



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

Project Title:	Protection against Money Laundering & Terrorist Financing
Project Number:	2006/126-126
Country:	Russian Federation

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 1st quarter when project staff could occupy the project offices, the time being spent on administrative issues both in Moscow and Strasbourg.

2.2 The **1st 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 **2nd 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 **3rd 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 will be continued by way of desktop research during the remainder of 2007.

3. Summary of project planning for the next quarter [October – December 2007]

The priority of the primary project beneficiary [Rosfinmonitoring] for the remainder of the year remains the preparation for, and undertaking of, a joint FATF / EAG / Moneyval evaluation of the RF. This will involve a great amount of work from Rosfinmonitoring staff in responding to the evaluation questionnaire and will include in-country visits by the evaluation team in September and November. These visits will include time in a selection of the regions of the RF meeting with various representatives of law enforcement agencies, Rosfinmonitoring, regulators & supervisors, and the financial sector. This will undoubtedly impact on the delivery of project activities within this period.

Another factor that may have an adverse impact on the project is the recent appointment of the Head of Rosfinmonitoring as Prime Minister of the Russian Federation. A consequence of that appointment is the transfer of senior managers to work with him thereby creating a vacuum in knowledge of the project and its objectives. A key objective will be to meet with the new senior management as soon as possible in order to gauge their commitment to continuance of the project and this will be undertaken during a Steering Group meeting scheduled for mid December.

More immediate and concrete project activities forecast for the coming reporting period include a seminar on confiscation in cooperation with the Duma in Barnaul, Siberia from 3-5 October; a study visit to the Prague, Czech Republic and Vienna, Austria to meet with the national FIU, UNODC-GPML, and the OSCE from 8-12 October; the inaugural meeting of the working group on legal issues [TBA]; and the first Steering Group meeting [TBA].

In addition, as stated above work will continue on identifying the specific regional training needs in order that a schedule of activities can be organised for 2008 / 2009 to address them. This may include further regional visits by the project team to St Petersburg, Ekaterinburg, and Khabarovsk although it is unlikely that all will be achieved within the reporting period.

The first meeting of the project Steering Group will be held in Moscow during this quarter.

4. Project activities & outputs July 2007 – September 2007

4.1 Start-Up Activities

All project team staff are now recruited and the office premises are occupied with telephone and Internet facilities installed. Some portable IT equipment and software still needs to be purchased and installed but this is not a priority issue at this time. The primary concern is the lack of funds available to the project team for use as office running costs due to the lack of any mechanism to enable these funds to be transferred from Strasbourg. Unless the situation is resolved quickly the office will cease functioning as at the moment it is only being managed by the goodwill of the office staff using their own funds and resources to do so, and of course this is clearly unsustainable and inappropriate.

4.2 Output 1

The UK Assets Recovery Agency, Belgian FIU, Europol, and Swedish Administrative Court have indicated their willingness to participate in the project by being members of the Legal Working Group. Further discussions have been initiated with the beneficiary to identify and invite representatives from appropriate RF institutions to take part. It is hoped that the make-up of this group will be resolved very soon.

4.3 Output 2

In cooperation with the ITMC, the project team assisted in the delivery of seven regional seminars on international standards for Rosfinmonitoring staff of the inter-regional offices. The objective was to train the participants in the understanding of existing International and European Standards stemming from 40+9 FATF recommendations, Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, new EU AML/CFT initiatives, and various international evaluation methodologies, namely FATF, UN, IMF.

4.4 Output 3

See 4.3 above.

4.5 Output 4

On 7 August, a meeting was held with nine officers of the senior management at the MVD Academy, Nizhniy Novgorod. The objective was to ascertain areas of interest to the academy that could be dealt with under the Moli-Ru project plan. Team Leader gave a presentation on the project work plan and answered questions from the participants. Academy staff undertook to supply a written response with proposals for joint work by end September.

4.6 Output 5

See 4.3 above

5. Project Team Activities July 2007 – September 2007

5.1 July 2007

- Meeting with UK Financial Services Authority
- Meeting with TACIS monitoring team
- 2 seminars conducted

5.2 August 2007

- 4 seminars conducted

5.3 September 2007

- 1 seminar conducted
- Project management meeting for project team in Strasbourg 3&4 September

6. Conclusions

The activities during this reporting period have been undertaken to prepare for the undertaking of the TNA within the regions of the RF and to establish links between the project team and beneficiaries. It is clear that the ITMC have a major role to play in the development of training for all institutions within the AML/CFT system and the project team will need to work closely with them. Accordingly, much effort is being invested in determining the priorities and strategies of the ITMC and building effective working relationships with the senior management.

7. Annexes

- Report on seminar – Moscow, 18 July
- Report on seminar – Moscow, 24 July
- Report on seminar – Nizhniy Novgorod, 8 & 9 August
- Report on seminar – Rostov-on-Don, 16 & 17 August
- Report on seminar – Irkutsk, 23 & 24 August
- Report on seminar – Kaliningrad, 28 & 29 August
- Report on seminar – Moscow, 19 September

8. Project planning for next reporting period

The following activities are forecast for the reporting period October - December 2007. In general, the focus will be on continuing the research to identify the specific regional training needs and to develop appropriate solutions.

8.1 Output 1:

Once Rosfinmonitoring have notified the identity of the Russian members of the Legal Working Group an inaugural meeting will be held. Seminar on confiscation of the proceeds of crime being conducted in cooperation with the Duma and Altai University in Barnaul, Siberia from 3-5 October. Project team have secured the assistance of international experts from Belgium and the Netherlands to participate.

8.2 Output 2:

A study visit for Rosfinmonitoring analysts will be conducted to Czech Republic and Austria to meet with the respective FIUs, UNODC, and OSCE from 8-12 October.

8.3 Output 3:

No activities foreseen but Project Team will continue to offer support to the ITMC in the delivery of their seminars and in securing suitable international experts for them.

8.4 Output 4:

TNA process to identify specific regional training needs of the law enforcement agencies in the various Federal Districts continues by way of desktop research by project team.

8.5 Output 5:

TNA process to identify specific regional training needs of the local regulators and supervisors in the various Federal Districts continues by way of desktop research by project team.