



Project Title:	Project against Money Laundering & Terrorist Financing	
Project Number:	206/126-126	
Country:	Russian Federation	
	Local operator	EC Consultant
Name:	Financial Monitoring Committee	Council of Europe Economic Crime Dept
Address:	Myasnitskaya Ul, 39 107450-Moscow	Strasbourg
Tel. number:	+7 095 927 3365	+33 3 9021 4506
Fax number:	+7 095 927 3219	+33 3 8841 3955
Email:	<a href="mailto:kfm@kfm.ru">kfm@kfm.ru</a>	<a href="mailto:alexander.seger@coe.int">alexander.seger@coe.int</a>
Contact person:	Mr S Osipov	Mr A Seger
Signature:	_____	_____

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 January 2008 – 31 March 2008
Author of report:	Simon Goddard – Project Team Leader

## 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 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, the 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.

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

The priority for the next reporting period is to further build on the relationship with Rosfinmonitoring and with the senior management of the International Training Centre for Financial Monitoring, and to explore further contact with the Prosecution Service and Association of Russian Banks. This will be achieved by undertaking joint activities where possible and appropriate, thereby ensuring optimum use of resources and effort. Activities foreseen include organising two workshops in Moscow on 21 & 22 April with the Prosecutor's Office and State Duma on criminal confiscation best practices, and a conference on 29 April with the ARB on cooperation between self-regulating organisations and supervisory authorities.

On 7-12 April a study visit to the Netherlands for Rosfinmonitoring analytical staff to meet with Europol and the Dutch FIU will take place. On 7-8 April the long-term advisor will take part in the EU-Russia dialogue on public order and security to present on the activities of the project. In May a train the trainers seminar on Islamic Financial Instruments in cooperation with the Russian Academy of Sciences will be organized aimed at existing trainers employed within institutions delivering AML/CFT training.

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. Within this context it is planned to organise a seminar in the North West Federal District in June on the issues related to illegal and unreported fishing. Finally, within this reporting period it is intended that the second meetings of the Steering Group and Legal Working Group will be conducted.

### **4. Project activities & outputs January 2008 – March 2008**

#### **4.1 Start-Up Activities**

Complete.

#### **4.2 Output 1**

Contact has been made with the General Prosecutor's Office and the State Duma to examine how the project can assist in the provision of best practice guidelines and legal expertise in the area of criminal confiscation legislation and practices. It is envisaged that this initiative will result in two seminars / roundtables in late April.

#### **4.3 Output 2**

A study visit to the Netherlands [Europol & Dutch FIU] for Rosfinmonitoring analysts is being organized to take place early in the next reporting period.

#### **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. The project team assisted the ITMC in the development and delivery of 5 training workshops for 88 representatives of the law enforcement agencies during this reporting period.

#### **4.5 Output 4**

No specific activities this reporting period.

#### **4.6 Output 5**

On 17 February, L. Fituni the long-term advisor to the project met with senior members of the board of the Association of Russian Banks to discuss cooperation and further events. On 12-13 February, L. Fituni made presentation on international standards of AML and best practices at a training seminar organised by Rosfinmonitoring Supervision Dept. for representatives of 56 leasing companies, and 12 supervisors.

### **5. Project Team Activities January 2008 – March 2008**

#### **5.1 January 2008**

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

#### **5.2 February 2008**

- Meeting with Head of Rosfinmonitoring International Cooperation Department
- Meeting with State Duma re collaborative activities
- Meeting with General Prosecutor's Office re participation in project

#### **5.3 March 2008**

- Meeting with TACIS monitoring team
- Meeting between lead foreign expert on legal working group and head of Rosfinmonitoring legal department to discuss advice paper prepared during LWG.

### **6. Conclusions**

During this reporting period, by agreement the project has sought to work less with the primary beneficiary due to their continuing involvement and pre-occupation with the forthcoming FATF evaluation of the Russian Federation. This has led to increased activity with the ITMC and the undertaking of joint training activities utilising project

expertise alongside ITMC resources. This excellent cooperation has resulted in some 88 persons being trained at very little financial cost to the project budget within this reporting period.

The opportunity has also been taken to establish concrete relationships with the General Prosecutor's Office designed to fully engage them in the activities of the project, specifically in relation to the issues surrounding confiscation legislation and practices and the implementation of the Warsaw Convention ETS 198. In addition, the Association of Russian Banks are now firmly committed to working with the project on the delivery of activities aimed at their members specific interests such as Supervisory Convergence and Politically Exposed Persons.

#### **7. Annexes**

- Report on workshop - Moscow, 20 February
- Report on workshop - Moscow, 21 February
- Report on seminar – Moscow, 28 February
- Report on workshop – Moscow 4 March
- Report from workshop – Moscow 6 March
- Report on seminar – Moscow 18 March

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

The following activities are forecast for the reporting period April - June 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 will hold its second meeting in June. A workshop on the legislative issues of confiscation will be held with the State Duma on 22 April.

##### **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.

##### **8.3 Output 3:**

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

##### **8.4 Output 4:**

Further dialogue with the MVD academy in Nizhniy Novgorod will be sought to develop joint activities. A workshop on practical issues of confiscation will be held with the General Prosecutor's Office on 21 April.

##### **8.5 Output 5:**

A conference on cooperation of self-regulating organisations and supervisory authorities will be held on 29 April. A seminar on Islamic banking will be held in May.