



Project Title:	Project against Money Laundering & Terrorist Financing	
Project Number:	206/126-126	
Country:	Russian Federation	
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## 1 PROJECT SYNOPSIS

Project Title:	Protection against Money Laundering & Terrorist Financing
Project Number:	2006/126-126
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Project objectives: The overall objective of the Project is **to contribute to the prevention and control of money laundering and terrorist financing in the Russian Federation in accordance with European and other international standards and best practices.** The specific objective is **to enhance the human capacities of key institutions of the anti-money laundering system of the Russian Federation (Rosfinmonitoring, judiciary, prosecution, law enforcement and financial sector).** This includes the improvement of the legislative basis on which these institutions operate.

Planned outputs: **Output 1:** Legislation of the Russian Federation more compliant with all applicable European and international standards; and, the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (ETS 198) ratified and applied in practice.

**Output 2:** The Rosfinmonitoring training strategy elaborated and implemented.

**Output 3:** The AML/CTF Training Centre further developed.

**Output 4:** The law enforcement agencies, and in particular the Ministry of Interior and Federal Security Service as well as prosecutors and judges, have their training plans in investigating and treating money laundering and terrorist financing cases in line with international standards and are able to implement them.

**Output 5:** Regulators and supervisors of the financial and legal services sector supported in elaborating and implementing training plans in countering money laundering and terrorist financing including national legislation and international standards and best practices.

### **Synopsis of Project Activities:**

The project objectives will be achieved utilising a number of delivery mechanisms including:

- Provision of expert advice and opinions;
- Study visits to other C of E Member States;
- Roundtables and seminars;
- Workshops;
- Internships in the relevant bodies of the C of E Member States;
- Training Courses;
- Research;
- Translations;
- Publication and dissemination of texts and/or audiovisual CD-ROMs.

#### **2.1 Introduction and start up activities**

Although the project officially began in January 2007 there were no substantial activities until the later part of the 1<sup>st</sup> quarter when project staff could occupy the project offices, the time being spent on administrative issues both in Moscow and Strasbourg.

2.2 The **1<sup>st</sup> quarter** period to end of March was primarily concerned with the preparation of the inception report, the identification and appointment of staff, the refurbishment of project office premises, the updating of office and IT equipment, establishing a mechanism to provide the project team with funds, and planning for first operational meeting with the senior management of the beneficiary organisation.

2.3 The **2<sup>nd</sup> quarter** period to end of June was primarily concerned with the organisation of the start-up meeting at the EC Delegation premises and the holding of a coordination meeting with the beneficiary. The coordination meeting also served as a closing meeting for the Moli-Ru PAP and the CFT Guidelines were publicised. Also, during this period, the Long Term International Expert was identified and recruited, as was a project assistant. Discussions continued with the beneficiary and the ITMC as to allocation of responsibilities and the agreeing of an overall work plan and schedule for activities until end 2007.

2.4 The **3<sup>rd</sup> quarter** period to end of September was primarily concerned with assisting Rosfinmonitoring and the ITMC with the conduct of a number of regional seminars for law enforcement, prosecutors, regulators, supervisors, and the financial services sector. These seminars were designed to brief the participants on the forthcoming FATF mutual evaluation process of the Russian Federation and to further raise awareness of the international standards and best practices in relation to AML/CFT work. Project team involvement included the team leader making presentations on international standards at seminars held in: Central Federal District - Moscow [18 July & 24 July]; Privol'skiy Federal District - Nizhniy Novgorod [8 & 9 August]; and Siberian Federal District - Irkutsk [23 & 24 August]. The leading Russian expert to the project participated in the seminars held in South Federal District - Rostov-on-Don [16 & 17 August]; North West Federal District - Kaliningrad [28 & 29 August]; and Central Federal District - Moscow [19 Sept]. In addition the project facilitated the participation of a leading AML expert from Sweden who is also a practising member of the judiciary to brief members of the Russian judiciary present at the final seminar in Moscow.

