Fortress, a

team of assessors took part in the ceremony of the traditional St. Petersburg midday cannon shot and the cartridge case with the memorial inscription on it was solemnly handed over to the assessors a day later.

During the visit to the Piskarevskoye memorial cemetery the guests learned the history of the siege of Leningrad and attended the ceremony of change of the guard of honor at the Eternal Flame.

THE VISIT OF FATF EXPERTS IS AN INVALUABLE PROFESSIONAL EXPERIENCE FOR OUR FINANCIAL INTELLIGENCE SPECIALISTS OF THE VOLGA REGION!

From 11 to 29 March 2019, the Russian Federation hosted the fourth round of mutual evaluations of the Financial Action Task Force (FATF)



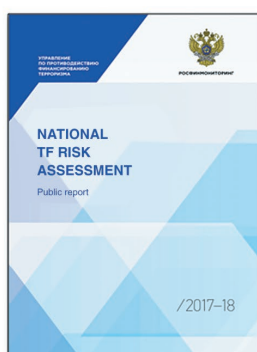
*Victor Tsyganov,
Head of the Interregional Department
of the Federal Financial Monitoring Service
for the Volga Federal District*

The Interregional Department of Rosfinmonitoring for the Volga Federal District had the great honor to receive a FATF visiting mission on its territory. The purpose of the mission's visit to Nizhny Novgorod was to assess the country's implementation of Immediate Outcomes 6 and 9 according to the FATF Methodology. These are mainly the issues related to combating the financing of terrorism. However, given the close interconnection of all immediate outcomes, it was obvious that an interview with assessors would provide them with additional material for assessing the entire AML/CFT system of the Russian Federation. The challenge we faced was not an easy one: to act as a demonstration platform and show not only the regional operation of the AML/CFT/PF system, but also to present the situation in the District as a whole. We understood our enormous responsibility both to the service and to the whole country, and we will not hide the fact that we were a little bit anxious.

In my opinion, professional and well-coordinated actions of the service team, as well as effective interagency cooperation were of great importance for the work done. It should be noted that the preparation for the visit of the mission to the territory of the Volga Federal District had a synergetic effect within the framework of interaction between the authorities and the private sector which resulted in an increase in the interaction issues and its effectiveness. In my opinion, professional and well-coordinated actions of the service team, as well as effective interagency cooperation were of great importance for the work done.

In general, the sense of partnership and the feeling of being part of a complex mechanism activated by a large amount of joint work even caused a feeling that something is amiss when evaluation was completed. And this is not only my opinion! This was openly discussed by our experts.

National TF Risk Assessment



The Interregional Department of Rosfinmonitoring for the Volga Federal District (specialists engaged):

- ✓ Territorial law enforcement agencies;
- ✓ Prosecution authorities;
- ✓ Customs Service;
- ✓ Regional financial institutions;
- ✓ Ministry of Justice.

The purpose of National TF Risk Assessment is to identify the most risky methods and tools applied by terrorists in Russia in order to raise, move or use funds for criminal purposes.

The Office of the Plenipotentiary Representative of the President of the Russian Federation in the Volga Federal District rendered invaluable assistance in preparation for the visit of the FATF mission participants to the territory of the Nizhny Novgorod Region and organizing the interaction of law enforcement agencies, control authorities and supervisory bodies in the Volga Federal District at the highest level.

The Volga Federal District was chosen as a pilot site for holding on February 27, 2018 a joint meeting of Rosfinmonitoring with representatives of territorial bodies. It was the first in a series of meetings aimed at preparing the Russian Federation for the fourth round of mutual FATF assessments in all federal districts of the country. The meeting was chaired by Alexei Mironov, Deputy Plenipotentiary Representative of the President of the Russian Federation in the Volga Federal District.

On December 17, 2018, under the chairmanship of Igor Komarov, Plenipotentiary Representative of the President of the Russian Federation in the Volga Federal District, a key meeting of the Interdepartmental Working Group on Combating Illegal Financial Transactions in the Volga Federal District was also held, which resulted in determining key positions of representatives of agencies planned to be interviewed by FATF assessors and in discussing organizational and technical issues of the mission meeting.

All preparatory activities also took place in close cooperation with the General Prosecutor's Office of the Russian Federation in the Volga Federal District.

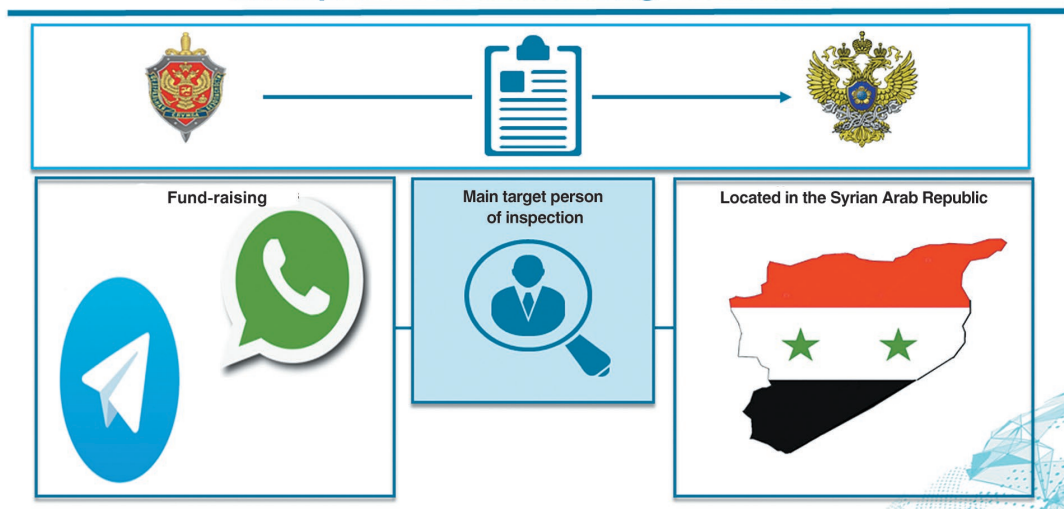
The representatives of the General Prosecutor's Office together with us participated in the meetings of the IWGs and seminars-meetings on combating illegal financial transactions on the territory of the Volga Federal District.

