



Project Title:	Project against Money Laundering & Terrorist Financing	
Project Number:	206/126-126	
Country:	Russian Federation	
	Local operator	EC Consultant
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Project starting date:	1 January 2007
Project duration:	42 Months
Project budget:	Euro 3.150.000
Funding:	European Commission / Council of Europe
Implementation:	Council of Europe
Date of report:	4 February 2008
Reporting period:	1 October 2007 – 31 December 2007
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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 was continued by way of desktop research during the 4th quarter reporting period.
- 2.6 The 4th 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 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 8th 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.

3. Summary of project planning for the next quarter [January – March 2008]

The priority for the next reporting period is to build on the relationship with the new head of Rosfinmonitoring and with the senior management of the International Training Centre for Financial Monitoring by undertaking joint activities where possible and appropriate, and thereby ensuring optimum use of resources and effort. Activities foreseen include organising a small workshop in Moscow on 11 February to enable the senior international legal expert to discuss the report of the legal working group with the beneficiary and the

joint organisation with the ITMC of a seminar for law enforcement agencies on 'New trends in ML and CFT' to be held in Rostov on Don on 18-19 March. In addition, the project team will assist the ITMC in the conduct of workshops for law enforcement agencies in Moscow on the operational aspects of the investigation of money laundering. A schedule of such events is awaited from the ITMC. As a result of the intervention of the project team leader, the ITMC have been in direct contact with the UNODC-GPML, Vienna to secure the provision of the UNODC AML/CFT Computer Based Training resource for installation in their Moscow premises. This is expected to be completed by the middle of February and will result in further opportunities for the project to expand its training activities within the Russian state authorities and EAG countries.

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.

4. Project activities & outputs **October 2007 – December 2007**

4.1 Start-Up Activities

The primary concern is still the lack of funds available to the project team for use as office running costs. Although this issue was supposed to be resolved by the end of 2007, it has still not been and unless the situation is resolved quickly the office will cease functioning. At the moment it continues to be managed purely by the goodwill of the office staff using their own funds and resources to do so, the present figure being in excess of Euro 1000 owed to them, and of course this is clearly unsustainable and wholly inappropriate.

4.2 Output 1

A UK lawyer, a Deputy Head of Belgian FIU, the Head of Financial Crimes Department, Europol, and a Judge of Swedish Administrative Court, participated in the project by being members of the 1st Legal Working Group meeting and has committed themselves to remain so until the end of the project. The seminar on confiscation in cooperation with Duma and Altai University was held in Barnaul on 3-5 October 2007. In excess of 70 persons attended and the project facilitated the attendance of international experts from Belgium and Europol.

4.3 Output 2

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].

4.4 Output 3

The ITMC draft strategy and work plan for 2008 has been received and is being evaluated to determine where appropriate assistance can be provided.

4.5 Output 4

Notification has been received from the MVD Academy, Nizhniy Novgorod that before they can participate formally in the project authorisation must be obtained by them from the Minister of Interior. They indicated that they have sought this authorisation and will notify us in due course.

4.6 Output 5

On 12-14 December the long term advisor to the project gave a presentation to the 8th Moscow International Banking Forum of Russian Banks organised by the Association of Russian Banks.

5. Project Team Activities October 2007 – December 2007

5.1 October 2007

- Meeting with senior management team of Rosfinmonitoring and ITMC.
- 1 study visit to Czech Republic and Vienna conducted
- 1 seminar conducted in Siberia

5.2 November 2007

- Meeting with Head of Rosfinmonitoring
- Meeting with Head of North West Inter-regional office of Rosfinmonitoring

5.3 December 2007

- Steering Group meeting conducted
- Legal Working Group meeting conducted
- Participation in seminar for banking sector

6. Conclusions

During this reporting period, development of relationships with the new senior management team of Rosfinmonitoring was a priority and an important meeting was held with the new head of the Rosfinmonitoring to apprise him of the project work plan and objectives, and to seek his active support for the continuance of it. He articulated his support for the project and identified to the project team leader the priorities for his organisation. These are:

- Strengthening the capacities of the inter-regional offices
- Strengthening the skills and abilities of the Supervisory Department
- Supporting the development of the ITMC
- Improving the standard of cross-border [international] financial investigations

In addition, further support was provided to the Rosfinmonitoring in the preparation of the FATF evaluation process, the final on-site visit of which occurred in November. This continues to have an impact on the activities of the project as key interlocutors from both Rosfinmonitoring and the ITMC are full-time engaged on this important work leaving them little time to devote to project matters.

The Steering Group meeting in December enabled the project team to lay out its plans for the remainder of the project and to obtain official endorsement from the beneficiary and the donor.

7. **Annexes**

- Report on seminar – Barnaul, 4-6 October
- Report on study visit – Prague and Vienna, 8 –12 October
- Report on seminar – Moscow, 12 – 14 December
- Report on workshop – Brussels, 18 December
- Experts report from workshop – Brussels, 18 December
- Report on meeting – Brussels, 19 December

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

The following activities are forecast for the reporting period January - March 2008. In addition, there will be continuing focus on research to identify the specific regional training needs and to develop appropriate solutions.

8.1 **Output 1:**

The Legal Working Group has provided an advice paper to the Rosfinmonitoring on the interpretation of certain legal definitions for inclusion in legislation of the RF. The lead international expert to the LWG during a meeting in February will discuss this report with Rosfinmonitoring.

8.2 **Output 2:**

A study visit for Rosfinmonitoring and Ministry of Interior analysts will be conducted to the Netherlands during April to meet with the Financial Crime and analytical department of Europol and with the FIU of the Netherlands.

An international seminar on dealing with the AML issues surrounding the abuse of the fisheries sector in the NW Federal District will be held in June and planning for this event will be undertaken in this reporting period.

8.3 **Output 3:**

The ITMC has organized a number of workshops for law enforcement agency and Rosfinmonitoring staff during February and March and the project team have been invited to assist in their delivery. A full schedule of these activities is awaited from the ITMC.

8.4 **Output 4:**

In March, a seminar titled ‘New trends in money laundering and terrorist financing’ will be held in Rostov-on-Don aimed at law enforcement agency and Rosfinmonitoring staff from the South Federal District.

8.5 **Output 5:**

Planning for a study visit by Rosfinmonitoring supervisory department staff to the UK in May will be undertaken in this reporting period.