- In addition, the Team Leader had a meeting with UK Financial Services Authority to discuss assistance to project on 13 July in London and met with the TACIS monitoring team on 26 July in Moscow.
- 2.5 In order to utilise project funds as economically as possible the project team took advantage of their presence in the regions to begin the process of assessing the specific training needs of the inter-regional offices of Rosfinmonitoring and their law enforcement partners. Within the margins of each seminar representatives of all agencies and organisations were canvassed as to their particular training needs and the most pressing crime issues specific to their individual regions. This work was continued by way of desktop research during the 4<sup>th</sup> quarter reporting period.
- 2.6 The 4<sup>th</sup> **quarter** period to end of December 2007 was primarily concerned with the continuation of provision of support to the Rosfinmonitoring during the FATF evaluation process, the co-organising of a major seminar on confiscation issues in Siberia, the organisation of a two country study visit, meetings with the new senior management of Rosfinmonitoring, and the holding of the first meetings of the Legal Working Group and Steering Group in Brussels.
- 2.7 The seminar on confiscation in cooperation with Duma and Altai University was held in Barnaul, Siberia on 3-5 October 2007. In excess of 70 persons attended and the project facilitated the attendance of international experts from Belgium and Europol. The study visit on 8 -11 October to Prague and Vienna was undertaken by Rosfinmonitoring analytical staff from Moscow and the Inter-Regional Offices to experience the working practices of the Czech and Austrian FIUs and to see the work of UNODC – Global Programme Against Money Laundering, and Organisation for Security and Cooperation in Europe [OSCE]. On 23 November the project team leader held a meeting with the new head of Rosfinmonitoring, Oleg Alexandrovich Markov, to appraise him of the project work plan and the range and scope of activities foreseen within it. On 28 November the project team leader held a meeting with the head of the North West Inter-Regional Office of Rosfinmonitoring in St Petersburg to discuss regional priorities that could be the subject of major international seminar during 2008. On 12-14 December the long term advisor to the project gave a presentation to the 8<sup>th</sup> Moscow International Banking Forum of Russian Banks organised by the Association of Russian Banks. On 18 December the first meeting of the legal working group was held at the premises of the Belgian FIU in Brussels during which the international experts from the UK, Belgium, Sweden, and the Netherlands discussed with their Russian counterparts specific legal definitions that were proving difficult to transpose into Russian legislation. On 19 December, the first meeting of the Project Steering Group was held in Brussels attended by senior representatives of the primary beneficiary, Council of Europe, and European Commission and observed by international experts from the United Kingdom and the Netherlands.
- 2.8 The 5<sup>th</sup> **quarter** period to end March 2008 was primarily concerned with further developing the relationship between the project and the ITMC by undertaking a number of joint training workshops for representatives of the law enforcement agencies of the Central Federal District. The long-term advisor to the project participated in five one-day events by providing training on the development of the AML/CFT system in the RF and on existing international AML/CFT standards. In total 88 officers from the Ministry of Interior [police] and Narcotics Control Department were trained. In addition, following