We express our deep gratitude for the trust we have received during the preparation for sectoral ML/TF risk assessments in the sectors of auditors, accountants, notaries and payment acceptance operators, the results of which formed the basis for the National ML/TF Risk Assessment. We have collected materials demonstrating the work of the AML/CFT/PTF system in the Volga Federal District, as well as case studies demonstrating the effectiveness of supervision activities in relation to the private sector, which were presented in the materials prepared for the FATF assessors.

The direct management of the meeting organization by the Central Office of Rosfinmonitoring, as well as the personal contribution of Pavel Livadny, the Secretary of State - Deputy Director of the Service, provided us with truly invaluable assistance in preparing the FATF mission meeting.

I would like to express my special gratitude to Evgeny Mozgov, Evgeny Gileta, Alexander Kuryanov, Irina Kosenok, Oleg Ivanov. These people repeatedly came to our Directorate, held working meetings and training workshops, gave recommendations throughout the preparation for the visit of the mission and directly coordinated our activities during the mutual evaluation conducted by the FATF experts.

Examples of asset freezing decisions



Representatives of the territorial prosecution authorities, Federal Security Service, Ministry of Internal Affairs, Ministry of Justice, Investigative Committee, Customs authorities, Central Bank and Federal Service for Supervision of Communications, Information Technology and Mass Communications participated in interviews with the FATF assessors together with staff of the Central Office of the Federal Financial Monitoring Service and the Interregional Department.

Within the framework of interviewing the issues concerning interaction of the system elements, approaches to emerging risks and efforts, made by the administrative agencies in order to reduce them, were raised. The assessors were also shown examples of effective fight against terrorism financing in the district. To demonstrate their regional activities, law enforcement specialists of the Republic of Tatarstan were invited as interviewees, who, jointly with representatives of the Prosecutor's Office and the Interregional Department of the Federal Financial Monitoring Service, demonstrated examples of work in respect to representatives of cells of international terrorist organizations, as well as in respect to persons who participated in combat actions against government troops in the Syrian Arab Republic.

The efficient work of the employees of the Federal Security Service of Russia in Nizhny Novgorod region and the Federal Security Service of Russia in the Republic of Tatarstan, which they demonstrated during a separate, closed interview, was positively evaluated.

We are very pleased that representatives of the private sector have demonstrated a high level of willingness to interact and awareness of importance of the challenges facing all of us. On the territory of Nizhny Novgorod there was a meeting of expert assessors with employees of Ak Bars Bank, notaries, lawyers, auditors, payment acceptance operators and the Nizhny Novgorod branch of the Russian Post. It is also worth noting that invited organizations from neighboring regions also took part in the interviews with expert assessors, which enabled us to demonstrate the state of affairs both in Nizhny Novgorod itself and in the whole district. In my opinion, the FATF interviews made the deepest impression on the representatives of the private sector and gave them an opportunity to feel the importance of their AML/CFT/PF work.

On behalf of the Department, I would like to thank once again Kirill Lazarin, President of the Nizhny Novgorod Chamber of Notaries, Nikolai Rogachev, President of the Nizhny Novgorod Region Bar Association, Tatiana Lobova, Chairman of the Board of the territorial division of SRO "Russian Union of Auditors" - Director General of "Premier Audit", LLC, Robert Khabibullin, Director of the Unified Settlement Center – "Tatenergo-sbyt".

Summing up, I would like to note that the visit of the FATF mission was an interesting and invaluable professional experience for us, which we are proud of. I sincerely hope that the Interregional Department of Rosfinmonitoring for the Volga Federal District was able to fulfill all tasks and justify the confidence placed in us.

SIBERIA DID A GREAT JOB DURING THE PREPARATION OF THE RUSSIAN FEDERATION FOR THE FATF ASSESSMENT

Large-scale efforts in preparing the Siberian Federal District for the FATF Fourth Round of Mutual Evaluations started on 27–29 March 2018 when a number of events dedicated to the FATF assessment mission were held under the aegis of S. Menyailo, Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District, involving central offices of Rosfinmonitoring, Central Bank of the Russian Federation, Federal Security Service, Ministry of Internal Affairs and Investigative Committee of the Russian Federation



*Sergey Nekrasov,
Deputy Head of the Interregional Department
of the Federal Financial Monitoring Service
for the Siberian Federal District*

ON 27 March 2018, the Siberian Main Department of the Central Bank of the Russian Federation hosted a meeting with representatives of supervisory authorities, private sector, self-regulatory associations and unions operating in the Siberian Federal District entitled “Preparation for the Fourth Round of Mutual Evaluations of the Financial Action Task Force (FATF) in the Siberian Federal District”.

On 28 March 2018, the residency of S. Menyailo, Plenipotentiary Representative of the President of the Russian Federation in the Siberian Federal District, hosted a coordination meeting with representatives of law enforcement agencies and supervisory authorities in the Siberian Federal District. During the Plenary meeting the issue concerning the readiness of government executive authorities and private sector for the FATF assessment mission was considered.

Sectional meetings that were held independently from law enforcement agencies and supervisory authorities addressed the matters of increasing the efficiency of the AML/CFT system and of conducting monitoring and supervisory activities at the regional level.

On 29 March 2018, the Siberian Main Department of the Central Bank of the Russian Federation hosted a meeting of the Compliance Council, while training events (business games) with representatives of law enforcement agencies and supervisory authorities of the Siberian Federal District took place at the Interregional Department of Rosfinmonitoring for the Siberian Federal District.

As the result of the aforementioned events a detailed roadmap for preparation for the visit of the AML/CFT assessment team was drafted.

To implement all adopted decisions, all participants of the AML/CFT system took measures to increase the system's efficiency.

In particular, in order to achieve efficiency under Immediate Outcomes of the FATF Methodology in the framework of preparation for the FATF Fourth Round of Mutual Evaluations, the following measures were taken.

The law enforcement agencies, supervisory and monitoring authorities of the Siberian Federal District, as well as selected representatives of the private sector identified employees who have positive experience of interagency cooperation in AML/CFT area with the aim to provide them with additional training for the upcoming international evaluation. The chosen representatives of the private sector and supervisory authorities attended training, including 19 representatives of the private sector, supervisory authorities and law enforcement agencies of the Siberian Federal District participated in a FATF training workshop that was held in Moscow on 4–5 April 2018.

In order to conduct national ML/TF risk assessment, the law enforcement agencies and supervisory authorities of the Siberian Federal

District organised the collection of relevant information.

Some examples (case studies) of financial investigations that demonstrate the efficiency of the national AML/CFT system were prepared for the FATF assessment team.

The case studies were based on materials of financial investigations in priority areas (corruption, illegal drug trafficking, credit and financial sphere, public procurement, terrorist financing), they also reflect successful cooperation of Rosfinmonitoring with law enforcement authorities of the Siberian Federal District in terms of application of Articles 174 and 174.1 of the Criminal Code of the Russian Federation.

To increase the level of compliance of interagency cooperation with the FATF International Standards prosecutors of the Siberian Federal District, upon the initiative of the Interregional Department, extended their control over those criminal cases which were at the stage of preliminary investigation and which demonstrate the performance efficiency of the AML/CFT system's participants.

At the request of Central Office of Rosfinmonitoring, information concerning the functioning of the AML/CFT system of the Siberian Federal District was prepared. The presented information covered key issues with respect to each Immediate Outcome. Efficiency of the national AML/CFT system is measured by the degree of achievement of such IOs.

The inventory of all interagency cooperation documents from 2013 to 2017 (meeting agendas, protocol resolutions, etc) was conducted. The main goal of this work was to determine the level of attention from participants of the national AML/CFT system to the priority areas of activity associated with primary ML/TF risk areas.

The results of the inventory were used for creating a mathematical evaluation model of threats, vulnerabilities and consequences developed by Central Office of Rosfinmonitoring as part of the "National Risk Assessment through the Lens of Interagency Cooperation" project.

Court decisions concerning AML cases and other criminal cases for 2013–2017 were analysed. In total, in the framework of these activities more than a thousand sentences and appeals were analysed, inter alia, in terms of compensation of damage for victims and the state, as well as the use of materials of the Interregional Department during investigation of criminal cases. The results of the analysis were forwarded to the Central Office of Rosfinmonitoring.

To summarise good practices of complying with materials of the Interregional Department, statistical data was collected and analysed. In particular, cooperation was organised with:

- Territorial departments of Ministry of Internal Affairs in order to obtain information concerning individuals and legal entities involved in criminal activities in the area of trade in precious metals and stones (in furtherance of the resolution adopted at the meeting of the interagency working group on combating illegal financial transactions chaired by the Assistant to the President of the Russian Federation);
- Territorial departments of Investigative Committee in order to obtain information concerning criminal cases initiated under Article 199 of the Criminal Code of the Russian Federation, during the investigation of which (before sentencing) obligatory payments were made in whole or in part;
- Territorial departments of Ministry of Internal Affairs in order to obtain information concerning criminal cases initiated in 2015–2017 under Articles 174, 174.1 of the Criminal Code of the Russian Federation;
- Territorial departments of Investigative Committee and Ministry of Internal Affairs in order to obtain information concerning criminal cases initiated in 2015–2017, during the investigation of which funds and (or) assets of the persons involved were seized in the amount exceeding 1 million Rubles;
- The Novosibirsk District Court in order to obtain information on sentences under which the persons involved were ordered to pay a penalty, as well as information on sentences under which the persons

involved were ordered to pay compensation for damages caused by criminal activities;

- Territorial departments of Federal Bailiff Service of the Russian Federation in order to obtain information concerning imposition of penalties against funds and (or) assets of the persons who were the subjects of inspections by Interregional Department;
- Territorial departments of Federal Security Service in order to obtain information concerning initiated criminal cases related to terrorism and extremism.

All participants of the AML/CFT system in the Siberian Federal District received reports on the national ML/TF risk assessment (public versions).

In cooperation with self-regulatory organisations of auditors, lawyers, notaries operating in the district, departments of the Federal Treasury in the constituent entities and the Main Department of the Ministry of Justice for the Novosibirsk Region, additional measures were taken to ensure that designated non-financial businesses and professions (DNFBPs) comply with the AML/CFT legislation.

Thus, representatives of the self-regulatory organisation “Russian Union of Auditors” and the territorial division of the self-regulatory organisation “Association Sodruzhestvo” took part in the coordination meeting with representatives of the law enforcement agencies and supervisory and monitoring authorities in the Siberian Federal District that was held on 28 March 2018 in Novosibirsk.

In April 2018, a seminar-meeting on preparation of the Russian Federation for the Fourth Round of Mutual Evaluations of the national AML/CFT systems by FATF international experts was held with the self-regulatory organisation “Russian Union of Auditors”.

To involve audit firms and individual auditors into the AML/CFT system, in May 2018, an information letter was sent to self-regulatory organisations of auditors operating in the Siberian Federal District on procedure of providing audit firms and individual auditors with Personal Account on official website of Rosfinmonitoring.

From May 2018 onward, information concerning the involvement of audit firms and individual auditors into the AML/CFT system and concerning the number of audit firms and individual auditors that have been provided with Personal Account on official website of Rosfinmonitoring, has been regularly forwarded to the self-regulatory organisations.

In July 2018, working meetings with representatives of the Department of the Federal Treasury of the Novosibirsk Region and the self-regulatory organisation "Russian Union of Auditors" were held and in August 2018, a round table with the territorial division of the self-regulatory organisation "Association Sodruzhestvo" was organised.