- each event the participants were provided with a further day's training in the premises of the ITMC utilising a computer based training [CBT] resource procured with the assistance of the project.
- 2.9 Other activities of note this reporting period were the establishing of contacts with the General Prosecutor's Office and academy regarding their participation in the project, and discussions with the Association of Russian Banks about the holding of joint seminars dealing with their members' priority AML/CFT compliance issues. In addition, the project team participated in a seminar with the Supervision Department of Rosfinmonitoring aimed at leasing company agents and supervisors during which 68 persons were trained.
- 2.10 On 18 March a seminar for 60 representatives of Rosfinmonitoring, law enforcement agencies, and General Prosecutor's Office of the Central Federal District was conducted in Moscow on 'New trends in money laundering and terrorist financing' during which speakers from the Netherlands, United Kingdom, and Sweden participated at the invitation of the project.
- 2.11 The **6<sup>th</sup> quarter** to end June 2008 was primarily concerned with furthering the outreach to those sectors that have not been fully engaged by the project to date viz., General Prosecutor's Office, Ministry of Interior, Association of Russian Banks, and the State Duma. In addition, four training courses were developed for the benefit of Rosfinmonitoring and the ITMC on: New trends and typologies in money laundering / terrorist financing; Islamic Financial Instruments; laundering the proceeds of corruption; and new financial instruments for money laundering and terrorist financing. With a decision having been made to include an extra output on corruption, the project team was involved in three extra-curricular roundtables on these issues. Within this reporting period in excess of 1,200 persons were trained in a variety of topics as a direct consequence of project activities.
- 2.12 On 8-9 April a presentation on money laundering / terrorist financing and on the activities of the project was given to 40 senior EC and Ministry of Interior officials within the framework of the EU-Russia Cooperation Dialogue at the EC Delegation offices in Moscow. On 8-11 April 12 analysts from Rosfinmonitoring and the Ministry of Interior took part in a study visit to the Netherlands and met with the Dutch FIU and Europol. On 22 and 23 April 80 persons were trained during two workshops conducted with the General Prosecutor's Office and State Duma on confiscation issues. On 29 April 120 persons were trained during a joint Moli-Ru-ARB international seminar on interaction between the regulatory authorities and the financial institutions.
- 2.13 On 14 May the second project Steering Group meeting was held at Rosfinmonitoring headquarters. The 4 training courses mentioned above were delivered to the ITMC and Rosfinmonitoring senior management and further exploratory meetings were held with the MVD and ARB.
- 2.14 On 15 – 16 May a training seminar attended by 49 persons was held in St Petersburg for training Rosfinmonitoring staff from all inter-regional offices engaged in supervisory activities.

- 2.15 On 25 June, the project team participated in an AML/CFT workshop for the Pawn Shop industry in association with the ITMC during which 28 persons were trained. On 26-28 June, in cooperation with the Ministry of Interior Academy in Nizhniy Novgorod, a seminar was conducted on new trends in money laundering and confiscation during which 800 persons were trained.

### **3. Summary of project planning for the next quarter [July - September 2008]**

The priority for the next reporting period is to meet with the new head of Rosfinmonitoring and gain his support for the project and its further activities. The FATF/EAG/MONEYVAL mutual evaluation process will be concluded by the end of July and it is hoped that Rosfinmonitoring will be able to dedicate more time and resources on support for the project. The report has identified a number of areas where the Russian Federation needs to improve its response in various degrees to AML/CFT and the authorities are required to report on their progress in addressing these issues by June 2010. The project team will need to ensure that the planning of future activities takes the report's finding into consideration and ensure that some of the deficiencies are addressed each time otherwise the beneficiary may consider our work at best not a priority, and at worst an irrelevance.

With the holiday period within the forthcoming reporting period the emphasis will also be on the development of publications and continuing the dialogue with the MVD Academy in Nizhniy Novgorod to develop a national distance learning based AML/CFT course. In addition, seminars on law enforcement cooperation and supervision in Ekaterinburg and compliance by the financial sector in Moscow are also envisaged.

### **4. Project activities & outputs April 2008 – June 2008**

#### **4.1 Start-Up Activities** Complete.

#### **4.2 Output 1**

The project team have extended a written invitation to Rosfinmonitoring to hold a second meeting of the Legal Working Group to examine the text of legal instruments that are needed to be improved to comply with international standards or alternatively to forward the material in written format for appraisal by the EU experts. Two meetings with the General Prosecutor's Office and State Duma were undertaken dealing with confiscation issues.

#### **4.3 Output 2**

A study visit to the Netherlands [Europol & Dutch FIU] for Rosfinmonitoring and MVD analysts was undertaken in April.