As a result, as of the end of year 2018, 84% of the auditors and audit firms operating in the self-regulatory organisations were involved in the AML/CFT system and were provided with the Personal Account on official website of Rosfinmonitoring.

Similar work was carried out with notaries and lawyers.

In April 2018, the Main Department of Ministry of Justice for the Novosibirsk Region with participation of heads of the territorial departments of Ministry of Justice and presidents of the bar chambers operating in the Siberian Federal District, held a video conference dedicated to the involvement of lawyers in the AML system.

From March to August 2018, all territorial departments of Ministry of Justice actively informed lawyers and notaries about the necessity of their cooperation with Rosfinmonitoring in the AML area and about the possibility to activate their own Personal Accounts on official website of Rosfinmonitoring.

As of the end of year 2018, 1,007 active notaries were registered in the Siberian Federal District. According to available information obtained from the territorial departments of Ministry of Justice and verified by Rosfinmonitoring, almost all notaries interact with Rosfinmonitoring and have activated their own Personal Accounts on official website of Rosfinmonitoring. Almost all notaries were involved in the AML/CFT system.

The involvement of lawyers into the AML/CFT system remained an area of concern in terms of efficiency under Immediate Outcomes of the FATF Methodology.

The territorial departments of Ministry of Justice in cooperation with Interregional Department of Rosfinmonitoring for the Siberian Federal District intensified their efforts in involving lawyers in AML/CFT activities.

Electronic disks with instructions for lawyers about activation of their Personal Accounts on the official website of Rosfinmonitoring and recommendations on how to upload this information to their own websites were sent to bar chambers of the constituent entities located in the district. All the bar chambers posted such instructions on the Internet and brought them to the attention of all practicing lawyers.

Besides, the territorial departments of Ministry of Justice distributed other information and guidance materials (letters, brochures, methodology guidelines) among bar chambers, bar councils, lawyers having a private practice. Information materials were handed over to lawyers when they received legal practicing certificates. Moreover, lawyers were informed by telephone. Thus, each practicing lawyer in the Siberian Federal District was therefore notified of the necessity to activate his/her own Personal Account on the official website of Rosfinmonitoring.

To coordinate interaction with bar associations, working meetings were organised involving heads of the territorial departments of Ministry of Justice or their deputies and presidents of the bar chambers of the constituent entities in the Siberian Federal District.

Representatives of other agencies concerned participated in such meetings in the number of regions.

For instance, in the Altai Republic, a working meeting of the head of the territorial department of Ministry of Justice and the president of the bar chamber of the Altai Republic was held with participation of representatives of the prosecutor's office of the Altai Republic and the Department of the Federal Security Service.

All territorial departments of the Ministry of Justice organized workshops in order to train lawyers.

For instance, specialists of the Department of the Ministry of Justice for the Altai Republic repeatedly visited district bar councils where they informed lawyers of the necessity to comply with the federal AML legislation. In total, 22 training workshops were held for lawyers in the Altai Republic.

From April to August 2018, the Main Department of the Ministry of Justice for the Novosibirsk Region and representatives of Rosfinmonitoring held nine training workshops. Two workshops were held on-site, and visits were paid to bar councils upon the initiative and with participation of the head of the Main Department. During such workshops, lawyers underwent practical training sessions on the methods of creating and activating Personal Accounts on the official website of Rosfinmonitoring, using video materials and computer hardware.

As a result, at the end of 2018, approximately 7% of the active lawyers in the Siberian Federal District were registered in the system.

Under the auspices of the Interregional Department and with the involvement of experts from the law enforcement agencies and judicial and prosecution authorities of the Novosibirsk Region, as well as the Department of the General Prosecutor's Office in the Siberian Federal District, business games were regularly organised in which the results of the national risk assessment were presented and relevant issues related to the preparation for the FATF mission were discussed.

Shortly before the visit of international assessors to Russia, the Interregional Department and experts from the law enforcement agencies had prepared a presentation dedicated to the AML/CFT efficiency assessment so that it could be demonstrated to the FATF assessment team.

Preparations for the assessors' visit were still under way at the beginning of 2019 – by the middle of March, 23 events (training events, business meetings, workshops, sessions) had been held with participation of law enforcement agencies, supervisory authorities, reporting entities and

representatives of DNFBPs at which they clarified the outcomes of the national risk assessment and the requirements of AML/CFT legislation, including the following matters:

- Identification of clients' beneficial owners;
- Risk management when providing services to PEPs;
- Taking action to freeze (block) funds or other property;
- Compliance with UNSC Resolutions related to PF, information on ML/TF risks in their activities has been communicated.

A joint workshop on EAG/APG typologies that was held on 3–5 December 2018 in Novosibirsk played an important role in the preparation for the FATF assessment.

More than 200 representatives from 47 foreign delegations and 16 international organisations related to AML/CFT attended the workshop.

To prepare for the FATF international assessment and to upgrade one's professional skills and competence in AML/CFT area, the Interregional Department invited representatives of the law enforcement agencies, supervisory authorities and the private sector to take part in the workshop. They participated in the following sections:

- Terrorist financing using proceeds of crime, including organised crime;
- Risks associated with digital financial assets;
- Human trafficking and smuggling.

Besides, the administration and employees of local authorities in coordination with Interregional Department of Rosfinmonitoring for the Siberian Federal District made a great contribution to the organisational and financial support of that event. In particular, given the climatic conditions in Siberia, Regional Department of the Ministry of Emergency Situations and district division of the National Guard of Russia provided foreign guests with sets

of cold-climate clothing. Furthermore, divisions of Ministry of Internal Affairs, Federal Security Service and customs authorities organised meetings and accompanied the delegations, ensuring the guests' security during their stay in Novosibirsk.

On 26 March 2019, experts of the Siberian Federal District, namely 36 representatives of law enforcement agencies, supervisory and judicial authorities, as well as of the Interregional Department

of Rosfinmonitoring, took part in a video conference interview with the FATF assessment team.

The interview was focused on achievement of Immediate Outcome 6 in terms of the "Budget" risk area.

Preparation for the FATF assessment mission was extensively highlighted by federal and regional mass media.

EURASIAN GROUP

PROPOSALS FOR CREATING INTERNATIONAL COMPLIANCE COUNCIL HAVE BEEN FORMULATED IN THE CAPITAL OF TATARSTAN

The 5th International Workshop on Public-Private Partnership as a Tool to Increase Efficiency of AML/CFT System, as well as Consultations with private sector took place under the auspices of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) on 26-27 September 2019 in Kazan (Russia)

These events were organized by the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), the Federal Financial Monitoring Service and the International Training and Methodology Centre for Financial Monitoring (ITMCFM).

During the workshop participants discussed the effectiveness of preventive measures, the quality of suspicious transaction reports, application of targeted financial sanctions, best AML/CFT cooperation practices with private sector, innovative approaches and solutions in the area of automation, the use of digital technologies in supervision activities and financial monitoring, and international AML/CFT trends.

Welcoming remarks to the participants came from President of the Republic of Tatarstan Rustam Minnikhanov, EAG Chairman Hao Jinghua, Deputy Plenipotentiary Representative of the Russian President in the Volga Federal District Igor Panshin and Deputy Director of Rosfinmonitoring Galina Bobrysheva.

Rustam Minnikhanov: «Unfortunately, rapidly developing economy of the republic attracts not only potential investors. Hence, AML/CFT efforts are extremely vital... The flows of dirty money are generated in the shadow economy. They try to penetrate almost every type of business activity. In order to ensure the interrupted economic growth and development of the financial sector, it is necessary to change the situation when a significant part of



financial resources is used in illicit transactions... Here in Tatarstan, we focus on the timely detection and fight against the legalization of criminal proceeds, as well as cutting off possible channels and sources of funds used for financing terrorists and extremists... We've achieved tangible results in the fight against financing of extremist groups, in tax sphere and in credit and financial sphere to reduce the shadow economy.»

Representatives of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), South Korea's FIU, and European Bank for Reconstruction and Development (EBRD) acted as experts.

The workshop was attended by more than 130 representatives of FIUs, supervisory authorities, leading experts of the compliance departments of financial and non-financial institutions of the EAG member states and observer countries, as well as representatives of the EAG Secretariat and ITMCFM.

EAG Chairman Hao Jinghua and participants of the workshop emphasised the great practical value of the issues addressed:

- based on the outcomes of the business game algorithm of conducting sectoral risk assessment for financial institutions was developed;
- the experience of Russia's Compliance Council was used to formulate proposals for creating international Compliance Council.

Recommendations were adopted at the end of the forum following the results of the 5th EAG/ITMCFM International Workshop on Public-Private Partnership as a Tool to Improve AML/CFT Efforts and Consultations with private sector.



Recommendations following the results of the 5th EAG/ITMCFM International Workshop on Public-Private Partnership as a Tool to Improve AML/CFT Efforts and Consultations with the private sector

26-27 September 2019
Kazan, Tatarstan, Russian Federation

Participants of the 5th International Workshop and Consultations with private sector underscored the importance of sharing experiences in improving cooperation between supervisory authorities and private sector, providing feedback to improve the quality of suspicious transaction reports, and developing new approaches to the detection of customer activities in high-risk areas, and formulated the following recommendations:

1. To propose to the EAG Plenary meeting to consider the possibility of creating International Compliance Council under the auspices of the EAG in order to promote AML/CFT cooperation between expert and professional communities, share experiences and best practices in application of preventive measures by financial institutions and non-financial businesses and professions, and to facilitate information interaction between EAG FIUs.
2. To submit to ITMCFM for summary, by November 1, 2019, the findings of a survey on EAG private sector cooperation.
3. To propose to ITMCFM to summarize examples of best practices provided by the EAG private sector for preparing the EAG Beneficial Ownership Identification Guidelines.
4. To summarize proposals from the participants of the 5th International Workshop for organizing sectoral ML/TF risk assessments, and to request ITMCFM to develop algorithm for conducting sectoral risk assessment procedure.
5. To continue the discussion of the experience in regulating the sector of virtual assets and ML/TF risks associated with the use of new technologies in the course of workshops and Consultations with participants of private sector.

EXPERTS EXCHANGED VIEWS AT THE EURASIAN FORUM IN KYRGYZSTAN

The Eurasian AML/CFT forum was held from 10 to 12 September 2019 on the shores of the Issyk-Kul Lake, Kyrgyz Republic. The decision to organize the forum was taken during the 30th EAG Plenary meeting, held in May 2019 in Moscow (Russia)

The forum was held under the auspices of the State Financial Intelligence Service under the Government of Kyrgyzstan (SFIS) and the SFIS Training and Methodology Centre in close cooperation with the Eurasian Group on

Combating Money Laundering and Financing of Terrorism, as well as with support from the OSCE Program Office in Bishkek and the UN Counter-Terrorism Directorate. ITMCFM acted as co-organiser of the Forum.



The event was attended by international experts, representatives of international and regional organizations, UN Counter-Terrorism Committee, UN Office on Drugs and Crime, UN SC Resolution 1267 Monitoring Team, UN Regional Centre for Preventive Diplomacy for Central Asia, European Union, Central Asian Regional Information and Coordination Centre for Combating Illicit Trafficking of Narcotic Drugs, Psychotropic Substances and their Precursors (CARICC), The Commonwealth of Independent States Anti-Terrorism Center (CIS ATC), The Regional Anti-Terrorist Structure of Shanghai Cooperation Organization (RATS SCO), Asian Development Bank, Eurasian Development Bank, The Eurasian group on combating money laundering and financing of terrorism (EAG), ITMCFM and Egmont Group, as well as representatives of financial intelligence units and competent authorities from Azerbaijan, Armenia, Afghanistan, Belarus, Iran, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Uzbekistan and Switzerland.