#### **4.4 Output 3**

Four training courses were developed for use by the ITMC and the project team participated in a workshop for the Pawn Shop sector in June.

#### **4.5 Output 4**

Two meetings with senior management of the MVD were undertaken to gain their active support and participation in project activities. In addition, a seminar on new AML trends and confiscation was held in June in cooperation with the Nizhniy Novgorod MVD Academy attended by 800 persons. Dialogue has also been started with the director of training for the project to assist in the development of a e-learning AML/CFT training course.

#### **4.6 Output 5**

A number of meetings have been held with the ARB to organise joint activities for their members including the annual international compliance conference to be held in Spain in early October 2008. In April, a seminar was co organised with them on international compliance issues attended by 120 persons. Discussions have also been made with the Luxembourg ATTF training centre to provide two training courses for the banking and regulatory sectors. In May a seminar for Rosfinmonitoring supervisory staff was conducted in St Petersburg with 49 persons attending.

### **5. Project Team Activities April 2008 – June 2008**

#### **5.1 April 2008**

- Meeting with senior management of Rosfinmonitoring
- Meeting with deputy director ITMC re training strategy

#### **5.2 May 2008**

- Meeting with Head of Rosfinmonitoring
- Meeting with Mr. M. Terekhov, Head of Bureau of Economic Security, MVD
- Steering Group Meeting
- Meeting with ARB

#### **5.3 June 2008**

- Two meetings with ARB
- Meeting with senior management of ITMC
- Team Leader met with representatives of Scottish Fisheries Protection Agency, Edinburgh to research illegal fishing and money laundering controlled by Russian organized crime
- Team Leader attended FATF Plenary meeting, London, 16-20 June to witness the Russian Federation mutual evaluation report discussions

### **6. Conclusions**

During this reporting period, by agreement the project team has continued to work less with the primary beneficiary due to their continuing involvement and pre-occupation with the forthcoming FATF evaluation of the Russian Federation. Despite this, the project has been involved in ten activities resulting in over 1,200 persons receiving training.

In addition, there has now been a specific request from the MVD Academy to engage with them on a long-term project to develop an e-learning training course that can be accessed by law enforcement officials throughout the country.

### **7. Annexes**

- Report on workshop with the EC Delegation - Moscow, 8-9 April
- Report on workshop with Prosecutor's Office - Moscow, 22 April



- Report on roundtable with Duma – Moscow, 23 April
- Report on international seminar with ARB– Moscow, 29 April
- Report of Steering Group meeting – Moscow, 14 May
- Report on seminar with Rosfinmonitoring – St. Petersburg, 15-16 May
- Report on workshop with ITMC – Moscow, 25 June
- Report on seminar with MVD Academy – Nizhniy Novgorod, 26-28 June

**8. Project planning for next reporting period**

The following activities are forecast for the reporting period July - September 2008 subject to the agreement of the beneficiary.

**8.1 Output 1:**

No specific activities planned at time of reporting.

**8.2 Output 2:**

A seminar on law enforcement cooperation and supervision of the financial services sector in Ekaterinburg is scheduled for end August,

**8.3 Output 3:**

The ITMC had organized a number of workshops for law enforcement agency and Rosfinmonitoring staff during the last quarter and the project team had been invited to assist in their delivery. However, all training activity by the ITMC was cancelled during April and May and only one workshop was conducted in June for the Pawn Shop sector and Rosfinmonitoring. Attempts will be made to obtain definite plans and a full schedule of activities from the ITMC as soon as possible.

**8.4 Output 4:**

Further dialogue with the MVD academy in Nizhniy Novgorod will be undertaken to develop an e-learning AML/CFT course. Further attempts will be made to engage the General Prosecutor's Office and Judiciary for training activities.

**8.5 Output 5:**

A conference on FATF SRVII [wire transfers] and Recommendation 21 [non-cooperating territories] in cooperation with the ARB is scheduled for early August.