The forum agenda included the following:

- best AML/CFT practices;
- cross-border ML/TF risk assessment;
- FATF Recommendations and Guidance on virtual currencies and their regulation;
- the use of electronic payment instruments and cryptocurrencies in cross-border drug-related payments and money laundering schemes;
- the use of blockchain technology and cryptocurrencies for terrorist financing;
- the connection of corruption, money laundering and terrorism financing with criminal proceeds, including proceeds from organized crime.

The forum, held for the first time, became an informal regional platform for exchanging expert views and informing its participants about the latest results of ML/TF investigations.

AML/CFT EDUCATION AND SCIENCE

ROADMAP PRESENTATION – THE SYSTEMS OF INDEPENDENT AML/CFT/PF QUALIFICATION ASSESSMENT

To facilitate the transition to an independent qualification assessment system for the financial market specialists, the Federal Financial Monitoring Service and the Financial Market Professional Qualifications Board (FMPQB) adopted the Roadmap for the implementation of an independent AML/CFT/PF qualification assessment system



Konstantin Litvinov,
Editor-Observer

The presentation of the Roadmap took place in Moscow on 4 September, 2019, and was attended by representatives of Rosfinmonitoring, Bank of Russia, Ministry of Finance, Ministry of Justice, Roskomnadzor, Assay Chamber, National Qualifications Development Agency, Financial Market Professional Qualifications Board, Association of Russian Banks, Russian Collegium of Auditors and Accountants, International Training and Methodology Centre for Financial Monitoring, institutions and scientific organizations of the INI and financial companies. The presentation included speeches and reports by the Roadmap developers followed by a question-and-answer session.

In his opening remarks to the participants, Deputy Director of Rosfinmonitoring **Vladimir Glotov** identified

the development of personnel training policies for effective national AML/CFT system performance as one of Rosfinmonitoring's top priorities.

V. Glotov: «With the support of the President of the Russian Federation, Rosfinmonitoring, jointly with Ministry of Science and Higher Education, Ministry of Labour and Social Protection, Bank of Russia, Financial Market Professional Qualifications Board and other interested participants, has undertaken a number of initiatives aimed at meeting this priority. To this end, we've established the International Network AML/CFT Institute as a centre for the dissemination of best training practices for higher education institutions, as well as developed and adopted the occupational standards "Financial monitoring specialist" as well as unified financial monitoring specialists' qualification in Eurasia.»



At the same time, as pointed out by the Deputy Director of Rosfinmonitoring, the objective is not only to initiate such projects, but also to assist their implementation and dynamic development.

V. Glotov: *«The enactment of Federal Law No. 238 'On the Independent Qualifications Assessment' has allowed us today to take a fresh look at the financial monitoring specialist, professional qualities and competences as well as applicable qualification requirements. Above all, we had to figure out and formulate the target model that can be formed through an independent assessment of the relevant personnel. The description of the target model allowed us to outline the key steps to be taken to enable the deployment of the entire system. And today, I'm pleased to announce that we've already made some progress in this area.*

On the other hand, during the implementation of the target model, we had to be sure in the continuity of approaches and in a smooth transition for the existing labour market and education institutions. The focus of today's presentation is on the mechanisms and tools needed to launch an independent qualification assessment system for financial monitoring specialists.»

The Chairman of the Financial Market Professional Qualifications Board Alexander Murychev thanked Director of Rosfinmonitoring Yury Chikhanchin and his deputy, Vladimir Glotov, for organizing such an important event dedicated to the implementation of the Law «On the Independent Qualifications Assessment». According to A. Murychev, with the adoption of a legal framework, all state, public and advisory working structures necessary for the implementation of this law were established. A set of occupational standards that forms the basis for the instruments essential for the implementation of the law was developed.

A. Murychev: *«This is a new page in the history of our economy and labour market, because since the collapse of the Soviet Union many elements of the system were lost, including continuous and advanced personnel training. In essence, personnel certification system was destroyed, its proper state supervision wasn't performed. So the initiative on setting up an independent qualifications assessment system represents a major milestone for the country.»*

A. Murychev informed participants about establishment of the AML/CFT Commission within the Financial Market Professional Qualifications Board chaired by him. Representatives of Rosfinmonitoring, Bank of Russia, National Financial Market Council, Russian Union of Industrialists and Entrepreneurs, International Training and Methodology Centre for Financial Monitoring, leading Russian universities from among the participants of the International Network AML/CFT Institute, the academia and other interested organizations participate in its activities. The Commission developed the occupational standard and submitted it for inspection by all leading sector-specific organizations. This occupational standard has since been adopted by the Government of the Russian Federation and is currently being used to evaluate personnel and as a guidance for the labour market. According to A. Murychev, the occupational standard is currently being updated, after it should act as an additional impetus for the advanced training of personnel and passing examinations at qualification assessment centres.

According to the Deputy Chairman of the Bank of Russia **Ruslan Vesterovsky**, the efforts on creating roadmap have been scaled up, transforming it from yet another government initiative into an integrated system that incorporates the infrastructure of educational institutions, the market and government agencies.

R. Vesterovsky: *«The Bank of Russia and Rosfinmonitoring follow parallel roads towards the same goal. I'm confident we can complete this difficult journey. In May 2019, the Bank of Russia, jointly with its colleagues, also prepared and presented its own roadmap, placing at our disposal a huge array of operational and strategic actions. It's important for us to bring our internal qualification system into line with international standards in order to take advantage of the best international practices.»*

First Deputy General Director of the National Qualifications Development Agency Yulia Smirnova underscored the importance of transition to an independent financial monitoring qualifications assessment system. Also she reminded participants to save the date 5 December, 2019 and to visit the 5th Russian National Qualification System Forum.

Yu. Smirnova: *«Today we're discussing the launch of our roadmap, and at the forum which will be held in December, I hope, we will discuss the first results of our activities. To the date, we have created ideal conditions for a rapid adaptation to the newly enacted international and Russian legislative initiatives. Much has been done*

to ensure that all procedures implemented within the national qualification system can quickly find their target audience.»

Deputy Chairman of the Association of Financial Monitoring Professionals Vladimir Godin briefed participants on Association's activities.

V. Godin: *«The capitalization of qualifications is one of the Association's priorities. We're currently working on developing a number of mechanisms whereby the actions performed by any official or a frontline employee during conferences, workshops, etc. are used to validate his qualification and the right to occupy a certain position.»*

The roadmap presentation was made by V. Glotov, V. Godin and the General Director of the Association of Financial Market Participants «Financial Market Professional Qualifications Board» **Diana Mashtakeeva**, who announced the completion of the first phase in developing the roadmap, occupational qualification standards, assessment tools and the independent qualification assessment system support infrastructure.



D. Mashtakeeva: *«Much has been done by us in terms of regulatory changes and putting in place the necessary legal framework. We're currently working on the harmonization and convergence of the educational system and international standards in professional qualification.*

Our global aim is not only in the adoption of independent qualification assessment tools, but rather in determining the qualification requirements applicable to modern

professionals. After all, the methods to meet a certain qualification standard may differ. Already today, the PQB is drafting documents for harmonization of the existing qualification assessment systems both in the educational sector and the labour market.»

Following the presentation, its developers used a video conferencing system to answer more than 50 questions from the audience. This fact proves the effectiveness of this communication format.

ESTABLISHMENT OF AML/CFT TRAINING AND RESEARCH ADVISORY BOARD

Combating money laundering and terrorist financing remains a priority for Russia's AML/CFT system, which brings together representatives of financial institutions, insurance companies, the banking sector, supervisory and law enforcement agencies, and the Federal Financial Monitoring Service



Ella Kalinina,
Project Manager, Department of Education, ITMCFM





The International Network AML/CFT Institute (INI), which universities and research centres have created a unified AML/CFT educational environment, was established in 2013 to train well-qualified specialists for AML/CFT systems. More than 700,000 students, including 3000 AML/CFT students from Russia, are studying at INI's universities.

By combining their efforts and experiences, INI's education institutions and LEA-affiliated universities with AML/CFT departments contribute to the creation of a common AML/CFT educational and cultural framework.

The world has moved on. The rapid speed of technological processes and extension of research-based knowledge scope means that modern AML/CFT personnel need to have outstanding scientific knowledge and rapidly identify risks and threats, staying ahead of criminals, and apply scientific research findings to combat money laundering and terrorist financing.

The AML/CFT Training and Research Advisory Board (TRAB) within the Interagency AML/CFT/PF Commission was established on 15 June 2019 to promote effective cooperation among government agencies, the banking sector, universities and research centres for training personnel for Russia's AML/CFT system. Among its members are representatives of the Presidential Executive Office, Federal Financial Monitoring Service, Ministry of Science and Higher Education, Central Bank, Ministry of Internal Affairs,

Federal Security Service, Investigative Committee, International Training and Methodology Centre for Financial Monitoring, Russian Academy of Sciences, Lebedev Physical Institute of the Russian Academy of Sciences, University of the Prosecutor's Office, National Research Nuclear University MEPhI, Plekhanov Russian University of Economics, and Financial University under the Government of the Russian Federation.

Rosfinmonitoring hosted the first TRAB meeting on 18 September 2019.

As noted in his speech by Deputy Director of Rosfinmonitoring and TRAB Chairman **Vladimir Glotov**, TRAB creation represents the first attempt to join efforts of civil and industry universities in the training of AML/CFT/PF personnel based on the experience and the strong connection between education and science. The immediate aim for the moment is to promote cooperation mechanisms in this area.

Public Service and HR Consultant at the Presidential Executive Office A. Lavrenko read out to the participants of the first TRAB meeting a welcome speech by **A. Seryshev**, aide to the President of the Russian Federation.

Yury Chikhanchin, Director of Rosfinmonitoring and Chairman of the Interagency Committee for Combating Money Laundering and the Financing of Terrorism and Proliferation, thanked the meeting participants for their support in establishing the Advisory Board.

A. Seryshev:

"Dear friends,

On behalf of the Presidential Executive Office and my own, I am pleased to welcome the participants of the first meeting of the AML/CFT/PF Training and Research Advisory Board.

Established on the initiative of the Interagency Working Group on Combating Illicit Transactions, chaired by the Head of the Presidential Executive Office A. Vaino, the Advisory Board has brought together representatives of all agencies concerned, rectors of the country's leading universities, prominent scientists and experts.

The Advisory Board's main goal lies in creation of the unified AML/CFT education, intellectual and economic space and it is key aim for national financial security.

Russia's public and private sectors have already employed over 120,000 AML/CFT specialists and the annual demand of the Russia's AML/CFT system for such personnel estimated at 6000.

It is important for the new generation of AML/CFT specialists to receive modern practical knowledge on the base of all available scientific and educational agencies' potential.

I am convinced that the work carried out by the Advisory Board will allow us to diversify the existing information and experience sharing formats, to apply advanced training methods and techniques and contribute to the adoption of the latest scientific developments in AML/CFT.

I wish you success in your fruitful work and high professional results!»

Yury Chikhanchin: *«Our focus area is characterized by the diversity of tasks and we need to apply multiple approaches to addressing the emerging risks, including of regional and sectoral nature. The*

success of the efforts in developing and introducing a new academic discipline in universities specializing in the training of AML/CFT personnel depends on the support from the Presidential Executive Office, the Ministry of Science and Higher Education, and the Ministry of Finance.»

The Director of the International Network AML/CFT Institute **V. Ovchinnikov** and Director of Lebedev RAS Physical Institute **N. Kolachevsky** also made reports. Representatives of the National Research Nuclear University MEPhI and the Financial University under the Government of the Russian Federation spoke about the challenges to AML/CFT/PF personnel training and existing cooperation with universities affiliated with various military and security agencies.

The RAS Deputy President **T. Khabrieva** supported the idea of TRAB creation. *«We're in a situation where we need to develop a consistent AML/CFT/PF discipline with attraction of all available resources to address this challenge.»*

The Ministry of Science and Higher Education's support and willingness to work together was conveyed by the head of the Department of Strategic Development of Higher Education, **E. Shkabura**.

Participants of the first TRAB meeting endorsed the decision to develop a TRAB activities concept on the ideas articulated by Director of Rosfinmonitoring Yu. Chikhanchin.

To this end, the relevant agencies should work with the Presidential Executive Office, Ministry of Science and Higher Education and Russian Academy of Sciences to set up a working group within the TRAB chaired by the RAS Deputy President T. Khabrieva, tasked with developing a consistent AML/CFT/PF discipline.

The topic discussed at the TRAB meeting is extremely relevant today. National AML/CFT system is in need of top professionals capable of working in constantly evolving conditions. And only by joining together efforts of ministries and departments, state and law enforcement agencies, scientific and banking community and higher education institutions, that are already members of the TRAB or will become later, Russia's AML/CFT system can be supplied with high level professionals.

2ND SCIENTIFIC AND PRACTICAL CONFERENCE OF PARTICIPANTS OF THE INTERNATIONAL NETWORK AML/CFT INSTITUTE “DIGITAL ECONOMY IN THE NATIONAL SECURITY CONTEXT” WAS HELD IN MOSCOW

The National Research Nuclear University MEPhI and Buketov Karaganda State University hosted, November 6, 2019, the 2nd scientific and practical conference of participants of the International Network AML/CFT Institute “Digital Economy in the National Security Context”. The conference, held via video conference, was attended by representatives of Rosfinmonitoring and the International Training and Methodology Centre for Financial Monitoring

This forum is a platform for discussion and analysis of the latest trends and exchange of scientific and practical experiences, ideas and opinions on research and existing practices concerning such relevant topics as digital finance, regulation, education reforms and data security.

In his opening remarks **Vladimir Glotov**, Deputy Director of the Federal Financial Monitoring Services and Director of the Institute of Financial and Economic Security of MEPhI, emphasized: «*This year the double degree programmes in «Economic Security» and «Project Management» has been launched. This is a real breakthrough that contributes to the strengthening of cooperation between partner universities from different countries and to creation of international educational environment. The task of ensuring the security of personal data and end-to-end technologies operation from the perspective of*



information security are priority tasks in the framework of modern digitalization process and reforming not only of information space, but also business models”. As noted by Vladimir Uzhva, Vice-Rector of MEPhI, a leading university within the INI’s cluster, agreements on the use of joint network training programmes allow universities to train junior experts for digital economy who will counter emerging threats to national security.



«The first step taken by us towards the implementation of the double degree programme represents an important milestone in strengthening national security systems of our countries,» pointed Svetlana Karstina, head of the Department of Postgraduate Studies at Buketov Karaganda State University.

professors: «This dialogue between INI's universities enables us, on the one hand, to harmonize our approaches to educational process, and on the other, to promote a diversity of practices and topics.»

After the round table participants continued working within various thematic sections hosted by MEPhI and Buketov Karaganda State University.



According to Anna Frolova, head of Rosfinmonitoring's HR and Anti-Corruption Department, such events promote experience sharing and the emergence of topics and new practices for both students and

Background

The International Network AML/CFT Institute is a modern scientific and educational consortium comprising universities and scientific and educational centres of the Russian Federation, member states of the Commonwealth of Independent States and the Eurasian Group on Combating Money Laundering and Financing of Terrorism.

NEWS BLOCK

New Development Bank's Conference in China

The New Development Bank (NDB) hosted the 3rd conference on FinTech & RegTech in Shanghai (China) on 28 – 29 October 2019. The conference was attended by delegations of financial intelligence units and central banks from BRICS member states, representatives of the private sector, as well as delegates from the EAG, Interpol and the IMF

The Russian Federation was represented by Rosfinmonitoring, RAS Lebedev Physical Institute and the Consulate-General of Russia in Shanghai. In their keynotes delegates highlighted the main challenges related to new financial technologies and associated emerging risks, including ML and TF.

The conference was opened with welcoming remarks from NDB President N. Kamath and the FATF President Liu Xiangmin, who highlighted the effectiveness of the Russia's AML/CFT system and successful adoption of the mutual evaluation report in October 2019.

Conference participants underscored the importance and relevance of the efforts to develop

new financial technologies, including those related to artificial intelligence, digital identity, blockchain and big data, which will require a closer attention to their regulation.

The event's importance for the New Development Bank was also underscored by its desire to join the FATF as an observer, which requires compliance with certain criteria set by this organization.

During bilateral meetings with the NDB management, the Russian delegation urged the bank to concentrate on provision of technical assistance to the EAG member states, as well as to focus on AML/CFT scientific research activities, including through the involvement of Russian academia.

Victoria Osmerkina's Art Exhibition

In October, Rosfinmonitoring hosted a new art exhibition. The walls of the famous ramp of La Corbusier's building on Myasnitskaya Street were hanged with paintings of Victoria Osmerkina, a descendant of the famous painter A. Osmerkin from the "Knave of Diamonds" society and sculptor Z. Ryleeva

Victoria is a member of the Moscow Union of Artists, the Union of Russian Artists, and the International Art Fund. Since 2009, she has actively participated in numerous

exhibitions, including «World of Painting and Sculpture» at the Central House of Artists; «Teachers and Students» at the International Art Fund; «Cherchez La Femme» at Nagornaya



Gallery, «Trio on Tverskaya» at the Moscow Union of Artists exhibition hall, «The Kremlin in Moscow Artists' Etudes,» and also she had two solo exhibitions. They are: «My Kaleidoscope» at Chernyavskaya's Art Gallery in Maloyaroslavets and «The Heart Remembers...» at Belyaev gallery.

Victoria Osmerkina's paintings can be found in a number of museums.

In her current work at the children's art school «Youth,» Victoria designs theatrical and stage costumes for young artists. She also teaches at the calligraphy studio «Burkvitsa.»

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